

Africa and the World

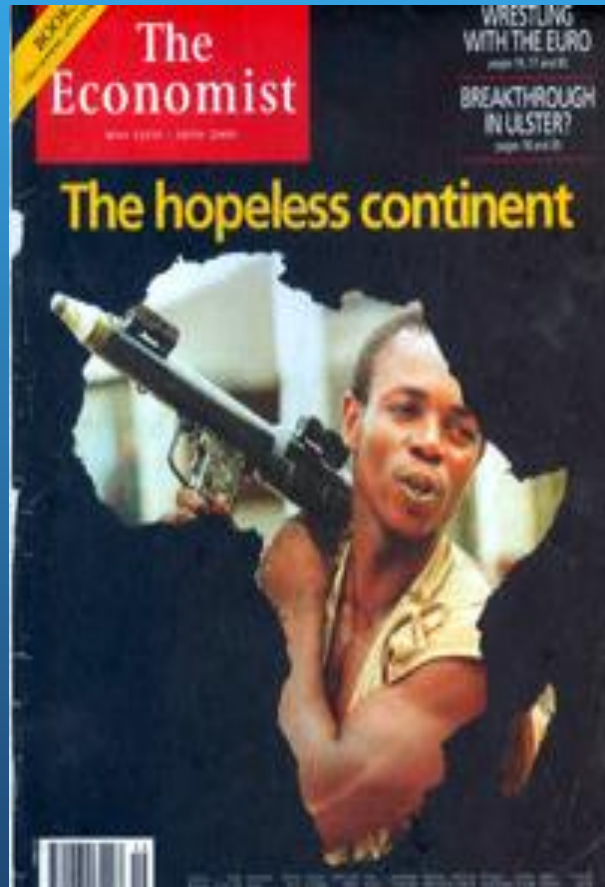
The Hype-othesis



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“Africa Rising” ...

- Africa is once again the “next big thing”
- Economic growth is robust (at least in certain countries)
- Exports, particularly primary resources are booming
- Some positive developments on security and governance side (Somalia, stronger AU, more peaceful transitions of power)
- Infrastructure improving, thanks to growing interest by China and other emerging powers

...Or Is It?

- News is not universally good
- Security challenges daunting and numerous (Mali, Congo, Boko Haram in Nigeria, and others). No clear answers in sight
- Democracy looks good on the surface, but quality lacking. Corruption still massive
- Little effort made on economic diversification
- Education and health making limited progress

Putting the Continent in Perspective

In 60 minutes, we'll go over:

- A few key facts and figures
- The problems faced by the continent over the past 50 years since independence
- Reasons for optimism in recent years
- Where South Africa fits into the picture

Africa



Sub-Saharan Africa

- 49 countries (not counting Egypt, Libya, Tunisia, Algeria, and Morocco/Western Sahara) comprising approximately 1 billion people
- Highest rate of population growth in the world, between 2.2-2.5 percent per year; consistently high birth rates and falling (but still high) mortality
- Youngest continent; about 43 percent less than 15 years old
- Estimate that by 2050, half of world's population will be African—can economy keep pace?

Africa's Economy

- Impressive gains in recent years; approximately 4.9 percent in 2012, and projected 5.7 percent in 2013 (3.5 global) and 5.5 percent (4.1 global) in 2014
- All would be over six percent excluding South Africa!
- About a third of African countries will grow at more than 6 percent this year
- Exports of primary commodities are the main driver...
- ...although telecoms, financial services, construction, and retail all booming

Africa's Economy-Cautionary Notes

- Despite recent gains, Sub-Saharan Africa is the poorest region of the world; not well integrated into world economy
- Bottom 25 countries of UN's Human Development Index are all African
- Total (nominal) GDP of sub-Saharan Africa is about \$1.3 trillion; less than 2 percent of global economy
- Would rank 14th in the world, between Spain and Mexico
- Warning: Trust no statistics on Africa (note Ghana's upward GDP revision of 40 percent)

Africa's Dependence on Aid



The Aid Dependent Continent

- Sub-Saharan Africa receives about \$44 billion in ODA per year; significant increase between 2005-08 due to HIV prevention funding (PEPFAR)
- Represents 35-40 percent of global aid flows
- Easily the largest recipient of aid, both in real terms and percentage-wise, in the past 50 years...
- ...and the region where aid has proven least effective

Public Health Challenges: HIV

- The region of the world most touched by HIV/AIDS
- Estimated 22.5 million people living with HIV in 2010 (down from 22.9 million the year before, the first such decrease); estimated 1.3 million deaths per year
- 5.6 million in South Africa, country with highest number of HIV-infected citizens globally
- Overall prevalence among 15-49 year olds is 5 percent, though SA 17.8 percent, Lesotho 23.6, Swaziland 25.9

Public Health Challenges: Malaria

- Malaria is a far more pervasive disease than HIV in Africa; close to 200 million cases each year and 500,000 deaths (most of which are children under 5)
- It's a debilitating, often recurrent, disease; makes it impossible to work while afflicted
- Aggressive use of bed nets can help reduce cases (which are down by a third in Africa since 2000), but no vaccine
- Malaria just one of many public health challenges facing the continent—TB, malnutrition, waterborne diseases, many more—all exacerbated by near non-existent healthcare networks

Security Challenges

SSA is the region of the world most plagued by inter- and intra-state conflict and instability. Reasons are complex and differ across the continent; broadly:

- Competition for scarce resources
- Ethnic and regional rivalries (partly the product of colonial boundary-making)
- Poor leadership/misgovernance (broadly speaking)
- Religious extremism (newer phenomenon; debatable to what extent it is a driver)

Current Conflicts

Several active conflicts on the continent; some of the major ones:

- Mali/Sahel separatist/extremist movement
- Boko Haram in Nigeria
- Eastern Congo
- Somalia (better, but not resolved)
- Sudan-South Sudan (calm, for the moment)
- LRA (annoyingly persistent)

Lastly, the Crisis of Governance

- Hardest to quantify, but a problem dating back to the dawn of independence
- First 30 years of independence marked by military coups, a concentration of power in the hand of unelected elites, widespread corruption—governments preyed on their citizens
- End of Cold War marked democratic shift—but quantitatively, not qualitatively. Election quality spotty, corruption still problematic, public participation low—overall, a long way to go

So...Why is Africa “Rising”???

Despite all of these problems, there is growing optimism over the state of the continent—and interest in it by external actors:

- Politically, the idea of regularly scheduled, free and fair elections is becoming increasingly ingrained across the continent, as well as other democratic transitions
- Perception that region is becoming less conflict-stricken (though more a reflection of conflict’s changing nature)
- Some significant public health gains, notably HIV

Africa's Economy: Clearly Rising

However, economy is most significant driver of optimism:

- Even if we cannot effectively measure the rate, it is clear that Sub-Saharan Africa is the fastest growing region in the world
- SSA grew 6.5 percent per year between 2004-08; 5.3 between 2010-13 (2.8 percent in 2009—compared to -0.6 for world in total)
- 11 of 20 fastest growing economies through 2015 will be in SSA
- Some massive jumps: South Sudan estimated to jump 69 percent in 2013

Drivers of Growth

Some clear reasons why continent is booming:

- Hydrocarbon growth—increasing, and in some cases massive, discoveries of oil and gas (Ghana, Equatorial Guinea, Mozambique, Chad)
- Other booming commodity prices—notably in the mining sector, but also agriculture
- Chinese primary commodity demand a massive factor driving this growth, as well as growing interest by “emerging” powers (Brazil, India, Turkey, Qatar)
- Lack of global integration also a factor

Drivers of Growth

Others, however, are more debatable:

- Better economic policies, more open to private sector investment
- Improved governance and security situation giving investors more confidence in states
- Infrastructure investment (particularly by China—though worth examining in more detail)

Question: if China catches a cold, will Africa come down with pneumonia? Of huge importance

Is African Growth Sustainable?

Huge question at present; while high growth rates have fanned enthusiasm, there are several question marks:

- Are African countries diversifying their economies away from primary resource production?
- Are they investing in education, health, and infrastructure?
- Are they focusing on regional trade and integration?

Much more research needed on these questions, but reasons for skepticism

Where Does South Africa Fit?

South Africa since its 1994 transition to majority rule has had a dichotomous relationship with the rest of the continent, a key player in Africa's political and economic development but at the same time not sharing in Africa's dominant trends.



South Africa Economically Dominant...

- South Africa is easily the most developed economy on the continent
- 29th largest in the world; accounts for approximately a quarter of Africa's GDP
- Gauteng province (Johannesburg) alone accounts for about 10 percent of Africa's GDP; Western Cape (Cape Town) would be 5th largest economy in Africa
- Strength in diversity—mining draws attention, but only about 5 percent of economy

...But in *Relative* Decline

South Africa's relative economic dominance in decline:

- Growth in the 2-3 percent range in recent years; projected at 3.6 percent 2012-16; government has set a goal of 6 percent to address persistent poverty, but elusive
- Hydrocarbon importer...
- ...with troubled and mature mining sector
- Huge skills shortages; apartheid educational legacy
- Inequality—racial, regional—significant

An Active Player in Africa...

After decades of isolation, South Africa has emerged as a key political and economic player in Africa:

- President (1999-2008) Thabo Mbeki a leading voice in the push for greater African integration and good governance; key driver of the formation of African Union in 2002
- Willing and active participant in African peacekeeping missions...footing many of the bills
- Economically, SA business has expanded rapidly on the continent in all sectors (mining, retail, finance, telcoms, etc.)

...if Not Always Welcome

- South Africa's rapid growth has not always gone over well with other states, resentful of what they view as South African dominance...and bullying (AU election)
- SA businesses accused of unscrupulous business practices, mistreatment of workers
- Treatment of African foreigners in South Africa also a bone of contention
- South Africans also question Pretoria's involvement on the continent—how much to focus at home versus abroad?

Looking Forward, Many Questions

South Africa long considered an “anchor” state on the continent—however, South Africa’s place in Africa in the medium term is very much uncertain:

- Questions over Africa focus in relation to achieving its domestic development agenda
- Peacekeeping, development aid, regional organization support all expensive, with questionable payoff
- Relationships likely to remain firm in the subregion, particularly in business arena, but questionable further afield, given greater competition from emerging powers