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# Africa Stands Out

Hardly had the world got used to the idea of a modern-day rush for Africa by resource-hungry, newly-developing countries, when the global crisis called the process into question. So where does this leave growth on the continent?

Politicians, policy makers and regulators worldwide are confronting a succession of challenges – once proud global financial institutions are humbled, business and regulatory models turned upside down and the global economy faces its most serious challenge in decades. We have seen calls for a new reserve currency, striking departures from the Washington consensus on development and very real challenges to the globalisation process, previously promoted from Beijing to Los Angeles.

I am often asked what this means for Africa, what is its response and how should Africa be heard in the coming debates to ensure that policy responses are implemented that are both equitable and positive for the continent?

The answers are complex and varied, stemming from the very basic fact that there is not one Africa. The issues affecting an oil exporting country are different from those facing importers, reductions in commodity prices have assisted some, while penalising states dependent solely on minerals or oil. Africa is a continent of considerable diversity and should not be straight jacketed by one-size-fits-all solutions or the perception that the television images that the wider world sees always equate with the norm. That said, one can draw some general themes and analysis.

It is essential to point out that Africa above all remains a continent of growing economies. The International Monetary Fund has reduced growth figures, but they are still positive, indeed at over three percent are well in excess of other regions. From Kampala to Abidjan, Abuja to Nairobi there is growth, continuing entrepreneurship and increasing opportunities to lend and invest.

In a world of largely negative growth, Africa stands out. If we look at African stocks and shares, again there are strong results, continued earnings strength and investment by managements.

## DOMESTIC DEMAND

The second important point is that the continent is often portrayed as a hostage to commodities, commodity prices and the geopolitical consequences these bring. If we dig down, the results and answers are surprising.

Nigeria is considered a so-called commodity country and yet the strong growth it has enjoyed over the last decade does not correlate with the oil price. The non-oil economy has grown faster than the resources sector.

Here is a critical and often missing element in understanding Africa – strong internally generated domestic demand drives the continent and has produced, for example, the fastest growth rates in mobile phone uptake or the development of sophisticated phone based banking products.

This is not to diminish the human and wider consequences of the downtown. We are already seeing effects in Africa – international credit is more difficult to come by and the human costs are rising. However, fundamentally, the continent is in a far stronger position than ten or fifteen years ago.

A quantitative change has occurred in the management of economies – independent central banks, greatly improved country balance sheets and perhaps most importantly the strengthening of democratic institutions and accountability.

Nigeria has seen watershed changes in banking regulation, which have led to better deployment of capital, the growth of prudent consumer lending, the foundations of long-term savings and investment. This has been accompanied by greater regional integration – economically with the growing importance of organisations such as the Economic Community of West African States (ECOWAS), the Southern African Developing Community (SADC) and the Economic and Monetary Union of West Africa (UEOMA) – and the important peer review practices established by the New Partnership for Africa's Development (NEPAD).

## STRONG ON SOLUTIONS

These structural changes have brought very tangible results but it is critical to highlight the ability now for Africa to offer solutions. Africans have historically welcomed initiatives such as debt relief, but we are beginning to see independent region-wide responses to liquidity and other issues thrown up by the current economic climate.

As a bank, United Bank for Africa has seen a reduction in credit lines from international institutions, a common occurrence for banks across the continent, and yet we have seen African banks stepping into the breach and supplying the liquidity needed to finance commerce and growth. African banks are now among the world's better capitalised, with strong loan-to-equity ratios.

The retreat of non-African financial institutions is a source of opportunity, whether in trade finance, corporate lending or the retail sector. Recently the Côte d'Ivoire operations of the successful pan-African telecom company MTN, sought financing. A $151 million syndicated loan was agreed by a panel of banks, all were African and illustrate that the continent can supply capital for its own growth businesses. I am optimistic that this will be repeated again and again.

While international debt markets are closed or prohibitive for our clients, domestically there is an appetite for local currency denominated arrangements, specifically from the growing institutional investor base in Africa.

This year will see a succession of international summits on the global economy. We do need to make sure the issues that concern Africa get attention and resolution, irrespective of the economic climate. Specifically we need to see that many of the good intentions are carried through: developing the huge potential in agricultural production, achieving fairer market access for Africa is critical, and making sure that the value adding elements of the commodity supply chain remain increasingly within the continent.

Fundamentally, Africans collectively need to get the message across that Africa is a continent of resilient, growing economies, with institutions and entrepreneurs willing to play important roles in providing solutions.

TONY ELUMELU IS SPEAKING AT THE CHATHAM HOUSE CONFERENCE ON AFRICAN EMERGING MARKETS ON MAY 7. CONFERENCES@CHATHAMHOUSE.ORG.UK

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