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## **AFRICAN ECONOMIES' PREPARATION FOR GLOBAL AND DOMESTIC TRANSFORMATION**

### **Abstract**

*This paper examined the intricate linkages among rural and urban economics transformation in the African region, provision of basic infrastructure, and agricultural productivity that ensures food security. Highlighting Africa's macroeconomic performance and prospects. Rural development has been a front-burner issue in Africa, simply because majority of the populace are rural dwellers. Thus, the paper contends that massive investments on rural infrastructure, global view of international integration and sustainable management of same are required in enhancing accelerated growth.*

### **Introduction**

So far African economies have been relatively resilient to the sharp fall of international commodity prices. Production of commodities has often increased despite the lower prices, and overall growth has also been boosted by other sectors. But if commodity prices remain low or decline further, growth in resource-rich countries might slow down as governments need to cut spending. Governments will be keeping a close watch on conditions in key markets, especially China and Europe. There are some positive effects, however, as lower oil prices ease inflation, increase real incomes and strengthen export markets.

*When comparing the performance of individual countries between 1986-2000 and 2001-14, three main factors appear to have accelerated growth in the African region:*

- **Greater political stability:** Many countries that recorded growth below 2% during the period 1986-99 suffered from civil wars, military coups or social unrest (Algeria, Angola, Burundi, the Central African Republic, DRC, Djibouti, Guinea-Bissau, Niger, Rwanda and Sierra Leone). By contrast, between 2001 and 2014 violent conflict has receded overall and political stability improved – although several economies suffered again, at least temporarily, from political unrest.

• **High commodity demand and soaring prices:** During the 2000s, Africa has been benefiting from a shift of global wealth. World output growth has accelerated, mainly driven by China and other emerging nations. This has boosted demand for oil and minerals and increased commodity prices, which has benefited Africa's resource-rich countries, whose reserves are among the least exploited globally (AfDB et al., 2011; AfDB et al., 2013). Over the first decade of the century, African exports to Europe doubled, exports to emerging economies quadrupled and exports to China alone increased by a factor of 12. By the middle of that decade, foreign investment, stimulated by a global savings glut, poured into mines and agriculture (e.g. biofuels), but also into the infrastructure necessary to exploit them, such as ports, roads, electricity and support services (e.g. banking, insurance, transportation). Average annual growth in several resource-rich countries (Angola, Chad, Equatorial Guinea, Nigeria and Sierra Leone) rose to 8% and more between 2001 and 2014. In Zambia average growth accelerated from half a percentage point in 1996-2000 to almost 6% in 2001-14. Mozambique and Ghana, which are not classified as resource rich but where extractive industries have become more important, also attained high growth of almost 8% and close to 7% respectively.

• **Improved economic policies:** Lower inflation and stronger budgets due to more prudent fiscal policies, helped by debt relief, have improved macroeconomic stability and supported growth in many countries. Governments are improving the business environment and promoting structural transformation from traditional towards more productive activities. This has helped some countries without resources, such as Ethiopia and Rwanda, to attain high annual growth of 8% or above. In the coming decades, changes in the global context, rapid population growth and growing social demands will create new opportunities and new challenges to which African policy makers will have to respond with innovative development strategies.

**Demographic growth** will create both **opportunities** and **challenges** Africa's population of 1 billion in 2010 should double by 2050, although the magnitude of the increase will vary across the continent. South Africa and the region of North Africa will be less affected. Those demographic changes bring about both opportunities and challenges. On the one hand, the ongoing demographic transition opens a window of opportunity, as the working-age population increases. The ratio between those inside and outside the workforce, the activity ratio, will increase over the next several decades and possibly create a demographic dividend for sub-Saharan Africa. The number of active people supporting inactive people will increase due to lower birth-rates; this will free up resources to improve living conditions (e.g. education, health care and housing) and boost savings and investment. And it will remove a long-lasting, heavy burden from Africa, although differences between countries will be significant. In the 1990s, there was practically one active person for each inactive one. The average activity ratio is expected to steadily rise and continue well beyond 2050. By that time it is forecast to reach 1.6 active people per inactive person in sub-Saharan Africa (still less than

China's current level). Ahmed et al. (2014) estimate that Africa's demographic dividend could contribute 10-15% of gross GDP volume growth by 2030.

**Strategic options for accelerating Africa's transformation: highlighted strengths and weaknesses:**

**Challenges**

**Perspectives**

<p><b><u>Industrialisation:</u></b></p> <ul style="list-style-type: none"> <li>• Increasing manufacturing costs in Asia, the shift to task-based production, outsourcing and intra-firm trade (GVCs) open up new opportunities for light manufacturing, which requires less capital, fewer technical and managerial skills and remains viable in fragile environments.</li> <li>• Africa may emulate export-led strategies of developed and emerging economies by improving trade facilitation, increasing access to energy, investing in skills and implementing smart industrial policies.</li> </ul>	<ul style="list-style-type: none"> <li>• The hurdles related to appropriate public policies, institutions, governance systems and sustainability are many.</li> <li>• Technical change has gradually rendered manufacturing more capital- and skill-intensive, triggering premature deindustrialisation in many developing countries.</li> <li>• Manufacturing is increasingly service-intensive: underdeveloped service sectors may thus hamper its emergence and competitiveness.</li> <li>• Industrialisation alone may not suffice to create the almost 30 million additional jobs Africa will need every year.</li> </ul>
<p><b><u>Service-led growth:</u></b></p> <ul style="list-style-type: none"> <li>• Jobs in services continue to expand.</li> <li>• Services related to outsourcing, new information and communication technologies, and cloud computing present multiple possibilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Services are becoming increasingly tradable. The challenges associated with winning effective market shares are numerous.</li> <li>• Productive services require high-skilled workers, whereas the African workforce is mostly low-skilled.</li> </ul>
<p><b><u>Natural-resource-based development:</u></b></p> <ul style="list-style-type: none"> <li>• Investing natural resource revenues wisely and simultaneously developing industrial policies could diversify economies.</li> <li>• Under adequate conditions, extractive sectors can generate linkages and support the upgrading of suppliers.</li> <li>• Improving transparency, tax collection, public spending, the management of public companies, and the social and</li> </ul>	<ul style="list-style-type: none"> <li>• Governance deficits exist in the extractive sector.</li> <li>• There are environmental limits.</li> <li>• International prices are volatile and global demand is uncertain as emerging economies slow down.</li> </ul>

environmental impacts of mining would sustain growth.	
<p><b><u>Green growth:</u></b></p> <ul style="list-style-type: none"> <li>• Dramatic changes in Africa’s production and consumption modes could initiate the world’s energy transition and lead to a more sustainable development path.</li> <li>• The potential to leverage renewable energy sources is huge.</li> </ul>	<ul style="list-style-type: none"> <li>• Such a transition would take a long time.</li> <li>• The current resource extraction model will most likely continue to mobilise significant investments in the short to medium term.</li> </ul>
<p><b><u>Agriculturally-based growth:</u></b></p> <ul style="list-style-type: none"> <li>• Agriculture is the first employer; the population in rural areas and overall demand for agricultural products will continue to grow.</li> <li>• Agriculture plays an important role in structural transformation and directly reduces poverty.</li> <li>• Improved agricultural performance played a major role in the economic successes of East and Southeast Asia.</li> </ul>	<ul style="list-style-type: none"> <li>• It is unsure how to reconcile absorbing a significant share of the workforce while dramatically improving agricultural productivity.</li> <li>• The debate over the best type of development model for agriculture, e.g. small- vs. large-scale farming, is inconclusive.</li> </ul>

***The Eight Millennium Development Goals in NIGERIA are to:*** National security. Eradicate extreme poverty and hunger. Achieve universal primary education. Promote gender equality and empower women. Reduce child mortality. Improve maternal health. Combat HIV/AIDS, malaria and other diseases. Ensure environmental sustainability. Develop a global bilateral partnership for development.

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