

Tom K Alweendo: Economic emancipation of Africa and the way forward

Speech by Mr Tom K Alweendo, Governor of the Bank of Namibia, at the Annual Dr. Sam Nujoma Public Lecture Series, Windhoek, 22 May 2007.

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Ladies and Gentlemen:

Let me first thank the organizers of this event for inviting me as a speaker. The organizers requested me to speak on the topic "**Economic Emancipation of Africa and the way forward**". In itself this topic suggests two things, namely that the African economy is in bondage and that it can be freed from its bondage.

Talking about economic emancipation in Africa is problematic in that Africa is a diverse continent with economies that are significantly different and thus would require different diagnosis. There are therefore no simple solutions to the question of economic emancipation in Africa. What is certain is that true economic emancipation in Africa will be realized only when the continent's economies are growing at their full potential, which is not the case currently.

Today there is a consensus among Africans and non-Africans alike, that Africa as a continent is far behind other continents in terms of economic development. Most of the poorest nations in the world are on the African continent. For example, Africa's GDP accounts for only 1.2 percent of the world GDP, even when the continent's population is 11 percent of world population. Average income per person in Africa stands at about U\$450 in comparison with U\$5,000 for Malaysia. The proportion of the population that lives in abject poverty is estimated at 46 percent in Africa, compared to about 20 percent in Latin America and the Caribbean. We are all aware of the United Nations Millennium Development Goals. One of these goals is to halve poverty by 2015. Only a few countries in Sub-Saharan Africa are likely to meet this target. It is estimated that the continent would need to grow consistently by about 7 percent per year to be able to reduce poverty by half as envisaged in the MDGs.

When comparisons are made between African and South-East Asia, the story is told that in the 1960's Africa and South-East Asia were at the same level of economic development. Today, however, South-East Asia is far ahead of Africa. Why did Africa lag behind so much over the last forty years? What did we neglect to do? There are probably a number of factors that has contributed to the slow economic development on the continent, but I would like to mention only three.

First is the issue of leadership. Leadership is so important that no institution or country can prosper without effective leadership. Effective leadership requires that leaders are prepared to serve others as opposed to being served by others; leaders who put others ahead of their own agendas; leaders who are not too concerned about self-promotion; leaders who have the courage to take unpopular but correct decisions. What Martin Luther King II said about leadership is revealing. He said "The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy".

In my view, the continent has had a number of leaders who have mismanaged their economies and therefore contributed to the African economies to be in bondage we find ourselves today. We have had leaders who were more interested in accumulating personal wealth at the expense of their citizens. We have had leaders who promoted divisive policies that more often than not led to political instability and civil wars. Most of our African leaders, at that time, concentrated more on political leadership at the expense of economic leadership.

It is gratifying, however, to note that this is changing. If you follow the agenda of the African Union today, the African leaders are well aware that the promotion of economic development should be a priority. There are also encouraging signs that show that things are changing for the better. For example, over the past three years Africa's economic growth has averaged 4.4 percent compared to 3.5 percent in the 1990s. If the continent is able to sustain these growth rates at this level, we might see a difference in the high incidence of poverty on the continent.

The second factor that in my view has contributed to the lack of economic development on the continent is the legacy of colonialism. Most countries on the continent became independent in the 1960s and 1970s. The unfortunate thing is, however, that after the colonial powers departed, they

continued to dominate the African economies. What is bad about this is not so much the fact that the departed colonial powers continued to be involved in the African economies, but rather the fact that they did so at the expense of the Africans. The colonial powers continued to exploit the African raw materials to build their economies at the expense of the African economies. What is astonishing, though, is the fact that we allowed them free passage to do so, and we still do allow them to do so.

To date we still continue to behave as if we cannot manage our own economic affairs without the departed colonial powers' assistance. It is astonishing to know that many an African country will still prefer a European consultant to advice on economic matters. This is in spite of the fact that over the years, Africa has spent enormous amounts of financial resources on education and training. Unfortunately, we are still reluctant to practically demonstrate our skills. We still want to think that we are less experienced to be experts in economic matters. As a result, we continually believe that we need to build new capacities or we need assistance from the departed colonial powers. What we forget is that expertise comes with practice and if we fail to practice what we have learned, we will never become experts at anything.

I am not advocating a position where Africa should not have any economic ties with other continents. On the contrary, what I am advocating is economic ties with other continents that are mutually beneficial. For too long Africans have been hoodwinked by non-Africans where, in our desperation to gain their acceptance, we agreed to non-beneficial economic deals. The lesson we must have learned from these experiences should be that, as a general rule, no nation helps another nation unless it is in its self interest. It is therefore time that as Africans we must start believing that we have the capabilities and the expertise to run our economic affairs to our benefit.

The third factor I would like to mention briefly is that of culture and tradition. While I firmly believe that a nation without culture and tradition will be a lost nation, we should also recognize the fact that all cultures do evolve. A particular culture or tradition that was cultivated at a particular period of time may hinder our economic development if we were to continue to practice such a tradition without any adaptation. For example, I am told of an African tradition where when a man dies, all his cattle are slaughtered at the time of his burial. In most African countries, we still continue to practice communal land tenure system. These are some of the practices that have the potential to hold us back to achieve our full economic potential.

What is then the way forward to emancipate Africa economically? It can be done and all what we need to do is to re-focus our mind on what is important for our economic development and less on what is convenient. I believe that we can create the necessary momentum for our economic emancipation if we continue to address those issues that are important to Africa's economic development. Following are some of the issues that we need to continue to address.

Political stability is a must. No economic development can take place in an environment of civil wars and political unrest. When you have social unrests, scarce resources that are necessary for economic development are diverted to unproductive war expenditures. We therefore need to continue to promote policies that will prevent political instability. It is heartening to note that political stability is improving in Africa. Although there are still few countries that are facing civil wars, the situation has significantly improved compared to the 1970s and 1980s.

Macroeconomic stability is equally important. During the 1980s, Africa lost a decade in terms of economic growth partly due to the absence of prudent macroeconomic policies. High and volatile inflation rates, unsustainable budget deficits and balance of payments crisis characterized many countries on our continent during this period. Therefore, maintaining and further consolidating both political and economic stability would be an important ingredient in enhancing economic growth.

Today **education** is widely recognized as an important contributor to economic growth because it leads to the creation of new knowledge and innovation. Not only is education important for economic growth, it is probably the most basic necessity after those that are vital to life itself, such as food, clothing and shelter. It is education that lifts people out of the state of poverty. The huge gaps in economic opportunities that we witness on the continent, is mainly as a result of lack of skills and knowledge. What we must, however, remember is that it is no longer enough to provide education as a social service. In today's world where international borders are fast crumbling, it is education that will distinguish winners from losers. As African countries, we have now to compete in the world market where competition is so fierce and only the fittest will survive. It is therefore critical that the education must be relevant and of high quality.

Not only should the education be of high quality, but it must also be practical. The education must lead to a situation where we are able and ready to use the knowledge we have acquired and find ingenious ways of addressing the economic problems facing Africa. This means Africa must continue to invest in its human capital, while at the same time creating incentives to keep them on the continent.

Another important issue that needs our focus is **the quality of our public institutions**. Our public institutions must be strengthened with the necessary capacity to carry out their mandates effectively. We must therefore ensure that we appoint only people with the required capabilities and willingness to lead our public institutions. To do otherwise will be wasting our scarce resources and the continuation of economic bondage. We should also guard against a situation where a number of what looks like good policies are developed, except that no one cares to ensure that such policies are implemented.

One of the fathers of modern economics, Adam Smith, in his seminal publication, the Wealth of Nations, observed already in 1776 that "Africa had been poor from time immemorial because it lacked the navigable rivers and natural inlets that afford the benefits of low cost sea-based trade". This suggests that a great deal of the continent's lack of economic development can be attributed to a **lack of basic infrastructure**. This is especially so in rural Africa where the majority of the population lives. Lack of basic infrastructure such as roads, electricity and telecommunication are prevailing conditions in most rural Africa.

History has shown that in most regions of the world where a take-off in economic growth and development occurred, the "green revolution" preceded such a takeoff. This is true of China, India and even the USA. I therefore believe that the African economic take-off will be accelerated by **an expansion of agricultural output**. In fact, the agricultural sector is where Africa's comparative advantage lies, provided that the WTO negotiations regarding the elimination of farm subsidy by advanced countries are successfully concluded. Africa will then need to scale up its investment in the agriculture sector. For example, African farmers need training, they need fertilizers at reasonable prices, and they need market outlets. All these require significant investment. A related problem is the lack of tradable land rights in most African countries, especially for the rural communities. Without ownership of the land, rural farmers would find it difficult to obtain funding from financial institutions to improve their production.

I have attempted to point out what needs to happen for Africa to be economically independent. Among other things, there is a need for Africa to continue to invest in its human capital, physical infrastructure, and institutional development. The road ahead is not easy, but the challenges are not without a solution. However, the situation demands of us a strong vision and effective leadership. I am convinced that Africa's economic problems can only be solved by the Africans ourselves, and for us to succeed we need to focus our attention to what is important and necessary as opposed to what is currently convenient.

I thank you.