Africa: New Era, New Solutions, Better Prospects for Economic Development

by

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Objective is to explain:

- The economic legacies of colonial rule in Africa;
- The impact of the legacy on 50 years of Independence;
- A new era, better prospects: what has changed;
- Actions to make the new changes positive and sustainable for the poor in Africa.

Structure is:

- Principles and economic legacy of colonial rule;
- Key aspects of a new era and impacts;
- Policy push to keep the changes positive for poverty reduction and development.
The main principle is: the ‘Dominant Elite Theory’ (DET).

The DET theory is anchored on four main pillars:

- Psychology – omni-knowledgeable;
- Sociology – organized right to superior consumption;
- Economics – omni-powerful;
- Geography – exclusive land areas.
The Legacies:

Power concentration and centralized resource utilization;
Access to modern facilities was only possible in the metropolis;
Education, research and legal systems were focused on serving the metropolis;
No consideration for local knowledge (many cases condemnation);

Production was mainly done in rural areas but highly under-priced;
Infrastructure for development existed in the metropolis;
The urban metropolis was more integrated to the rest of the world than with the rural areas;
Capital inputs for production were only deployed to the metropolis;

The population that moved to the metropolis benefited from a more modern social welfare system that do not exist in the rural areas;

The rural dwellings became stigmatized with backwardness and poverty.
Colonial legacy: a metropolitan economy/population movement to urban areas
A survey conducted in select rural areas of Nigeria shows:

About an average of 30% of the active labour force goes into agricultural activities as against 60% that quickly move to the services sector and almost non in manufacturing;

A large 90% of this 30% do so with civil service job or at the age of retirement with no real modern and traditional agricultural skills. In all just about 3% of the labour force is engaged in full time agriculture.
Impacts
Energy shortages and environmental damages.
Tipping towards a major rise—
Premium activities in renewable Energy (PV Solar, Thermal and others).
Photovoltaic (PV) cells on the vast expanse of Kalahari (900,000 km²) and Sahara (8.6 million km²) deserts to harness the fierce renewable power of the desert sun;

By using about 0.3% of Sahara desert area, for Photovoltaic (PV) system, enough electricity and desalinated seawater can be produced to meet the growing needs of MENA countries and of Europe;

Job generating project-solar has begun and aims to export 6,000 megawatts of power to Europe by 2020;

Produce 100 gigawatts, with investment inflows to the Africa of around $648 billion;

Bring energy costs down for consumers. In the Mediterranean and southern Italy, solar PV would correspond to electricity price of 15 cents (US) per kWh, below the average consumer price;

Total activities, economic and social, on the renewable sources of energy in the Africa could go up to $7.2 trillion.
Evidence of high energy reserve of the volcanic activity along Africa’s Great Rift Valley is the numerous boiling and strong hot springs;

Africa's Great Rift Valley, a 96,000 kilometers of crack (fissure) in the earth's crust, stretching from Lebanon through Ethiopia to Mozambique and varies in width from 30-100 Kilometers, offers powerful sources for thermal energy;

Also, there are major hydro driven power generating potentials such as the Inga Dams. At the Inga falls, the Congo River drops 96 meters (315 feet) over the course of fourteen kilometers with an average flow of 42,476 m³/s, in addition to a 356,000 kilometers of Ocean and Sea coastal lines of Africa which mostly lie fallow;

Winds at Africa’s coastal lines, depending on the area and time of the year, are prevailing (more frequent) and predominant in strength than in many other coasts. The coastal winds generally lie in vast directions and have a mean wind velocity of about 10 knots, considered very good for powerful wind energy.
Production scenarios for autonomous technologies, and renewable energy in Africa.

Productivity effect of appropriate technology

\[ K = (\text{capital}) \]

- \( K_1 \)
- \( K_2 \)

[Diagram showing production isoquants and labor employment change.]

Productivity effect of appropriate technology

- \( K_t - K_{t+1} = \text{Savings} \)
- \( L_{t+1} - L_t = \text{Employment Change} \)

[Graph illustrates changes over time with time periods marked as \( T_1 \) to \( T_2 \).]
Production scenarios for autonomous and renewable energy in Africa:
Higher energy production within less time in large economies such as Nigeria, Angola, Democratic Republic of Congo, Libyan Arab Jamahiriya, Egypt, Tunisia and others;

Higher capital cost declining rapidly;

Labour input (employment) initially low and rising over time;

Adaptation and usage starting slow and rising rapidly;

A surplus production leading to very low energy prices for the poor;

Usage eventually converging with production as level of flexibility in production-adaptation rises.
Key Formative Effects

A major truncation of public energy and information related infrastructure costs to rural and poor people through a deployment of autonomous and varied new technologies – Mobile Phones, Wireless Internet, Satellite Televisions and Photovoltaic (PV) Solar Energy System;

Fast energy and communication production at low consumer cost;
Key formative effects:

Higher retention of rural and agricultural labour force;

A 24-hour agricultural and industrial (economic) cycle in rural areas of Africa; Invigorated agricultural, food and industrial production;

More micro and medium enterprises based on local comparative advantages;

More opportunities for joint ventures with TNCs;

An expected change in the structure of poverty and sustainable economic development, with overall reduction of poverty headcount ratio in the region.
A Way Forward

Actions to make the ideas work for poverty reduction
A **re-purposing** of national economic development objectives (commercialize energy distribution – keep the regulation);

**Preparation of investment environment** before investment promotion;

Policies to **internalize the formative effects** of the investments and technologies;

Review of investment **strategies** to attract smaller TNCs to compliment latent rural and new small scale economic activities;

Support adaptation and advancement of the formative production activities and investment through **demonstration projects**;

Construction of efficient business models and strategies for economic success;

Critically reviewing **tax, tarrif and subsidy models**;

Identify **financing target points: venture, equity, debt or seed** capital.
A presentation
by
Hilary Nwokeabia

Thank You

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