

**HARNESSING ECONOMIC GROWTH IN AFRICA: OPPORTUNITIES AND
CHALLENGES IN THE 21ST CENTURY, 2000 – 2012**

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ABSTRACT

The overall objective of the study was to critically evaluate economic growth in Africa in the 21st century, with a focus on opportunities and challenges that exist thereof, from the year 2000 to 2012. More specifically the study aimed to: provide an overview of economic growth in Africa, assess existing opportunities and challenges of economic growth in Africa and explore some of the key issues surrounding economic growth in Africa.

Cross-sectional survey design was used. The populations of interest were 40 expatriates targeting 10 staff/expatriates from each of the 4 countries selected for this study. The study used both secondary and primary data. Secondary data was obtained from the International Monetary Fund's International Financial Statistics, the Central Banks of Africa, the World Bank, UNDP and the website during the period of 2000 to 2012. Primary data was collected using an interview guide. Content analysis technique was used to analyze the data.

The study found that governance combined with peace, can lead to economic transformation, the core incentives of economic growth. With this, the continent should exploit the maximum benefit from globalization in terms of positive interdependence. The four integrative elements should lead and vindicate African development if adopted by all stakeholders.

The study recommends that since these kinds of observations have limited temporal validity and may carry biases, work should be done to validate, historicize and contextualize them. Such research enterprises are best done in collaboration. More studies are needed to explore the potential and sustainable growth of the African continent as well as the challenges facing economic growth. Harnessing economic growth, is a global necessity which differs in their way of adoption and implementation depending with the world's continents settings all together.

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DECLARATION

This Research Project is my original work and has not been presented for academic purposes to any other University.

Signature: Date:

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This Research Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my father John Mugusuhi Mwita and my mother Ether Rhobi John. May the Almighty God grant them good health and prosperity.

And in loving memory of my departed sister and brother; Rose Boke and Maurice Matiyoni. You were scholars in the making.

ABBREVIATIONS

AfDB:	African Development Bank
AGOA:	African Growth and Opportunities Act
APRM:	African Peer Review Mechanism
AREC:	Africa Research Economic Consortium
CAP:	Common Agricultural Policy
CIB:	Comprehensive Institution Building
DBSA:	Development Bank of Southern Africa
EAC:	East African Community
EPAs:	Economic Partnership Agreements
EPA:	European Partnership Agreement
EU:	European Union's
FDI:	Foreign Direct Investment
GATT:	General Agreement on Trade and Tariff
GDP:	Gross Domestic Product
ISI:	Import Substitution Industrialization
IPRs:	Intellectual Property Rights
LED:	Local Economic Development

MDBS:	Multi-Donor Budgetary Support
MDGs:	Millennium Development Goals
MOC:	Meridional Overturning Circulation
NEPAD:	New Partnership for Africa's Development
SADC:	Southern African Development Community
SACU:	South Africa Customs Union
SAPs:	Structural Adjustment Programmes
SDIs:	Spatial Development Initiatives
SDPs:	Spatial Development Programmers
TRIPS:	Trade Related Aspects of Intellectual Property Rights
U.K:	United Kingdom
U.S:	United States
UN:	United Nations
UNDP:	United Nations Development Program
WHO:	World Health Organization
WTO:	World Trade Organization

CHAPTER ONE

INTRODUCTION TO THE STUDY

Since 1960, Africa has observed over fifty years of unprecedented development policies and remarkable economic growth. Yet the polarization is increasing, with the economic gap between states and people growing. Poverty remains widespread and continues to compromise available opportunities to majority of the continents poorest people. This situation is not only confined to the third world, particularly since the 1980's and 1990's with the worldwide promotion of the neo-liberal economic policies by global governance institutions. Thus millions of people previously cushioned or protected by the state have been thrown into poverty with the transition to market economy. As such, close to one billion people in the world are facing an unacceptable poverty situation and live on less than a dollar per day.¹ About 46 percent of the population of Africa lives below the poverty line. Between 2000 and 2012, the number of people in Africa living on less than a dollar per day rose from 227 million to 313 million, and the poverty level rose from 45 percent to 46 percent.²

This chapter gives background information of economic growth in Africa; it introduces the readers to the topic which is referred to in the consequent chapters. Economic growth in Africa being the main subject of study is well introduced and given a background so as to enable the readers navigate throughout the study to grasp the main subject in study to a logical conclusion.

1 United Nations Conference on Trade and Development, (2010). *Final Review and Appraisal of the Implementation of the United Nations Programme of Action for African Economic Recovery and Development, 2000-2010*, New York: U.N.

2 United Nations, (2011). *The Cocoyoc Declaration*, A/C. 2/292, New York.

1.1 Background to the Study

In recent years, Africa growth prospects have been good because of strong commodity demand and also increasing diversification of trading partners. Based on a World Bank report, in 2011 much of the increased growth of export revenues was due to higher commodity prices. Export values in the region increased about 38 percent in 2011 as compared to 2010.³ Hence, with primary commodities dominating many Africa exports, most countries are benefiting from the improved terms of trade. Due to low levels of regional integration, deficient infrastructure, lack of improved communication services and other economic barriers, Africa has lower rates of intraregional trade and most of its trade is with countries outside of the continent. For instance, Africa's 2009/10 top 10 trade partners are China, the United States, France, India, Germany, the Netherlands, the U.K, South Africa, Japan, and Spain.⁴ Since 2008, China has been the leading trade partner of African overtaking the place of U.S. In 2009, China accounted for 14.6 percent of the region's 2009 imports and 12.6 percent of its exports.⁵

According to the World Bank,⁶ trade between China and most of Africa has been growing by an average of 30 percent a year over the past decade. U.S. imports from Africa represent only about 2 percent of U.S. total trade.⁷ Similarly, U.S. investment in Africa represents a very small

3 United Nations. (2012). *Vienna Declaration and Programme of Action*, as adopted by the World Conference on Human Rights (on 25th June 2010)

4 World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

5 Ho, Kong Weng, and Hian Teck Hoon. (2010). Growth Accounting for a Follower- Economy in World Ideas: The Example of Singapore. Singapore Management University Working Paper 15-2010.

6World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

7 Maddison, A. (2010). *The World Economy: Historical Statistics*. Paris: Organization for Economic Cooperation and Development.

percentage of total U.S. foreign investment. A World Bank report indicated that U.S. trade and investment in Africa has comprised only 1 to 2 percent of U.S. totals.⁸ However, recent World Trade Organization data shows that there is an improvement and an increase of African total merchandise trade (imports plus exports) with the United States from \$59.54 billion in 2009 to \$89.47 billion in 2011.⁹ Many African countries lack market access and face competition in the world market. Wiredu indicated that most of African countries are highly dependent on single primary commodity exports and price volatility in the world market has also been a major issues.¹⁰ Therefore, reducing international trade obstacles has become an important objective. In this regard, the African Growth and Opportunities Act (AGOA), a preferential trade agreement, may enhance access for African goods to markets in the globe to enhance economic growth.¹¹

1.2 Statement of the Research Problem

At the dawn of the 21st century, social scientists studying Africa's development proclaimed a "paradigmatic crisis" and embarked on a quest for new paradigms.¹² Undeniably, conceptions of the nature and purposes of development as well as the theories and strategies for achieving them have remained a territory predominantly traversed by non- African social scientists. The contribution of many African academicians towards a development vision for Africa has been "to echo, often in an opportunistic fashion, the voices of theorists elsewhere in the world". Africa

8World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

9 WTO International Trade Statistics, (2012). Declaration on the TRIPS Agreement and Public Health, WT/MIN (01)/DEC/2

10 Wiredu, K. (2011). *Philosophy and an African Culture*, Cambridge: Cambridge University Press

11 Almond, G. (2007). The Development of Political Development, in Myron Weiner et al. (eds) *Understanding Political Development*. Boston: Little, Brown.

12 Ake, C. (2011). *Democracy and Development in Africa*, Ibadan: Spectrum Books

has always been one of the poorest regions of the world despite its favourable land and abundant resources. The gross domestic product growth declined from 6.4 percent during 1980 – 1989 to 2.5 percent during 1990 – 1999 and to 1.3 percent from 2000-2012.¹³¹⁴ Undoubtedly, the continued fragile nature of the African financial sector cannot be separated from the still brittle state of most of their economies. The dismal economic performance of the region has been widely explained by a number of elements such as famine, drought and civil war, and by the fact that agriculture is the principal economic activity; the region only contributed about 2 percent of global trade in 2003.¹⁵ Nevertheless, it is also recognised that there are other internal explanations for this, such as the dysfunctional nature of financial markets and institutions. Investments remain low in this region, limiting efforts to diversify economic structures and boost growth.

According to the World Bank, Africa economic development is constrained by many structural factors which include limited communications services and infrastructure, high levels of corruption, high dependency on foreign aid to balance budgets and provide basic services, high ratios of foreign debt to national income; lack of technological investment in high potential sectors such as agriculture; the burden of diseases, poverty and ignorance, and high population growth.¹⁶ Even though there are many economic reforms made to facilitate trade, growth and

13 Boahen, A. (2012), (ed), *General History of Africa, VII: Africa Under Colonial Domination 1980 – 1990*, Paris: UNESCO

14 Gran, G. (2012). *Development by People: Citizen Construction of a Just World*, New York: Praeger

15 Hountondji, P, (2011). *African Philosophy: Myth and Reality*, London: Hutchison and Co.

16 World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

development are limited in many African countries by policy choices that restrict trade. Africa is the world's second most trade-restrictive region after South Asia.¹⁷

1.3 Objectives of the Study

The overall objective of the study was to critically evaluate economic growth in Africa both its opportunities and challenges in the 21st century from 2000 to 2012

1.3.1 Specific Objectives

More specifically the study aimed to:

- i. Provide an overview of economic growth in Africa
- ii. Assess existing opportunities and challenges of economic growth in Africa
- iii. Explore some of the key issues surrounding economic growth in Africa

1.4 Literature Review

1.4.1 Introduction

This section presented the literature review on harnessing economic growth in Africa. It summarized the information from other researchers who have studied the field. The review covered both the theoretical and empirical reviews of the existing literature. The theoretical review helped in understanding of the current body of knowledge on the research topic while the empirical review helped in understanding what other related studies have found and suggested. The reviews were used to develop the theoretical framework.

¹⁷Collier, T. Paul, S. & Dollar, F. (2011). Globalization, Growth, and Poverty: Building an Inclusive World Economy. Copublished by the World Bank and Oxford University Press

1.4.2 Definition of Debates

1.4.2.1 Economic Growth

According to Ademuwagun, achieving the Millennium Development Goals (MDGs) will require rapid and sustained growth in African countries.¹⁸ It is now widely acknowledged that financial development plays a significant role in economic growth. According to Arnsperger, banks are the happiest engines that have ever been invented for spurring economic growth.¹⁹

A study conducted by Chenery and Strout demonstrates how agriculture in African countries not only increases growth but also reduces poverty.²⁰ Lucas examines trends in economic growth to Africa over the period 1960 to 2002.²¹ The authors largely emphasize the tremendous decrease growth over the last decade which will have an impact on Africans living in poverty and the African economy as a whole. As a result of the shortfall in economic growth, the MDGs will be much harder if not impossible to be achieved. Mankiw et al., asserts that economic growth in fact does promote growth and reduces poverty. Furthermore, it also positively impacts public sector aggregates, contributing to higher public spending and to lower domestic borrowing.²²

18 Ademuwagun, Z. (2010). *African Therapeutic Systems*, Waltham, Mass: Crossroads Press *African Philosophy*, 1998, Vol. 11, No. 2

19 Arnsperger, C. (2006), *Competition, Consumerism and the "Other"*, A philosophical Investigation into the Ethics of Economic Competition. Louvain-la-Neuve: Institut de Recherches Economiques

20 Chenery, H. & Strout, A. (1996). Foreign Assistance and Economic Development, *American Economic Review* 56: 679-733.

21 Lucas, R. (2011). On the Mechanics of Economic Development, *Journal of Monetary Economics* 22, no.1:3-42.

22 Mankiw, G., Romer, D. & Weil, D. (1992). A Contribution to the Empirics of Economic Growth, *Quarterly Journal of Economics* 107:407-438.

A study by United Nations (2010) investigates the growth in per capita GDP using annual data from the 1960 to 1997 for a sample of 71 aid-receiving developing countries.²³ This paper concludes that the effect of foreign aid on economic growth is positive, permanent and statistically significant. More specifically a permanent increase in foreign aid by \$20 per person results in a permanent increase in the growth rate of real GDP per capita by 0.16 percent. These results are obtained without considering the effects of policies.

1.4.2.2 Development

According to Coetzee and Roux, many studies have focused on financial development and economic growth in developed and developing countries in Latin America, Asia and others, but this has not been the case for developing countries in Africa.²⁴ This has been widely justified either by the lack of sufficient data for analysis or by the fact that financial sectors in these countries are still in their infancy to allow for significant empirical analysis. As this study intends to reveal, there is evidence to suggest that financial sector development is important for growth and poverty reduction. African countries therefore face major challenges in increasing growth, reducing poverty, and integrating themselves into the world economy, since the rates of economic growth in the region are still not adequate to make a real difference in the reduction of poverty and to enable these countries to catch up with other developing nations.²⁵ Given the rapid rate of globalization and the dynamic nature thereof, there is tremendous pressure on Africa to

23 United Nations. (2010). *The Copenhagen Declaration on Social Development and Programme of Action of the World Summit for Social Development*. New York. United Nations. 2010. Resolution 55/2: Millennium Declaration

24 Coetzee, P. and Roux, A. (ed), (2002). *Philosophy from Africa*, Oxford: Oxford University Press.

25 Economic Commission for Africa, (2005). *Striving for Good Governance in Africa: Synopsis of the 2005 African Governance Report Prepared for the African Development Forum IV*, Addis Ababa: ECA.

modernise its financial sectors in line with global trends, standards and best practices, and to avoid being left behind in the dynamic drive for faster, better and safer financial transactions.

Zein-Elabdin acknowledged that without adequate financial sector services, it will be difficult for African countries to attract opportunities that will facilitate the growth of their economies.²⁶ Hence, many studies have shown that countries with better financial sector development attract more foreign direct investment (FDI). This is one of the reasons that capital flows more readily to Latin America, Asia and other countries than to African countries.²⁷ Well-developed financial services are also an indicator of a sound business environment. Experiences in other regions have shown that investors choose countries with stable political and economic environments. Amongst others, open markets, good infrastructural facilities and regulations, efficient financial systems and low production costs are key factors in attracting and retaining foreign investments. The importance of foreign direct investment in economic growth has been widely debated and proven in modern economic literature.

According to Arnsperger, there is a relationship of the financial sector to economic growth globally which has recently been the subject of considerable empirical and theoretical research. The few works that have been published on Africa, especially in regions like Great Lakes, Horn of Africa, West Africa and Southern Africa, have generally concluded that financial development should lead to economic growth. Flowing from these studies as supported by Rodney, the recommendation is that African countries need to expand and improve the efficiency of their

26 Wiredu, K. (2004). *A companion to African Philosophy*, Malden, MA: Blackwell

27 Elabdin, E. (1998). The Question of Development in Africa: A Conversation for Propitious Change, in *African Philosophy*, Vol. 11, No. 2, 1998

financial sectors through appropriate regulatory and policy reforms, in order to promote faster economic growth.²⁸

1.4.2.3 Sustainable Development

Escobar asserts that the developed and developing worlds have been experiencing processes of economic changes. These changes are further compounded by the increasing globalization of the world's economy which poses major challenges in guaranteeing proper conditions for the consolidation of national local small and medium size enterprises. Secondly, centralized policies had little effect on the more marginalized areas of the economy to reassure growth.²⁹ The results of such policies became inevitable, sometimes leading to poverty, exclusion of disadvantaged groups in the society, less safe environment, greater gap between the developed and the less developed counties, more disparity between the rich and the poor, etc. In this vacuum, Local Economic Development (LED) became a viable alternative which intends to solve the problem of local job creation, inclusion of the disadvantaged groups in the communities, ensuring environmental safety nets, improving the welfare of the people within the lower echelon incomes and the participation of communities as a whole in directing their own economic, social and political destiny.³⁰

A study by Anta shows that the macroeconomic environment is essential for growth. In particular, reducing the ratio of the overall fiscal deficit to the Gross Domestic Product (GDP)

28 Rodney, Q. (2002). *How Europe Underdeveloped Africa*. Abuja: Panaf,

29 Escobar, A., 1995, *Encountering Development: The Making and Unmaking of the Third World*, Princeton, NJ: Princeton University Press

30 Gracia, J. E. (ed), (2006). *Latin American Philosophy in the Twentieth Century*. New York: Prometheus Books

may help to increase the growth rate appreciably.³¹ This reduction could be achieved through a combination of policies and measures, including implementing tax reforms, strengthening tax and curbing unproductive spending.

Providing and maintaining an adequate financial service to meet the social and economic needs of the country must be one of the prime functions of governments. They must ensure that the necessary infrastructure and skilled labour are available, as well as create and maintain a transparent and efficient regulatory framework and judicial system that safeguards property rights, adequately enforces contracts, fosters healthy competition, and more generally, ensures good governance.³² All these elements are essential for the better development of the financial sector and for boosting economic growth.

1.4.3 Economic Growth Theories

1.4.3.1 Classical Theory

The classical models of economic development identify three factors of production as land, labor and financial capital.³³ They conceive development as a product of a series of activities undertaken by rational individuals. In the classical perspective, markets are assumed to be complete, characterized by perfect information, perfect competition, complete contracts and perfect contract enforcement. They also assume a fixed rate of saving and a unique development

31 Anta Diop, C. (2004) *The African Origin of Civilization: Myth or Reality*, Westport: Lawrence Hill & Co.

32 Awoonor, K. (2006). Humanities and Globalization: An African Perspective, in *Legon Journal of the Humanities: Special Edition 2006*, Legon: University of Ghana.

33 Wiredu, K. (2011). *Philosophy and an African Culture*, Cambridge: Cambridge University Press.

path. This means that a unique equilibrium where all societies would be equally prosperous is assumed to be the natural long run outcome of the process of development.³⁴

Prominent among the classical development theorists is Adam Smith, who considered capital as the scarce factor among the three classical factors of production.³⁵ Capital accumulation was therefore important in the increase of a society's real wealth. In the view of Smith, there are three production agents namely the merchants, landlords and labourers. The argument by Smith was that economic growth is imperative for poverty alleviation and sustained improvement in people's welfare. This view has come to pass as a dictum in the light of its approval by most development theorists in the classical, neoclassical and modern schools of thought.

Hoekman and Kostecki further classified economies on the basis of these stages and outlined the characteristics on the basis of which an economy would be considered to be in a given stage of development.³⁶ This categorization became the fault line from which most criticisms of the theory emanate. According to Gran, the demarcation, especially between take-off and transitional as well as between take-off and maturity stages is not clear.³⁷ Besides, it is difficult to test the theory empirically because the characteristics are not specific enough to define relevant empirical evidence. The theory also assumed capital constraint and advocated for increased savings, foreign aid and foreign investments to increase the rate of economic growth in developing economies. In this theory, development was equated to economic growth, a fact that has been disputed by indigenous models of growth.

34 Porter, Michael E., Klaus S, & Augusto, L. (2006). *The Global Competitiveness Report 2006–2007*. New York: Palgrave Macmillan.

35 Adam, S. (1961), *Theories of Economic Growth and Development*, Calif, Stanford University Press.

36 Hoekman, B. & Kostecki, M. (2001). *The Political Economy of the World Trading System*, Oxford: Oxford University Press

37 Gran, G. (2012). *Development by People: Citizen Construction of a Just World*, New York: Praeger

1.4.3.2 Contemporary Theory

Contemporary Theory is used to demonstrate the ideology which underpins the basic philosophy in the global market structure as an enabling tool for economic growth, thus leading to poverty alleviation.³⁸ This theory is predicated on the fact that widespread involvement of the state in economic activities was leading to inefficiency and slower rates of economic growth than would have been achieved if the markets were left on their own devices. In opposing, Colclough and Manor inspired claims that international specialization conferred benefits on Third World countries for exporting primary products to the European and American markets and receiving industrial goods in return. Scholars within the United Nations Economic Commission for Latin America (ECLA), particularly Colclough and Manor, held that this international division of labour was at the root of the developmental problems of the Third World.³⁹ This is because it bequeathed to the Third World the position of subordinate incorporation in the global economy polarized into a core and periphery. In the economies of the Third World structured by imperial interests, each sector represents either a residue of the historical process of the expansion of Western European capitalism or a present requirement of capitalism.

The broad sweep of contemporary theory analysis can be reduced to three key ideas. The first is the claim that the relationship amongst countries of the world is better conceived in terms of core/centers and peripheries.⁴⁰ It therefore stresses the historical experience of countries in conceptualizing and analyzing development. The second key idea is the encouragement of the

38Fay, G. & Yepes, F. (2003). Investing in Infrastructure: What Is Needed from 2000 to 2010? Policy Research Working Paper 3102, World Bank.

39Colclough, C. & Manor, J. eds. (1991) *States or Markets? Neo-Liberalism and the Development Policy Debate*, Clarendon Press Oxford

40Rodrik, D. (2003). In *Search of Prosperity: Analytic Narratives on Economic Growth*. Princeton, NJ: Princeton University Press.

Third World to focus on import substitution industrialization. Thirdly, they prescribe an active role to governments in the planning and activation of their economies.

1.4.4 Economic Growth in Africa; Challenges and Opportunities

According to Gyekye, the international growth evidence clearly shows that African nations dominate the group of slow growing economies and comprise the bulk of less developed nations. In addition, although international development agencies assert that generating sustained economic growth in Africa remains the most pressing challenge to global development, little is known about the determinants of economic growth in Africa.⁴¹ Two positions characterize the debate on African growth and development. On one hand, Africa's slow growth has traditionally been explained in terms of the peculiarity of its geography, a predominance of poor policies and lack of institutions that are conducive to economic growth.⁴² Hoekman and Kostecki argue that geography notwithstanding; Africa's slow growth is a reflection of poor institutional infrastructure.⁴³ On their part, the World Bank and other international organizations maintain that the effects of geography and institutions can be overcome with good policies. Therefore, Africa's growth is primarily a reflection of its poor policy choices. Unfortunately, this divergence of views about the relevance and importance of different variables is equally matched by a lack of guidance from economic theory regarding which variables to include in growth regressions.

How Africa is treated in the empirical literature depends on which hypothesis underlies the study. In studies that investigate the applicability of the geography/endowment hypothesis,

41 Gyekye, K., (2007). *Tradition and Modernity: Philosophical Reflections on the African Experience*, Oxford: Oxford University Press

42 Friedman, J. (1992). *Empowerment. The Politics of Alternative development*. Cambridge: Blackwell

43 Hoekman, B. & Kostecki, M. (2001). *The Political Economy of the World Trading System*, Oxford: Oxford University Press

Africa exists primarily as a regional dummy. In this case, African growth is explained as if it is fully accounted for by the deference between Africa and the other regions in the standard explanatory variables, in which case the African dummy will be statistically insignificant.⁴⁴ In other studies, the geography/endowment hypothesis is tested using absolute latitude as proxy for tropical location, access to the sea, initial conditions and measures of natural resources endowment.

So far, the evidence on the geography/endowment hypothesis has been mixed. While Wohlmuth and Nel Etienne found the African dummy to be both large and significant, Baylis and Smith found the African dummy significant only when interacted with investment and the degree of openness but insignificant when interacted with other explanatory variables.^{45,46,47} In addition, Vishny and Shleifer also found that being land-locked and having the Dutch disease account for a significant fraction of Africa's growth shortfall. The study also found tropical location (proxied by absolute latitude) to be significant in growth regressions. Notice, however, that in these studies the underlying assertion is that Africa is not different from other regions with regard to factors contributing to growth.⁴⁸ It is argued that Africa's slow growth is, therefore, partly explicable in terms of particular variables that are globally important for the growth process but are low in Africa.

44 Keita, L. (2004). "Philosophy and Development", in *Africa Development*, Vol. XXIX, No 1, Dakar: CODESRIA

45 Wohlmuth K. (1998), "Good Governance and Economic Development in Africa: An Introduction" in; *African Development Perspective Year Book*; 6, Transaction Publisher London UK.

46 Nel Etienne, L. (1999), *Regional and Local Economic Development in Africa: The Experience of Eastern Cape*.

47 Baylis J. & Smith S. eds. (2005). *The Globalization of World Politics*; Oxford University Press, Third Edition.

48 Vishny, R., & A. Shleifer. (2004). "Corruption." *Quarterly Journal of Economics* 108(3): 599 617.

The actual impacts of institutional variables in growth regressions have equally been mixed. Wormser found that ethno linguistic fractionalization has a negative impact on growth, directly accounting for 35 percent of Africa's growth shortfall.⁴⁹ However, Sacerdoti contend that although ethnic diversity has indeed been costly to Africa, this is because of the low level of political rights.⁵⁰ Due to high correlation between ethnic diversity and poor policies in countries with full democratic rights, diversity appears to have no detrimental effect on growth. In contrast, Porter et al., even found that ethnic diversity actually promotes the formation of human capital by providing the political structures that render credible implicit inter-generational contracts.⁵¹ Moreover, Ravallion found weak support for a direct relationship between corruption and growth. The study found that corruption has a significant negative effect on economic growth, the study also made two findings which are exculpatory to Africa. First, they note that corruption is not inherently affected by ethnic diversity. In addition, he found that the growth effects of corruption seem to be the same in Africa as elsewhere.⁵²

The evidence on the policy hypothesis appears more conclusive than on geography and institutions, although there are differences on measures of policy. The most common measure of the stance of economic policy is openness; although there is little consensus on how it should be measured. Rodrik use market access, access to the sea and their own index, while Sachs and

49 Wormser, M. (2004). "FPSI's Role in Alleviating Poverty and Promoting Growth in Africa." Mimeo.

50 Sacerdoti, E. (2005). Access to Bank Credit in Sub-Saharan Africa: Key Issues and Reform Strategies. IMF Working Paper 05/166. Washington, DC

51 Porter, Michael E., Klaus Schwab, and Augusto Lopez-Claros, eds. (2006). The Global Competitiveness Report 2006–2007. New York: Palgrave Macmillan.

52 Ravallion, M. (2001). Growth, Inequality, and Poverty: Looking Beyond Averages." World Development 29 (11): 1803–15.

Andrew use black market premium and others use real exchange rate misalignment as proxies.⁵³⁵⁴ Notwithstanding differences in measures and variation in magnitudes of marginal impacts, the evidence on direction of impact of openness is unanimous. Economic liberalization and more openness in Africa would increase per capita output growth by 4.1 percent annually, Sachs and Sachs found that the combination of restrictive trade policy, being land-locked and having the Dutch disease account for 1.2 percent of Africa's growth shortfall suggesting a much lower estimate (0.4 percent).⁵⁵ The study also found that a given level of trade restrictions is half as damaging in Africa as is in other less developed countries.

The evidence regarding other policy variables is equally mixed. Although low education, black market premium and lack of financial depth are associated with low growth, the overall effect appears to be modest.⁵⁶ In a nutshell, there is a broad consensus in the growth literature that although Africa is relatively lacking in many socio-political indicators, and while these variables have been found to be significant in growth regressions, there is no evidence that their effect in Africa is different from the rest of the world.

53 Rodrik, D. ed. (2003). In *Search of Prosperity: Analytic Narratives on Economic Growth*. Princeton, NJ: Princeton University Press.

54 Sachs, D. & Andrew W. (1997). Sources of Slow Growth in African Economies. *Journal of African Economies* 6(3): 335–76.

55 Sachs, G. (2001). The Curse of Natural Resources.” *European Economic Review* 45(4–6): 827–38.

56 Maipose, C. (2006). The Indigenous Developmental State and Growth in Botswana. Draft Chapter 15 of the synthesis volume 2 of the African Economic Research Consortium’s Explaining African Economic Growth project.

1.4.5 Literature Gap

The above studies looked at the issue of poverty and economic growth from the view of recipient country's policies as being the key role in the effectiveness of economic growth.⁵⁷ Nevertheless, the studies disagree with the widely-acknowledged view that redirecting aid toward countries with better policies leads to higher economic growth and poverty reduction rates. As a result, based on the findings, evidence is lacking to support the leading belief that directing foreign assistance to countries with good policy will increase the impact on growth or poverty reduction in developing countries. Rather than using a large pool of data for numerous developing countries, Ndulu focuses on innovative ways of making financial aid effective.⁵⁸ The author concluded that mainly MDBS (Multi-Donor Budgetary Support) could be successful, but only if the government of Ghana and its partners plan better and coordinate their efforts. Moreover, the government needs to work on reducing its poverty levels, so it would not use its inflows to service its debt. The author suggests that the MDBS cannot be fully successful until it is entirely synchronized with other forms of project aid and until the inflows become more predictable.

1.5 Justification of the Study

Due to all the reasons previously mentioned, it is evident that there was need to conduct significant research on how to harness and exploit economic growth in Africa. The present study, unlike the previous ones, covered recent data on economic growth in selected African countries and critically analysed the opportunities and challenges therein in the 21st century. The reason for

57 Mkandawire, C. (2010). *Our Continent, Our Future: African Perspectives on Structural Adjustment*. Trenton, NJ: Africa World Press, Inc.

58 Ndulu, J. (2004). *Infrastructure, Regional Integration and Growth in Sub-Saharan Africa: Dealing with the Disadvantages of Geographical and Sovereign Fragmentation*. Paper presented at the AERC Plenary Session, Nairobi, December.

the choice of Rwanda, Ethiopia, Ghana and South Africa as countries to be studied was dictated by the availability of long-term time series data and also by the facts that the country's economic growth was ambiguous and furthermore, that there was need to conduct similar studies on countries at different stages of development. As argued by Ndulu and as just mentioned, it is therefore necessary to conduct similar studies in countries at different stages of development in order to reach a more valid and logical conclusion regarding the opportunities and challenges in the 21st century in economic growth, especially in developing countries.⁵⁹

For this reason this study has chosen two sets of contrasting countries, namely, Ghana and South Africa, which is considered as an upper middle-income country, and Rwanda and Ethiopia, which is a lower middle-income country, according to the classification of the World Bank.⁶⁰ The four selected countries also differ in terms of their historical colonization and have inherited different legal systems for their economic sector. Moreover, from all the studies that have been conducted in Africa with regards to the importance of economic development, most have focused mainly on the south or east of Africa.

Having said this, this study was different from many others with regard to the arguments previously mentioned. In addition, it is not common to consider the evolution of the economic growth of one country over a long period, which is the intention of the present study. However, the aim of this study, as with many other studies that have been conducted in this field, was to show African countries a new way in which to focus their economic objectives, and to identify

59 Ndulu, B. (2006). Policy Plus: African Growth Performance 1960–2000. Draft Chapter 1 of the synthesis volume of the African Economic Research Consortium's Explaining African Economic Growth project.

60 World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

whether or not policy-makers of the these countries should gear their policies towards focusing on the opportunities and work on the current challenges in order to stimulate economic growth.

1.6 Hypotheses

- i. Political factors dictate economic growth in Africa
- ii. Africa's economic competitiveness can be achieved by taking advantage of the opportunities and addressing the challenges
- iii. Poverty and corruption are some of the key issues hampering economic growth in Africa

1.7 Theoretical Framework

The study was anchored on growth theory. According to the theory, the economics of modernization is best described as the work of Keynes simultaneously absorbed into a refreshed neo-classical orthodoxy.⁶¹ Elaborating on Adam Smith's political economy, neoclassical economics emphasizes the critical role of market mechanisms, especially competition, as well as the accumulation of wealth and investment to economic growth. To this was added the views of David Ricardo, who augmented Smith's sources of growth with technical innovations and international trade based on the comparative advantage of productive inputs in participating countries.

On the other hand, Keynesianism holds that if the total level of expenditure in an economy falls below that which is necessary for full employment, then the shortfall should be made up by government spending.⁶² Government borrowing to finance expenditure is justified as this

⁶¹ Keynes, J. M., 1936, *The General Theory of Employment, Interest and Money*, London: McMillan & Co, (rendered into html for the University of Adelaide Library, at <http://etext.library.adelaide.edu.au/k/k44g/html>)

⁶² African Philosophy, 1998, Vol. 11, No. 2

spending will boost economic activity. It would seem that Keynesianism was admitted into the folds of modernization because it was desirable to promote a suitable rate of growth in countries receiving Western aid, and this lent credence to the notion that deliberate intervention in an economy in order to raise its level of activity was allowable. Modernization implied growth but in applying the school in Africa, this growth was conceived to have better come through the functioning of liberal market economies.

The growth theory harnesses the idea which defends the emergence of LED, in providing the theoretical arguments for poverty alleviation through collective efforts especially the vulnerable poor. The manifestation of the empowerment theory to economic growth initiative is obvious as it blends the practical reality and theoretical framework within which this concept operates by encompassing all the facets of 21st century both on opportunities and challenges. This theory lays much attention to participation, capacity building, economic improvement, democracy and transparency, which are the grand words in Africa economic growth.⁶³

These theoretical considerations provide various perceptions on how poverty can be overcome. However, like any social problem within the field of social sciences, the problem question seem to beg for an answer as to whether a theoretical understanding per se of social problems is sufficient to offer a complete solution to the problem itself. Therefore, it became necessary to look at the concept of good governance as it is very relevant for the overall development policies of Africa. It enables the application of development policies in virtuous manner for enhancement human welfare. In this light, it creates the basic extra economic conditions for development.

63 Stirrat, R. L. (1996). *The New Orthodoxy and Old Truths: Participation, Empowerment and Other Buzz Words* in Bastian S. and Bastian N. (eds.) *Assessing participation - a debate from South Asia*, Konark Publisher Ltd. Delhi

1.8 Research Methodology

Africa was considered as an economic possibility to strengthen the capacities of communities laying emphasis on local needs and local resources. It focused on political factors, environmental factors and social factors competitive advantage as a means to identify new opportunities, create jobs, income and develop local infrastructure. In this light, this research work strived to present the research design which aimed to investigate the research hypotheses.

This study aimed to achieve both a more complex and fuller explanation of opportunities and challenges in harnessing economic growth in Africa. It aimed to achieve this through the narrow or idiographic explanations as well as the nomothetic (fuller) explanations of economic growth in Africa and poverty as spelled out in the problem question within this research. This did not only give the narrower explanation but also a full explanation of harnessing economic growth in Africa. Furthermore, this research examined the case as a whole (holistic), which is opportunities and challenges in the 21st century in Africa and a case as consisting of various levels or components (embedded units), that is, background, the developmental, the urban economic growth and the rural economic development in Africa. This enabled the research to build a much fuller and a different picture of harnessing economic growth in Africa by incorporating the experiences and perspectives of these factors as subunits. It is imperative to avoid examining a specific constituent element (embedded unit) of harnessing economic growth in Africa because the other embedded units will build up an extensive or extended picture of the case by taking into account the information gained from the other levels holistic or the case as a whole. The study adopted a cross sectional survey. Cross-sectional surveys attempted to go further than just providing information on the frequency (or level) of the attribute of interest in the study population by collecting information on both the attribute of interest and potential risk factors. In

this study, the populations of interest were 40 ambassadors targeting 10 staff/expatriates from each of the 4 countries selected for this study.

The study used both secondary and primary data. Secondary data was obtained from the International Monetary Fund's International Financial Statistics, the Central Banks of Africa, the World Bank, UNDP and the website during the period of 2000 to 2012. Primary data was collected using an interview guide. Open ended questions were used to elicit more information from respondents to complete any missing links. The interview guide aimed at answering the study questions and it meets the research objectives. The choice of this tool of data collection was guided by the time available and the objectives of the study. Interview guide provided a high degree of data standardization and adoption of generalized information amongst any population. Data analysis answered the research questions and assisted in determining the trends and relationships among variables. Content analysis technique was used to analyze the data. Findings which emerged from the analysis were used to compile the report. Content analysis is defined as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to related trends.⁶⁴

1.9 Chapter Outline

Chapter one of the study constitutes introduction, background of the study, statement of the problem, objectives of the study, significance of the literature review, theoretical framework, hypotheses and research methodology.

⁶⁴ Preece, R. (1994). *Starting Research – An Introduction to Academic Research Dissertation Writing*. Great Britain. Pinther.

Chapter two discussed the historical view and different economic and development theories related to the study. Relevant aspects of Africa economic growth issues and theories addressed.

Chapter three discussed the opportunities and challenges in the 21st century, a critical evaluation from the year 2000 to 2012. In this chapter, a literature review was provided on the concept of harnessing economic growth in Africa. Specific focus was leveled on political, environmental and social factors.

Chapter four discussed harnessing of economic growth in Africa- opportunities and challenges, an analytical evaluation: In this chapter, the emerging issues from the interviews were critically analyzed in a more scholarly perspective.

Chapter five focused more on the conclusions. In this chapter the researcher concluded, gave recommendations made and final analogies of the research were drawn.

CHAPTER TWO

ECONOMIC GROWTH IN AFRICA: AN OVERVIEW

2.1 Introduction

This chapter reviewed the different indicators of business growth and economic development across Africa, pointing out some opportunities and challenges, with the main area of interrogation being history of African economies, economic opportunities in Africa, challenges, economic growth and finally the International Political Economy (IPE) and its relevance to African economies in the 21st Century.

2.2 History of African Economies: An Overview

African countries have achieved impressive rates of economic growth since the mid-1990s, second only to those of East Asia.⁶⁵ This has led to considerable debate about whether or not this improved economic performance can be sustained. For example, a December 2011 leader in *The Economist* argued that ‘after decades of slow growth, Africa has a real chance to follow in Asia’s footsteps’.⁶⁶ Indeed, optimists point not only to a boom caused by high prices for primary commodities, but also to improved macroeconomic policies, democratization and the transformation of industrial and service firms by information and communications technologies. However, more skeptical commentators single out continued political instability, corruption and weaknesses in transport and energy infrastructure.⁶⁷

65Ikejiaku, B. (2008). Africa Debt Crisis and IMF, with a case of Nigeria: Towards Theoretical Explanations. *Journal of Politics and Law*, Vol.1, No.4, Dec. 2008 pp2-8.

66Rostow, W. (2012). *The Stages of Economic Growth*. Cambridge University Press: Cambridge.

67Soremekun, K. (2011). The International Dimensions of Governance, In Hyden, G. Okoth-Ogendo, H. and Olowu, B. (Eds.) (2011). *African Perspectives on Governance*. Africa World Press: Trento NJ pp.267-293.

Both optimists and pessimists have looked back to the period of rapid growth following the end of the Second World War and Africa's subsequent reversal in the 1970s.⁶⁸ Observers who view the continent's economic growth more favorably have argued that this reversal resulted from the challenges of decolonization and that conditions today are different, while skeptics have argued that the export-led growth of the current boom is similar to that of the 1950s and 1960s.⁶⁹ A longer view of Africa's economic history, however, suggests that periods of rapid growth, followed by reversals, have characterized African economic performance for several centuries.⁷⁰ These reversals have limited long-run improvements in per capita income. Both the periods of growth and the reversals have been driven by changes in the external demand for primary commodities.

Recent research in African economic history has revised the narrative of unrelenting failure that characterized studies of African economies in the 1990s. A good example is the 'Africa dummy' literature inspired by Agyakwa, which sought to explain why African countries seemed to have lower-than-expected rates of growth between 1960 and 1990.⁷¹ Further detailed research into African economic performance during that period confirms it is a story not of persistent failure, but rather of periods of growth, followed by reversals which often erase any gains that were made during the growth spurt. Since 1950 most African countries have followed a general pattern of growth and reversal. Two decades of relatively rapid growth from 1950 ended with the oil crisis of the 1970s, and were followed by stagnation or negative growth in the 1980s and

68 Action Against Hunger and Poverty, (2004). *The New York Declaration on the Action Against Hunger and Poverty*; at www.mre.gov.br/ingles/politica_externa/temas_agenda/acfp/final_declaration.doc

69 Women's Consortium of Nigeria. (2004). *Nigeria NGO Report of the Decade of Review of the Implementation of Beijing Platform for Action* (Beijing). Final Version, prepared by (WOCON) August 2004: Lagos Nigeria.

70 Ake, C. (2010). *Social Sciences as Imperialism: The Theory of Political Development*. Ibadan University Press: Ibadan.

71 Agyakwa, K. (2006), *Akan Epistemology and Western Thought*, Unpublished PhD dissertation submitted to Teacher's college, Columbia University

1990s. In most countries, the recent revival of growth began in the late 1990s, offsetting some of the decline of the previous two decades.⁷² However, the growth patterns of African countries also reflect the diversity of the continent as a whole.

2.3 Pre-requisite for Economic Growth in Africa

2.3.1 Governance

Good governance is a pre-requisite in building an enabling environment for economic development. This involves designing and implementing policies to boost fledgling sectors and ensuring that they can be developed in an environment that allows them to flourish and contribute more to the national economy.⁷³ At the regional level, there is an efficient co-ordination among different decision-makers and stakeholders in the regional and global economic environment. These national and regional, public and private, individual and institutional leaders constitute the “executive drivers” that shape the governance framework for development.

Executive drivers are important for development in many ways. One is through the prudent economic management of natural resources. Also, the government has played an important role in establishing the regulatory framework that supports economic activity to ensure a healthy business climate.⁷⁴ This is particularly important because many African countries, unlike their counterparts in the developed world, often have weak private sectors and industries, making them more dependent on government interventions to thrive. Of course, the public service needs increased institutional capacity to implement business-friendly reforms. One example of such

72Nnoli, O. (2010). (ed.) *Path to Africa Development*. Zed Press California: USA.

73Rustow, D. (2010). *Transitions to democracy: toward a dynamic model*. Lynne Rienner Publisher: Boulder.

74Todaro, M. (2007). *Economic Development in the Third World*. 2nd edition: New York; also available at http://encyclopedia.calendarhome.com/cgi-bin/encyclopedia.pl?p=Economic_develop... (05/05/2007).

government action is the reform of customs procedures and loosening administrative burdens for trade so that it is easier for manufacturers to export their products and import goods. Africa is not as competitive as comparable regions on a host of trading regulations.⁷⁵ The high cost of importing and exporting, along with lengthy time delays and cumbersome administrative process, make it difficult for African enterprises to increase trade volumes and discourages them from expanding their product base in the first place. At a regional level, national economies need to harmonise their standards to ensure that goods and labour can move freely across borders.

Government intervention is also important when responding to economic developments that offer opportunities for boosting development. For example, the global financial crisis has led to a drop in the prices of commodities, and has affected African countries which rely solely or predominantly on a few, or even one commodity. This was the case for Botswana, for example, where diamond sales dropped sharply. But the Government of Botswana, which is widely considered to be one of the best-run economies in Africa, was able to mount a swift response, with the help of a US\$1.5 billion loan from the African Development Bank (AfDB).⁷⁶ Part of this response included a strategy for diversifying the economy away from diamonds by creating a number of “hubs”, or economic areas, as part of this strategy. This is an example of how government action has boosted development.

75 Adedeji, A. (2010), “Dimensions of the African Crisis”, Keynote Address to the Conference on the Economic Crisis in Africa, October 25-28

76 African Union Commission, (2004). *Strategic Plan of the African Union Commission, Volume 1: Vision and Mission of the African Union*, Addis Ababa: AU

2.3.2 Role of the Private Sector

The private sector has also played a role in boosting development, by driving innovation and economic activity in under-exploited sectors. It can, for example, invest in Research and Development for new activities.⁷⁷ Moreover, private companies often stand at the frontier of new sectors and bring innovation to the economy. But many enterprises in Africa are informal, small-scale, and lack access to capital, making it difficult for them to fully exploit business opportunities. In this case, the Government should find ways to boost entrepreneurship, by creating favourable industrial and trade policies and eliminating bureaucratic obstacles to starting businesses. Governments should be sensitive to the needs of the private sector, such as by improving the business climate through “outreach” for constructive partnerships with the private sector.⁷⁸

Similarly, the private sector should reciprocate by engaging with government initiatives and should take the lead in driving the agenda for developing the economy. There is no shortage of business opportunities in Africa and the private sector is best placed to exploit them. Rapid economic growth has long been viewed as the key vehicle through which African employment might be expanded, thereby helping to alleviate poverty. In the early years of independence, numerous countries were able to achieve relatively sustained growth.⁷⁹ The beginning of the new millennium has also been marked by a relative improvement in the macroeconomic performance in Africa. The average annual growth rate in the African economy for the 2000-03 periods is

77 UNCTAD. (2003). “Capital Flows and Growth in Africa.” UNCTAD, Geneva, Switzerland.

78 Ayres, R. & Clark D. (1998) “Capitalism and Dependency” in *Capital and Class* # 64 ISSN 03098168.

79 Ghauri, P. & Grønhaug, K. (2002), *Research Methods in Business Studies: A Practical Guide*, Second Edition London, Prentice Hall.

estimated at about 3.5 per cent, compared to 2.5 per cent in the 1996-99 periods.⁸⁰ This gradual improvement in macroeconomic performance is attributed to the introduction of economic reforms which have resulted in increasing macroeconomic stability, the cancellation or reduction of some of the foreign debts of some countries, or increased aid flows.

2.3.3 Natural Resources

For many African countries the natural resource sectors (oil, gas and mining) are important parts of the economy. If harnessed right, these natural resources can constitute a huge opportunity for development. By exploiting its natural resource base, in essence converting its underground minerals and agricultural potential into human and physical capital to create inclusive growth, Africa could by 2050 become factory and granary to the world, just as Britain and the US were the factories and the US and Argentina the granaries in the second half of the 19th century, followed by China and Australia in the 20th century.⁸¹ This is a vision of economic convergence for Africa's resource-rich economies, where these countries "catch up" with other high and middle income countries to narrow the gap in per capita income and development outcomes. Over the next 40 years the African continent could build on its natural resource and agricultural production base to become an important supplier of intermediate and finished goods and agricultural products, relying on a diversified private sector and a high degree of economic and geographic integration. Africa's factories and agribusiness processing centers, linked by world class regional infrastructure (rail, road, electricity and information and communication technology) to its raw material production centers and farms, could transform these inputs into

80 Hodgson, M. (2001), "Polanyi, Karl (1994-2001)" in *RoutledgeEncyclopaedia of International Political Economy*, Volume 3: Entries P-Z, Routledge, Taylor and Francis Group, London.

81Schmidt, J. (2004). Rethinking the Nexus between Development Theory and IR: From Old Divisions to New Encounters, DIR Working Series No. 107.

intermediate and finished products, from where they would be exported to clients on the continent and across the world.⁸²

By 2050 Africa could also possess a significant service sector, particularly in natural resource extraction-related activities such as mining finance, technical design, and environmental and social analysis.⁸³ The continent could be home to major multinational corporations operating in the extractive industries across the globe. Among the various factors that have the potential to drive economic growth, a country's natural resources are crucially important. These resources can be exploited to increase the range of exports and goods a country produces, especially through beneficiation, whereby additional value can be created from the resources extracted. However, Africa's great potential is often unrealized because of suboptimal government management of natural resources and a failure to use the gains from resource exploitation to further other economic activities.⁸⁴ For example, the profits from exporting minerals can be used to develop manufacturing, tourism and services, thereby broadening the country's economic base.

In many African countries, it was generally held that the key to industrialization and development was the continent's comparative advantage in resource extraction. Returns generated from resources would spur the diversification of exports. As in other developing regions, ambitious import substitution programmers were embarked upon, aimed at stimulating domestic industry and manufacturing in particular. So far, slow progress has been made in

82Syrett, S. (1995), *Local Development: Restructuring, Locality and Economic Initiative in Portugal*; Published by Avebury

83 Willis, K. (2005), *Theories and Practices of Development*; Publisher Routledge, Taylor and Francis Group, 270 Madison Ave, New York, NY 1006.

84Canzanelli, G. (2001), "Overview and Learned Lessons on Local Economic Development, Human Development and Decent Work.

shifting the African economy away from agriculture and resource extraction towards manufacturing activities. During the 1990s, agriculture accounted for between three-fifths and one-third of total output in half of the African economies for which data are available, while for manufacturing the range was between one-tenth and one-third of total output.⁸⁵

2.3.4 Regional Factors

Regional integration is an important strategy for facilitating trade and commerce. This includes reforming customs administration systems to make it easier for entrepreneurs to transport their goods freely. It also consists in Spatial Development Initiatives (SDIs) or Spatial Development Programmers (SDPs), which are usually trans-frontier in format and have transport corridors as their main component.⁸⁶ They are largely driven by RECs and national governments with strong support from key African development institutions such as the African Development Bank (AfDB) and the Development Bank of Southern Africa (DBSA). By their nature, spatial initiatives aim to promote growth by increasing development of the various national economies in which the SDPs are located and stimulate cross-border economic activity and regional economic integration.

Because many African countries share certain geographic features such as river basins, mountain ranges and lakes, and because of the small size of the domestic market, regional integration becomes an important aspect of any economic growth strategy.⁸⁷ Some countries have

85 Klassen, M. (2004). the Cost of Missing the Millennium Development Goal in Gender Equity. *IZA discussion paper*, No. 1031, February.

86 Abudu, A. (2000). Counterproductive Socio-Economic Management in Ghana, in Lauer, H (ed.), *Ghana: Changing Values Changing Technologies: Ghanaian Philosophical Studies, II* Washington D. C.: Council for Research in Values and Philosophy

87 Williamson, J. (2000), "What Should the World Bank Think about the Washington Consensus?" in, *The World Bank Research Observer*, vol. 15, no. 2, PP. 251 – 264 (2000).

overlapping memberships in regional associations. Tanzania, for instance, is a member of both the East African Community (EAC) and the Southern African Development Community. Similarly, Angola is linked to regional organisations from both Central and Southern Africa. However, cross-cutting regional and geographic associations need not be a liability for these and other countries. A number of North African countries have taken advantage of both their geographic location in North Africa and their proximity to the European and Mediterranean markets. Tunisia, for example, has strong economic ties to the Mediterranean region and the EU, and Algeria has strong ties to both the Mediterranean region and to Saudi Arabia and Jordan in the Middle East. These countries have increased their access to multiple regional economic spheres which can serve as markets for their products. This, in turn, has potentially broadened domestic production and fuelled economic growth.⁸⁸

2.4 Economic Growth in Africa: Challenges

2.4.1 Political Volatility

Almond and Verba identifies two generations of literature on African economic growth since the 1960s. The first explained Africa's disappointing economic performance by focusing largely on the policies pursued by African governments after independence. The second emphasized other factors besides policy failure and looked further into history to understand the origins of Africa's failed institutions. In similar fashion to the literature on Europe, studies of institutional obstacles to growth in Africa have exhibited tension between the need to increase the capacity of the state and the importance of constraining its ability to violate property rights. The first-generation literature argued that a major source of growth failures was the intervention of African rulers in

⁸⁸Nel E. & Ian G. (2006). Investigation of Pro-Poor Local Economic Development in South Africa.

their countries' economies for largely political purposes. Indeed, one of the main purposes of the many structural adjustment reform programmes implemented in the 1980s and 1990s was to limit the capacity of African rulers and ruling parties to interfere in their economies in order to capture rents with which to reward supporters.⁸⁹ The second generation of institutional literature has sought to explain why African states have relied on political structures dependent on rent-seeking and patron–client networks. Explanations have included geographical endowments, such as low labor to land ratios and the legacies of colonial rule.⁹⁰

In a recent survey, Salish brings these strands of thinking together, arguing that ‘to generate sustained economic development requires not just the formation of centralized polities, but also the removal of the absolutist and patrimonial tendencies of such polities’.⁹¹ They argue that it was the late formation of centralized states, together with their absolutist nature, that provided the foundation for Africa’s relative poverty today. Abraham also links limited capacity and predatory tendencies.⁹² He describes African states as ‘gatekeeper states’, who depend on controlling access to external markets to maintain their authority. Gatekeeper states use this control to incentivize cooperation by clients, who rely on the state to gain access to trading profits and imported goods. This description applies equally to pre-colonial, colonial and post-independence states. The failings of colonial institutions were one reason why the expansion of

89 Almond, G. & Verba, S. (2003). *The civic culture; political attitudes and democracy in five nations*. Princeton University Press: Princeton.

90 Olowu, D. (1990). Centralisation, Self-Governance, and Development in Nigeria, in Wunsch, J. and Olowu, D. (1990). eds. *The Failure of the Centralised State; Institution and Self Governance in Africa*. Westview Press Boulder: San Francisco USA, pp. 193-244.

91 Salih, M. (2003). *Governance, Information and the Public Sphere*. United Nations, Economic and Social Council, Economic Commission for Africa: Addis Ababa, Ethiopia.

92 Abraham, W. (2010). *The Mind of Africa*, Chicago: Chicago University Press.

the franchise and political competition at independence was one of the major sources of optimism about Africa's future in the 1950s and 1960s, just as they have been since the 1990s. Unfortunately, the democratic institutions introduced at independence came under almost immediate threat in many of these countries, as public funds were used for patronage projects and democratic governments were replaced by military dictatorships and one-party states.⁹³

2.4.2 Trade Barriers

At present, Africa accounts for about 3 percent of the world's GDP and world trade, with a share in global manufactured exports close to zero.⁹⁴ This weak integration in the global economy is a result of the failure of most countries in Africa to become competitive trading partners in a broader range of economic activities worldwide. However, African countries can embrace emerging opportunities such as by building economic partnerships with emerging markets through South-South co-operation. In addition, the Copenhagen climate change meetings in December 2009 have led to new possibilities of international support for "greening" African economic growth but existing mechanisms such as the Clean Development Mechanism, which provides emission reduction credits to private companies investing in sustainable energy projects in developing countries, is seldom used so far in Sub-Saharan Africa due to difficulties for the private sector to apply it in the current context over the continent. But institutional measures such as establishing feed-in tariffs to make investment in renewable energy projects lucrative could help to overcome private investors' reluctance to seize this new economic opportunities.⁹⁵

93 Bauer, P. (2010). *Equality, The Third World and Economic Delusion*. London: Wiedenfeld and Nicholson.

94 Ramose, M. B. 2002, *African philosophy through Ubuntu*, Harare: Mond Books

95 Sardar, Z. (1999). (ed), *The Revenge of Athena: Science, Exploitation and the Third World*, London: Mansell

Intra-African trade is quite low, and its external trade volumes and destinations not well-diversified. Some of the factors behind this include: the economic structure of African countries, which constrains the supply of diversified products; poor institutional policies; weak infrastructure; weak financial and capital markets; and failure to put trade protocols in place. External barriers to trade include the faltering progress in concluding the Doha Round, mainly because of lack of agreement over market access for agricultural goods, and the lack of progress in the negotiations over Economic Partnership Agreements (EPAs). Moreover, there are 15 landlocked countries in Africa and their distance from the sea raises their transportation costs and undercuts their export competitiveness.⁹⁶ To address these problems, various African countries have made efforts to create common markets and there has been some success, including the launch of the COMESA customs unions and the common market of the East African Community (EAC), which will facilitate free movement of labor and goods among its members. This is important because while Africa's exports to the rest of the world are often focused around a few primary commodities; intra-African trade is more evenly distributed among fuels, non-fuel primary products and manufactured goods. As intra-regional trade grows, it can be expected that the range of exports will follow suit as well.⁹⁷

2.4.3 Public Policy

The other set of constraints is largely historical, institutional, or policy related, and can be acted upon in the context of public policy. These constraints affect investment incentives through reducing risk-adjusted returns to investment, and hence raising the hurdle rates for those seeking

⁹⁶ So, A. (1990). *Social Change and Development*. Newbury Park, CA: Sage Publications

⁹⁷ Torado, M. (2005). *Economic Development in the Third World*, New York and London: Longman

to invest in the region; raising transactions costs affecting profitability of enterprises, as well as competitiveness of products; and limiting absorption and constraining productivity growth due to capacity shortfalls. It has been largely accepted that some of the reasons for Africa's slow growth are external. During the 1980's, the World Bank, the International Monetary Fund and external donors blamed the trade policies and the exchange rate as the main causes.⁹⁸ Moreover, there are other factors that are related to destiny. Boahen emphasized that Africa's population is peculiarly landlocked. Most of the people are far away from the coast or navigable waters.⁹⁹

For over 40 years, Africa focused on extracting and exporting natural resources and its contribution to the world's development. On average, Africa holds 9 percent of the oil production on the planet and exports 15 percent of it; 8 percent of the world's gas proved reserves and 5 percent of the world's gas production. Moreover, According to the Deutsche Bank Research Report, Africa owns 60 percent of the world's diamonds, 40 percent of the world's phosphate and 30 percent of the world's cobalt resources.¹⁰⁰ Therefore, the extractive industries (oil, gas and mining) are a dominant source of revenues to many African countries. However, despite these large deposits of natural resources, Africa is still a poor continent. Many countries from Asia and United States proved that technological discoveries can overcome nature's deficiencies and can grow very fast.

Africa is divided in smaller countries in terms of population. Very small states might be economically disadvantaged for several reasons. If the government has some fixed costs, either in its administrative role or as a provider of services, then it may be hard for a small state to

98 WTO International Trade Statistics, (2012). Declaration on the TRIPS Agreement and Public Health, WT/MIN (01)/DEC/2

99Boahen, A. (2012), (ed), *General History of Africa, VII: Africa Under Colonial Domination 1980 – 1990*, Paris: UNESCO

100Todaro, M. (2007). *Economic Development in the Third World*. 2nd edition: New York; also available

perform at minimum cost. Moreover, some domestic markets will be too small for even the minimum efficient scale of production of a single producer, thus all domestic markets taken alone will be less productive than in larger economies.¹⁰¹ Investors will not be interested in spending money since the risk is too high.

2.4.4 Underdeveloped Human Capital

The method in which Europeans handled the colonies was by enforcing the local population to vote for liberation. This gave rise to many African movements and riots. One of the most important was Pan-Africanism. This is a movement which seeks to unify African people into “one African community”. As a philosophy, Pan-Africanism represents the aggregation of the historical, cultural, spiritual, artistic, scientific and philosophical legacies of Africans from past times to the present. Pan-Africanism as an ethical system traces its origins from ancient times, and promotes values which are the product of the African civilization and the struggles against slavery, racism, colonialism, and neo-colonialism.¹⁰² Pan-Africanism is seen as a product of the European slave trade. Enslaved Africans of different origins and their descendents found themselves stuck into a system of exploitation that considered them only good in this matter. This African movement set aside cultural differences and called unity to defeat the exploitation. An early form of Pan-Africanism was Ethiopianism which was considered a religious movement. Colonizers also tackled various types of policies, none of which resulted in a successful outcome.¹⁰³

101 Wiredu, K. (2011). *Philosophy and an African Culture*, Cambridge: Cambridge University Press

102 Sachs, W. (2009). *Global Ecology A New Arena of Political Conflict*. London. Vol. 2, No. 1 *Journal of Politics and Law*

103 Marke, D. (2007). *Will Africa Ever Be Able To Replicate Successful Economies?* Standard Times Press: West Virginia.

Overall, the 19th century produced significant changes in the social order and political landscape of many African nations by using the modernization theory; it is a theory of development which states that development can be achieved through following the processes of development that were used by the currently developed countries.¹⁰⁴ The modernization theory sees the state as an agent of social and economic development. Modernization theory is integrated in the theory of globalization which states that cultural and economic factors are the determining aspect in every society, considers nation-state category as a unit of analysis, and encourages faster and easier communication and economic transactions.¹⁰⁵

Colonialism results in the temporary or permanent domination of the colonizer's mindset over the people of another. The colonizing process forces nations and cultures to adapt to evolving circumstances and when it ends, the victims of the occupation either remain the subjects of a settler colony, or in the case of the African colonies, they attempt to re-construct their societies or to re-establish their cultural identity. The process of colonizing forces both parts to search for new ideas, aspirations and resources. Both colonizers and colonized population were unprepared for the situation.¹⁰⁶ Colonizers came from a different, more evolved world, than what existed in Africa; it was better equipped with technology, implemented political and economic systems, and was more educated. On the other hand, Africans were the opposite and change was very difficult to bring forward. Africa is also a continent disadvantaged by nature and destiny. The climate is adverse and many of the countries are landlocked which results in a slower economy.

104 Action Against Hunger and Poverty, (2004). *The New York Declaration on the Action Against Hunger and Poverty*.

105 Soremekun, K. (2011). The International Dimensions of Governance, In Hyden, G. Okoth-Ogendo, H. and Olowu, B. (Eds.) (2011). *African Perspectives on Governance*. Africa World Press: Trenton NJ pp.267-293.

106 Almond, G. (2007). The Development of Political Development, in Myron Weiner et al. (eds) *Understanding Political Development*. Boston: Little, Brown.

2.5 International Political Economy (IPE) and its Relevance

The United States, the European Union, and China cumulatively count for nearly 70 percent of African trade. World trade shrunk by 11 percent in 2009, its first decline since 1982 and reportedly the biggest drop since the mid-1940s.¹⁰⁷ Advanced economies were the hardest hit, with exports projected to drop by over 13 percent, but poorer nations including Africa saw their exports fall by over 6 percent. African exporters are suffering from the decrease in global demand. For example, total exports to the United States from all 41 countries eligible for trade benefits under the African Growth and Opportunity Act (AGOA) declined by 63 percent in the first half of 2009, compared to the same period of 2008.¹⁰⁸

While Africa accounts for less than 2 percent of global trade, many African economies depend on trade in commodity exports, whose prices on the world market have declined drastically due to the global crisis. The price slump in oil and many mineral commodities, combined with decreased external demand, dealt a severe blow to the region: oil and other mineral fuels represented 68 percent of African exports to the world by value in 2008; ores, slag and ash about 14 percent; and precious stones about 4 percent.¹⁰⁹ African countries are thus exporting less on average, and at lower prices, than a year ago. Investor perceptions of risk have exacerbated the impact of falling commodity prices for resource-rich African countries that are also fragile or post-conflict states. Several other countries depend in part on international tourist arrivals (understood as trade in services), which declined worldwide by about 8 percent in the first four

107 World Bank. (2005). *World development indicators*. World Bank: Washington D.C.

108 United Nations, (2006). *United Nations Programme of Action for African Economic Recovery and Development, 1986-1990*, New York: UN

109 Limao, R. & Venables, M. (2011). Infrastructure, Geographical Disadvantage and Transport Costs and Trade. *World Bank Economic Review*, 15, 451–79

months of 2009 compared to 2008.¹¹⁰ Overall, African countries' export exposure to advanced economies the degree to which economic shifts in developed countries may impact African economies through decreased demand for African exports, has increased in recent years. According to the IMF, on average, a 1-percentage-point decline in world growth (trade-weighted) is associated with a roughly 0.5-percentage-point drop in GDP growth in Africa.¹¹¹

Global trade could drop even further if countries react to the economic crisis by enacting additional trade barriers. African economies face a further risk that the global recession will spark new attempts by developed countries to restrict imports and protect local producers. WTO's former Director-General Pascal Limy has reportedly warned that despite trade's potential to serve as a tool for recovery, "The use of protectionist measures is on the rise". One of the major characteristics of the emerging international economic order is the treatment of Intellectual Property Rights (IPRs).¹¹² Developing country Members are very concerned about the impact that the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) will have on their economies. Of particular concern are those aspects of the Agreement that relate to the issue of access to new pharmaceutical inventions. TRIPS emphasize a property rights approach whereby private "owners" of the inventions can restrict access on the basis of commercial considerations. As a consequence, higher prices for pharmaceuticals and other healthcare inventions can prevent low-income consumers in developing countries from obtaining life-saving medications and equipment. It is true, of course,

110 Economic Commission for Africa, (2012). *Treaty Establishing the African Economic Community*

111 World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*.

112 Hountondji, P, (2011). *African Philosophy: Myth and Reality*, London: Hutchison and Co.

that exploitative business practices are possible only to the extent that monopoly positions are tolerated.¹¹³

Despite the increased trade orientation of Africa, its share of world trade has declined because its exports have grown much more slowly than world exports. According to the UNCTAD Handbook of Statistics, the share of Africa exports in world exports was 1.6 percent in 2004.¹¹⁴ The share of Africa imports in world imports was 1.4 percent in 2004. Therefore the region suffers from an acute dependence in export trade in order to stabilize its balance of payments. Characterized by the situation where almost all the states that produce similar kind of products (primary products), not only are they compelled to battle on the international scene for the same market partners, but the possibility for a healthy regional trade is slim.¹¹⁵ Export led growth is a development strategy that has been employed with remarkable success in some parts of the world, especially Asia thus creating the impression that it could have been a life line for most developing countries in search for a niche on the global economic scene. However, its application in other parts of the world, the African continent may lead to real economic growth. Export led growth is a policy open to excessive volatility. Another policy would be the Import Substitution Industrialization (ISI) which aimed at replacing industrial imports with domestically manufactured goods.¹¹⁶

Most countries in Africa adopted this policy with the goal of reducing the dependency on western countries for manufactured goods; they also wanted to increase a foot hold on the world

113 United Nations. (2012). *Vienna Declaration and Programme of Action*, as adopted by the World Conference on Human Rights (on 25th June 2010)

114 WTO International Trade Statistics, (2012). Declaration on the TRIPS Agreement and Public Health, WT/MIN (01)/DEC/2

115 World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

116 Ajei, M. (2010). *Indigenous Knowledge Systems and Good Governance in Ghana: The Traditional Akan Socio-political Example*, Accra: Institute of Economic Affairs

market as they desired to increase their own production capacities. However, the adoption of ISI policies has not been completely successful. Infant industries needed a lot of protection to be able to compete in the world market. It seems that democratic values must be struggled for and sustained in the 21st century.¹¹⁷ Each country, based on its own experience, must determine the form of democracy it wants. But good governance by strong leadership must be adopted. Regardless of the type of democracy, certain requirements are essential. African governments must respect economic and political rights if African development is to succeed. It should be noted that the Asian Tigers experienced significant growth and development under dictatorial regimes. Therefore, while democracy is desirable, it is not a sine qua non for economic liberation. However, economic governance must go hand in hand with good governance (not democracy); issues of transparency, accountability, legal framework for conducting businesses etc are crucial elements if African countries are ready to realize its development and succeed their 21st century challenges.¹¹⁸

Economic liberalization is an element of transforming African economy in order to reach its economic growth. How privatization, openness and competition are pursued have implications on the economies transformation and growth of Africa. The philosophy behind this is that the private sector is the engine of growth.¹¹⁹ However, in most African countries, the private sector must first be developed. The euphoria of the market must be examined in the context of its ability to provide what it takes to move an economy forward in a macro sense. Therefore, the

117 Finch, C. (2011). *The Star of Deep Beginnings: The Genesis of African Science and Technology*, Atlanta: Khenti Inc.

118 Wiredu, K. (2011). *Philosophy and an African Culture*, Cambridge: Cambridge University Press

119 Ho, Kong Weng, and HianTeckHoon. (2010). Growth Accounting for a Follower- Economy in World Ideas: The Example of Singapore. Singapore Management University Working Paper 15-2010

essence is to open up the economy for interested economic agents, with government inclusive to compete. The objective will be to avoid both market and government failures.

The global recession is affecting Africa through a variety of mechanisms, or channels, including a decline in global trade, a drop in investment, falling remittances from overseas workers, and cuts in foreign aid. These channels are connected to Africa's "real" economy, rather than its financial sector; most African economies had little exposure to advanced economies' banking systems or to the "toxic assets" that set off the global financial crisis. It is instructive to observe that the mortgage crisis in the United States snowballed into a global financial and economic crisis, leading to the most severe global recession since the Great Depression of the 1930s.¹²⁰ Beginning in September 2008, credit flows were halted, lender confidence dwindled and economies around the world went comatose. Having originated from the developed capitalist countries, the recession quickly spread to the developing world, causing investors to pull capital away from countries and causing the values of stocks and domestic currencies to tumble. Further, export and commodity price slumps added to the critical conditions in the developing world. The International Monetary Fund (IMF) estimates that the global economy contracted by 1.4 percent in 2009.¹²¹

The contraction in global trade, especially the reduced demand for Africa's commodity exports strongly affected the economies in Africa. The IMF report quoted above observed that average economic growth in Africa slowed from an average of over 6 percent per year (2006-08) to 2.5 percent in 2009, leading to the loss of prospects for mitigating African poverty. Indeed,

¹²⁰United Nations. (2012). *Vienna Declaration and Programme of Action*, as adopted by the World Conference on Human Rights (on 25th June 2010)

¹²¹World Bank, (2010). *Evaluating the World Bank's Approach to Global Programs: Addressing the Challenges of Globalization*, <http://www.worldbank.org/ieg/gppp/index.html>

economic growth has failed to bolster income sufficiently to trigger significant progress in meeting the Millennium Development Goals (MDGs).¹²² Africa is said to be the region where progress on the MDGs has been the slowest, the rates of those living on less than \$1.25 per day having hovered around 50 percent since 1981, while the number of poor people, in absolute terms, is thought to have nearly doubled from 200 million in 1981 to 380 million in 2005. Worse still is that Africa not only has the lowest rates of intra-regional trade in the world, the broader geopolitical environment imposes challenges to its development as its neocolonial relationships continue to dominate its trade ties, in addition to its high export barriers and a limited voice in international trade regulatory bodies.¹²³ This, therefore, critically affects sustainable development in Africa.

More precisely, sustainable development has not been very realistic in Africa, especially, as a result of the spontaneous aloofness and separation of quantum returns accumulated out of international trade partnerships from internal productive forces. Thus, foreign trade bears little or no reflection or relationship with internal productive activities (human capacity development and productive use of labor power) so as to potentially initiate reliable and sustainable forward and backward linkages within national economies in Africa.¹²⁴ Put differently, the economic gains of North-South trade relations have refused to positively trickle down to the root of African economies and stabilize market indicators and modulating forces. Obviously, the irrationalities and logical disconnect associated with the imbalance between African involvement in

122 United Nations Conference on Trade and Development, (2010). *Final Review and Appraisal of the Implementation of the United Nations Programme of Action for African Economic Recovery and Development, 2000-2010*, New York: U.N.

123 United Nations, (2011). *The Cocoyoc Declaration*, A/C. 2/292, New York.

124 UNDP, (2003). *Making Global Trade Work for People*, New York: Earthscan Publications Limited

international trade partnerships and her internal productive ability climax the problematic of sustainable development in Africa.¹²⁵

The most important goal of African leaders who engage in international trade partnerships is to utilize trade liberalization as an engine of economic growth in Africa. However, according to United Nations report Africa's involvement in various international trade partnerships has neither transformed the fortunes of African economies nor achieved the desired sustainable development.¹²⁶ Mainly, the inability to achieve a sustainable development in Africa is such that is attributable to the inability of African countries to achieve a lasting economic breakthrough within the framework of international trade. Despite trade relations with Western nations under various development initiatives, Africa's development remains elusive and unfeasible.¹²⁷ This, indeed, means that the lifelong engagement of most African countries in international trade partnerships under various titles such as General Agreement on Trade and Tariff (GATT), African Growth Opportunity Act (AGOA), European Partnership Agreement (EPA), Common Agricultural Policy (CAP) etc, has been marked with acute unevenness to the detriment of African players. In other words, the dynamic outplay of "dependent-development," whereby sustainable development is sought through unconditional dependence on developed Western nations, or what Ake variously termed "dependency syndrome,"¹²⁸ Third World underdevelopment syndrome," has negatively dampened the economic outlook of African nations, instead of yielding to the desired economic growth and sustainable development.

125 United Nations. 2002. *Report of the World Summit on Sustainable Development, Johannesburg*

126 United Nations, (2005). *Revised Draft Outcome Document of the High-Level Plenary Meeting of the General Assembly of September 2005*, Document NumberA/59/HLPM/CRP.1/Rev.2

127 Wright, R, (2007). (ed), *African Philosophy: An Introduction*, Washington D.C.: University Press of America

128Ake, C. (2011). *Democracy and Development in Africa*, Ibadan: Spectrum Books

More importantly, however, Almond articulated five factors that undermine development strategies in Africa.¹²⁹ First is that Africa was formerly exploited by the first world at one time or the other, during which time both their physical and human resources were intricately reconciled, tied and glued into the development process of the latter. Second, Africa is caught in the low-income-level trap (one of the multiple stable equilibrium characterizing the highly non-linear process emphasized by modern development pioneers). This low-income level trap occurs at low levels of physical capital, both productive and infrastructural, and is sustained by minimal levels of accumulation and by Malthusian population growth. Therefore, the lack of coordination of investments in African countries, instead of individual profit maximization by firms, usually facilitate voluminous returns to scale and, together with low incomes (which restrict levels of savings and aggregate demands) and high population growth rates entangle economies starting at low levels of income and capital in a low-income-level trap. Third, low human capital endowments impinge on the feasibility of potential economies of scale inherent in industrialization of developing economies. Hence, Oji believes that sustainable development is to be achieved not merely within the parameters of international trade agreements but in terms of human capacity refinement and sophistication so as to enable the gains of economic trade to remain potentially trapped within the internal market structure.¹³⁰

The fourth point refers to the fact that most of Africa nations are just beginning to embark on, or have not yet fully developed the required democratic standard. Realistically, sustainable development thrives within the periphery of an established democracy. A sustainable democratic institution is appropriate and crucial for stability and economic growth. On this note, therefore,

129 Almond, G. & Verba, S. (2003). *The civic culture; political attitudes and democracy in five nations*. Princeton University Press: Princeton.

130 Oji, O. (1997). *Introduction to Political Science*. Marydan Publishers: Enugu, Nigeria.

Adelman makes effort to link the problematic and vagaries of African development with inherent behavioral patterns. He observes that this group of countries has been characterized by minimal degrees of development of market institutions and political systems, and by a pre-eminence of social tribal influences over the economic activity of the predominantly subsistence agrarian economy. The process by which economic growth was induced in this low-development group of countries has entailed a dualistic development of a modern, export-oriented primary sector which provoked significant transformations of social structure, the diffusion of the market economy and the reduction in the sway of traditional tribal customs over economic activity.¹³¹

Finally, the influence of the IPE and its relevance to Africa's economies in the 21st Century, and particularly the pressure to liberalize these economies in the face of imbalance in trade tariffs and protection, further reduce the competitive playing field of these economies.¹³² From a different spectrum, formation contends that the Bretton Woods macroeconomic plans and conditions seriously impinge on the institutional capacity of African nations, who depend so much on their credit facilities, to sustain such development strategies.¹³³ Hence, the state is essentially bound to withdraw from social activities. Such withdrawal, thus, broadens household spending and discourages self-reliance at the individual and household levels. The Bretton Woods institutions (World Bank and IMF) wield tremendous authority in a majority of developing countries (and countries in transition) that depends on their loans. In particular, countries requiring debt rescheduling have to adopt Structural Adjustment Programmes (SAPs) that are mainly drawn up in the Washington institutions. SAPs cover macroeconomic policies and have recently also covered social policies and structural issues such as privatization, financial policy, corporate

131Diop, C. (2007). *Black Africa: The Economic and Cultural Basis for a Federated State*, Salemsen, H. J.(trans), Chicago: Lawrence Hill Books

132Esteva, G. (2002). "Development", pp 6-25 in *The Development Dictionary*, Sachs, W. (ed) London: Zed Books

133Furmston, M. (2010). *Cheshire, Fifoot&Furmston's Law of Contract*, London: Butterworths

laws and governance. The mechanism of making loan disbursement conditional on these policies has been the main instrument driving the policy moves in the indebted countries towards liberalization, privatization, deregulation and a withdrawal of the state from economic and social activities.¹³⁴

2.6 Conclusion

The chapter has analysed chapter two which is historical and also captures the current trends of growth in Africa addressing the opportunities as well as the challenges. The chapter has analysed the history of African economies from the colonial to post-colonial era. Special emphasis has been laid on pre-requisite for economic growth in Africa which include; governance, the private sector involvement, Africa's natural resources as well as regional factors. Besides the chapter has also reviewed the challenges facing Africa economic growth which include political volatility, trade barriers, public policy and underdeveloped human capital. International political economies have also been reviewed in comparison with the African economy.

The chapter that follows is Chapter Three which presents the study findings which will contribute to the existing body of knowledge in the area of economic growth in Africa as gathered by the study instruments.

¹³⁴Hallen, B. (1998). Academic Philosophy and African Intellectual Liberation”, in *African Philosophy*, Vol. 11, No. 2

CHAPTER THREE

HARNESSING ECONOMIC GROWTH IN AFRICA IN THE 21ST CENTURY: OPPORTUNITIES AND CHALLENGES, 2000 – 2012

3.1 Introduction

The previous chapter has analyzed different indicators of business growth and economic development across Africa, pointing out some opportunities and challenges, with the main area of interrogation being the history of African economies which sets stage to review what other researchers have gathered from relevant studies.

This chapter is a case study; it will review the economic growth in Africa in the 21st century, opportunities and challenges from the year 2000 to 2012 as analyzed from the interview guide (see Appendix 1) and secondary data findings from the view of other researchers. The study will contribute to the existing body of knowledge in the area of economic growth in Africa in the 21st century; opportunities and challenges. The study undertook 24 interviews with embassy staff and expatriates from Ghana, South Africa, Rwanda and Ethiopia working in Kenya. Six interviews were conducted from each of the four targeted countries were three of the respondents were embassy staff while three were expatriates. The respondents provided the research team with particular support and granted full access to all relevant information that deemed vital for this study.

3.2 Background

According to the respondents and as captured from a number of recent studies, it is a concern that there has been relative poor economic performance of Africa. These show that Africa's population weighted annual growth rate per capita was a mere 0.1 per cent over 2000 – 2012 and that it diverged from the rest of the world at an average annual rate of 5 per cent between 2000 and 2010. Consequently, 35 of Africa's nations, home to 87 per cent of all Africans, are still classified as low-income countries. In an extensive study into the causes of this unsatisfactory performance, Hallen and Sodipo describe four policy syndromes as Africa's problems: state controls, adverse redistribution, intertemporally unsustainable spending, and state breakdown.¹³⁵ There is substantial consensus that these policy syndromes are an important part of the explanation, and that institutional reform to improve governance is needed in Africa.

However, current international efforts to assist Africa's development have converged around the notion that a concerted effort *-a big push -* is needed to get many African countries on the path of growth. The United Nations' Millennium Project Overview Report calls for a big push in basic infrastructure investment in Africa, especially in roads, ports and energy. The Africa Commission Report calls for a 'comprehensive big push on many fronts at once', not only in infrastructure, but in governance, capacity-building and accountability to address the underdevelopment of the continent.¹³⁶ UNCTAD's also argues for the need for a big push in infrastructure investment through the doubling of aid.¹³⁷

135 Hallen, B. & Sodipo, J. (2000), Knowledge, Belief and Witchcraft, Analytic Experiments in African Philosophy, London: Ethnographica

136 The Africa Commission Report (2005). The Vampire State in Africa: The Political Economy of Decline in Ghana. London: James Currey Ltd.

137 UNCTAD's (2006) (eds), Sociological Theory and Philosophical Analysis, London: Macmillan233

The implication of speculating a poverty (or development) trap as an explanation for Africa's poor economic performance is that the economic growth process is subject to nonlinearities. With nonlinearities, initial conditions matter for eventual outcomes. If this theory is accepted, then it must be acknowledged that even countries with identical policies (or identical policy syndromes) may have different development outcomes due to differing initial conditions. What are these initial conditions? Historical influences are cited most often and recent papers, for example, focused on the 'colonial origins' of unequal development. It is relatively easy to see how historical influences have shaped institutional development in Africa, given the importance attached to institutions in explaining economic performance. However, one initial condition that has only recently started to receive attention is geography. Concern over the potential of geography as an initial condition which can give rise to a poverty trap has been voiced by Rostow recognizing that: the prevailing development paradigm according to which market-oriented economic policies and the rule of law alone suffice to make all countries rich appears to be losing credibility.¹³⁸

3.3 Economic Growth in Africa: Opportunities

Since the turn of the century, the African continent has entered the limelight of international attention. The public perception of Africa has changed from that of a continent plagued by famines, the HIV/AIDS epidemic and civil wars to that of a supplier of strategic resources and economic opportunities. The global interest in Africa has been largely driven by the growing presence of the so-called "emerging countries" or "rising powers" on the continent. Africa's experience at implementing various prescribed growth models now calls for a rethinking of its

138 Rostow, W. (2010). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press.

growth strategies and charting a new course.¹³⁹ Also, recent events such as the global financial/economic crisis suggest that overreliance on markets in the advanced economies can expose the world to all kinds of international price and demand shocks. Thus, given past and current experiences, certain proposals for sustainable growth and development can be made.

3.3.1 Trade Facilitation

Given the complex logistical chain linking raw materials with final consumers, trade facilitation should be interpreted in the broadest sense. Currently, the WTO perceives trade facilitation rather narrowly as the ‘simplification and harmonization of international trade procedures, including activities, practices and formalities involved in collecting, presenting, communicating, and processing data required for the movement of goods in international trade’. There is room for improvement in these areas in Africa, where outdated procedures, excessive documentation and lack of ICT contribute to unacceptable border delays, but the WTO overlooks the importance of transport infrastructure with its threshold effects in generating the very trade for which it is attempting to simplify cross-border movements. Robinson asserts that, there should be at least three explicit aims to trade facilitation: (i) to ensure appropriate physical infrastructure and facilities for the movement of goods; (ii) to ensure the harmonization and effectiveness of custom procedures and (iii) to ensure the upgrading of information and communication technology for the exchange of trade-related information.¹⁴⁰

Within the WTO, negotiations on global rules for trade facilitation were started in 2004. Despite the importance of standards and harmonization in terms of transport infrastructure, the current

139 Agbeyegbe, T. Stotsky, J. & Mariam, A. 2004. Trade Liberalisation, Exchange Rate Changes and Tax Revenue in Sub-Saharan Africa, IMF Working Paper, WP/04/178, IMF: Washington, DC.

140 Robinson, J. (2003). An African Success Story: Botswana. In Search of Prosperity: Analytic Narratives on Economic Growth, ed. D. Rodrik, 80–119. Princeton, NJ: Princeton University Press.

negotiations seem to be limited on issues of transparency and the administration of trade regulations. This suggests that African priorities may be overlooked in these negotiations. Shah considers this to be a particular challenge to Africa, stating that: for African countries to participate fully in these negotiations, it means that they have a lot of catching up to do.¹⁴¹ Not only are they required to study and analyze the implications of the proposals on the table, but also to formulate proposals which reflect their trade facilitation needs and priorities. It is important that African countries commit to broad and binding rules on trade facilitation. Country resistance to this could be reduced by linking these commitments to foreign aid, especially technical assistance and capacity-building.

Within the broader definition of trade facilitation, African countries also need to extend their focus beyond intra-regional road, rail and air links. One neglected dimension in the region's transport policies and infrastructure is maritime trade. Joint efforts and coordinated plans towards securing greater efficiency in maritime transport may be called for. One shortcoming that countries could address through regional cooperation is, first, the lack of national shipping lines, and second, the concentration of shipping to a few operators. Both of these facts may be raising shipping costs to and from Africa. With regard to shipping lines, the industry is dominated by two. These two large shipping lines have entered into collaboration with a few smaller lines such as P&O - Peninsular and Oriental Steam Navigation Company and WAL.¹⁴² This concentration may generate increasing shipping costs from a level that already may be significantly higher than in other developing regions.

141 Shah, M. (2004). African SMEs, Networks and Manufacturing Performance. Mimeo.

142 Estache, D. & Shafik, T. (2004). Infrastructure Services in Developing Countries: Access, Quality, Costs, and Policy Reform. World Bank.

3.3.2 Decentralization

Current literature on spatial disparities in Africa focuses on the first (top) level of aggregation and generally explains the continent's lagging position in income and wealth compared to the rest of the world in terms of its geography.¹⁴³ The second dimension of spatial inequalities within countries, however, is relatively neglected, but can be argued to be almost as important for the overall economic development as geography. A sub national approach to Africa's spatial inequalities also highlights the necessity of different regions stretching across national borders to start planning and coordinating their initiatives for economic development. It also emphasizes the importance of domestic transport costs and domestic transport infrastructure for economic development. According to the Government of Zambia, transport costs are an even stronger constraint on exports than international transport costs.¹⁴⁴

In Africa, regional integration schemes can create consultative platforms for local authorities. A good case in point is the Maputo Trans-Kalahari corridor, which stretches from southern Africa's east coast through to Mozambique, South Africa, Botswana and Namibia.¹⁴⁵ In South Africa, local authorities supported by their role and responsibility as enshrined with the country's Constitution and by the control of their own revenue as guaranteed by fiscal decentralization were in a position to maximize the potential benefits of this transport corridor locally where it affected their jurisdictions.

143 Susan, M. & Barry P. (2006). Economic Growth in East Asia: Accumulation versus Assimilation. Brookings Papers on Economic Activity 2, pp. 135–203.

144 Government of Zambia. (2006). Public Financial Management Performance Report and Performance Indicators. Lusaka, Zambia.

145 Bigsten, A. & Mans, S. (2005). What Have We Learned from a Decade of Manufacturing Enterprise Surveys in Africa?" Policy Research Working Paper 3798. The World Bank, Washington, DC. December 2005.

3.3.4 The Role of the International Community

Regional cooperation, as discussed here, could be supported by the international community in at least four ways. The first option is through higher levels of foreign aid, including non-financial aid, such as technical assistance, and linking aid to transport infrastructure with commitments to binding rules on trade facilitation. Here, the criticism and shortcomings of aid, should be acknowledged and consideration given to proposals on more generous non-financial aid, and non-aid support such as security guarantees although these, given Africa's geography, will be more credible if the continent's transport infrastructure can be improved. Perhaps security issues for international/cross-border transport infrastructure could be a starting point. Funding for infrastructure should also be accompanied by complementary measures to reduce the potential for corruption in infrastructure construction.¹⁴⁶

Corruption constitutes a significant risk that could reduce the extent, quality, returns on, and types of infrastructure investment, and could raise the maintenance costs of infrastructure as well as limit access to it. Second, the international community should ensure full implementation and adherence to international law on the rights of landlocked countries to access to the sea. In terms of international law, important agreements that provide landlocked countries with access to the sea include Article V of the General Agreement on Trade and Transport (GATT), the United Nations Convention on the Law of the Sea and the UN Convention on the transit trade of landlocked countries.¹⁴⁷

146 Cramer, C. (1999). *The Economics and Political Economy of Conflict in Sub-Saharan Africa*. CDPR Discussion Paper 1099, School of Oriental and African Studies, University of London.

147 Ramachandran, H. (2005). *Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data*. Working Paper 56, Center for Global Development, Washington, DC.

The third channel is through the extension of trade preferences (special and differential treatment) to African regions. Trade preferences are advocated by Marcel who base their argument on the need for African countries to overcome a threshold effect as a location for international production because Asian economies have already built up a competitive advantage in this regard.¹⁴⁸ Furthermore, the heavy investments to be made for transport infrastructure in Africa would need to be supported by higher volumes of trade. Trade preferences can result in a positive and substantial export response as the experience of Mauritius (with its preferences under the MFA) and, more recently that of many African countries with the African Growth and Opportunity Act (AGOA) prove. However, care must be taken in the design of these preferences to avoid undermining the ability of countries to diversify their export structures. Kahn, for instance, finds evidence that some EU preference schemes have hindered export diversification, either by creating an incentive for countries to specialize in product(s) with preferential access, or by limiting developing-country efforts to open up their markets in general.¹⁴⁹

The fourth area is though greater consistency in international agreements and trade preferences with regional integration and cooperation schemes in Africa. Currently, the EU is negotiating Economic Partnership Agreements (EPAs) with regional bodies in Africa. Different agreements are in effect being finalized with SACU and SADC members despite overlapping memberships. In addition, a trade agreement exists between Africa and the EU. Not only can this process retard regional integration in Africa, but the fact of overlapping memberships in RTAs could result in complex rules regarding origin. These rules of origin can, however, have significant impacts on a region's ability to take advantage of trade preference, as Ilchman and Bhagarva points out.

148 Marcel. F. (2004). *Market Institutions in Africa*. Cambridge, MA: MIT Press.

149 Kahn, R. (2006). *Reaping the benefits of Girl's Secondary Education in Bangladesh Impact on Fertility and Malnutrition*. Presentation at the World Bank, July 2006. Washington, DC.

Through these channels, the international community can assist in the promotion of Africa's regional cooperation on infrastructure investment.¹⁵⁰ But changes in the international economy can also offer opportunities in the way that Africa's regional cooperation approaches the current proximity gap. One of the most significant changes is the increasing importance of Asia in African trade, and in particular, the rise of China.

Africa's geography, together with developments in international maritime and air transport, is making trade with Asia increasingly attractive. The technical advances made in new large container-ships and the growth of large transnational freight forwarders managing the logistic chains have driven the development of 'hub ports' by large global shipping companies. Increasingly, Africa trade is being transported via the hub ports in Asia and the Middle East, replacing direct shipment to its main market, the EU. Africa could also take advantage of Dubai's development as a transfer centre for air cargo between Europe, the USA and Asia, and of Mauritius's ambitions to develop into an intercontinental air hub for African-Asian trade. These advancements could give a further push to African airborne trade; currently about 25 per cent of African exports are transported by air and this is likely to increase given the opportunities presented by the growth of China and India.¹⁵¹

3.4 Growth Barriers

Africa's growth depends on the extent to which it can raise the productivity of its labour and capital. A fundamental insight from geographical economics, from which this study proceeds, is

150 Ilchman, W. & Bhagarva, R. (2010), 'Balanced Thought and Economic Growth'. *Frontiers of Development Administration*. eds., Duke University Press: Duke pp.247-273.

151 United Nations, (2006), *United Nations Programme of Action for African Economic Recovery and Development 1986-1990*, General Assembly Resolution A/RES/S-13/2, 242

that proximity is the central issue affecting African productivity. Here, proximity refers to proximity to markets, customers, suppliers, competitors, supporting industries, governments, etc. In order to justify the arguments and exposition of this study, the researcher insisted to the key informants that the essence of the idea should be explained. When economic activity agglomerates, it increases the proximity between economic agents. This has beneficial effects (static and dynamic externalities) that have been described as localization and urbanization economies: it allows for specialization and economies of scale to be realized. The impact of proximity results in positive feedback effects and scale effects. For instance, when production factors agglomerate, the externalities result in higher levels of productivity. The more resources are invested, the greater the returns-to-investment become. Because of the higher productivity of these factors, more factors are drawn to the agglomeration, thereby setting in motion a process of cumulative causation. This process is, as mentioned in the introduction, nonlinear, and requires that a certain threshold level is reached before positive feedback and scale effects come into force. Therefore, a big push may be needed through coordinated government intervention, for instance, to steer the economy beyond this threshold.¹⁵²

In many African countries, productivity is low because of insufficient proximity between economic agents. This adverse proximity has two dimensions: the lack of proximity (i) between African countries and international markets, and (ii) between economic agents within Africa, due to insufficient agglomeration of economic activity. Africa's economic development will require the continent to make, as a minimum requirement, progress in two mutually dependent directions: it will need to promote urbanization. Successful industrialization requires integration into the world economy, with African industry exporting manufactured (non-traditional) goods

152 Yankah, K. (2008), *Free Speech in Traditional Society: The Cultural Foundations of Communication in Contemporary Ghana*, Accra: Ghana Universities Press.

into world markets. Currently, both of these requirements may be hindered by the lack of proximity resulting from adverse geography: Africa is characterized by numerous small, fragmented and remote economies.¹⁵³

3.4.1 Geographical Implications

A distinction is often made between first-nature, second-nature and third-nature geography. First-nature geography implies the inherent features of an area that are independent of human activity. It includes topography, latitude, incidence of natural resource endowments, agricultural potential (soil quality and rainfall), and tropical climate. Africa's first-nature geography affects its development negatively through geographic isolation, its disease burden due to its largely tropical location, scarcity of large, navigable rivers and lack of sedimentary plains, high evaporation rates, and the 'curse' of abundant natural mineral resources.¹⁵⁴ The shape of the continent in terms of its north-south orientation has traditionally made technological transfers, especially in agriculture, between different climatic zones more difficult than in Asia and Europe, for instance.

Second-nature geography constitutes features that depend on the spatial interaction between people in an area but are not necessarily inherited. Second-nature geography is important in explaining why areas with similar first-nature geography may end up at different levels of productivity and income. This category includes population densities, population location and composition. Africa has the largest number of landlocked countries of any continent. Since being landlocked was an artifact of how borders were drawn up during the nineteenth century, it can be

153 Mlachila C. (2004). Financial Reforms and Interest Rate Spreads in the Commercial Banking System in Malawi. IMF Staff Papers, Vol. 51 (1).

154 Economic Commission for Africa. (2010). Finance and Development in Africa. Issues Paper for the Eighth Session of the ECA Conference of Ministers of Finance.

treated as second nature, although the size of the continent and differences in climate amplify the effects of border demarcation. Africa's landlocked countries face a three-fold proximity gap: first, in terms of the sizeable distances to international markets and the need to cross numerous borders. A typical African country borders on four neighbouring nations, making border delays notorious. Transport costs overland are also much higher than shipping costs. Whereas trade with the rest of the world is 30-40 per cent for the landlocked countries in Europe and other developing countries, respectively, this is on average 60 per cent less for Africa countries.¹⁵⁵ Landlocked African countries also trade up to 92 per cent less with one another than with coastal countries.

The greater loss of trade in Africa's landlocked countries in comparison with other landlocked nations is due to the effect being amplified by two other dimensions of the proximity gap. Second, the proximity gap is more severe because of the small-sized economies in these countries. Africa is fragmented into 48 small economies with a median GDP of US\$3 billion, the highest number of countries per square kilometre in the world. These small internal markets face difficulty in achieving gains from specialization, compounded by low population densities, low urbanization, and weak internal transport links. The degree of openness of a country may be influenced by its size, and thus small international markets may reinforce the lack of openness that results from being landlocked. In this way, it can even create a proximity trap. Third, the proximity gap of landlocked countries is further increased by neighbouring countries that are economically poorly performing, often as a result of conflict. This creates a proximity gap in terms of reduced interaction among the economic agents of different countries (hence, low

155 Ikhide, S. (2006). Commercial Bank Offices and the Mobilization of Private Savings in Selected Sub-Saharan African Countries. *Journal of Development Studies*, Vol. 33 (1).

volumes of intra-African trade) which induces spatial spillover effects of very low growth. Mwega quantify these effects.¹⁵⁶ They show that for each percentage of annual growth experienced by neighbouring countries, the landlocked nations in Africa managed on average a mere 0.2 per cent annual growth in comparison to 0.7 per cent for landlocked countries elsewhere.

O'Connell asserts that these geographical factors make investment and productivity growth more expensive in Africa, where the cost of capital ranges on average between 15 and 20 per cent compared to 5-6 per cent in Latin America.¹⁵⁷ Of course, not the entire gap is due to geography, although remoteness does seem to have a direct effect, resulting, for instance, in capital equipment being twice as expensive in South Africa as in the UK. Geography also renders agriculture a low-productivity activity: due to the relative scarcity of large rivers and sedimentary plains, Africa has the lowest share of irrigated cropland in the developing world. Human capital is also negatively affected by the disease burden, which undermines productivity and capacity-building.

3.4.2 Regional Integration as an Opportunity

Regional integration has a long history in Africa, but one that has not lived up to expectations. There are around 30 RTAs in Africa and each country is a member on average in four RTAs, resulting in overlapping memberships, with conflicting obligations, rules and procedures.¹⁵⁸

These agreements do not seem to have significantly increased intra-African trade, nor raised the

156 Mwega, F. (2007). Saving in Africa: A Comparative Analysis. *Journal of African Economies*, Vol. 6 (3) Supplement: 199–228.

157 O'Connell, J. (2001). Explaining African Economic Growth: A Focus on Sources of Growth. AERC Working Paper Series.

158 Sevilla, M. (2001). Economic Growth and the Demographic Transition. NBER Working Paper #8685. National Bureau of Economic Research, Cambridge, MA.

region's share in global trade, or improved its bargaining position in international trade negotiations. In addition RTAs may result in significant trade diversion. One of the apparent failures of RTAs in Africa has been their inability to reduce the proximity gap. Three factors conspire to create a proximity gap between African countries (especially the landlocked states) and other nations namely; borders, small sized economies, and neighbourhood effects. However, on closer scrutiny, it is possible that the poor results of regional integration are a result of these schemes becoming trapped by the proximity gap. Elsewhere in the world successful regional integration has been driven by increasing trade volumes between member countries but in Africa, the lack of transport infrastructure (and the attendant high transport costs) have stifled trade, dampening all incentive to commit to regional integration, the construction and maintenance of transport infrastructure included. This in turn has contributed to low trade (which also explains why national governments are slow to implement regional-level reforms).

3.5 Economic Growth in Africa: The Linkage between Opportunities and Challenges

Various development programmes have experienced a number of setbacks in the region since independence. A very important factor that contributed to this failure is the perpetuation of inherited colonial structures, which are often ineffective. This could be added to the problem of the continuing fragmentation, fragility and external control of the development process; poor social and economic infrastructure; and the concentration of the benefits from development in the hands of just a few. One last point in this regard is the diminishing relevance of primary products on which export earnings have long depended; and the many social and institutional discontinuities that constrain effective development administration.¹⁵⁹

159 Campbell, D. (2005). *In the Heart of Bantuland, A Record of Twenty-Nine Years in Central Africa among the Bantu Peoples*, London.

Africa faces today a deep and deepening crisis. Compared with other developing nations of Asia and Latin America, Africa now risks being marginalized in the world.¹⁶⁰ In drawing upon the experience of other regions, care must however be taken to avoid easy generalizations about new determinants for Africa's economic and social transformation. Any serious rethinking of Africa's development strategy must pay attention to the following factors: a) capacity building, b) food security, c) external debt burden, d) international trade and payment relations, e) efficiency of trade investments, f) regional and sub-regional economic integration, g) consideration of expenditures on arms and armaments, and h) concern for the very poor and the vulnerable groups in the process of structural adjustment. Each of these factors is important, individually and collectively. Given the objectives of the African Leadership Forum, emphasis should be given to the first two factor, namely the capacity building and food security.

3.5.1 Capacity Building

African development problems are as complex as they are multifaceted. Their resolution ultimately depends on the capacity of people to understand what is happening around them, both internally and externally. They must possess enhanced ability to be able to take appropriate steps and cope with a variety of problems surrounding them.¹⁶¹ At the higher levels of leadership, Africa must take a leaf out of the books of other nations. It must equip itself with the intellectual and scientific capacity and the knowledge base to formulate long-term strategies. It must upgrade considerably its ability to analyse economic and social issues correctly and to implement such policies with the necessary political vision.

160 Ilchman, W. & Bhagarva, R. (2010), 'Balanced Thought and Economic Growth'. *Frontiers of Development Administration*. eds., Duke University Press: Duke pp.247-273.

161 Mabogunje (2011). *Elements of Development*. A.L.F.Publications: Abeokuta Nigeria, pp. 17-28.

Unlike other parts of the world, Africa at present has no high-level think tank, no institute or a centre that engages in long-range studies, policy formulation and analysis. As a first step, therefore, the forum should initiate action and extend assistance and collaborative efforts towards creating an African Centre or Institute for Policy and Strategic Studies. Such a Centre or Institute should be a think tank with a small, highly professional staff of, say, three dozen social scientists and policy experts in a variety of disciplines, who are provided with the necessary financial resources, and up-to-date library and other research facilities.¹⁶² The institute must enjoy the general support or goodwill of African governments, while there is only minimal direct government involvement in its affairs. Such a high-quality institution with arms-length relationship with the government, and which is at the same time dedicated to policy formulation and analysis, would be a crucial first step for African nations to acquire the necessary institutional and intellectual development tools for the decades to come.

3.5.2 Food Security

The serious food and nutrition situation in Africa calls for immediate new and practical policy initiatives. Such an action, the group noted, is feasible in the realm of farmer cooperatives integrated with agro-industrial entrepreneurs. It would be necessary to aim at the complete involvement of local farmers in this regard, avoiding their displacement and offering them maximum encouragement and incentives. Focus should also be directed at areas that initially require only small and accessible capital, in order to avoid big size projects that would require foreign loans.¹⁶³

162 O'Connell, J. (2001). Explaining African Economic Growth: A Focus on Sources of Growth. AERC Working Paper Series.

163 Mwega, F. (2007). Saving in Africa: A Comparative Analysis. Journal of African Economies, Vol. 6 (3) Supplement: 199–228.

An integrated production-oriented programme for addressing the African food situation would involve three important components: a) Setting up of farms by various agro-ecological locations and in various sizes. These would need to concentrate on one or a few major crops: staples, roots/tubers, fruits/vegetables, medicinal plants, animals and cash crops. b) Workshops that can provide and service the needed farm equipment including minor fabrication, production of spare parts and effective repairs and maintenance. c) Agro-industries that would minimize the present gross waste as a result of poor post-harvest preservations. Experiments with the plants could focus on more efficient storage and extraction culture and also provide the missing technology that would bridge the gap between the farms and distant markets.¹⁶⁴

The importance of farming by primary and secondary schools was also considered. Reintroducing and rein-forcing the farming culture into all schools and rural and semi-urban communities would yield the double benefits of increasing aggregate food supplies and inculcating the love of farming in the citizens early in life. As might be ecologically appropriate, primary schools in general could be encouraged to concentrate on light vegetables and fruit farming, while secondary schools in general could take on the cultivation of the heavier crops.¹⁶⁵

The Forum is enjoined to consider the importance of providing further policy guidelines and possible implementation procedures in this priority area: Africa's food security in a modernizing agricultural world.

3.6 Business Potential in Africa

The recent phenomenal economic growth of countries like China, India and Brazil (as well as Gulf countries, Russia, South Korea or Turkey, to name but a few) serves as a source of

164 Kahn, R. (2006). Reaping the benefits of Girl's Secondary Education in Bangladesh Impact on Fertility and Malnutrition. Presentation at the World Bank, July 2006. Washington, DC.

165 Ikhide, S. (2006). Commercial Bank Offices and the Mobilization of Private Savings in Selected Sub-Saharan African Countries. *Journal of Development Studies*, Vol. 33 (1).

inspiration for Africa: progress on development can be made relatively quickly. Moreover it is clear that the growing presence on the continent of these emerging countries brings benefits in terms of trade, massive investment in infrastructure and resources development, opportunities for Africa to be more assertive on the world stage as well as increased development aid and technical assistance. However, there remain concerns as to the developmental impact that these emerging economies have on Africa, although several would argue it is on balanced positive.¹⁶⁶

The emergence of new international actors in Africa and their gain of political and economic ground have raised several questions as to the relationship between Africa and its traditional donors, particularly with Europe. Although the rise of the emerging economies in Africa is no longer new, it has spurred a lively debate in traditional donor countries on the comparison, in particular with China, of respective cooperation approaches and impacts and on the opportunity of trilateral dialogue and initiatives. Many Africans in turn, believe that the involvement of Comprehensive Institutional Building (CIB) in the continent should provide fresh opportunities not only for Africa to move its developmental agenda further but also for the traditional donors to engage Africa on new terms that recognize Africa's aspirations and take into account Africa's increasingly complex role in global relations.¹⁶⁷ The response by traditional donors to such new waves of partnerships with Africa will be crucial to the own partnership with the continent and bilateral relations with African states. Ideally, it could contribute to the capacity of traditional donors to improve cooperation with Africa, and *vice versa*. It may also result in changes in

166 Government of Zambia. (2006). Public Financial Management Performance Report and Performance Indicators. Lusaka, Zambia.

167 Marcel. F. (2004). Market Institutions in Africa. Cambridge, MA: MIT Press.

approach from the African states to how they view the traditional donors relationship – not simply one largely driven by development cooperation.¹⁶⁸

Concerns over traditional aid approach have contributed to refocus the attention towards more systemic factors of development and the engine for sustainable and equitable growth. Indeed, development effectiveness, in other words output and results of development policies and assistance, is gaining increasing attention internationally, somewhat at the expenses in a way to aid effectiveness, in other words input and management of aid. This is a new debate and development effectiveness means different things to different people. Since emerging economies do not see themselves as donors, they have not participated in aid effectiveness debates and processes. So, intuitively, the emergence of new players and the closer relationship between their commercial, diplomatic and assistance interactions with developing countries naturally links with development effectiveness discussions. This can be seen as a move from a narrow agenda on development cooperation to broader development considerations. Yet, caution is necessary. Simply comparing traditional aid with everything emerging economies do in all fields of their international cooperation with Africa should be avoided.

3.6.1 The African Response

There is a clear opportunity for Africa to grab now, since both traditional and 'new' players are in an important phase of reforming (e.g. Europe) and designing (e.g. China, India and Brazil) their development policies towards Africa.¹⁶⁹ How is the development paradigm perceived in Africa?

Different partners entail different business and development support models and receive different

168 Ramachandran, H. (2005). Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data. Working Paper 56, Center for Global Development, Washington, DC.

169 Economic Commission for Africa. (2010). Finance and Development in Africa. Issues Paper for the Eighth Session of the ECA Conference of Ministers of Finance.

degree of appreciation. The emerging trend is a multi-facet one, where Africa can engage various partners based on their respective strengths. The resulting picture is a mixed one though. One of the advantages of the new wave of partnerships is the choice of donors to choose from for Africa, with CIB and traditional donors. It is not possible to conclude that 'one approach is best'. It depends also on sector of cooperation. There are thematic areas where the EU is still seen as the favoured partner (peace and security) and others where it is China (e.g. infrastructure), Brazil (social protection) or India (telecommunications).

Interestingly, some observers put the new context of multipolar partnerships in historical perspective, concluding that the situation of EU as the major partner of Africa and as a 'main development model' was really a fact of the Cold War period.¹⁷⁰ With the fall of the Berlin Wall and the rise of China, the international landscape, including in Africa, has changed radically. The current situation simply reflects this changing balance in international relations. The emergence of the CIB in Africa should therefore be viewed as a natural result of globalisation. While at the broad political level, be it the Joint Africa-EU Strategy (JAES) or the “new China Africa strategic partnership” declarations and objectives (with obvious differences of thematic focus) are increasingly similar between traditional and 'new' partners, the reality on the ground is that perceptions on their cooperation approaches also depend on the levels of the interaction and cooperation under scrutiny (continental, regional or national) and the specific actors involved.

An enlarged pool of partners beyond traditional ones brings the opportunity of simultaneously drawing from different development models and benefit from comparative advantages of

170 Cramer, C. (1999). *The Economics and Political Economy of Conflict in Sub-Saharan Africa*. CDPR Discussion Paper 1099, School of Oriental and African Studies, University of London.

different partners.¹⁷¹ Some actors, especially government officials from both Europe and Africa, believe that what is emerging is a general tendency in Africa to adopt a 'multiple strategy' vis-à-vis different partners, based on what each can offer. According to this view, many African countries approach different partners to obtain different types of support: typically grants and capacity building support from traditional donors, and increased investment from CIB (in all sectors from China, and more concentrated in agriculture from Brazil and in technology transfer/telecommunications from India). Other stakeholders however, including from civil society, academia and private sector, do not think that competition among partners is translating into a clear and coherent strategy to best benefit from each partnership, but rather into ad-hoc reactions to what each partner offers to Africa based on its own policies and interests. In other words, external pressure would drive the evolution of partnerships.

At the domestic level, weak institutions and capacities often mean that even where there are national development strategies these are not fully implemented, and for instance are not used as basis for accepting projects or finance from partners. Having a strategy, that considers building capacity and institutions, allows in the long term to address the same implementation challenges that flow from failed institutions, weak economic and legal systems etc. and that always were part of the explanation of the failures of traditional donor-recipient partnerships in Africa. Existing regional and pan-African plans do not address the new landscape of multipolar partnerships and do not put forward a more coherent and rational strategy vis-à-vis different partners. Some African institutions have started working towards this objective, for instance

171 Susan, M. & Barry P. (2006). Economic Growth in East Asia: Accumulation versus Assimilation. *Brookings Papers on Economic Activity* 2, pp. 135–203.

through the Forum for AUC-ECA Partners Dialogue.¹⁷² The African Union Commission may propose in this context the preparation of a 'common Africa strategy', but resistance is expected from certain countries which would probably prefer these strategic decisions and planning to be kept at national level.

3.7 Africa in the 21st Century: Challenges and Opportunities

For African countries in the 21st century, the issue is not whether to integrate or not. African countries need to and must integrate their economies. More than ever before, African countries need to pay more attention to their regional integration agenda. Regional integration efforts should now move beyond rhetoric into concrete plans and action for effective integration of markets. Africa is the most fragmented continent with about 165 national borders demarcating the region into some 53 countries, 22 of which have a population of 5 million or less, and 11 of which have a population fewer than 1 million.¹⁷³ This does not augur well for industrialization as the national markets are small and fragmented.

African governments would need to explore the advantages embedded in sectoral cooperation such as banking, telecommunications, transportation, etc. These have the advantage of speeding up the 'one Africa' agenda.¹⁷⁴ For example, one would wish that calls made from any part of Africa to another should be regarded as a local call. Though there are few African-owned telecom service providers in the telecommunications sector, they should be given license priorities across the continent and also non-African telecom service providers must be licensed

172 Mlachila C. (2004). Financial Reforms and Interest Rate Spreads in the Commercial Banking System in Malawi. IMF Staff Papers, Vol. 51 (1).

173 Robinson, J. (2003). An African Success Story: Botswana. In Search of Prosperity: Analytic Narratives on Economic Growth, ed. D. Rodrik, 80–119. Princeton, NJ: Princeton University Press.

174 Agbeyegbe, T. Stotsky, J. & Mariam, A. 2004. Trade Liberalisation, Exchange Rate Changes and Tax Revenue in Sub-Saharan Africa, IMF Working Paper, WP/04/178, IMF: Washington, DC.

based on agreed terms and conditions that promote regional integration in Africa. Africa should not just be seen as another promising market. Also, one would wish that African entrepreneurs access their bank accounts from any part of the continent. This implies that African countries must take full advantage of all the opportunities and benefits provided by recent advances in information and communications technologies to integrate key sectors such as the financial and telecommunications.

African political parties (and even civil societies and media) need to bring the issue of regional integration to the fore of their programmes, manifestoes, rallies, and campaigns. In most countries, the issue of regional integration does not feature at all in the development agenda of political parties. The politicians and even the electorates are generally not aware of the issue of regional integration as it is largely driven by the different governments who have different political and selfish agendas for supporting integration. It is by creating this awareness at the party levels that the much needed 'political goodwill' would be generated and sustained. Also, since market integration remains a permanent and abiding component of regional integration in Africa, the private sector must be made the driver of regional integration in Africa. They are the main producers and marketers of goods and services; as such, they must be actively involved in the integration process. An enlarged and integrated market has the advantage of spurring productive investment (local and foreign). Increased intra-African trade would reduce Africa's vulnerability to international price and demand shocks originating outside the continent.¹⁷⁵

Pan-African development institutions like the African Development Bank (AfDB) should be encouraged and even mandated to commit a sizable proportion of their development financing to

175 Yankah, K. (2008), *Free Speech in Traditional Society: The Cultural Foundations of Communication in Contemporary Ghana*, Accra: Ghana Universities Press.

trans-national projects. Funding country-specific projects would not hasten the regional integration agenda of the continent. Thus, projects like intra-national roads, rail lines, power plants, and so on should be the new financing focus of such institutions. Also, African countries need to speed up the issue of monetary union. Having several currencies all around the continent definitely increases the cost of international transactions. Again, as many countries do not have the appropriate capacity to manage exchange rate volatility, monetary cooperation would reduce the risks posed by currency instability. It is worth noting that, as at the beginning of the global financial/economic crisis in late 2008, African countries had combined foreign reserves in excess of US\$340 billion.¹⁷⁶ But unfortunately, this is divided among several national apex banks, making it inaccessible to African countries as there is no standing monetary cooperation amongst most of the central banks. Thus, many African countries have been forced to seek short-term stabilization funds from the usual discredited sources. With a common monetary framework, the reserves would have been available for the use of African countries at more favourable conditions.

It is also important that African countries invest in infrastructure and trade facilitation as a means of enhancing intra-African trade, regional cooperation, and competitiveness. Investment in functional and efficient infrastructure such as transportation, electricity, and ICT have the ability to reduce significantly cost of operations by enterprises which translate to lower cost of goods and services. This would enhance the ability of African firms to compete globally. Productive infrastructure is necessary for global competition and market access. Trade facilitation, in terms of improved government services, access to finance and good private solutions for transport and

176 United Nations, (2009), United Nations Programme of Action for African Economic Recovery and Development 1986-1990, General Assembly Resolution A/RES/S-13/2, 242

logistics should complement the provision of productive infrastructure. Thus, the trade regulatory environment, trade and customs documentation, procedure and enforcement, and trade finance framework must be business and trade-friendly.¹⁷⁷

RECs should be encouraged to take concrete actions that will ensure that all types of overlap, confusion, duplication, and so on are urgently corrected. Further mergers should also be encouraged. The various national markets need to be consolidated into one huge internal market the African market. It is based on this internal market that Africa will anchor its growth, not on some unpredictable and volatile global markets.¹⁷⁸ In the short-term, exportation to earn foreign exchange to finance growth and development and repay foreign loans is still important, but sustained and sustainable growth and development would have to be internally designed, motivated, financed, managed and sustained. This essentially, is the justification for market integration in Africa.¹⁷⁹

3.8 Harnessing Economic Growth in Africa

Productivity measures indicate the capacity of a country to harness its human and physical resources to generate economic growth. They are key indicators of economic performance. It should be observed that, among several factors, the inefficiency of public enterprises is one of

177 Rostow, W. (2010). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press.

178 The Africa Commission Report (2005). *The Vampire State in Africa: The Political Economy of Decline in Ghana*. London: James Currey Ltd.

179 UNCTAD's (2006) (eds), *Sociological Theory and Philosophical Analysis*, London: Macmillan 233

the key ones that led to the dismal African growth profile of the 1970s and 1980s. These enterprises enjoyed monopoly power and were also being subsidised by the public budget. Thus, sheer incompetence and lack of innovation were the order of the day, leading to gross failure of these enterprises.

It is also important that African countries invest significantly in human capacity development through investment in technology and education.¹⁸⁰ If we understand that productivity is determined by the available technology or know-how for converting resources into outputs desired in an economy, then it is important that African countries put in place efficient and effective methods for continually developing and improving their educational systems for productivity enhancement. The world is currently driven by knowledge and African countries cannot afford to be left behind in this regard. Emphasis must shift to the important role of tertiary education in the quest for human capacity development.

Thus, if regional integration is deepened and there is adequate investment, what countries need to do to enhance (international) competitiveness is to enhance value-addition in export by not only diversifying the range of goods and services available for export, but also putting more value and quality into goods and services before they are exported.¹⁸¹ The recent global financial/economic crisis has made this more imperative than ever. It should be realized that, among other things, value-addition requires innovations, which implies that African government cannot afford to underplay the importance of research and development in expanding value-addition. Again, incentive structures such as ‘value-addition’ funds, tax rebates, easy credit access, grants, and so

180 Economic Commission for Africa, (2005). Economic Report on Africa 2005, Addis Ababa: ECA

181 Campbell, D. (2005). In the Heart of Bantuland, A Record of Twenty-Nine Years in Central Africa among the Bantu Peoples, London.

on, can be provided by the government to encourage firms to increase value-addition in exports. An important advantage of expanding value-addition in production and export is that, given the presence of flexible and efficient counter-cyclical measures, it would aid in mitigating shocks during export demand or international price contractions. Thus, expanding value-addition in exports not only boosts growth but can also act as a stabilization instrument.

3.8.1 Reinventing Africa's Labour Markets and Institutions

There is no doubt that when one is looking for the connection between growth, employment, poverty and inequality, the labour market is the place to look.¹⁸² Africa's labour markets, standards and institutions are some of the most rigid, weak and underdeveloped in the world, despite the ratification of several core international labor conventions. A major reason for this is that there are wide gaps between these various commitments and national labour laws on the one hand and between national labour laws and the enforcement of these laws on the other hand. In most countries, labour organizations form unions for the purposes of ensuring that workers' welfare and rights are respected and upheld. In the case of Africa such functioning workers' unions are limited to workers in the urban areas as in industrialising nations. But with the norm of large informal sector employment, particularly in agriculture and retailing, this would mean that a large proportion of the labour force is not enfranchised for any meaningful bargain or standard.

National labour market institutions like labour advisory councils, labour productivity boards, and so on, should be empowered to effectively enlist the support and cooperation of employers and union members in addressing all issues relating to labour-management relations and productivity

182 Mabogunje (2011). Elements of Development. A.L.F.Publications: Abeokuta Nigeria, pp. 17-28.

in a tripartite manner. Such a tripartite framework would provide the mechanism for reaching good labour relations, increasing productivity, and building consensus on socioeconomic issues. However, there is the tendency in many countries to turn it into a state-controlled mechanism. This would only result in friction and dissent. In sum, while it is necessary to get the microeconomic structure of labour markets right, domestic demand-led growth also requires that countries get the macroeconomic environment right.¹⁸³

3.8.2 Paradigms of Growth and Development

In the above discussion we have looked at the actual empirical state of Africa's post-colonial economies and have seen them wanting in dimensions. But given the enormous influence that Western-generated economic theories have had on the economic life of the continent, it would be useful now to examine such theories critically to determine whether or not the African problematic springs from theories that have not been adequate for the task at hand. There was a time when it was argued that economic socialism or communism was the way to develop non-Western economies. The Soviet Union and China were the models to be followed. But both the Soviet Union and China abandoned the strict socialist model state control of the means of production in the 1990s to adopt both market and statist economic initiatives.¹⁸⁴

The present state of the economies of Africa is indeed puzzling when one considers the fact that there has been much growth and outside the Western orbit in the last forty years especially in East Asia. Countries like South Korea and Taiwan, following on the heels of Japan, have now effectively attained the status of technologically advanced nations. And China, of course, is now

183 Mwega, F. (2007). Saving in Africa: A Comparative Analysis. *Journal of African Economies*, Vol. 6 (3) Supplement: 199–228.

184 Kirsten, M. (2006). Policy Initiatives to Expand Financial Outreach in South Africa. Paper Prepared for the World Bank/Brookings Institute Conference, Washington, DC.

the world's second largest economy. Some authors such as Kahn invoke the centre-periphery thesis and argue that Africa's problems of growth and development stem from the fact that Africa's economies are too firmly embedded in the world's capitalist system for genuine development to take place.¹⁸⁵ As was discussed above, one of the main reasons for the African problematic is the fact of the peculiar configuration of the collective African nation states. There are now 54 nations on the African continent with relatively few of them viable in any conceivable way. It thus becomes absolutely necessary that there be regional integration at all economic levels. This integration must be a complete one, and not in the half-measured way of the European Union, if success is to be expected.

3.9 Conclusion

The chapter has reviewed interview guide and secondary data findings and also some of the scholarly works on harnessing economic growth in Africa in the 21st century. From the chapter, some issues have emerged that influence economic growth in Africa which are; growth opportunity which are involvement in international trade and the favorable climate and the growth barriers which include; corruption and bad governance which will be analysed in the next chapter.

185 Kahn, R. (2006). Reaping the benefits of Girl's Secondary Education in Bangladesh Impact on Fertility and Malnutrition. Presentation at the World Bank, July 2006. Washington, DC

CHAPTER FOUR

HARNESSING ECONOMIC GROWTH IN AFRICA: A CRITICAL ANALYSIS

4.1 Introduction

Chapter three has discussed both the opportunities as well as challenges in harnessing economic growth in Africa as analyzed from the interview guide. The study undertook 24 interviews and the gathered information was combined with supporting secondary data.

The chapter sets stage in order to analyse other emerging issues in harnessing economic growth in Africa. The political, environmental as well as social aspects are very important for the African development agenda because bad management, institutional instabilities, internal political shocks etc impede investment, both domestic and foreign. It is not only the argument about market failures that enables us to lay emphasis on good governance. The stakes are even higher when there are social, political and economic instabilities, the breakdown of social and political institutions, and the danger of further loss of public legitimacy if economic reforms fail. This creates a very legitimate concern for considering good governance as an essential tool for economic growth in Africa. Therefore, development programmes need to be accompanied to an effective development management system and an effective public administration system at all state levels for any meaningful sustainable development process to be achieved.

4.2 Emerging Issues

4.2.1 Role of political factors in economic growth in Africa

The role of political variables in explaining economic growth has been acknowledged by many economists. Comte discusses some of the reasons why politics matters for economic growth.¹⁸⁶

The underlying argument is that growth results from investment and out of three factors determining the expected profitability of investment, two are related to political institutions. These are: (i) the extent to which the economy favours production instead of diversion, and (ii) the stability of the economic environment. Diversion of resources is a consequence of practices such as corruption, theft, the payment of protection money, confiscatory taxation, the lobbying of government by special interests, etc. All these act like taxes on businesses, reducing their expected profitability.

The government usually stands at the centre of this system of resource diversion, either as an active player or a passive one through the structure of incentives it puts in place. Economic instability is often the result of political instability and vice versa. Hettne remarks, wars and revolutions in an economy are extreme forms of instability.¹⁸⁷ Instability of the economic environment increases uncertainty and discourages investment, thereby affecting growth. What role does politics play in Africa's economic growth? Information from the African Economic Research Consortium (AERC) Growth Project shows clearly how politics overrides economics in policy making in most countries.

186 Comte, A. (2004). The Progress of Civilizations through Three States in Etzioni, A and Etzioni, E (eds) *Social Change*, New York: Basic Books

187 Hettne, B, (2007). *Development Theory in Transition: The Dependency Debate and Beyond-Third World Responses*, London: Zed

In Burundi for instance, Krueger show that most of the investment is dominated by the public sector.¹⁸⁸ Between the late 1970s and early 1980s, more than 100 state firms were created and put in the hands of political appointees close or members of the political elite. Most of these firms have never been profitable. Instead, they are bailed out each year using taxpayers' money. Investment in human capital through the allocation of education and health infrastructure has favoured Bujumbura, the capital city, and the South of the country, the cradle of the political elite. Rent sharing rather than economic and social efficiency of these projects seems to have been the overarching objective of the investments.

Burundi is not an exception in Africa.¹⁸⁹ The similarity of political problems confronting many countries in Africa is striking. In many countries the similarities regarding regionalization of politics and economic policymaking is surprising. There is often tension between those favoured, namely those directly or indirectly identifying with the political leadership, and those at the other end of the spectrum.¹⁹⁰ This distinction may take an ethnic, regional or even religious form. When violence erupts, economic infrastructure is usually the target of those opposing the leadership as they perceive infrastructure as a symbol of their exploitation. In Sudan where a predominantly Arab and Muslim North has been fighting a long war with a predominantly Christian and Animist South, oil installations in the South are often sabotaged by the Southern rebels who do not gain benefits from oil exports.

188 Krueger, A. (2008). *Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequences*. Cambridge, Mass: Ballinger Publishing for National Bureau of Economic Research

189 Mankiw, G. (2000). *State, Society & Market: A Guide to Competing Theories of Development*. London: Zed Books

190 Nelson, J. M, (2010). *Economic Crisis and Policy Choice*, Princeton: Princeton University Press *New African Magazine*.

In Nigeria populations from the Southern Delta region that produces most of the country's oil have engaged in acts of sabotage to disrupt the flow of oil from their region. The current war in Cote d'Ivoire is often referred to as a political war between the predominantly Muslim North and the Christian South for equality of political rights. The rebels have targeted cocoa producing regions, which has already resulted in an increased pressure on cocoa prices in the international market. In the Central African Republic (CAR), the regional political divide is similar to that in Burundi. The recent coup d'état in CAR was a replica of the 1993 coup in Burundi.¹⁹¹ As in Burundi, the country's political elite and the army have been traditionally dominated by people from the South. The North-South political divide is also observed in Chad and Togo, among others. One way or the other, most of the 30-country studies in the AERC Growth Project have argued for a close negative relationship between political instability and economic performance.

4.2.1.1 Leadership and Governance Influence on Africa Growth

Since the 1980's, the concept of good governance has dominated international discussion within development and international assistance to Africa.¹⁹² What is most demanding to partner governments, development consultants, donors and scholars is not just how to promote good governance but equally how this can improve on the overall developmental agenda in Africa. Whereas in the 1980's the policy agenda concentrated on economic reforms and structural adjustment, focus has now turned to the criteria for good governance as a fundamental factor for economic development and poverty alleviation. Most aid donors are convinced that the

191 Nkrumah, K. (2008). *African Socialism Revisited*, in *Africa: National and Social Revolution*. Prague: Peace and Socialism Publishers.

192 Oyugi, W. & Gitonga, A (2008). *Democratic Theory and Practice in Africa*, Nairobi: Heinemann

achievement of development objectives is linked to good governance e.g. the United Nation Development Programme (UNDP) makes poverty alleviation the primary aim of political accountability. On the other hand, the World Bank looks at political accountability as being linked to anti-corruption. Thus good governance has been seen by some scholars as an end in its own right in the achievement of the developmental goals in Africa. That is why most official donor aid comes with conditions attached, and as such have frequently attempted to force good governance on dependent states for development assistance.

The concept of good governance is a broad concept within which other concepts are attached thus making it not easy to be defined.¹⁹³ The issues of democracy and development, popular participation and development, corruption and development, and the issues of state capacity, transparency and development are all enshrined within the concept of good governance. Within this context, new priority issues emerged e.g. state and public sector reforms, improving the capacity of the state to deliver public goods and services, and how to improve the quality and efficiency of public administration and the civil service, etc.¹⁹⁴ Good governance may be defined as government that is democratically organized within a democratic political culture and with efficient administrative organizations, plus the right policies particularly in the economic sphere. This has generally included trade liberalization, the deregulation of economic activities.

In order for Africans to defend the programme, they must be part of the decision-making process. Good governance enhances democracy as well as efficiency in the economy. Within each African country, this is important so that African people should claim ownership and

193 Ramose, M. B, 2004, "Poverty: A Creature of Politics and a Question of Justice", in *International Journal for Humanistic Studies*, 3 (11) 21-32.

194 Pearson, D. (2010).Trends in planning for Growth and Development in Aryeetey, E (ed) *Planning African Growth and Development*. Accra: ISSER and UNDP

inclusive participation in globalization. Each African country must invest heavily in human capital formation as part of economic governance. Growth in today's information-based global economy depends on a flexible, educated and healthy workforce.¹⁹⁵ Investment in human capital promotes individual development and gives the ability to escape poverty. In the area of human capital formation, regional cooperation and the international community ought to provide more resources. Einstein points out that growth is a process of continuous technological innovation, industrial upgrading and diversification and improvements in the various types of infrastructure and institutional arrangements that constitute the context for business development and wealth creation, which can be summed up as economic structural transformation.¹⁹⁶

Emerging economists demonstrate that the State in Africa has a potentially key role to play in economic diversification and structural transformation. Indeed, historical evidence shows that all countries that have been successfully transformed from agrarian economies to modern advanced economies had governments that played a proactive role in assisting individual firms in overcoming the coordination and externality problems in the process of their structural transformation.¹⁹⁷ Certainly, a whole range of conditions and factors, including knowledge and innovation, human capital, institutions and physical infrastructure, as well as fiscal, monetary, exchange-rate, capital-flow, trade and other policies are important for such policies to succeed. Hence, the central role of the State does not depend on how much it is involved in the economic

195 Ajei, M. (2003). *The Paranormal: An Inquiry into some Features of Akan Metaphysics and Epistemology*, A Thesis presented in part-fulfillment of the requirements for the M.Phil Degree to the Department of Philosophy, Legon: University of Ghana.

196 Einstein, A. (2007). *Relativity: The Special and General Theory*, New York: Crown Publishers

197 Jackson, J. (2004). *The World Trading System: Law and Policy of International Economic Relations*, Cambridge, Massachusetts: The MIT Press

transformation process, but more importantly on how it is able to govern development with a decisive ideological orientation and effective institutions, and policies underpinned by adequate bureaucratic and organizational capacity and political will. The reality in many African countries is that the State has not succeeded in achieving meaningful economic structural transformation.

The African State would act, credibly, legitimately in promoting industrialization, economic growth and expansion of human capabilities and is able to construct and deploy the institutional architecture within the State and mobilize society towards the realization of its developmental project.¹⁹⁸ In other words, this is a State that puts economic development as the top priority of government policy, and is able to design effective instruments to promote such a goal. These instruments would include the forging of new formal institutions, the weaving of formal and informal networks of collaboration amongst citizens and officials and the utilization of new opportunities for trade and profitable production.

The developmental State approach could help address development challenges by focusing on rebuilding and strengthening State capacity, with a view to raising its ability to expand human capabilities and promote an equitable and efficient allocation of resources, which in turn, should generate appropriate incentives for economic diversification and transformation.¹⁹⁹ The approach should also prioritize the building and strengthening of economic and socio-political institutions and their effective coordination to produce the desired socio-economic development outcomes. In addition, it should provide for the articulation and implementation of macroeconomic, industrial and sectoral policies that are specifically targeted in promoting economic

198 Nkrumah, K. (2008). *Africa Must Unite*, London: Panaf Books.

199 Wiredu, K. & Gyekye, K. (2007). *Person and Community, African Philosophical Studies I*, Washington, D. C.: Council for Research into Values and Philosophy

transformation and overcoming the potential negative impacts of endowment, environment and geography on the continent's growth pattern. African countries need to build transformative good governance and democratic institutions. A crucial component of such institutions is strong leadership.²⁰⁰

It is important to promote leadership capacity at various levels. In this context, the state must build a competent and professional bureaucracy and ensure that recruitment and promotion in the bureaucracy is based on merit rather than political patronage, ethnic or religious considerations.²⁰¹ Good governance in Africa requires that the articulation of national development goals should draw on democratic public deliberations. The participatory and consultative dimensions of the African State should enable people organizations, including social movements and civil societies, to take part in the development and governance processes. Indeed, local and national deliberative mechanisms and processes need to be institutionalized. African leaders should enhance ownership of national development programmes by citizens. This in turn should increase the legitimacy of economic policies and transparency in governance. The African Peer Review Mechanism (APRM) currently being embraced voluntarily by a number of African countries has the potential to make an enormous contribution towards building such a democratic developmental State, by making systematic the contribution of other actors, especially the private sector and civil society.

200 Engle, G. (2009). Cointegration and Error Correction: Representation, Estimation, and Testing, *Econometrica* 55: 251-276.

201 UNCTAD (2009). *Handbook of Statistics*, Washington DC: United Nations.

4.2.2 Environmental factors

Africa has experienced enormous climate changes since it gave rise to mankind about 150,000 years ago. Ever since the onset of agriculture about 8000 years ago, climates have changed periodically.²⁰² The most important evidence to this is found in the records of two periods of pastoralism that have covered much of the Sahara desert, only to retreat again since about 4500 years ago. The adaptive capacity of African agriculture to these enormous climate changes in the past is well documented. It also has suffered repeated long term droughts with devastating impacts on population size and welfare, such as the decade long drought that afflicted West and Central Africa between 1774-1785, and that, inter alia, contributed to the peak in the transatlantic slave trade.²⁰³ Except for a few diehards, there is now agreement that global warming is caused by human activity. The current data and projections from modeling efforts of global climate change have been summarized in the latest Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

The IPCC coordinates the numerous modeling efforts across the World. It emphasizes that projections are associated with uncertainties, which varies widely across the different types of impacts of climate change. It therefore assigns confidence levels on a scale of 1 to 10 to those where quantitative expert judgment is used, and statistical likelihood for those where expert judgment is combined with statistical analysis, ranging from extremely likely (>95 percent) to very unlikely (<10 percent).²⁰⁴ In the following, selected findings from the IPCC report are

202 Walker, W. (2007). Financing of Global Imbalances, *IMF Working Paper*, WP/07/177.

203 Winters, L. (2004). Trade Liberalization and Economic Performance: An Overview, *Economic Journal* 114, no.2:F4-21.

204 Adams, R. & J. Page. (2005). The Impact of International Migration and Remittances on Poverty. *World Development*, Vol. 33 (10): 1645–69.

presented. Observed temperatures have increased across wide areas of the World. They are higher in the higher northern latitudes than elsewhere. Land regions have warmed faster than the oceans, but oceans have been taking up over 80 percent of the heat added to the climate system. Consistent with these trends, arctic sea ice has shrunk by 2.7 percent per decade, while mountain glaciers and snow cover have declined in both hemispheres.

Between 1900 and 2005, precipitation increased significantly in the eastern parts of North and South America, northern Europe, and Northern and Central Asia, whereas they have declined in the Sahel, the Mediterranean, southern Africa and parts of South Asia.²⁰⁵ Areas affected by drought across the world are likely to have increased. It is very likely that hot days and hot nights have become more frequent; it is likely that heat waves have become more frequent, and that frequency of heavy precipitation events has increased. There is medium confidence that agricultural and forestry management at higher latitudes in the Northern Hemisphere has changed, including earlier spring plantings of crops and disturbances of forests due to fires and pests. There are also things that have not changed, such as Antarctic temperatures and sea ice. There is no discernible trend in the Meridional Overturning Circulation (MOC) of the oceans, and in small scale phenomena such as tornados, hail, lightning or dust storms. There is also no clear trend in tropical cyclones.²⁰⁶

The modeling efforts suggest that, with greenhouse gas emissions at current or higher levels than in the past, it is very likely that temperature changes during the 21st century would be faster than

205 Udry, H. (2009). Household Asset Choice in Africa. Institute of Statistical, Social and Economic Research, University of Port Elizabeth.

206 Basu, A. Blavy, R. & Yulek, M. (2004). Micro Finance in Africa: Experience and Lessons from Selected African Countries. IMF Working Paper 04/174, Washington, DC.

in the 20th century, ranging from between 1.4 to 5.8 degrees Celsius depending on the scenario.²⁰⁷ The projected warming will follow similar patterns than the observed warming in the past: it will be higher over land than the oceans, highest in the most northern latitudes and least over the southern oceans near Antarctica and in the Northern Atlantic. Night temperatures are likely to increase more than day temperatures. Increase of precipitation is very likely in the high latitudes, while decreases are likely in subtropical areas. While the Greenland ice sheet is projected to contribute to current sea level rises, the Antarctic ice sheet will remain too cold for widespread surface ice melting. While it is very likely that the Meridional Overturning Circulation (MOC) in the Atlantic Ocean will slow down, it is very unlikely that it will undergo a large, abrupt transition. There is also a growing view that frequency and amplitude of extreme weather events may be increasing. It is very likely that hot extremes, heat waves, and heavy precipitation will increase.

Specifically for Africa, climate change and its impacts are estimated to be considerably more adverse than predictions for the developed World, but less alarming than for example for India and for Mexico. Observed precipitation changes have been complex: In West Africa a decline in precipitation has been observed since the end of the 1960s, ranging from 20 to 40 percent between the period of 1931-1960 and the period since then.²⁰⁸ A 10 percent increase in annual rainfall has been observed along the Guinean Coast, however. Eastern Africa has seen increasing rainfall over the northern sector and decreasing rainfall over the southern sector.

207 Sachs, D. (2011). Geography, Demography, and Economic Growth in Africa. *Brookings Papers on Economic Activity* 2: 207–73.

208 Azam, P. (2005). How to Pay for the Peace? A Theoretical Framework with References to African Countries. *Public Choice*, Springer, vol. 83(1–2) April: 173–84.

In other regions, no long term trend has been noted. In different part of southern Africa a significant increase in heavy rainfall events has also been observed. Lake Victoria, Tanganyika and Malawi have risen by 1.7, 2.1 and 1.8 meters respectively through a combination of higher rainfall and/or higher runoff. Very few regional to sub-regional climate change scenarios have been constructed in Africa. The global models imply that the highest increases in temperature are expected in the Mediterranean Region of North Africa and the extreme south of Africa. The role of land use and vegetation cover emerges as a key determinant of future temperature changes, with higher vegetation densities in the tropics, including in the tropics of Africa suggested to result in a year round cooling of 0.8 degrees Celsius. Sea level rises will significantly affect Africa's delta regions such as the Niger Delta.²⁰⁹

Precipitation projections are generally less consistent across climate model than temperature changes. Nevertheless it is very likely that precipitation will decrease along the Mediterranean Coast and in the Northern Sahara, but is likely to increase in tropical and Eastern Africa.²¹⁰ Austral winter rain is very probable to decrease. For the Western Sahel there are still discrepancies between the models, some projecting a significant drying and other simulating a progressive wetting with an expansion of vegetation into the Sahara. Discrepancies in model predictions are also large for Southern Africa (except the southernmost Mediterranean tip). Predictions of runoff vary widely, because small variations in extreme weather events can have a major impact on runoff. Nevertheless, water stress is expected to increase in Northern and Southern Africa, while more people in eastern and western Africa will be likely to experience a

209 Soderling, G. (2002). Will There Be New Emerging-Market Economies in Africa by the Year 2020? IMF Working Paper WP/02/131, August.

210 Bulatao, A. (2008). The Value of Family Planning Programs in Developing Countries. Rand Corporation, Santa Monica, CA.

reduction, rather than an increase in water stress. It is clear, therefore, that the most serious impacts of climate change are expected to affect the Mediterranean climate areas in the North and extreme South of Africa.

By 2020, between 75 to 250 million people are projected to be exposed to increase water stress. On balance, by 2080 an increase of 5 to 8 percent in arid and semi-arid and in Africa is projected under a range of climate models. The United Nations (2007) summary report states that approximately 20 to 30 percent of plant and animal species assessed so far are likely to be at increased risk of extinction if global average temperature increases exceed 1.5 to 2.5 degrees Celsius. Crop productivity is expected to increase slightly at mid to high latitudes for temperature increase of up to 1 to 3 degrees, but would be adversely affected if temperature rises were higher. In seasonally dry and tropical regions crop productivity is expected to decrease for even small local temperature increases of 1 to 2 degrees (medium confidence). As a consequence, global food production is expected to increase with temperature increases in the range of 1 to 3 degrees, but to decrease above this range.

Bates quantify the impact of climate change on global agricultural GDP by 2080 as between - 1.45 percent and + 2.6 percent.²¹¹ Without climate change the report assumes that socioeconomic development would reduce the number of hungry people from 820 million today to the 100-230 million range. Scenarios with climate change project increases in the number of hungry people between 40 and 170 million relative to that base. Increases in extreme weather events may reduce food production below what is predicted for mean temperature rises.²¹² Potential

211 Bates, H. (2013). *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. Berkeley, CA: University of California Press.

212 Collier, P. (2010). Ethnicity, Politics and Economic Performance, *Economics and Politics* 12(3) November: 225-45.

adaptation to climate change would significantly reduce negative impacts. However, groups whose adaptive capacity is constrained would experience the negative effects on yields of low latitude crops, combined with high vulnerability to extreme events. Globally commercial forestry production rises modestly in response to climate change, with large regional variations. It should be noted, however, that currently Africa is only using about 32 percent of its potential arable land.

4.2.3 Social factors

4.2.3.1 Implications of High Population Growth for Economic Growth

Globally, declines in fertility rates seem to be linked to income growth, urbanization, girls' education, and reduced infant and child mortality rates, all of which have been delayed in Africa because of stagnant growth rates.²¹³ The past failure to grow therefore is one of the main reasons for the failure of the population growth rate to decline as fast as for example in Asia and the Pacific. But the situation is changing: Since per capita growth is now around 4 percent in Africa, the demographic transition will undoubtedly accelerate in the next decades.²¹⁴ But the relationship between population growth and economic growth also works the other way around. A very important reason for poor investment incentives and returns in Africa is that the demographic transition in Africa began later than elsewhere and is slower than in the rest of the World, leading to much higher dependency rates than elsewhere. The current situation results in a high level of age dependency, which reduces saving, reduces investment in human capital, and

213 Daumont, L. (2004). Banking in Sub-Saharan Africa: What Went Wrong?" IMF Working Paper 04/55, International Monetary Fund, Washington, DC.

214 Levine, D. (2011). Tropics, Germs, and Crops: The Role of Endowments in Economic Development. *Journal of Monetary Economics* 50:1, January.

results in slower growth of the labor force. This creates both fiscal pressures for the government as well as household pressures. The delayed demographic transition in Africa consistently predicts two-thirds of the difference in growth performance with the rest of the developing World.

Lower life expectancies are also shown to contribute to the poorer growth performance, and the AIDS epidemic has made this factor much worse, especially in Eastern and Southern Africa.²¹⁵ A decline in the population growth rate would reduce dependency rates and lead to a population pyramid with a large adult labor force, compared to a much smaller population of the aged, and a relatively smaller population of children and youth. Dependency rates would decline. This would set the stage for a population dividend in terms of growth. This is precisely what many Asian economies are currently experiencing. The needed policy elements are improvements in female education, generalization of AIDS, tuberculosis and malaria treatment and prevention, and family planning. Countries and donors are investing more in education and health, but donors have reduced their funding for family planning programs. It would be well to revisit the relative priority of investments in family planning. But the population dividend in Africa is a long way off. The demographic transition to reduce the proportion of young people in the population has barely started, and a decline in absolute numbers will only come in the distant future.

Poor quality of basic primary education severely limits their growth opportunities. In many African countries fewer than half of women aged 15-24 years can even read and understand, and

215 Alwang, M. (2009). Changes in Consumption and Saving Behavior Before and After Economic Shocks: Evidence from Zimbabwe. Paper Presented at International Food and Agribusiness Management Association Conference, Chicago, IL.

their school drop-out rates are very high.²¹⁶ Young adults are at greatest risk of HIV and AIDS, and the more so, the less they stay in school. In Kenya, the probability that a 20 year old may die before age 40 is 36 percent while it would only be 8 percent in the absence of HIV and AIDS. Many young people become combatants and lose future opportunities as a consequence. As in all regions of the World, unemployment is concentrated among the young. In most countries, the share of unemployment of youth is more than 50 percent, and employment is the key concern among them. Among women, including the young ones, a low labor force participation rate persists. Schooling for both young men and women has increased, but is yet insufficient to ensure gainful employment of the young generation.²¹⁷ Development policies must therefore emphasize generating productive employment and improving the domestic investment environment. Since agriculture has a high employment intensity, both directly and via its rural and urban linkage effects, it should receive a very high priority in the countries of the region.

4.2.3.2 HIV and AIDS

The major impact of HIV and AIDS are the loss of human life and the enormous suffering of the patients and the families who experience AIDS deaths.²¹⁸ As mentioned before, even in high prevalence countries of Eastern and Southern Africa, these deaths will not lead to a population decline. Impact estimates on economy-wide growth range from the benign to the alarming. In addition, the AIDS crisis has severely increased tuberculosis and malaria infections, making these diseases much more prevalent and dangerous. The diseases are aggravated by the growing

216 Mellinger, G. (2009). Geography and Economic Development. In Annual World Bank Conference on Development Economics, ed. Boris Pleskovic and Joseph E. Stiglitz. Washington, DC:World Bank.

217 Rakner, P. (2003). Taxation and Tax Reforms in Developing Countries: Illustrations from Sub Saharan Africa. Paper Presented at the Norwegian Agency for Development Co-operation.

218 Yang, R. (2005). The Macroeconomic Challenges of Scaling Up Aid to Africa. IMF Working Paper 054/179.

crisis of multi-drug resistant tuberculosis, and increased resistance of malaria to common, inexpensive drugs.²¹⁹ Whatever these impacts of HIV and AIDS may be, they have, however, not prevented the resumption of growth even in the high income countries.

Impacts on economic growth are still poorly understood, but as mentioned before, the fears of HIV and AIDS famines have probably been exaggerated. At the household level, HIV and AIDS morbidity and death can lead to distress sales of assets and therefore reduce capital stocks available to survivors.²²⁰ Both aggregate agricultural labor supply and labor demand are reduced, leading to little aggregate labor scarcity of wage rises. Impacts on the availability of labor of an AIDS death are often mitigated by the absorption of new adult household members, although this is not the case in numerous cases, where grandmothers or older children become household heads. Many households recover quickly in terms of agricultural output, but others suffer a persistent impact of low availability of land, labor, capital, and farming skills. It is for these households that agricultural interventions are the most necessary and useful to help their recovery.

Major counterintuitive findings are as follows: Better food intake and nutrition does not do little to reduce the risk of infection with the HIV and AIDS virus, nor does it significantly prolong life of untreated individuals beyond the modal number of 8.9 years after infection.²²¹ Only anti-retroviral therapy can prolong life, by many years across the World and in Africa. In addition,

219 Maimbo, S. & Mavrotas, T. (2006). Financial Sector Reforms and Savings Mobilization in Zambia. Discussion Paper No. 2003/13. World Institute for Economics Development Research, Helsinki, Finland.

220 Fofack, D. (2005). Nonperforming Loans in Sub-Saharan Africa: Causal Analysis and Macroeconomic Implications. Policy Research Working Paper 3769, World Bank, Washington, DC.

221 Ndulu, J. & O'Connell, A. (2007). Revised Collins/Bosworth Growth Accounting Decompositions. AERC Explaining African Economic Growth Project March.

not all orphans are experiencing lower food intake, nutrition, education and health than non-orphans. This is because African families place the orphans with those relatives better able to care for them. On the other hand, the above welfare indicators are worse for households that take care of more than one orphan, apparently because the burden is just too much. Since there are a rapidly growing number of such families in Africa, the social protection acquires even more urgency.

HIV and AIDS prevention, treatment and care and support are less well developed in rural areas than in urban areas, and even in urban areas there is far from universal access to these measures.²²² The main challenge that HIV and AIDS pose for economic growth and rural development is therefore to ensure that these three components of the fight against HIV and AIDS achieve universal coverage. This is more difficult in rural than in urban areas, but not impossible. For example, the World Health Organization (WHO) guidelines for HIV and AIDS treatment are specifically designed to make it possible to provide treatment even in areas that only have access to a health post managed by a nurse. The most dramatic welfare consequences of the epidemic are the enormous suffering of the dying person, his or her loss of life and human capital, and emotional pain suffered by the survivors.²²³ The demographic literature on the impact of HIV and AIDS, in all the dryness of its statistics, concentrates on these morbidity and mortality effects, and on the consequences for the demographic composition of the affected families, communities, and countries. Because the vital statistics and the demographic and health surveys used by demographers are well developed, and combine health and demographic

222 Ndung'u, S. & Ngugi, W. (2007). Banking Sector Interest Rate Spread in Kenya. Discussion Paper No.5. Kenya Institute for Public Policy Research and Analysis.

223 Miguel, E. (2004). Tribe or Nation? Nation-Building and Public Goods in Kenya versus Tanzania. *World Politics* 56, April: 327–62.

information, these immediate consequences of the epidemic are far better documented than the subsequent secondary impacts on the economic welfare of the survivors.

The AIDS crisis has severely increased tuberculosis and malaria infections, making these diseases much more prevalent and dangerous.²²⁴ The diseases are aggravated by the growing crisis of multi-drug resistant tuberculosis and increased resistance of malaria to common, inexpensive drugs. Impact estimates on economy-wide growth range from the benign to the alarming. Whatever these impacts of HIV and AIDS may be, they have, however, not prevented the resumption of growth even in the high income countries. Impacts on agricultural output growth are still poorly understood. A few years ago it appeared that HIV and AIDS could lead to AIDS famines, especially if combined with drought. The country most studied was Malawi, but agricultural growth has now recovered, thanks to better weather, and an input subsidies program.²²⁵ Therefore, the fears of HIV and AIDS famines have probably been exaggerated. Of course, that does not mean that the high rates of mortality have no impact on food production and hunger.

Mukungushi used the broad survey data emerging from the Michigan state effort to analyze the hardest hit countries in seven Eastern and Southern Africa.²²⁶ They conclude that AIDS is projected to erode population growth roughly to zero, resulting in a roughly constant number of working age adults. Many affected agricultural households quickly recruit new adults, and the

224 Rau, N. (2004). Financial Intermediation and Access to Finance in African Countries South of the Sahara. Africa Development and Poverty Reduction Forum Paper. Cornell University, Ithaca, NY.

225 Rodrik, D. (2010). Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses. Mimeo, John F. Kennedy School of Government, Harvard University, August.

226 Mukungushi, G.(2009). "Zambia" Draft Chapter 27 of the synthesis volume 2 of the African Economic Research Consortium's Explaining African Economic Growth project.

agricultural labor shortages are likely to induce urban-rural labor migration. Therefore, for poorer smallholder households, land is likely to remain the primary constraint on income growth. HIV and AIDS is likely to progressively decapitalize highly affected rural communities: and increasing scarcity of capital (savings, cattle, draft animals) may come to pose the greatest limit on rural productivity and livelihoods in these communities.

Kpundeh show that in rural Malawi communities with high HIV and AIDS impact, widespread reduction in household incomes and increased cash constraints also tend to depress agricultural demand and the demand for rural non-tradable.²²⁷ This reduction in aggregate demand would reduce labor demand, and induce a fall in rural wages, posing problems for poor households who are net suppliers of labor. Differential adjustment in household composition also affects the welfare consequences for orphans. Of course, orphans usually face serious psycho-social consequences of the loss of one or both of their parents. The consequences for their food intake and nutrition, their growth, and their school attendance depend on the households within which they are placed. Extended families are most likely to choose better-off members as the fostering parents.

As a consequence, studies have shown that orphan-fostering households are not necessarily the poorest and most vulnerable households. But all extended families do not have enough well-off members relative to the number of orphans they need to take care of. In a meta-analysis of national nutrition and health surveys in Sub-Saharan Africa, Luckham show that orphaned children, regardless of the way they were defined, were not consistently more malnourished than

227 Kpundeh, J. (2004). *Building State Capacity in Africa: New Approaches, Emerging Lessons*. Washington, DC: World Bank.

non-orphaned children.²²⁸ On the other hand, households with more than one orphan reported significantly more food insecurity and hunger than households with no or only one orphan. In terms of impact on agriculture, the review of the large representative rural household Ndulu shows that the average affected rural household has similar ex-post land cultivated, total land area, cultivation rates, and total income.²²⁹ The ex-post comparisons suffer from the fact that the affected households may have been better off to start with. The longitudinal dataset in Kenya shows that the death of an adult male household head is associated with a larger negative impact on household economy. In addition the Kenya data show that the impact of adult mortality on household welfare is more severe for households in the lower half of the per capita income distribution.

4.2.4 Other Issues

4.2.4.1 Global Interdependence

Globalization is a process of integrating economic decision making such as the consumption, investment, and saving process all across the world. It is a global market in which all nations are required to participate. Kpundeh notes that countries which benefit most from globalization are those which have met the basic needs of their people and in a sustained manner too.²³⁰ African economies must be structurally transformed. Otherwise, globalization represents another approach of ensuring wider markets for industrialized countries. Perhaps, this explains the acceptance of New Partnership for Africa's Development (NEPAD) by developed countries and

228 Luckham, R. (2007). Conflict and Poverty in Africa: An Assessment of the Issues and Evidence. IDS Working Paper 128. Institute of Development Studies, Brighton, U.K.

229 Ndulu, O. (2010). Explaining African Economic Growth: A Focus on Sources of Growth. AERC Working Paper Series

230 Kpundeh, J. (2004). Building State Capacity in Africa: New Approaches, Emerging Lessons. Washington, DC: World Bank.

the Bretton Woods Institutions may enable Africa's countries to exploit these benefits from globalization.

The private sector in developed countries is to be encouraged to invest in Africa under countries initiatives and their umbrella called NEPAD arrangement. In order to attract more investment in Africa, states would reduce the following factors: inconsistent macro-economic policies, policy reversals, insecurity, uncertainty etc.²³¹ Governments in Africa must be ready to offer some guarantees if foreign investment is to be attracted. There is evidence that good economic governance is a necessary condition for attracting foreign investment. Globalization is a process of advancement and increase in interaction among the world's countries and peoples facilitated by progressive technological changes in locomotion, communication, political and military power, knowledge and skills, as well as interfacing of cultural and value systems and practices. Globalization is not a value-free, innocent, self-determining process. It is an international socio-politico-economic and cultural permeation process facilitated by policies of governments, private corporations, international agencies and civil society organizations. It essentially seeks to enhance and deploy a country's (society's or organizations) economic, political, technological, ideological and military power and influence for competitive domination in the world.²³²

African countries are taking it as a big problem, and therefore missing the opportunities it is offering, while others have grabbed it as a movement offering development potential and used it to advance their growth and development and their self-interest, whether it be national or

231 Mellinger, G. (2009). Geography and Economic Development. In Annual World Bank Conference on Development Economics, ed. Boris Pleskovic and Joseph E. Stiglitz. Washington, DC:World Bank.

232 Alwang, M. (2009). Changes in Consumption and Saving Behavior Before and After Economic Shocks: Evidence from Zimbabwe. Paper Presented at International Food and Agribusiness Management Association Conference, Chicago, IL.

personal.²³³ While some are taking it as a dangerous process of exploitation where rich countries and big international corporations are getting bigger and richer at the expense of the poor ones and a sort of fulfilment of “man to man is a wolf”, others are seeing it as the final pin in the process of positive socio-politico-economic, mutually beneficial, global integration.

Whichever way it is taken, the phenomenon of globalization has attracted enough world attention to warrant intensive discussion at the world’s governing body (the United Nations General Assembly) which, in its resolution 55/102, recognized globalization and its impact on the full enjoyment of all human rights and expressed the need to achieve international cooperation in promoting and encouraging respect for human rights and fundamental freedoms for all without distinction (referring to the Universal Declaration of Human Rights, civil and political rights, economic, social and cultural rights, as well as the right to development).²³⁴

4.2.4.2 African Growth and Opportunity Act (AGOA)

In May 2000, AGOA was implemented as part of U.S. trade legislation and signed into law by President Clinton as Title 1 of The Trade and Development Act.²³⁵ The main purpose of this act is to increase trade and investment between the U.S. and eligible African countries, to enable the opening of U.S. markets by reducing and eliminating tariffs for African exports of different products, to promote economic development and reform in Africa, and to support increased

233 Levine, D. (2011). Tropics, Germs, and Crops: The Role of Endowments in Economic Development. *Journal of Monetary Economics* 50:1, January.

234 Collier, P. (2010). Ethnicity, Politics and Economic Performance, *Economics and Politics* 12(3) November: 225–45.

235 Bulatao, A. (2008). *The Value of Family Planning Programs in Developing Countries*. Rand Corporation, Santa Monica, CA

access and investment opportunities in Africa. AGOA was first set to expire in 2008, but in 2004 it was extended to 2015. Initially, 34 Sub-Sahara Africa countries were included in the list of beneficiaries.²³⁶

Every year the United States authorizes which African countries are eligible for AGOA. Some of the eligibility criteria were to improve human rights and follow open market economic policies, eligibility for the World Trade Organization (WTO) Generalized System of Preferences (GSP), and protection of internationally recognized worker rights.²³⁷ Based on this, there is an evaluation of the Sub-Saharan African countries to determine which countries should remain eligible on an annual basis. Eligibility has also fluctuated with changes in the local political environment. For instance, in December of 2009 Guinea, Madagascar, and Niger were all suspended from the list of eligible countries because of poor governance and lack of progress towards democracy. However, by October of 2011 eligibility was restored to Guinea and Niger since they showed improvement. AGOA covers more than 6000 product items including steel items, automotive components, handbags, gloves, footwear, apparel, iron and many types of food products.

Under AGOA benefits, four main sectors such as energy-related products, textiles and apparel, transportation equipment, and minerals and metals account for over 90 percent of exports. Even though the percentage of exports qualifying for AGOA benefits from the above-mentioned sectors is very high, important Africa agricultural exports are not covered by the trade

236 Bates, H. (2013). *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. Berkeley, CA: University of California Press.

237 Azam, P. (2005). How to Pay for the Peace? A Theoretical Framework with References to African Countries. *Public Choice*, Springer, vol. 83(1–2) April: 173–84.

preferences. Rodrik mentioned that the majority of tariff reduction under the program is for nonagricultural commodities such as oil, petroleum, minerals, precious stones, textiles, and apparel.²³⁸ 86 percent of U.S. imports from Africa consist of petroleum and minerals while agricultural goods imported from the eligible AGOA countries account for less than 2 percent of total U.S. agricultural imports (WTO and FAS/USDA).²³⁹ This indicates that the eligible agricultural products covered by the policy are less numerous than the non-agricultural products. However, agriculture is an important economic sector in many African countries and can play a significant role in overall growth and development in Africa.

The limitation on AGOA eligibility for important Africa commodities raises an important question concerning the impact of this program on Africa's trade and development. The expectation of preferential trade agreements like AGOA is that they would have a positive effect on total exports from developing and least developed countries.²⁴⁰ Trade preferences can have mixed results generating both gains and losses. For instance, it is possible that the preferences will lead to trade diversion as the preference-granting country shifts its imports from a low-cost producer to a higher-cost producer receiving the preferential treatment. The welfare effects of this change, however, would fall mainly in the importing country and so may be of less concern to countries receiving preferential treatment. Preferential agreements may also add to

238 Rodrik, D. (2010). Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses. Mimeo, John F. Kennedy School of Government, Harvard University, August.

239 Ndulu, O. (2010). Explaining African Economic Growth: A Focus on Sources of Growth. AERC Working Paper Series.

240 Miguel, E. (2004). Tribe or Nation? Nation-Building and Public Goods in Kenya versus Tanzania. *World Politics* 56, April: 327–62.

administrative costs relating to managing the confusion from many overlapping trade agreements.

Luckham also show that sometimes preferential programs may have an adverse effect on the terms of trade for excluded (less preferred) countries.²⁴¹ The possibility of trade preferences excluding sensitive sectors and the possible non-reciprocal nature of the agreements can also be added to these concerns. Rakner also mentioned that the main goal of all trade preference programs is to promote export growth and development in less developed countries, however, the outcomes of those preference benefits have been mixed in some ways.²⁴² Many developing countries have used tariff preferences to enhance their competitiveness in certain industries, particularly apparel.

In other countries, preferences are used to export major commodities such as petroleum and mineral products which may be less supportive of long-term economic diversification and development. A key feature of all preferential trade programs, including the GSP, is that they are in effect for a certain period of time and need to be renewed periodically. Soderling mentioned that if preferred countries do not focus on improving their product competitiveness, they may tend not to be benefited when the preference programs expire.²⁴³ Their results suggest that

241 Luckham, R. (2007). Conflict and Poverty in Africa: An Assessment of the Issues and Evidence. IDS Working Paper 128. Institute of Development Studies, Brighton, U.K.

242 Rakner, P. (2003). Taxation and Tax Reforms in Developing Countries: Illustrations from Sub Saharan Africa. Paper Presented at the Norwegian Agency for Development Co-operation.

243 Soderling, G. (2002). Will There Be New Emerging-Market Economies in Africa by the Year 2020? IMF Working Paper WP/02/131, August.

preferential arrangements such as AGOA should be viewed as transitional mechanisms for gaining comparative advantage and market share.

4.2.4.3 Macroeconomic and Policy Environment in Enhancing Africa Growth

The United States, the European Union and China cumulatively count for nearly 70 percent of African trade. World trade shrunk by 11 percent in 2009, its first decline since 1982 and reportedly the biggest drop since the mid-1940s.²⁴⁴ Advanced economies were the hardest hit, with exports projected to drop by over 13 percent, but poorer nations including Africa saw their exports fall by over 6 percent. African exporters are suffering from the decrease in global demand. For example, total exports to the United States from all 41 countries eligible for trade benefits under the African Growth and Opportunity Act (AGOA) declined by 63 percent in the first half of 2009, compared to the same period of 2008.²⁴⁵

While Africa accounts for less than 2 percent of global trade, many African economies depend on trade in commodity exports, whose prices on the world market have declined drastically due to the global crisis. The price slump in oil and many mineral commodities, combined with decreased external demand, dealt a severe blow to the region: oil and other mineral fuels represented 68 percent of African exports to the world by value in 2008; ores, slag and ash about 14 percent; and precious stones about 4 percent. African countries are thus exporting less on average, and at lower prices, than a year ago. Investor perceptions of risk have exacerbated the impact of falling commodity prices for resource-rich African countries that are also fragile or

244 Sachs, D. (2011). Geography, Demography, and Economic Growth in Africa. *Brookings Papers on Economic Activity* 2: 207–73.

245 Basu, A. Blavy, R. & Yulek, M. (2004). *Micro Finance in Africa: Experience and Lessons from Selected African Countries*. IMF Working Paper 04/174, Washington, DC.

post-conflict states. Several other countries depend in part on international tourist arrivals (understood as trade in services), which declined worldwide by about 8 percent in the first four months of 2009 compared to 2008.²⁴⁶ Overall, African countries' export exposure to advanced economies has increased in recent years. According to the IMF, on average, a 1-percentage-point decline in world growth (trade-weighted) is associated with a roughly 0.5-percentage-point drop in GDP growth in Africa.²⁴⁷

Global trade could drop even further if countries react to the economic crisis by enacting additional trade barriers. African economies face a further risk that the global recession will spark new attempts by developed countries to restrict imports and protect local producers. The former World Trade Organization Director-General Pascal Lamy has reportedly warned that despite trade's potential to serve as a tool for recovery, the use of protectionist measures is on the rise.²⁴⁸ One of the major characteristics of the emerging international economic order is the treatment of Intellectual Property Rights (IPRs). Developing country members are very concerned about the impact that the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) will have on their economies. Of particular concern are those aspects of the Agreement that relate to the issue of access to new pharmaceutical inventions. TRIPS emphasizes a property rights approach whereby private owners of the inventions can restrict access on the basis of commercial considerations. As a consequence, higher prices for pharmaceuticals and other healthcare inventions can prevent low-

246 Udry, H. (2009). Household Asset Choice in Africa. Institute of Statistical, Social and Economic Research, University of Port Elizabeth.

247 Adams, R. & J. Page. (2005). The Impact of International Migration and Remittances on Poverty. *World Development*, Vol. 33 (10): 1645–69

248 Winters, L. (2004). Trade Liberalization and Economic Performance: An Overview, *Economic Journal* 114, no.2:F4-21.

income consumers in developing countries from obtaining life-saving medications and equipment. It is true, of course, that exploitative business practices are possible only to the extent that monopoly positions are tolerated.

Many developing countries, however, lack the necessary financial resources and have not yet developed appropriate competition rules to deal effectively with the challenges presented by the TRIPS Agreement. Some analysts fear that policies aimed at encouraging trade with Africa such as AGOA, the European Union's (EU) "Everything but Arms" program, or the Doha Development Round of the World Trade Organization could be threatened by political pressures to become more isolationists.²⁴⁹ For instance, in the European Union and African Caribbean and Pacific groups of states (EU-ACP) Lome trade Agreement, the Common Agricultural Policy (CAP) robbed the ACPs the opportunity to adequately take advantage of the Lome Provisions.

Recent growth in Africa relied in part on commodity exports to China, Africa is particularly vulnerable to fluctuations in China's economic growth. In 2007, China was the destination for some 13 percent of Africa's exports and the source of roughly 10 percent of Africa's imports.²⁵⁰ These figures represent a long trend of increased Chinese trade and commercial ties with Africa, particularly with countries rich in natural resources. China's trade with Africa greatly increased in recent years, reportedly growing to \$74 billion in the first eight months of 2008, a 62 percent increase over the previous year. Even with the impact of the crisis in the second half of 2008, total Sino- African trade for the year was reportedly \$106.8 billion, a significant increase from

249 UNCTAD (2009). *Handbook of Statistics*, Washington DC: United Nations.

250 Maimbo, S. & Mavrotas, T. (2006). Financial Sector Reforms and Savings Mobilization in Zambia. Discussion Paper No. 2003/13. World Institute for Economics Development Research, Helsinki, Finland.

2007. This trade has spurred Chinese investment in large infrastructure projects in Africa, which in some cases are thought to have helped alleviate constraints on economic competitiveness.

New reports and private sector analyses suggest that China is re-evaluating some resource extraction agreements, particularly in countries perceived as politically unstable, in light of the global slump, with some mining firms suspending production or withdrawing altogether. At the same time, recent statistics on China's growth in the first months of 2009 have shown robust, if somewhat reduced, economic growth.²⁵¹ Furthermore, China's domestic economic stimulus package reportedly relies heavily on infrastructure construction, which has kept demand steady for some primary inputs, such as oil, copper, tin and lumber. Indeed, while Chinese private-sector engagement with Africa has apparently decreased as a result of the crisis, some Chinese firms and the Chinese government have continued to negotiate economic and resource-acquisition agreements with African countries. Chinese diplomatic outreach to African governments has also continued.

4.3 Conclusion

The chapter has established factors that influence economic growth either positively or negatively in relation to political issues, social factors as well as environmental factors. There are very persuasive academic arguments that the factors discussed and other emerging issues like global independence, AGOA and the Africa macroeconomic policies indeed impact on Africa growth. The next chapter will contain the summary, key findings and recommendation of the study.

251 Yang, R. (2005). The Macroeconomic Challenges of Scaling Up Aid to Africa. IMF Working Paper 054/179.

CHAPTER FIVE

CONCLUSION

5.1 Summary

The study commences with chapter one which has an introduction to the study and the main objective of the study which was to investigate economic growth in Africa; its opportunities and challenges in the 21st century. The analysis in chapter 2 presents the African economy which is shown to remain underdeveloped despite decades of conceptualising, formulating and implementing various types of economic policies and programmes. The African region contains a growing share of the world's absolute poor with little power to influence the allocation of resources. Then real income averaged making Africa as one of the poorest region in the world. Chapter 3 indicates that most countries in Africa remain largely primary exporters, aid dependent and deeply indebted. In 1997, foreign debt burden was more than 80 per cent of GDP in net present value terms.²⁵² Africa is the only major region where investment and savings per capita declined, the savings rate of the typical African country has been the lowest in the world, the development challenges of Africa are deeper than low income, falling trade shares, low savings and slow growth. Chapter 4 shows the imaging issues which include high inequality, uneven access to resources, social exclusion, insecurity, environmental degradation, HIV/AIDS pandemic, among others.

In order to reverse underdevelopment in Africa, several initiatives have been attempted in the past. The globalization era has negative aspects which may impinge African countries. The continent in the 21st century is still being underdeveloped if strategies are not being taken; the

252 Torado, M. (2005). *Economic Development in the Third World*, New York and London: Longman

Africa would be characterized by excessive economic and development fragility. Majority of African countries are nowadays characterized by among others: the predominance of subsistence and commercial activities, a narrow, disarticulate production base with ill-adapted technology; a neglected informal sector; a degraded environment, uneven development due to the urban bias of public policies; fragmentation of the economy, openness and excessive external dependence especially for factor inputs; and weak institutional capabilities.

All over Africa, insecurity, political instability and rivalry are hindering continental development, peace still being the measure concern, and post conflict peace building needs to adopt strong leadership in terms of good governance. However, most African countries suffer of bad governance and fragile leadership, bad governance overwhelm in Africa. Economic growth is deemed very slow in many African countries due to the inappropriate economic transformation, the lack of adopting state of development, all of the aforesaid features do not enable Africa to succeed the 21st century challenges.²⁵³

Due to lack of data, African economic history is naturally influenced by a wide range of disciplines apart from economics, such as history, economic anthropology, geography, archeology and so on. The challenge for African economic history is to take advantage of this fairly. This challenge has been discussed more generally by Hettne who suggested the use of ‘reciprocal comparison’ to counterweight the fact that most (economic) models of historical change are derived from work on Europe and the West.²⁵⁴

253 Rostow, W. (2010). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press.

254 Hettne, B, (2007). *Development Theory in Transition: The Dependency Debate and Beyond-Third World Responses*, London: Zed

5.2 Key Findings

The continent is confronting such as the negative aspects of globalization era, environment degradation, food insecurity, pandemic and epidemics, regional integration effects and others futures of competitiveness of market place with middle, developed and advanced countries.

Arguably, the study assesses the four primarily opportunities that Africa could adopt and exploit in order to succeed those challenges, those are namely: peace with the security and political stability would be acquired, this peaceful state would enable countries to adopt good governance with strong leadership, fragile and bad governance would be eradicated. Governance combined with peace lead to economic transformation, the core incentives of economic growth.²⁵⁵ Really with this, the continent should exploit the maximum benefit from globalization in terms of positive interdependence. The four integrative elements should lead and justify African development if adopted by all stakeholders.

Economic history as a discipline is rooted in empirically grounded research. This is one of its major advantages, not least in the field of African history where economic historians have contributed a great deal by disputing long-lasting misconceptions of the trails of long-term economic development.²⁵⁶ However, the bias towards empirically oriented research also has its disadvantages and one of the more notable being that economic historians tend to react to existing theoretical ideas rather than use data to develop new theories. The recent debate regarding the ‘reversal of fortune’ thesis is an illustrative example of this. The thesis was proposed by economists and political scientists and a number of economic historians, not least

255 Nelson, J. (2010). *Economic Crisis and Policy Choice*, Princeton: Princeton University Press *New African Magazine*.

Ramose, M. (2004). “Poverty: A Creature of Politics and a Question of Justice”, in *International Journal for Humanistic Studies*, 3 (11) 21-32.

256

economic historians with an interest in African history. The discussion developed into a welcomed and inspiring debate about methods and causality in economic history. However, it is notable that new major theoretical ideas and approaches have not been put forward by economic historians as a consequence of the debate. Rather, the debate has centred on theory from the economics discipline.

This list of current promising topics of on-going data collection and revisiting of historical interpretations is not exhaustive. This is in itself a testament to the vigour and promise of the current enterprise. Jackson calls for research that offers ways of interpreting long-term economic development in pre-colonial, colonial and post-colonial Africa.²⁵⁷ I also welcome research of a historiographical nature, focussing on the disentangling of causal mechanisms of economic development and social change. Innovative approaches to existing empirical data or new research that uncovers new sources of data are particularly welcome. Some particular gaps in my knowledge have been noted. The above efforts seek to remedy these, but many concerns and research opportunities remain. Finally, it could be beneficial to have a closer interaction between economic historians and development economists where they work together to analyse obstacles for development in contemporary Africa and even offer policy recommendations.²⁵⁸

5.3 Recommendations

Africa's history is at times treated by economists merely in terms of major events or contexts rather than processes and structural explanations that identify patterns of change. This may lead to a compression of history, a neglect of both important economic and institutional change and

257 Jackson, J. (2004). *The World Trading System: Law and Policy of International Economic Relations*, Cambridge, Massachusetts: The MIT Press

258 Levine, D. (2011). Tropics, Germs, and Crops: The Role of Endowments in Economic Development. *Journal of Monetary Economics* 50:1, January.

an inability to appreciate in what way history matters for understanding pathways in current and future development. New research on long-term trends in African Economic History suggests important reconsiderations and in particular points to the importance of both decisive historical shifts and trails of change.

There is cause for excitement about the current prospects to make use of previously neglected types of quantitative evidence that could enhance our understanding of the economic history of Africa. At the same time, extension of quantitative time series will not tell us everything we need to know. It has been pointed out that the few prices, wages or other observations we can recover may need careful interpretation. This involves a clear understanding of the market and the political conditions under which the observations were made. Many of the research initiatives rely on colonial data collection. This will undoubtedly increase our knowledge, but it must also be acknowledged that the colonial administration had both a limited and a particular view of African economic development. To learn more about the socio-economic context in which data has been collected, we need to turn to qualitative sources such as colonial reports, anthropological studies, travel accounts and so on. Issues of the reliability and validity of data requires economic historians studying Africa to be more open to numerous and varied types of empirical material.

Finally, there are two priorities for the future of African economic history that need emphasizing for its future viability. One is to strengthen and stimulate current activities at universities on the African continent. It is a shortcoming that most of this work is being done by scholars based outside Africa. The study has pointed out some notable exceptions in this study, but i hope that the network, and the fact that the World Economic History Congress was organized in South Africa in 2012, will help to foster a process of facilitating research activities on the continent. A

related note is that the network is not only focussed on highlighting the importance of Africa within economic history, but also that it continues to highlight the importance of economic history for the field of economic development. And in particular, relevant research in the social sciences, such as the research presented here, ultimately aims to shed light on the process of economic, political and social development, with implications for current day policy in improving living standards of persons and the wealth of nations on the African continent.

Since these kinds of observations have limited temporal validity and may carry biases, work should be done to validate, historicize and contextualize them. Such research enterprises are best done in collaboration. More studies are needed to explore the potential and sustainable growth of the African continent as well as the challenges facing economic growth. Harnessing economic growth is a global necessity which differs in their way of adoption and implementation depending with the world's continents settings all together. This warrants the need for another study which could ensure generalization of the study findings for all continents that face economic challenges in other aspects like management and other economic threatening variables. The study, therefore, recommends further investigation on the concept of harnessing economic growth globally, opportunities and challenges in the 21st century.

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APPENDIX

Appendix 1: Interview Guide

1. How can you describe economic growth in Africa and its growth opportunities?
2. How does trade facilitation ensure economic growth in Africa?
3. How can you describe the decentralization and local economic development in ensuring economic growth in Africa?
4. What roles does the international community play in ensuring economic growth in Africa?
5. Which have been the growth barriers in Africa?
6. How does the nature of Africa geography lead to its growth barriers?
7. Describe the regional integration in Africa as a growth barrier?
8. What is the linkage between opportunities and challenges of economic growth in Africa?
9. How does capacity building ensure economic growth in Africa?
10. What role does Food Security play in the economic growth in Africa?
11. Which are some of the potential growth opportunities in Africa?
12. What has been the response from Africa to the new landscape in ensuring potential growth opportunities?
13. Kindly suggest the way forward in the path to potential growth opportunities in Africa?

14. Briefly explain the progression of Africa in the 21st Century in terms of growth challenges and opportunities?
15. Explain ways of harnessing economic growth in Africa?
16. How does Labour Markets and Institutions harness economic growth in Africa?
17. Which is the Paradigms of Growth and Development that will ensure economic growth in Africa is harnessed?