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FULFILLING THE CONTINENT’S MASSIVE POTENTIAL

Grant T. Harris

In recent years, an “Africa rising” narrative has foretold a continent of growing economic and strategic importance—a continent coming into its own. While no single narrative can fully encapsulate a dynamic and diverse region of 49 countries and one billion people (in sub-Saharan Africa), there is truth to the storyline that Africa is becoming increasingly important in the global economic order, and that it will further grow in strength and influence over time. This is partly because Africa has for too long been marginalized and insufficiently integrated into the global economy, and partly because of the region’s great potential.

Yet even assuming that greater global influence is to some degree foreordained, the speed, depth, and sustainability of Africa’s growth will depend on the presence—or absence—of African political leadership. It is hardly revolutionary to note that leadership and political will lay at the crux of governance and economic development; nevertheless, realizing Africa’s immense potential will require the region’s leaders to pursue significant policy reforms—some of which will not be easy. Specifically, Africa’s leaders need to confront three fundamental needs: (1) making economic growth more inclusive and sustainable; (2) engaging and providing opportunities for a young population; and (3) strengthening democratic institutions.

In highlighting the political and economic governance challenges and opportunities at hand in sub-Saharan Africa (the focus of this article, and the point of reference when using the term “Africa”), engaging in some form of generalization becomes inevi-

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table. This is done with great caution, with an understanding that country-specific nuance should always trump monolithic narratives, and without implying that all African countries face the same issues.

**Seeking Inclusive Economic Growth**

Africa has enormous economic potential and has been experiencing incredible economic growth. Between 2000 and 2012, Africa's GDP growth averaged over 4.5 percent annually, compared to around 2 percent per year in the prior two decades, according to the World Bank. Africa's GDP growth remained steady in 2013 and 2014 (at 4.2 percent and 4.6 percent, respectively), dipped to 3.4 percent in 2015 (particularly in the face of weakened commodity prices), and is currently predicted to accelerate to 4.2 percent in 2016.

Nonetheless, it is important to keep this growth in perspective. Behind these GDP growth numbers lay external as well as internal factors, and they were aided by commodity prices and resource extraction, in addition to increased domestic demand, improved macroeconomic management, increased public investment, and improvements in the business environment.
More to the point, the GDP of Africa remains, in absolute terms, small: at an estimated $1.7 trillion in 2014, this is still less than the GDP of Russia, and makes up just 2.7 percent of global GDP. Thus, statistics about economic growth across the region (e.g., that Africa has been home to six of 10 of the world’s fastest growing economies) are helpful in explaining trends, but we must be mindful that many of these fast growing economies are starting from a very low baseline.

Most importantly, it is vital to unpack the relative depth of this economic growth. In spite of these impressive economic gains, the World Bank explains that Africa’s growth “has not been as pro-poor as growth in other regions.” Elsewhere, a 1 percent increase in average per capita consumption has reduced poverty on average by 2 percent, whereas that same increase in per capita consumption in Africa has only reduced poverty on average by 0.69 percent. As a result, the World Bank reports that the proportion of the African population living in extreme poverty declined between 1990 and 2012 (from 56.8 percent to 42.7 percent) but, given population growth, the absolute number of people living in extreme poverty actually increased (from 287.6 million to 388.8 million).

At the same time, Africa has the highest gender inequality and second-highest income inequality compared to other regions.

Unfortunately, many countries in Africa are experiencing what UNCTAD terms the “wrong type of growth,” meaning that economic gains have not substantially reduced joblessness or poverty because African countries have been unsuccessful in significantly increasing manufacturing development or otherwise generating productive capacities. Thus, recent economic growth is unlikely to lead to sustained development unless, as the African Center for Economic Transformation (ACET) argues, that growth is supported by economic transformation, including diversified production and exports; increased export competitiveness; gains in productivity; improved technology; and progress in human economic well-being, including by expanding formal productive employment.

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A top the aforementioned challenges loom two major impediments to growth: lack of infrastructure and electricity. To start with, Africa’s overall infrastructure needs remain massive. For instance, closing the infrastructure gap requires $93 billion an-
nually over the next 10 years, according to the African Development Bank (AfDB). Based on amounts provided to date, this leaves a financing gap of over $50 billion per year. The AfDB further estimates that the lack or poor quality of infrastructure—particularly with respect to electricity, water, roads, and information and communications technology—reduces national economic growth by 2 percentage points every year, and stifles firm productivity by as much as 40 percent.

The persistent lack of access to electricity is also a critical factor hobbling Africa’s growth. With over 600 million Africans (two out of three) lacking access to power, this issue has become a rallying cry and rightfully a top agenda item for many African countries, as well as the African Union (AU), the AfDB, and the World Bank. This is also the subject of a major American initiative called Power Africa, which was launched by U.S. President Barack Obama in 2013.

Power Africa includes over 120 public and private sector partners and has leveraged close to $43 billion (based on an initial U.S. investment of $7 billion) to support “catalytic, bankable, and scalable transactions,” as well as support governmental policy changes to legal, policy, and regulatory frameworks in order to increase investment in the energy sector. Power Africa’s goal is to add 30,000 megawatts of installed power capacity to the continent and double access to electricity with 60 million new connections by 2030. For obvious reasons, the current lack of access to reliable energy impedes not just the prospect of dependably operating a factory or business, but also the ability to study at night, refrigerate vaccines in health clinics, or more safely heat homes and cook food.

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For these reasons, Africa needs to substantially boost investment—both public and private—if it is to increase its growth and achieve its development goals. As UNCTAD has observed, investment rates in Africa (including public and private investment) are low compared to those of other developing countries: over the past 20 years, the average investment rate in Africa has remained at around 18 percent of GDP, compared to 24–26 percent for other developing economies. As UNCTAD also points out, African countries would need to sustain 7
percent growth rates in the medium to longterm—and dramatically increase investment rates to 25 percent of GDP and above—to significantly reduce poverty.

Consequently, there is a need for serious leadership and policy reforms to address the challenges discussed above, as well as to improve investor confidence to attract greater investment. Actions to improve the investment climate need to tackle head-on the region’s infrastructure and energy needs, whilst reducing uncertainty and risk for investors.

Some African leaders rightfully recognize that economic growth, prosperity, and achieving development gains are inextricably linked to solid economic governance and a strong investment climate. Many African governments have promulgated detailed national development plans with ambitious goals for reforms to underpin growth. Additionally, some leaders have focused quite deliberately on improving their countries’ performance in the World Bank’s Ease of Doing Business rankings and facilitating investment. The 2016 rankings reflect this fact: African countries accounted for five of the top 10 most improved, while the region as a whole carried out 69 of the 231 regulatory reforms pursued worldwide.

Such concerted efforts to improve the investment climate—particularly in providing policy consistency and reforming tax regimes and regulatory environments—and strengthen economic governance send the right signals to foreign investors. Yet many African countries still score poorly in the Ease of Doing Business rankings.

However, for all of the reasons described above, attracting greater private investment is necessary but not sufficient to advance development and sustain growth. As UNCTAD rightfully notes, African leaders will need to ensure that “investment is allocated to strategic or priority sectors, particularly infrastructure, agribusiness and manufacturing” and “improve the quality or productivity of investment […] particularly in the area of public investments, to avoid resource waste and achieve maximum impact.” It is also important to keep in mind the need to diversify economies, as well as to invest in human and not just physical capital.

Beyond country-specific reforms, African leaders have astutely identified increased intra-African trade
and regional integration as vital conduits to increased growth. In recent years, the AU and regional economic communities have staked out ambitious and laudable agendas for regional integration, with the objectives of increasing intra-regional trade and growing markets. These efforts include a 2012 decision to fast-track the establishment of a continental free trade area by 2017. Increasing regional integration offers the promise of larger—and therefore more attractive—markets for investment, improved regional production networks and value chains, greater integration into global markets, and more cost-effective cross-border infrastructure projects.

This work has also coincided with a greater focus on increasing intra-African trade, which is traditionally much lower compared to other regions. According to the Brookings Institution, intra-African trade hovered around 10 percent between 2002 and 2010—far lower than the 17 percent seen in Asia’s developing countries in 2010 or the 60 percent maintained in the European Union.

Disappointingly, however, rhetoric has not matched reality when it comes to the slow pace of integrating markets. Implementation of commitments—including those intended to spur trade facilitation and harmonize both regulations and customs requirements—have generally been slow and uneven. Nor is this difficult political agenda made any easier by differing capabilities and levels of commitment (not to mention uneven benefits) among countries and intersecting memberships in regional economic communities. Finally, as UNCTAD and others are quick to point out, eliminating tariff barriers is a start, but accessing all of the opportunities of regional integration will also require simplifying trade regulations, improving productive capacities, and developing supply chains.

**Engage a Young Population**

African leaders also need to confront the massive demographic shifts taking place on the continent, as they represent an incredibly important opportunity—or liability.

To begin with, Africa has a very young population: more than 60 percent of Africans are under the age of 35, with the median age being 18. If current trends continue, the United Nations Children’s Fund (UNICEF) estimates that, within 35 years, one in four people will be African, and four in 10 people will be African by the end of the century. This would mean, also according to UNICEF, that nearly two billion babies will be born in Africa over the next 35 years, and that close to one billion children—comprising just shy of 40 percent of the world’s total—will live in Africa by the middle of the century.
At the same time, the region is urbanizing at a breakneck pace, and approximately 40 percent of Africa’s population now lives in cities, with that number expected to rise markedly over the coming years.

This youthful population boom will have dramatic effects on the global workforce as well as national ones. Africa will comprise one quarter of the world’s labor force by the year 2050. To that point, this growing youthful population will need skills and jobs. In fact, simply to absorb this growing labor force, the International Monetary Fund estimates that African countries will need to create jobs at a rate of approximately 18 million per year until 2035—no easy task.

Wise leaders have to make creating opportunities and jobs for youth a central plank of their economic development agenda. One can imagine the number of correlative policy prescriptions that a demographic shift such as this entails. The World Bank and others have dedicated entire reports to laying out such recommendations, including to support the development of human capital (especially through improving education and supporting early childhood development), reduce constraints to entrepreneurship, support the informal as well as formal sector, and provide vocational training. As the World Bank rightly notes, “boosting youth employment is not a one-dimensional task,” but rather the key is to provide young people with strong foundational skills (including by increasing the quality of basic education) and removing impediments in agriculture, household enterprises, and manufacturing in order “to ensure that young people—and other workers—can earn a decent income in whatever work they do.”

The need for a strong entrepreneurial ecosystem in particular bears greater emphasis; to put into perspective some of the challenges, the average cost (as a percentage of income per capita) to start a business is 53.4 percent in Africa, compared to 23 percent in East Asia and the Pacific, 14 percent in South Asia, and 31 percent in Latin America and the Caribbean.

In many cases, however, before delving into policy specifics on education, entrepreneurship, and job creation, there is a first order political question that needs to be answered by African heads of state. Simply put, the question is whether to engage or (foolishly) try to stunt the opportunities of their countries’ youthful populations.
Some African leaders have internalized this need, and are striving to create access and opportunities for youth. Realizing the importance of this issue spurred U.S. President Barack Obama to launch his Young African Leaders Initiative. It is designed to provide leadership skills training, support young entrepreneurs, and connect young leaders with one another. The initiative has grown over time to include a flagship exchange program and leadership centers on the continent, and—as part of the U.S.-Africa Leaders Summit in 2014—various African heads of state have made their own individual commitments to increasing opportunities for young leaders in their respective countries as well.

However, some African leaders have pursued a more shortsighted and misguided effort—one grounded in fear, parochial self-interest, or perhaps short-term political calculations—to deny youth meaningful participation in the institutions of the state and the opportunities necessary to gain the skills needed to better their communities.

Tolerating corruption, limiting access to decisionmaking (including through efforts to entrench an individual leader or ensure a single political party’s dominance), and closing space for civil society all serve to hamper political progress, degrade freedoms, and deny opportunities and voice to youth.

It is hard to overstate the stakes involved with this challenge. African leaders who do not address these massive demographic shifts risk not only poor economic performance, but also destabilizing consequences. As ACET has noted, the health and skills of Africa’s youth will determine whether this young and enormous labor force will be a global competitive advantage that drives economic transformation or a burden on growth that threatens stability. In addition to the obvious political instability that can result from a large, disempowered, and young population, disaffected youth can also be more vulnerable to radicalization and extremism.

It is also important to note that we are talking about an increasingly connected population, particularly among...
the young. According to the World Bank, Africa (including North Africa) went from only 20 million fixed-line telephone lines in the year 2000 to almost 650 million mobile subscriptions in the year 2012—surpassing both the United States and the European Union. The number of mobile connections in sub-Saharan Africa alone is expected to reach over one billion by 2021, according to Ericsson.

These strides in mobile phone usage have transformed access to information and products, and have had equally transformative knock-on effects. For instance, mobile banking has taken off. GSMA reports that Africa was home to 53 percent of all live mobile money services in the world as of 2013. This means access by a greater swathe of the population to banking services, and in some cases, mobile banking has made it easier to commercialize off-grid electricity solutions and increase access to insurance products.

A more connected population also means greater access to information and, oftentimes, a greater ability to interact with government. More to the point, such connectivity can provide greater ability to demand improved living standards and transparency, raise expectations, and increase pressure on governments to act.

As social media platforms in particular gain an even greater foothold in the region, they become an important venue for widespread punditry on presidential actions, organizing the like-minded, decrying the payment of a bribe, and other ways in which young people in particular can engage leadership—whether that leadership wants to be engaged or not. Smart leaders will embrace these increasingly participatory forms of constituent engagement, seeing them as a resource for information and feedback, not as a threat.

**Strengthen Democratic Institutions**

Trends in governance across Africa remain, unfortunately, all too mixed. Though some progress is being made, there is also backsliding and, by and large, critical democratic institutions lack sufficient capacity. It is important to examine the positive trends as well as the persistent governance challenges that continue to hamper development agendas and dissuade some investors.
To begin with, Africa saw “overall if uneven progress toward democratization during the 1990s and the early 2000s,” according to Freedom House. Though the quality varies widely, elections have become commonplace in most African countries—with more than 15 countries holding elections in 2015, and at least a dozen slated for 2016. In a small but growing number of countries, there have been multiple peaceful elections in a row and democratic handovers of power; there is also a budding trend of public debates among candidates running for public office, which increases transparency and information available to voters.

More broadly, the last quarter century has brought remarkable change to the political culture of some African countries with respect to the role of civil society, multiparty politics, and the nascent role of legislatures and courts in addition to executive branches. Also of positive note, eight African countries have joined the Open Government Partnership, a global initiative requiring demonstrated commitment to open governance (including with respect to fiscal transparency and citizen engagement), and over 15 are compliant with the requirements of the Extractive Industries Transparency Initiative, an international coalition which promotes governance by improving transparency and management of revenues in the extractive industries.

These are but a few examples of progress, and, in 2013, the Ibrahim Index of African Governance (which includes North Africa) found that 94 percent of Africans live in countries where governance has improved since 2000.

Yet there are also important questions as to the pace and consistency of democratic progress. To this point, the Ibrahim Index of African Governance concluded in 2015 that, overall, governance progress in Africa since 2011 has, on average, “stalled,” although with significant variation between countries. The Economist’s Democracy Index similarly concluded that Africa made “scant democratic progress” between 2006 (the inception of the Index) and 2015. By the same measure, Africa’s average country rankings—weighed down in many cases by flawed elections, the rarity of democratic changes of power, entrenched leaders, and problems with the functioning of government—suggest that Africa may actually be losing ground compared to other regions.
According to surveys conducted by Afrobarometer in 2015, just over half of those African citizens polled consider their country to be a “full” democracy or a democracy with only “minor problems,” and less than half of respondents were “fairly” or “very” satisfied with the way democracy works in their countries (with dramatic differences among countries).

Moreover, in many countries, there have been disturbing trends with respect to restrictions on civil society and the media, discrimination against LGBT individuals, and curtailment of certain freedoms in the name of fighting terrorism. Additionally, some leaders have worked to orchestrate constitutional changes to displace or extend term limits in order to stay in power, thus losing the precious opportunity to build stronger democratic institutions in their country by the very act of stepping down on time, and reinforcing the incorrect notion that the progress of a nation depends on one person.

Lastly, some, such as the South African Institute of International Affairs, believe that the discourse and focus in recent years has strayed too far from democracy and good governance, as economic success stories are touted in countries that insufficiently prioritize human rights, and that “the emergence of investors that do not emphasize democracy and human rights, such as China and Russia, further shifted the debate away from good governance in Africa.”

Corruption remains a persistent governance challenge as well as a frequent reason cited by potential investors who take a skittish approach to the region. As a starting point, it is vital to understand that corruption is in no way limited to or unique to Africa, and it is regrettable and misguided that some investors are less inclined to confront and navigate governance challenges in Africa than in other regions.

Nonetheless, the human and economic costs inflicted by corruption are staggering. In 2002, the AU estimated that corruption sapped $148 billion annually from African economies, an amount much higher than what Africa receives in Official Development Assistance, and more than enough to solve the infrastructure and power gaps discussed above.
The AU, AfDB, and other actors—and some reform-minded African heads of state—have staked this out as a priority issue, including with recent activity centered on stemming the tide of illicit financial flows (which are facilitated by corruption) from Africa.

The High Level Panel on Illicit Financial Flows believes that illicit financial flows out of Africa could total as much as $50 billion per year—but that this number may severely underestimate the problem given the paucity of accurate data on which to draw. Dishearteningly, surveys conducted by Transparency International and Afrobarometer in 2015 show that a majority of Africans believe that corruption is worsening in their countries and that their respective government’s anti-corruption efforts are failing. Discussion of this topic at the U.S.-Africa Leaders Summit in 2014 led to the creation of the Partnership on Illicit Finance, in which participating countries develop national action plans to combat illicit finance and increase transparency in the private and public sectors.

Steps have been taken at the regional level, but more remains to be done to entrench democratic norms and advance good governance. To begin with, the AU’s Constitutive Act disallows governments that have come to power through unconstitutional means to participate in the organization, and has suspended various states following coups (e.g., Mali, Madagascar, and Burkina Faso). Putting aside that many countries were essentially grandfathered in, this is an enormously promising policy in discouraging coups across the continent, and a vast improvement over the strong norm of non-interference espoused by the AU’s predecessor, the Organization of African Unity.

This is especially significant given that—according to the South African Institute of International Affairs—“African states are still clearly under threat of unconstitutional changes of government.” By the Institute’s calculations, Africa averaged 3.83 coups (both failed and successful) per year in the twentieth century, and 3.03 per year from 2000 through 2012.

Also of interest is the establishment of the African Peer Review Mechanism (APRM), which was created in 2003 and describes itself as “Africa’s self-assessment for good governance.” AU member states can volunteer to undergo assessments across the the-
matic areas of democracy and political governance, corporate governance, economic governance and management, and socio-economic development. As of January 2016, 35 countries are members of the APRM, and 17 have undergone peer-reviewed assessments.

Unfortunately, though the concept holds great promise in theory, the impact to date of the APRM has been extremely limited due to a lack of implementation of recommendations produced in the reviews.

Regretfully, the presence of conflict in various countries not only continues to inflict terrible suffering on those directly affected, but also thwarts governance and development, and acts as an economic drain on the region.

In fact, of the 34 countries that the World Bank classified as fragile and conflict-affected in 2014, 20 are in Africa, according to the World Bank and UNICEF. In some ways, we are seeing dramatically increased political will—coupled with a drive to increase diplomatic efforts and peacekeeping capacity—to address regional threats. However, in some cases, the AU and regional economic communities have been unable to overcome internal differences and divergent interests to stymie leadership and action. This is especially the case when the relevant regional grouping is slow or unwilling to recognize the problem and alter the process or involve other actors.

Fundamentally, the strength and predictability of institutions—particularly with respect to the rule of law, the certainty and transparency associated with decisionmaking, the ability to find recourse in the courts, and the enforcement of decisions—are directly linked to the attractiveness of the investment climate.

In addition to the need for good governance in its own right, fear of political risk and instability is a common refrain in reports and summaries of investment opportunities in Africa. Concerted reforms to strengthen institutions, advance the rule of law, and steadfastly root out corruption will be vital to improving economic growth and increasing investor confidence.
HARD THINGS ARE HARD

As the trends and opportunities highlighted above illustrate, Africa holds great promise. Yet the political will to seek inclusive growth, engage a young population, prioritize democratic institutions, and quell corruption and conflict will determine a country’s success. Simplistic narratives aside, progress will likely be uneven and with some interruptions as Africa continues to grow in economic strength and political influence, and further integrate into the global economy.

The path to deep and sustained regional economic growth is clear, even if challenging to follow. Indeed, pursuing many of these reforms to strengthen economic and political governance will be difficult—though doing what is right, and not simply what is easy, is certainly the essence of leadership—and in some cases it means taking on entrenched interests. As neatly summarized by a plaque that sits on President Obama’s desk: “Hard Things are Hard.”

More to the point, these policies are the right path for every reason—advancing human dignity, providing opportunities to future generations, and enhancing prosperity—in addition to being necessary to attract investment. The question is whether individual leaders have the political will and resolve needed to rise to the challenge—and fully realize Africa’s massive potential.

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