



## Fifth Joint Meetings

AU Conference of Ministers of Economy and Finance  
and ECA Conference of African Ministers of Finance,  
Planning and Economic Development

22 - 27 March 2012 | Addis Ababa, Ethiopia



## Africa as a pole of global growth

**By: Abdoulie Janneh and Jean Ping\***

As the global economy totters from crisis to anemic growth, Africa is fast becoming a magnet for investments and a safe haven for international capital. Our two institutions, the United Nations Economic Commission for Africa and the African Union Commission, are working with African policy-makers to unleash the potentials that this new development offers. And this will be the main focus of our annual conference of African ministers in charge of finance, planning and economic development, from 22 – 27 March in Addis Ababa, Ethiopia. We think there is a strong basis to start seeing Africa as a pole of global growth.

Of the top-fifteen fastest growing economies in the world today, ten are African. Foreign direct investments to Africa have increased from \$9 billion in 2000 to \$62 billion in 2009 and are expected to continue to rise in the near future. Portfolio investments were also a healthy \$22 billion in 2010. Also in 2010, two African countries had a higher per capita GDP than China, and six more than India. More reassuring, it is not only the resource-rich countries that are experiencing this growth—many African countries that do not boast of oil or mineral wealth are growing as well. Exports are also becoming more diversified by composition and by destination. For example in 2009, manufactures accounted for 19 percent and 27 percent of African exports to China and South Korea respectively.

This resurgence is giving rise to Africa's growing recognition as an emerging market and a potential global growth pole. Indeed, there is a growing consensus that Africa is on the verge of an economic take-off and could become a pole of global growth. This is largely based on some factors: Africa's untapped natural resource endowment which provides significant investment potential; the continent's steady population growth, which, if properly managed, could yield positive returns; the rise of the middle class and the untapped regional market; high economic growth rates; improvements in the general macroeconomic environment; strategic and timely institutional reforms, as well as improved governance in many African countries; improved business environment in many African countries and increased FDI in recent years.

The growth resurgence has transformed Africa from the world's lowest growing region of the past to one of the world's fastest growing regions. However, to sustain economic growth, Africa will need to enhance productivity and competitiveness through innovation and investing in infrastructure, technology, higher education and health; broadening the range of and adding greater value to exports; and making the necessary investments in productive sectors and trade facilitation. All these measures require collaboration among stakeholders in a developmental state—as detailed in our joint publication *Economic Report on Africa 2011*.

If Africa maintains its 2000–2008 average annual growth of 5.6 per cent and the rest of the world does the same at 2.9 per cent, the continent's contribution to world GDP will increase from 2.4 per cent in 2012 to reach 5.1 per cent in 2034.



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Needless to say, other things being equal, the higher the growth rate of Africa, the sooner its share of global GDP hits the 5 per cent mark. If, for example, Africa can maintain an average of 7 per cent growth (specified as the required growth rate to meet the MDG) while the rest of the world maintains 2.9 per cent, Africa's contribution to global GDP would reach 5 per cent in around two decades from now.

Studies suggest that in most African countries, inadequate infrastructure is a key constraint on doing business and can depress firm productivity by around 40 per cent. Estimates show that closing Africa's infrastructure gap would require approximately US\$93 billion a year over the next decade. While it is encouraging that about half of the continent's infrastructure financing need is currently being met, there is still a need for increased and substantial external support in this area.

Increasing women's access to electricity and roads would lead to greater agricultural output and better food availability in markets, since women comprise 70 to 80% of the agricultural labour force. Another key constraint is investments in human capital and innovation. Education and skills development, especially for young people, is of paramount importance to Africa if we are to reap the demographic dividend. Innovation and new technologies are also crucial to maintain productivity and absorb the still growing labour force.

In recognition of this, our two institutions are now collaborating with the African Innovation Foundation, and have established the Innovation Prize for Africa. This annual prize honours and encourages innovative achievements that contribute toward developing new products, increasing efficiency or saving cost in Africa. The first prize for the winner and runners up, worth \$100,000 and \$50,000 respectively, will be awarded on 26<sup>th</sup> March this year.

The necessity for coordinating development policies at the regional level is an imperative. In fact, the central challenge of African countries is to have a unified framework for negotiation and cooperation with emerging as well as old partners that will help them maximize gains in terms of trade, FDI and other kinds of capital flows, technology transfer, loans, and aid especially from emerging large economies. This challenge is especially important considering the key differences between African countries in terms of the size of the economy, governance structures and negotiating capacity, and resource endowment.

The world needs a new driver of consumer demand, a new market and a new dynamo which can be Africa. Future growth in the world economy and in the developing world will depend on harnessing both the productive potential and untapped consumer demand of the continent. Our two organizations are working with African policy-makers to ensure Africa assumes its rightful place on the global stage and finally banish the horrible moniker of the hopeless continent.

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