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Africa – a continent not only of crisis but of opportunity, too

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The Current Column

of 1 August 2011

Africa – a continent not only of crisis but of opportunity, too

Bonn, 1 August 2011. The past decade has been characterised by the rise of the large emerging nations in the world economy. Such countries as China, Brazil, India and Mexico have developed into major economic actors. The old North-South divide in the global economy is disappearing.

The global poverty map has similarly changed significantly. In 1990 over 90 per cent of people described as absolutely poor and having to manage on an income of less than US\$ 1.25 a day lived in the world's poorest countries. In contrast, 60 per cent of the poorest people (some 600 million) today live in such middle-income countries such as China, India and Vietnam. This is good news, because the chances of absolute poverty declining further are better in China, India and Vietnam than they are in Sudan or Somalia. Three hundred million poor people live in weak or failing states and conflict-ridden countries, such as Afghanistan, Congo, Zimbabwe and even Pakistan. Of the 30 countries or so that will come nowhere near meeting the 2015 deadline for the achievement of the Millennium Development Goals, with their focus on poverty reduction, 20 are marked by disintegrating government and violent conflict – most of them being in Africa. Insecurity, violence, poor governance and government disintegration combine to form the hard core of the vicious circle of poverty. Only 120 million of the absolutely poor still live in stable low-income countries.

Africa – a continent of crisis and opportunity

The public's image of our neighbouring continent Africa was one of a region marked by squalor and economic backwardness, conflicts, corruption and poor governance long before the current famine in East Africa. The considerable number of fragile African states has reinforced this image of Africa. Yet it looks as if a growing number of African countries may be breaking the vicious circles of poverty. In the past few years a group of over 15 sub-Saharan African countries has made remarkable progress. A recently published McKinsey study even refers to "African lions on the move."

Such countries as Botswana, Ethiopia, Mali, Mauritius, Mozambique, Rwanda, Tanzania, Uganda, Sierra Leone and Cape Verde have succeeded in raising their per capita gross national product by about 4 per cent annually over the past decade. Togo, Benin, Ghana and Burkina Faso, too, have significantly reduced poverty. These countries have also achieved surprisingly robust growth during the past three years of world economic crisis.

What has happened? First, the number of democracies in sub-Saharan Africa has risen by three to 23 since 1989. The number of conflicts has also fallen. Governance is gradually improving in the African growth countries, and economic policies have stabilised in the past few years. Inflation has declined over wide areas, public budgets have been put back on an even keel and balance-of-trade deficits have been reduced. From 2000 to 2010 all African countries with the exception of Zimbabwe were able to improve their human development indices – albeit starting from a very low level. In this process new actors have also emerged: modern politicians no longer shaped by Cold War thinking; more observant civil societies able to benefit from the new communication technologies, as North Africa is currently demonstrating; dynamic enterprises taking advantage of the opportunities for development in the global economy.

However, the dynamism in the group of growing African economies also has to do with changes in the world economy. Growth in Asia is increasing the demand for raw materials, energy and land for future food production. In this context, resource-rich Africa has gained in importance. African exports to China are soaring, while Chinese direct investment in Africa is rising sharply. The looming resource bottlenecks in a growing world economy and the increasing interest that the emerging nations are taking in Africa have resulted in Europe again turning its attention to the continent.

Is the growth of the “African lion” economies sustainable? Some of the basic trends outlined are causing some optimism. There are chances, then, of a whole group of countries finding sustainable ways of escaping poverty. From this may emanate an important stimulus for independent economic development in Africa. At the same time, growth has hitherto been based primarily on agricultural production, where productivity is still low, and on exports of raw materials (principally to Asia), which always hold considerable potential for setbacks: environmental degradation, conflicts over access to resources and corruption may reverse the progress made in development in recent decades.

What can development policy do?

Experience in recent decades has taught that development policy may be particularly effective when pursued with countries where independent processes of modernisation occur. This precondition is now being satisfied in a number of sub-Saharan African countries. It would therefore make sense to launch a special effort under development policy to support African countries that have good prospects and to reduce the risks of failure. The main aim of offers of cooperation

should be to ensure that greater advantage is taken of the potential for private-sector development and to improve the supply of such public goods as education and health.

To reduce dependence on exports of resources that have a limited impact on employment, German and European development policy should above all promote economic diversification and an increase in local value added. Vocational training, the strengthening of local technology and innovation capacities, the expansion of modern and climate-compatible energy systems, the improvement of public institutions and the promotion of private-sector investment would be moves in this direction. Efforts should also be made to strengthen the agricultural potential of the African countries and to support resource strategies geared to transparency and sustainability. There is a realistic chance that a significant group of African countries will be able to escape the poverty traps in the coming decade. More security and stability, declining poverty, less migration and less potential for conflict over shrinking resources and growing markets would be the reward for successful development cooperation with emerging Africa.



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