

Africa's economy rebounds without jobs

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29 Jun 2011

Alimamy Bangura, a rice farmer in Makeni, eastern Sierra Leone, is unlikely to read the 2011 Economic Report on Africa written by experts of the African Union (AU) and the UN Economic Commission for Africa (ECA). The report forecasts a 5% economic growth rate for the continent this year.

"I am just excited that the rains have come at the right time," Alimamy told Africa Renewal. "I got some fertilisers from the government, and everyone wants to eat rice in this country."

Alimamy's prospects of a better life this year may go beyond just a decent harvest. That is because the doom predicted by some analysts for Africa in the wake of the global financial and economic crisis in 2008 and 2009 did not last. Rather, Africa's economy is once more in an upswing. The latest report announced a 4.7% growth rate in 2010, surpassing the global average of 3.6%. The anticipated 5% for 2011 is more icing on the cake.

In 2009 Africa's growth slowed sharply to 1.6%. But that was still far better than the performance of the developed world, whose economy that year actually shrank by 2.2%.

According to the AU and ECA report, the factors supporting Africa's growth include good economic policies, enhanced tourism, more activities in the service sector, an increase in commodity prices and higher demand for African exports from emerging economies.

Many African countries are already reaping the benefits of growth. According to the UN Food and Agriculture Organisation, Sierra Leone produced 200,000 tonnes of rice in 2004, well short of domestic requirements of 550,000 tonnes. But production rose to 784,000 tonnes in 2009, resulting in self-sufficiency, with some excess for export. The boom in the information and technology industry is rewiring up the economies of many countries (see Africa Renewal, April 2011). In addition there is an increase in foreign direct investment, particularly in Africa's extractive industries.

Role of the state

An upbeat Robert Vos, director of the UN Department of Economic and Social Affairs, while launching the report in May at UN headquarters in New York, stressed the role of the state in stimulating economic growth. That was a key theme of the report, which advocates state intervention in "planning, articulating and implementing policies of resources allocation." It cautions, however, that governments must possess the legitimacy to accomplish the task and their institutions must "link bureaucracy with key stakeholders."

Vos maintained that many African states do not currently gain from international trade because of weak production capacities. "To strengthen the capacity of the producers, governments must support them by providing the right kind of infrastructure and technical development."

The report's highly encouraging news for Africa has a flipside. The continent is still a long way from attaining the Millennium Development Goals, it finds. There are also disparities in the pace of growth among African countries. West Africa, due largely to its lucrative extractive sectors, recorded 6% growth, while Southern Africa achieved only 3%. The success of Sierra Leone's agricultural policy contrasts with minimal progress in other countries. Nigeria, for example, needs to spend US\$1 billion in 2010 to import rice, according to *The Punch*, a respected Nigerian daily. In Uganda, a rise in food and fuel prices appears to have contributed to post-elections violence.

High unemployment

The report further highlights worrisome levels of unemployment in Africa. "The growth rates are still below the levels needed to make a significant impact on unemployment and poverty reduction." While growth will be higher still in 2011, it will be a "jobless recovery," the report says. That will be because investors will likely concentrate on the extractive sectors, particularly oil, gold and diamonds, producing limited "forward and backward links with the rest of the economy" and thus bringing few jobs.

A major problem confronting the continent is youth unemployment. The report argues that a "persistent high youth unemployment rate is a cause of concern and a potential source of political instability." According to the South Africa-based Institute for Security Studies, a think tank, "Young impoverished people, many of whom probably did not vote," contributed to post-election violence in Nigeria.

In order to generate jobs, Africa needs foreign investment in diverse sectors. Walmart, a US-based retail company, is set to inject US\$2.4 billion into South Africa's Massmart. Many see that as an example of an investment capable of generating higher job numbers.

The projected 5% growth for 2011 should not be taken for granted. The report states that achieving this growth will depend on "the growth of [Africa's] major trading and development partners." Other potential risks could be linked to the "levels of inflows of remittances, official development assistance, elections-related political disturbances and adverse weather conditions." Political stability in Tunisia, Côte d'Ivoire, Egypt and Libya, four of Africa's leading economies currently experiencing political changes, will be central to achieving the growth target.

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