AFRICAN DEVELOPMENT BANK GROUP

Africa's Economic Transformation in a Multipolar World

Dr. Donald Kaberuka

President

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It is an honour to speak about Africa and its transformation, at this world famous institution, described by the experts as Asia's premier university. Your distinguished alumni, Prime Minister, Nobel Laureates, personalities in business, science, politics, diplomacy, arts and culture speak volumes for your achievements.

I want to thank Professor Takeuchi and also the Vice Rector of the UN University for the invitation, and for the work which the UNU is doing with the Bank to strengthen higher level education in Africa. Indeed I am happy to report the signing of our joint memorandum this morning.

I also record my deep appreciation to the faculty, staff and guests who have found time to be with us here today.

The past 30 years

I have been requested to share with you the story of Africa's transformation at a time of seismic changes in the global economy, or what is sometimes described as the multipolar economic world. The past 30 years have been exceptional in human history. Not only has the world economic center of gravity shifted, but the impact on the human condition has been truly remarkable.

In the 1990s, the world had two billion people living in absolute poverty. Ten years later, mainly as a result of economic transformation in Asia, the number had been cut by half. Building on the momentum of the earlier Tigers – such as South Korea, Singapore, Thailand and Malaysia – through trade and investment, the fight against poverty was taken to another level in China, India and Indonesia.

In the same vein, the Latin American economies had picked up speed. Gone were the days of hyperinflation, unmanageable debt and brutal military dictatorships.

Africa convergence

For a time, the continent of Africa seemed to be the outlier, bypassed by the fundamental realignment in the global economy, mired in poverty and stagnation. Today, I am here to share with you a story of a resurgent Africa, a story which says that despite the typical images of a subdued continent, Africa is on the way to convergence – firmly and irreversibly so. The process is not always direct or uniform. It may look messy and chaotic at times, but the direction seems to be well entrenched.

I am here to share with you that story: the story of Africa's journey – her new dynamic, her new energy and confidence.

I am here to reflect with you on what, together, we can do to deepen the collaboration in the interest of Asia and Africa and the overall global good.

I am here to suggest that, at this time, when the global economy is going through the doldrums of recession and high unemployment, it is the emerging and the frontier markets, such as those on my continent, that have the highest potential for the necessary recharge.

I will, nonetheless, be suggesting that this is not automatic or pre-ordained. There are prerequisites. Africa's journey remains long and arduous. There is work to be done. There is plenty in Africa that her partners and friends can do together for the common good and for a prosperous global economy.

TICAD

That is the spirit of TICAD, the Tokyo International Conference on Africa's Development. Last weekend Japan hosted the fifth in the series, which I had the privilege to attend. I even chaired one of the sessions. It was, in a way, a celebration of a 20-year effort, since the TICAD initiative was launched in the early 1990s. Prime Minister Shinzo Abe's historic statement at the opening session, his meetings with African leaders (including your humble servant) and the commitments in the Yokohama Declaration all signify a desire to continue to deepen the dynamic which TICAD has created over the past two decades.

The 1990s

When TICAD was inaugurated in the 1990s, it was a statement of faith by the initiators. The objective and intention was to constitute an advocacy coalition for Africa's development at a time when interest in development issues and Africa in particular was waning. TICAD, it was said, "aimed at raising and maintaining global awareness of Africa's development challenges and opportunities". That was not, as one might think, an obvious undertaking.

TICAD came into being in the aftermath of the fall of the Berlin Wall, at a time when the global landscape was shifting. Indeed for a time it seemed as though Africa and the low income countries had fallen off the radar. The interest then had shifted to the East European economies transiting to free markets and the Tiger economies of South East Asia, whose dynamic economies were powering on through various versions of state capitalism.

Africa was not seen as a significant player. In fact, that is when that ubiquitous expression 'Afro-pessimism' was born. For those of you born 30 years ago, the images of Africa you would be familiar with are those emanating from that era: the images of disease, civil war, famine, corruption, and dependency. For years many of us struggled to understand this sweeping narrative which was, to say the least, a gross oversimplification of a much more complex African reality.

For some it had to do with the end of the Cold War. Now that, the global power struggle was over, Africa and the low income countries were no longer a relevant part of the chessboard. For others, it was said, disappointing development outcomes had led to fatigue.

Such was the complicated the terrain – remember those were the bloodiest periods: Somalia, Sierra Leone, Liberia, the crisis in the Great Lakes, the genocide in Rwanda. It was even said that those outside the continent who had poured what they said were, 'vast sums of money' into Africa were now suffering fatigue.

Donors claimed there was little to show for their efforts, such were the disappointing development outcomes. At least that was the narrative at the time. The world was walking off. Africa was on her own. Indeed this is what happened in my country! The world walked off as millions of my countrymen were being slaughtered, in spite of the presence of UN peacekeepers.

That was the paradigm, the narrative in the 1990s. Indeed the only significant initiative of the time, I can recall, was that of debt cancellation – the HIPC initiative. When it became obvious that the debt could not be recovered. I was Finance Minister, in my country, Rwanda, for quite some time in those years. So I could be called as a witness!

The lost decade and 'Afro-pessimism'

In short, if the 1980s had been labeled, the lost decade then the 1990s were, to say the least, bleak years, the years of 'Afro-pessimism', or so they called it. The focus of the world was on Eastern Europe, now transiting to free markets. And on South East Asia, that emerging part of the world which seemed so dynamic that not even the financial crisis of 1997 could deter it. Africa was described by a world famous publication as a lost cause, a hopeless continent.

Fast forward

As we entered the new millennium, no one could have given Africa a chance. And yet, that is when the corner may have turned. Rather like India in 1990 or China in 1980. Surprisingly, steadily, growth began to outpace population increase.

Economies began to expand rapidly, experiencing, a dynamic unseen since 50 years. Human development indicators such as infant mortality began to improve dramatically. Even the 2008 global financial crisis was not able to dent that new, quickened economic pulse.

As I speak with you today, Africa continues to defy the pessimists. Economic output is strong, and the mood among businesses is extraordinarily positive. A mobile phone revolution is under way, powering communication, business and service delivery and even entrenching democracy. Sub-Saharan Africa will report a growth in GDP of 6.6%. Export demand is buoyant, foreign direct investment is on the increase, and our cities are booming behind strong retail demand, driven by the growing middle classes.

One figure alone would probably summarise this story: in 2000, Africa's GDP stood at US$600 billion. A decade later, it had tripled to US$2.2 trillion, or a doubling in real terms. Doubling the GDP in a decade has happened in recent years in China, in India, and it is now happening in Africa. That might look like a statistic, but remember that it took the UK 150 years to do the same thing during its Industrial Revolution.

Some would ask: is this for real? That would be to some degree understandable. After all, Africa is not one country. It is 54 countries, and over time nation states have formed, and borders have become entrenched. The continent still harbours fragmentation, massive poverty, and skills and infrastructure gaps. These preclude sustained progress unless those gaps were closed.

Only 40% of the people have access to electricity, very much less in rural areas. In addition, large pockets of violent war and instability persist. 20% of Africans live in such countries – that is, one in five. But those crises do not remain contained in their borders. They impose large economic and social costs on the neighbourhoods. These are the kind of things you will often see on television. Those situations are real, as in the Sahel, the Horn of Africa, the piracy off the Somali coast.

To sum it up, Africa is now very much a continent in transition. The continent is witnessing extraordinary progress. Nonetheless huge problems still have to be overcome. Inequalities have increased. Jobs are not being created fast enough. In short, the continent now faces the challenges of turning growth into transformation.

These are challenges I would like to return to. In order to better appreciate the obstacles Africa has to overcome one has to look into the dynamics behind the new and ongoing momentum on the continent. So what were the factors behind this dramatic turnaround?

Like blind men touching an elephant, there will be so many explanations, and as you know, we economists are particularly gifted at explaining events *post factum*. The reality is, like India in 1990, like China in 1980, that there is not a single explanation. There is not a single factor, but a combination. Nonetheless, four elements stand out.

First, it turns out that the 1980s – the years of economic adjustment and painful reforms – had laid a basis for macroeconomic stability and greater room for the private sector. This so-called ‘lost decade’ may actually have been the one in which the seeds were planted.

Second, like Asia in the 1970s, the demographic dynamics were, and remain, much in play. A growing population; not only growing fast, but younger. Not only younger, but urbanized. Not only urbanized, but highly IT connected. This is fueling domestic demand and investments, literally, across all sectors. From retail, to construction, to financial services, and so on.

Third, the robust export performance buoyed by demand from the emerging markets and intra-African trade.

Fourth, the boom in natural resources. Over the past decade, vast amounts of natural resources have been discovered and exploited. From oil and gas, to precious and base metals.

On top of all the above elements, it is also fair to point out that the continent has become more stable and better governed, with more economically predictable policies than at any time in the past.

Challenge of growth quality, sustainability

Having reversed decades of decline, African countries must now confront the issues around the quality and sustainability of growth. I suppose that is a challenge everywhere, but it is definitely more acute in Africa.

The first challenge we must address is one of economic sustainability. At the moment the drivers of growth are fairly narrow and the structure of economies is not changing fast enough. Some countries are still too dependent on a limited range of commodities. This has two implications.

As the sectors are generally capital intensive, they create very limited jobs and often do lead to the so-called ‘Dutch disease’. The issues that link to economic sustainability are those of infrastructure and the limited skills base. As African countries expand, they are everywhere confronted with the limited availability of energy, high transport costs and limited connectivity.

In the Asian region, during the early years of take-off, the process was much driven by sound infrastructure which reduced the cost of doing business and enabled markets to function. That is why the African Development Bank puts much emphasis on infrastructure. I very much welcome the same emphasis that Japan, through JICA and JBIC, has put on infrastructure. This is further reaffirmed in the Yokohama Declaration.

This particular problem is even more acute when it comes to cross-border infrastructure. As a continent of 54 countries, internal continental trade is a priority. Hence the need for transport corridors, maritime ports that are efficient, railways, airports and broadband connectivity. I take the opportunity here to salute once again the collaboration with JICA on the issue of economic integration, including the ‘single border posts’. We look forward to continuing to work together.

While we have made a lot of progress on developing skills and expanding education opportunities, the sustainability of our economic progress is limited by the whole range of skills needed to power a modern economy. This is felt most acutely in the areas of science and technology. We look forward therefore to expanding cooperation in this domain, taking advantage of new technologies to leapfrog in certain areas.

The second challenge is social sustainability. The Arab Spring was in part a frustration generated by lack of inclusion. Economic growth that does not open up broad opportunities – or leaves out large sections of the populace, either because of the nature of the sources of growth or a failure of governance – is not only a waste of an opportunity, but it is something which cannot be sustained.

In a young continent like Africa, social sustainability is central to economic growth. The sense of fairness, and of a just and equitable society, generates a basis for political stability and what one can call a ‘stakeholder economy’. That is why inclusive growth is central to the Bank’s new 10-year strategy.

The third aspect of sustainability relates to natural capital. As a continent whose livelihood is very closely linked to nature, the sustainability of our economies is very much linked to what happens to our agriculture, and our land and marine resources. In a population where 60% of the people derive their energy from biomass, the preservation of our natural capital is key.

As a result of climate change, parts of Africa are suffering increased desertification, while others suffer flooding and unpredictable seasons. New diseases are appearing, and livelihoods are becoming more and more fragile. That is why an ecologically sustainable path of development is the natural path, taking advantage of Africa's vast green resources to achieve low fossil fuel growth and the optimal use of our natural capital. I very much welcome the emphasis which the Yokohama Declaration puts on this matter, and the opportunity for cooperation with the UNU.

Conclusion

For a long time, Africa was viewed from the prism of an outlier. Now the narrative is one of a young, dynamic continent open for business and investment. At this time of anaemic global growth, it is the emerging markets that have provided much needed economic energy. The multipolar world has proved to be a multipolar source of strength and diversity.

Africa – with her one billion people, her young and growing population, her expanding middle class – can only be a force for good. There are obstacles to overcome along the way, some of which – like infrastructure – provide an opportunity for investment. The world at this time needs new, diversified sources of growth. A resurgent Africa offers that opportunity for all. The Yokohama TICAD Declaration goes in that direction of how Japan and Africa can work together for mutual benefit and global recovery. The African Development Bank will play its part as a privileged vehicle for that endeavor.

Thank you.