Africa in the Next 50 Years: The Road towards inclusive growth

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I. INTRODUCTION

Since the beginning of the 1960s, African continent has evolved from mostly colonial states, through seemingly endless array of development challenges, to a continent on the verge of major political and economic transformation. Over the past decade in particular, despite successive global food and financial crises, Africa has been growing at an unprecedented rate to rekindle a growing optimism about Africa’s potential. Across the continent, there is now a greater sense to seize the initiative and take advantage of the emerging conditions to maximise the continent's comparative advantages and bring about the necessary structural changes in its economy.

What does the next 50 years hold for Africa? How can Africa move convincingly towards inclusive growth? The main objective of the keynote address is to identify the drivers of change and their likely consequences over the next half century, and to propose policy choices and strategies informed by “inclusive growth” that will enable Africa to fulfil its potential in the years ahead.
II. AFRICA IN THE NEXT HALF CENTURY: PROJECTIONS

The balance of evidence suggests that the next half century offers good prospects for realizing an African vision of a dynamic, diversified and competitive economic zone in which extreme poverty is eliminated within peaceful, stable and vibrant societies. This vision involves the transformation of fragile and vulnerable African economies into more robust and developed market, creating opportunities for the poor and leading to peaceful, stable and vibrant societies.

Recent evidence shows that economic growth in Africa is generally strong, fuelled in large measure by business-enabling policy reforms, more favourable commodity prices and a marked improvement in peace and security. African Development Bank (AfDB) estimates suggest that both Gross Domestic Product (GDP) and GDP per capita will increase steadily throughout the period 2010 to 2060 (Figure 1). By 2060, most African countries will attain upper middle income status and the extreme forms of poverty will have been eliminated.

![Figure 1: Africa: Gross Domestic Product (US$)](image)

In this most positive of scenarios, the AfDB estimates suggest that Africa’s GDP could increase to over US$15 trillion in 2060, from a base of US$1.7 trillion in 2010. Consequently, income per capita expressed in current US dollar terms should grow from US$1,667 in 2010 to over US$5,600 by 2060.
Table 1: Real GDP growth rates by sub-region (%)

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Source: AfDB

The projected breakdown of GDP by sub-region indicates that North Africa will continue to post the highest income per capita. However, East Africa is likely to show the strongest growth performance, reaching 9.3% in 2030. (See Table 1) By 2060, the sub-region will have a per capita income ten times higher than in 2010.

One of the outcomes of Africa's strong economic growth in the past two decades has been a significant increase in the size of the African middle class (defined as earnings of between US$4 and US$20 per day). The middle class will continue to grow, from 355 million (34% of Africa's population) in 2010 to 1.1 billion (42%) in 2060. Conversely, poverty levels are expected to fall, with the proportion of the population living on less than US$1.25 a day declining from 44% in 2010 to 33.3% in 2060.

In the decades ahead, Africa's growth prospects will be heavily influenced by trends in labour availability. Continued rapid growth in the size of the economically active population (men and women 15-64 years of age), at an average of around 3.5% per annum, will lead to an absolute increase in Africa's working age population of around 1.87 billion. Around 74% of Africans will be of working age.

In general, Africa's human development indicators show the potential for considerable improvement in the coming decades. Demographic indicators like population growth, fertility rates and mortality rates are declining. Life expectancy and education levels will continue to improve, reflecting improvement in human development.
Africa has already made some important progress in improving the health of its population, and this is projected to continue. Mortality rates will decline in most places over the coming decades as the strong focus on reducing the impact of communicable diseases continues. Child mortality is projected to decline from 127 per 1,000 live deaths in 2010 to 45 per 1,000 live deaths in 2060. North and East Africa will benefit the most from the reduced burdens of child mortality, in large part due to the declining impact of HIV/AIDS.

Although progress is expected on HIV/AIDS, it will remain the most important health challenge facing Africa, particularly sub-Saharan Africa. HIV prevalence rates are expected to decline from 2.1% in 2010 to 1.4% in 2060. The number of deaths due to HIV/AIDS is also projected to drop substantially as a result of HIV prevention programs and improved access to antiretroviral treatment.

With respect to literacy rates, the current trend of rising rates is projected to continue, reaching around 96% in 2060 against 67% in 2010. Education forecasts show that Africa is currently very close to the level of India, and likely to track the advance of that country fairly closely.

The combined effect of the positive human development indicators is that by 2060, the average life expectancy in Africa is projected to reach 70 years, compared to 56 years in 2010. North and East Africa are projected to have the highest life expectancy with 80 to 83 years, compared to the much lower 55 years in Central Africa.

III. THE DRIVERS OF CHANGE IN THE NEXT HALF CENTURY

Africa's development outcomes for the coming decades will be determined by a number of drivers of change, and the policy changes adopted by African countries in response to changing world conditions. These drivers of change will be global, physical and human. Cumulatively, they will create dramatic changes for the continent and the global environment with which it interacts. Its prospects for development will in turn depend on the policies Africa implements to take advantage of its vibrant young population, its abundant natural resources and its considerable human capital.

III.1 GLOBAL DRIVERS OF CHANGE

For Africa, the next 50 years are likely to be shaped by three major global forces: the changing structure of global trade; new trends in technology; and the international architecture governing trade, finance and development assistance.
Changing Structure of Global Markets

By 2060, three structural trends: the shift of the centre of gravity in global trade to developing countries; the rapid growth of a global middle class; and the volatility and long run decline of commodity prices – will define Africa’s relationship with the rest of the world.

**Developing countries will dominate global trade:** Developing countries have already become major players in global trade; by 2060, they will dominate it. In 2006, developing countries accounted for 30 per cent of world exports. Projections suggest that the share of world exports produced by developing countries will expand to about 70 per cent by 2060. China’s share alone will increase from about 8 per cent to 24 per cent.

These structural shifts in global trade will mean that Africa’s dependence on advanced country markets will lessen dramatically. Trade as a driver of Africa’s growth will come mainly from regional trade consequent on increased regional integration and the development of free trade zones that will enhance consumer demand for large scale infrastructure investments. By 2060, only 27 per cent of Africa’s exports will go to the U.S. and EU, compared to 54 per cent in 2006. China will be the second largest export destination for Africa, taking up nearly 25 per cent of its exports, compared to just 5 per cent in 2006.

**The global middle class will grow:** The dramatic change in the global economic landscape will be both a cause and a consequence of the emergence of a new Global Middle and Rich class (GMR). Projections show that the GMR population in the developing G20 economies — China, India, Russia, Brazil, Mexico, Argentina, Indonesia, Turkey and South Africa — is likely to grow from 739 million in 2009 to 1.9 billion in 2060. In Africa, the middle class is expected to increase from 355 million (34 per cent of Africa’s population) in 2010 to 1.1 billion (or 42 per cent of the population) in 2060.

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1 As defined by the World Bank, all individuals with a per capita income above $4000 in 2005 PPP terms are members of the Global Middle and Rich Class (GMR). Those with incomes above $17000 per person are considered members of the rich class.
Commodity prices will continue to fluctuate: Though commodity prices are high now, creating improvements in the terms of trade for some African countries, it is expected to resume its downward trend. The reasons for this decline include relatively low demand elasticity, growth of substitutes, and rapid technological advances that have reduced the cost of growing or extracting commodities. Commodity price volatility is likely to limit the growth prospects of some African economies — particularly those that are dependent on minerals and other commodities.

- **New Technologies and Innovation**

Three key technological regimes will have a profound impact on Africa’s transformation in the next few decades: agricultural biotechnology; health and health innovation systems; and new energy technologies, particularly, low-carbon, climate-sensitive technologies.

_Agricultural biotechnology will create a “gene revolution”: _It is contended that by 2060, the Green Revolution will be supplanted by a Gene Revolution. Agricultural biotechnology will transform African agriculture by raising agricultural productivity and farmers’ incomes through yield increases, the creation of drought- and pest-resistant varieties, and shorter harvesting cycles, enabling the planting of several crops per season. Genetic engineering will also enable cost-saving techniques.

_Health innovations will shape health outcomes:_ Innovations in the health field will bring together the technological process of inventing new drugs, vaccines and diagnostic tools, with profound impact on the health systems of developing countries. The main technologies that will shape health outcomes in Africa are likely to include pharmaceutical innovation in drugs and vaccines, including R&D-intensive new chemical entities (NCEs) and the production of “me too” drugs, including generics; and health-care technologies, broadly including technologies for health technology assessments, diagnostics and laboratory technologies.

_Energy systems will respond to low carbon pressures:_ By 2060, renewable energy could replace conventional fuels in four main sectors: power generation, hot water and space heating, transport fuels and rural energy. If, as a result, the overall price of energy is substantially lower than today, it would create an important opportunity for energy-intensive activities, notably industry and transport to expand.
Changing rules of the game

The next 50 years are likely to see significant changes in the rules by which the international trading, financial and aid systems operate. Three important sets of international agreements are likely to shape Africa's relations with the global economy over the next 50 years: global trade and financial regulations, the European and US bilateral trade engagement with Africa and aid policy.

Global trade and financial rules will change: The future of the Doha Round of WTO talks is uncertain, but it is unlikely that the gains made in multilateral liberalisation under the Uruguay round will be reversed. The growing importance of East Asia as a global economic power and the dramatic increase in South-South trade signal an important change in the geopolitics of trade agreements. Whether and how these new industrial economies address the issue of market access for Africa will in large measure determine the trading environment that the continent will face in 2060.

Regional agreements between Europe, the US, and Africa face an uncertain future: Contrary to many fears, the end of the Multi-Fibre Arrangement did not mark the end of trade preferences for Africa. Both the United States and the European Union introduced new preferences: the Africa Growth and Opportunities Act (AGOA) and the Everything But Arms (EBA). The pace of negotiation of these agreements and their final content will determine Africa's trading opportunities with the US and Europe.

Aid flows are likely to diminish: By 2060, aid will have decreased in importance as a driver of Africa's development. There will be new players in the aid industry (international NGOs, private businesses, non-DAC donors) bringing new approaches. However, the total volume of aid to Africa is likely to diminish. By 2060, the constituency for aid to Africa in Europe is likely to have diminished as memories of the colonial era fades. In addition, absolute poverty in Africa and the relative income differential between Africa and Europe will have declined. Both of these will further weaken the case for aid.

III.2 Physical Drivers of Change

Africa faces three drivers of change related to its physical environment: first, is climate change; second, the continent's renewable and non-renewable natural resources; and, third, the continent's endowment of land and water will come under increasing pressure.
Climate change

Climate change is a particular menace to Africa. Many African countries are already under various forms of climate-related stress — drought, floods and rainfall variability — which, coupled with low adaptive capacity, make them highly vulnerable to climate change. Because the African continent is already among the hottest parts of the earth, further warming will have adverse implications for socioeconomic development and welfare. On the continent, populations living along the western and eastern coasts could be affected by projected rise in sea levels and flooding. Sea-level rise could also impact on the Nile Delta.

Natural resources

Africa is richly endowed with metal and non-metal minerals and energy resources, much of which remains under-explored. Africa hosts about 30 per cent of the world’s mineral reserves, including 40 per cent of gold, 60 per cent of cobalt, 72 per cent of chromium and 65 per cent of diamonds. By 2060, new global products will require specific metals, leading to the opening of new mines and new exports, while declining ore grades, recycling and substitution will result in other mines being shuttered. New technologies will make mining in Africa’s remote regions economically viable. Mining developments will transform the landscape of mineral-dependent countries. Some countries will benefit from the shifts in globally important minerals, while others, once heavily dependent on mining and mineral revenues, will need to diversify into other sectors.

Land and water

In spite of the continent’s immense size, pressures on land and water will shape the future. Given current population growth trends and water use patterns, research findings indicate that a number of countries will exceed the limits of their land-based water resource capabilities by 2025. Projections suggest that the number of people living in water-stressed areas in Africa will be about 350-403 million by 2055, even in the absence of climate change. With climate change the population at risk of increased water stress is projected to be 350-600 million people.
III.3 Human Drivers of Change

Three human conditions will impact Africa in the next 50 years: a delayed demographic transition; the burden of AIDS; and land access and tenure.

- Demographic transition

Compared with other parts of the developing world, Africa’s demographic transition is delayed. Africa’s population is projected to peak at 2.7 billion in 2060, compared to 1.0 billion in 2010. Projections show the population growth rate declining. Overall population size, however, will continue to increase, overtaking that of China and India. Almost all the sub-regions of Africa would witness the same dynamics in population growth except the North Africa region, where population growth will decline rapidly to just 0.3% a year by 2060. A positive aspect of delayed demographic change is that Africa could benefit from a "demographic dividend" — the increase in the ratio between the working age population and the non-working age population. Half of Africa’s population is aged 17 or less, and the active population aged 15 to 64 will triple between 2005 and 2060. The demographic dividend will result in an increase of the labour force, a decline in dependency ratios, increased national savings and an acceleration of urbanisation.

- The Burden of AIDS

AIDS will remain an exceptional challenge and its impact will shape future economic prospects. While major progress can be expected in combating the majority of infectious and parasitic diseases, HIV/AIDS poses a particular challenge for the continent, especially for sub-Saharan Africa. HIV/AIDS will lead to further depletion of human capital. The full impact, however, goes far beyond the labour force. It also has profound implications for the structure of families and the integrity of communities.

- Land tenure and access

Recent trends in both rural and urban areas in sub-Saharan Africa suggest that the institutions governing land access may become a critical source of tension in the coming decades. There is an urgent need for better governance of land management and improved regulation of land markets, in order to limit the magnitude of land-related conflicts. New forms of governance will be needed to improve conflict resolution, the regulation of land markets and urban planning.
IV THE CONSEQUENCES

The drivers of change outlined above are likely to have profound implications for Africa’s development pathway to the year 2060. But the implications remain unpredictable, depending on how these different factors interact. The following are some of the most likely scenarios:

- **Urbanization will accelerate**

  By 2060, Africa’s population will have radically shifted from rural to urban areas. The continent’s urban dwellers will rise from 40 per cent of the total in 2010 to 50% by 2030 and 65% by 2060. By 2060, much of the population of Africa will be in coastal mega-cities, as in Asia and Latin America. Existing coastal cities will face the dual challenge of coping with the population influx and developing a productive sector that can deliver the levels of efficiency necessary to support the growth of industry and high value-added services.

- **Migration will increase**

  Demographic pressure, persistent income differentials, spreading networks of migrants, increasingly intense communication and increased ability to afford the cost of migration will all contribute to substantially greater mobility of workers. In addition, the effects of climate change may increase the need to emigrate from the worst affected regions — either to cities within the continent or outside Africa. The major impacts on African economies of increased migration are likely to come through increased migrant remittances and highly skilled migration.

- **Agriculture is likely to decline in importance**

  Agriculture is the sector in which the global, physical and human drivers of change are most likely to collide on the way to 2060. Global warming will tend to benefit Northern agriculture while seriously damaging African agriculture. Rain-fed African agriculture is considerably more climate-sensitive than agriculture elsewhere, and soil degradation will have substantially increased due to population pressure. By 2060, there will be a significant decrease in suitable rain-fed land.

- **Natural resources will remain important and more will be discovered**

  By 2060, many of Africa’s current mining operations will have exhausted their natural assets. Renewable resource stocks may also have been seriously depleted.
This does not necessarily suggest an overall decline for Africa in natural resource revenues, but rather that the opportunities will have shifted in both location and composition. Some of the countries that are not currently resource-rich will become so due to new discoveries and shifting global patterns of demand.

V. POLICY CHOICES AND STRATEGIES

By 2060, the changes highlighted above will have transformed the opportunities and challenges facing Africa. The extent to which individual countries, and Africa as a whole, will be affected will depend, to a large extent, on their policy responses. Along the way, many important choices will need to be made. Some are within the purview of individual African countries; others will require collective action. The responses should be driven by the principles of “inclusive growth” and that ensure that inclusive growth is achieved. I define inclusive growth to mean:

“Inclusive Growth (IG) refers to economic growth that results in a wider access to sustainable socio-economic opportunities for a broader number of people, regions or countries, while protecting the vulnerable, all being done in an environment of fairness, equal justice, and political plurality.”
COUNTRY-LEVEL RESPONSES

For the foreseeable future, nation states will continue to be the dominant actors in defining the public policies and actions that affect their populations. The scope and scale of the challenges and opportunities faced by African countries suggest that early and decisive changes in public policies and actions will be needed.

- **Investing in cities**

  Africa will need to develop the policies and institutions to support urban growth. The main aim of urban policy should be to help cities deliver agglomeration economies while reducing the costs that come with rising congestion. Key instruments for efficient urban growth that could be followed include the development of appropriate land tenure systems and property rights. The non-economic factors associated with rapid urban growth will also require appropriate policy responses. Ethnic and religious diversity will increase as internal and international migration respond to the shift of economic opportunities to cities and coasts. Within cities, governments will have to discourage ethnically based zoning of residential settlements. Geographical equity in the provision of public services may also prove critical to reducing ethnic tensions within cities.

- **Managing migration**

  Migration will become an increasingly significant part of Africa’s human and economic landscape by 2060. The demographic and economic forces that will boost migration by 2060 should be seen as an opportunity to manage migration in a way that maximises its benefits to the countries of origin, while minimizing its costs. Appropriate policy responses to migration will vary with the type of migration — skilled versus unskilled, permanent versus circular — and with its economic consequences. Active policies to encourage the physical or virtual return of skilled migrants — as have recently begun in Ghana and Nigeria — offer the potential for using the diaspora as a development agent.

- **Transforming African agriculture**

  Africa needs an agricultural revolution. One immediate area for action is to establish supporting mechanisms for increased use of nutritional supplements such as fertilisers in agricultural production. This calls for the development of national agricultural input credit guarantee facilities; use of “smart” (targeted and time-bound) subsidies to ensure that poor smallholders have access to fertilisers; creation of regional fertiliser procurement and distribution centres; and removal of trade barriers and impediments to local fertiliser production.
Adaptation to climate change will require that African farmers have access to new varieties of crops better adapted to the changing agro-climatic conditions. A biology-based green revolution would be required and most of Africa will need to re-consider its ban on GM technologies to pave the way for more research on the improvements most pertinent to the region.

- **Avoiding the resource curse**

Effective management of natural resources must remain high on Africa’s public policy agenda. This requires institutions that support and regulate investment by the private sector. The challenge for government is to design policies and regulations that allow them to extract sufficient revenues from the exploitation of natural resources, while still providing the incentives to encourage and maintain private sector investment. Economic management in Africa has to be strengthened for the avoidance of the Dutch Disease.

- **Breaking in at the bottom**

Appropriate structural and macroeconomic policies make it easier to attract private investment, and many African countries have an unfinished agenda of economy-wide reforms. The policy changes needed for Africa to break in at the bottom of the global economy fall into two groups. The first consists of policies directed at bringing the human and physical capital of Africa’s economies to the minimum threshold needed to support industrial growth by improving skills and infrastructure. On the second set of policy actions, Africa has to learn to compete in the global economy. Governments will need strategies to raise the productivity of the industrial sector as a whole. This should encompass the development of appropriate skills, development of infrastructure, industrial clusters and EPZs.

- **Private Sector, Infrastructure and Democratization**

Some of the most important policy choices facing Africa are those that will increase competitiveness and build consensus on a long-term vision for African development. These policy choices will include investment in infrastructure, promoting private sector development and broadening democratic governance beyond periodic elections. Developing infrastructure of all kinds will facilitate private sector development. Improving regional trade agreements; promoting private-public partnerships; facilitating investment financing and developing financial markets; supporting small and medium-scale enterprises; and support for micro-enterprise and finance are all needed to boost Africa’s private sector development.
Democracy needs to play a key role in economic governance and the rapid and sustainable development of Africa. The inter-links between democracy and economic development require that electoral democracy leads to the emergence of institutions of good economic governance. Critical elements of such good democratic governance for development include policies to promote: state capacity; commitment to public good; transparency and accountability; Rule of law; and mechanisms for conflict resolution.

COLLECTIVE RESPONSES

Some responses to change will be beyond the reach of individual countries; they will require collective action. Some of these actions will primarily involve African countries themselves while others will involve the international community. Some of the possible collective responses to change include:

- Deepening regional integration

By 2060, many of the key issues confronting Africa will need to be dealt with at a sub-regional level, and the form of integration will need to be much deeper than free trade in goods and services. In the African context regional integration holds the key to solving a number of problems including the small size of domestic markets; and the large number of landlocked countries, whose prosperity depends fundamentally on their neighbours; and

- Boosting market access

Africa's success in going global may ultimately depend as much on the actions of its international partners as on its own efforts. Aid agencies will need to support strategic investments in trade related infrastructure and institutions, and reduce tariffs directed at higher stage processing of Africa’s commodity exports. In the short run, Africa would substantially benefit from a streamlining and harmonisation of the two preference programs that most affect its manufactured exports — AGOA and the EPAs.
• Improving Aid

For many countries in Africa, the donor community forms an important interest group that both boosts and influences the composition of public actions. There is a need for the donor community to reach a new and more inclusive set of understandings with African governments on the objectives of development assistance and how progress in development will be measured. If, as seems likely, aid will shrink as a share of Africa’s financing resources over the next 50 years, improvements in the efficiency of aid delivery are imperative.

VI. CONCLUSIONS

By 2060, several changes will have transformed the opportunities and challenges facing Africa in at least six dimensions. Urbanization will accelerate. Migration will increase; and, agriculture may well decline, both in relative and absolute importance. Natural resources will remain an important part of the development picture and a major development challenge. Also, some African economies may have learned to compete globally.

How individual economies in Africa respond to these challenges will depend on the choices they make, individually and collectively. Broadly, countries in the region need to respond by investing in their cities, managing migration, transforming agriculture, managing their natural resources better, and making concerted efforts to break in at the bottom of the global market in goods and services. Collective action — by Africans, themselves, in the form of deeper regional integration, and by the international community in the form of improved performance on trade and aid — must support the efforts of individual countries.

All of this will move Africa towards achieving growth that is strong, sustained and inclusive.