Innovative Solutions for Africa's Economic Development

Professor Kelly Mua Kingsly
PhD/MBA, MPA, CFA, CFI, PMP, ISO
Finance engineer (Forensic finance and audits)
blog:www.kellykingsly.com
My Papers:SSRN
https://www.linkedin.com/in/kelly-kingsley-ph-d-2a5a1416/

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1. Introduction

Devising financial solutions to enhance the development paths of African countries has been the central focus for policymakers and researchers, both within the continent and across the globe. The Center on Capitalism and Society actively upholds this longstanding commitment by convening a diverse and esteemed group of economists, political scientists, and financial analysts. Together, they embark on a comprehensive investigation into the pivotal role that the international business community can play in bolstering Africa's financing and economic development. The vast expanse of Africa holds immeasurable potential to emerge as a leading global producer, not just in the domains of food, minerals, and manufacturing but across diverse sectors. This potential can be fully unlocked by fostering higher political and economic stability levels, coupled with the remarkable pace of population growth witnessed on the vibrant continent. Attaining sustainable and robust growth is indispensable for poverty reduction. Through sustained economic growth, poverty will be effectively alleviated, paving the way for the continent to materialise a thriving and dynamic market economy gradually. By embracing this trajectory, Africa will be empowered to forge its unique path towards prosperity and inclusivity.

My report is organised as follows. Section 2 provides a historical perspective on contemporary Africa's economic development and finance. We briefly document the colonial economic structure and the current relationships between Euro-American economic power and Africa. Section 3 indicates investment in economic development by various agents. We use the best available data for all the components of business investment and government expenditure rather than rely more narrowly on World Bank or African Development Bank material. Section 4 documents African requests and actions to address the problem of insufficient external resources for their strategies. Section 5 examines critical features of present and future African countries and their new business projects. No growth

in African economies can be undertaken without external finance for business projects. However, the most influential international financial arrangements for African projects are inadequate. Hence, Section 6 recapitulates our conclusions about these arrangements and suggests that the government play a more significant role, as it did in East Asia, in achieving African surpluses.

2. Historical Context of Economic Development in Africa

The discussion in the framework of economic development in Africa may soon gain relevance beyond the ranks of experts if current predictions of prolonged crisis and economic retrogression become true. Today, Africa has largely remained a continent of misery, with her people languishing in extreme want. In real terms, income levels per capita have declined in recent years mainly due to the continent's inability to come to grips with rapidly deteriorating trade. Although, as a collective, the formal decolonisation of the continent occurred over 30 years ago, Africa has yet to enjoy stable peace and the benefits of institutional democracy.

Pervasive conflicts, oppression, and terrorism continue to feature in the affairs of most countries on the continent. This period has seen the emergence of dictators, control freaks, and self-interested leaders who, by themselves, have done much to destroy and reverse the most modest advances made in the decade following decolonisation. The vision and hope that inspired the crop of independent leaders who fought colonial domination and successfully achieved formal decolonisation appear tonight, and the future is threatened by growing cynicism and hopelessness. The leadership has failed to learn from the past and draw solace from the gains made possible by the legacies of the likes of Kwame Nkrumah, Leobard Shannara, Jomo Kenyatta, Julius Nyerere, Nasser, Mandela, Caetano, and Abdel Nasser to mention a few of the luminary nationalist leaders.

3. Challenges and Opportunities in Africa's Economic Development

Achieving economic prosperity for all Africans is coming closer to reality, not just because several African countries are seeing positive economic growth but also due to changes in political governance, a move away from protectionism in the economic arena, and shifts in government policies to appreciate the shifting global economic landscape. Indeed, we can see a rapid change as the previously bankrupt and economically moribund nation-states of South Africa, Botswana, Mauritius, and Ghana work to re-engineer their economies to foster long-term economic growth and increase domestic job creation. The increasing use of technology to

meet social transformation and local development holds much promise for improved long-term economic growth of these African states.

This article explores six African nation-states: Ghana, Namibia, Uganda, Senegal, and South Africa, and the Indian Indigenous Nguni cow entrepreneurs from the commercial heart of Kenya's economy and the extensive experience of the Khanya Family Centre to assess the challenges and opportunities in these economies. The Khanya Family Centre is endeavouring to map the informal economy of the Eastern Cape. Africa is not the passive recipient of actively managed economic policy but the core of these new economic and social development models. The dividend will be a prosperous and peaceful Africanist future. Inclusive growth is a term used often these days, the solution to a country's economic woes that is both moral and pragmatic.

4. Role of Innovation in Economic Development

This section will examine thoroughly, one by one, the basic tenet of this paper before we analyse the role of innovation in Africa's economic development and the main topic: discussing innovative solutions for Africa's economic growth. So, this section aligns with the conference's central theme: the need for sustainable development in Africa.

The paper is premised on an axiomatic approach that economic development, unlike economic growth, is concerned with the qualitative and not just the quantitative changes an economy undergoes. That is, it is enough for an economy to grow, but it is also essential to know how quantum growth impacts the livelihood of the citizenry. For example, translating the higher national output figure to higher disposable income per capita, enabling citizens to enjoy life better, is an ideal approach to economic development. Similarly, the observation that the economies of industrial societies focus more on information and communication technology (ICT) and biotechnology is congruent with the idea that for an economy to be developed, the content of development must be more than just manufacturing goods and rendering services. That is, the modern and innovative methods of producing goods and services must be seen as driving the development process.

5. Case Studies of Successful Innovations in Africa

During 1989-2005, South Africa pioneered new policies and institutional arrangements that transformed the region's worst-performing large city,

Johannesburg, into a middle-income, globally competitive city within a not well-performing upper middle-income country. Bus rapid transit (BRT), small city prepayment water meters, a business-oriented crime-fighting unit within the police, sophisticated regional crime statistics, and political leaders who thought carefully about the responsibilities of upper-middle-income status were critical to this success. South Africa's lessons are powerfully relevant to other middle-income countries and cities, especially those in the region, because of their externalities and demonstration effects. Conversely, South Africa has not been as effective in pioneering activities in earlier periods, such as trade, money reforms, finance, and banking. Successful reform activities in an advanced middle-income country thus may need to focus where the government has weak earlier reform records.

When 1987 FRS was passing around "after-1987" papers, someone got a glint in their eye and asked: "Which countries are going to become the leading states of the world by 2025?" A homey Midwestern voice responded: Germany or Japan are the most likely candidates. They are already quite large. The productivity growth in today's advanced industrial core has been the work of generations, not the activity of one state in one generation. It leads me to believe that in 2025, the firms based in today's rich countries will still be doing very well. Thank you. The countries likely to be having the most trouble look like the middle-income countries in the Inter-American and African regions with 70-100 million people where the political equilibrium is currently not oriented toward work on sustained high productivity growth. The top dozen or so states in 2025: one sees an increased relative size for countries on the Pacific Rim, whether you think they are near the Atlantic or the Pacific. The U.S. and China are likely to be the leading state countries. At the same time, global politics seems to revolve around adhesion to and cooperation within the United States, the European Union, and various peatoncels of nation-states.

6. Technological Advancements and Economic Growth

Today, technological advancements are at the core of the economic performances of developing and developed countries. The quest for improved performance is the key factor explaining these countries' increased interest in investing in R&D. Several economic activities that nations invest in are in a phase of technological revolution. The advancement in these financial activities is highly dependent on improvements in research and development. This study, therefore, argues that technological revolution in the production process in any country could lead to

increasing economic benefits, reduction in production costs, increased productivity, and increased factors of economic growth in the country.

Nations rely on technological development to generate wealth and improve human welfare. This can only be achieved by increasing the volume of factors in production. In developing countries like Nigeria, Korea, and Brazil, the ability of the economy to grow and be competitive in commerce, agriculture, and industry will continue to depend on the level of technological revolution. These countries need to invest in Research and Development so that their industries become more and more capable of producing sophisticated goods and services that would maximise their export earnings. Consequently, industrial relations, international collaboration, infrastructure, and policies must be put in place to get foreign technologies, which can only be used by developing better innovative capabilities in their local production activities.

7. Sustainable Development Practices in Africa

Over 65% of Africa's employed people work in small-scale agriculture, forestry, and fishing, with women accounting for over 77% of these workers. The question arises about how policy responses should be tailored to provide better social protection and enhance livelihoods for different segments of the informal workforce, given the wide range of economic activities in the informal economy and the diverse social contexts in which such activities are pursued. This book has brought together a broad range of policymakers, advocates of workers' rights, and researchers from several countries in Africa to reflect on some of these priorities and consider what needs to be done to ensure that the quality of employment generated in the private informal economy by fast-growing African economies is also of high quality.

The chapters in this book provide a broad overview of contemporary challenges and policy options. They address various aspects of the informal economy, including the role of women within it, and give several specific examples that reflect the range of economic activities pursued and the complex factors enabling or constraining their pursuit. Among other essential features, the book aims to foster an understanding of the different experiences of working lives to help ensure that policy decisions concerning the informal economy help shape more fulfilling careers. The studies here also aim to inform national discussions about policymaking that has the power to balance the often-opposing objectives of

fostering voluntary transition to the formal economy and ensuring safe, productive, and enjoyable working lives for informal workers.

8. Entrepreneurship and Small Business Development

Entrepreneurship is highly symbolic of the drive to achieve high goals, characteristic of a competitive spirit. Economic restructuring has created a new and rapidly growing interest in entrepreneurship, an interest that is driving a substantial and increasing flow of innovation. Entrepreneurship provides the primary basis for the growth of new firms. Where successful, they play a crucial role in economic development, and their activities' locus is considered critical. They generate employment, introduce new products, processes, technology, and organisational methods, and develop new markets. This makes entrepreneurship an essential element of national government policies for growth and presents a massive opportunity for South Africa to grow its economy.

Although many unsuccessful small businesses in an economy suggest some obstacles to growth, it is the critical economic development ingredient. There is an increasing body of evidence that large corporations are not, in fact, the source of domestic economies' job growth or their innovation and dynamism. Small and new firms have a relatively high and increasing share of net job creation and substantially contribute to improvements in GDP per worker and economic growth. The chief obstacles to entrepreneurship are the high complexity and the significant financial costs of establishing new businesses. The smaller the firm, the more critical the impact of these costs. Some economists see dynamic small- and medium-sized enterprises as the key to creating jobs, the diffusion of technology innovations, and generating economic growth. The more significant benefits accruing to economies that promote their spread. Small and medium-sized enterprises possess flexibility; they are innovative.

9. Infrastructure Development and Connectivity

Innovations in infrastructure development and connectivity for regional economic cooperation form the fourth prioritised initiative for catalysing the new era of China-Africa cooperation for the future. Innovative mechanisms or models that help crystallise the action plans of the AU Program for Infrastructure Development in Africa (PIDA) and cooperation between China and Africa in the Belt and Road Initiative shall be attended to facilitate regional and international connectivity, land, airspace, and cyber access of African member states. This will enable African countries to engage more actively and enhance visibility within the

international trading system and industrial cooperation with global value chains. Thus making indispensable contributions to support the African continent's sustainable development.

Building infrastructure is a crucial means to enhance productivity by reducing transport and energy costs and promoting market integration within and between countries. The joint development of regional, especially cross-border, infrastructure and connectivity facilitates entry into time-sensitive new market entry, polycentric city network construction, and de-concentration of economic growth. It also promotes regional cooperation and economic integration. As African countries are still constrained in resources and capabilities for infrastructure development and investment, the emergence of a range of trans-border multilateral MDB-led joint financing mechanisms, such as the "PPP+ODA+P2P" mode, is just in time to extend transatlantic cooperation successful experience to the region. This is done to facilitate the African continent's cross-border infrastructure development.

China's commitment to aim to position along railways, highways, communication, oil, gas pipelines, and electricity networks has dramatically transformed African countries' efforts to promote the rule of law for more inclusive regional development. African efforts and Chinese firms to jointly bridge the gap of infrastructure demands have established a specific approach of strengthened geographical connection for regional and industrial cooperation under the global production and supply chain. This is done for a high level of common interest in human beings' general beneficiation and long-term well-being.

10. Education and Skill Development

Africa's youth attestation has both a demographic dividend promise and the potential for being a demographic burden. We propose three policy interventions to realise the demographic dividend: quality education, skill development, and continuous learning. The continent has the largest population of less educated youth, a significant number of graduate and postgraduate degree holders whose capital expenditure on education has not been complemented by the expected quality of education and skill development, most of whom are either unemployed or underemployed. The Member States are already experiencing a shift from low-skill jobs to higher-skill jobs. Meeting these demands, either within the continent or outside, provides significant opportunities for economic development.

African leaders should, therefore, allocate a higher budget to education and skill development. Once our youth fully attain a quality education and develop the necessary skills, they can explore opportunities and remain agile through continuous learning. Successful implementation of education and skill development programs calls for innovation and adopting flexible systems that can continuously adapt to the needs of professionals and employers. A systems approach helps in primary education and skills development and in encouraging lifelong learning to manage others and develop new skills for the digital age or in transitioning into entirely new professional fields and innovative business ventures.

11. Healthcare and Social Services

Healthcare and social services improve the quality of individual lives and provide a basis for subsequent economic and personal development. The adverse effects of poor health are higher in debt-ridden economies. Low-income groups spend a high portion of their income on ineffective or inappropriate traditional medical therapies. Given this, the availability and affordability of high-quality, basic health services are essential.

Economic infrastructure development is indirectly strengthened by providing transport, communication, education, and supply and marketing services. Its provision also reduces the portion of household income spent on ineffective medical therapy. By reducing poverty and improving economic growth, increased investment in healthcare infrastructure in the African region will lead to a reduction in the rape of natural resources and environment. Investment in trade infrastructure has to keep pace with the expansion of opportunities from economic growth, leading to a balanced trade and payments position. The reverse situation leads to increased levels of dependency (now 15% or more) in these countries. Unchecked allocation of investment resources to service the debts prevents African countries from investing in long-term infrastructure and sectoral development.

Strategies for assisting African countries must be designed and implemented in such a way as to reduce poverty instead of perpetuating it. This requires that existing social services are maintained and expanded, and Nigerian countries place higher priority on social infrastructure investments. African countries have had and will continue to face severe constraints in mobilising domestic resources to finance such acquisitions. ODA to these countries has been inadequate,

uncertain, and restrictive. An increasing slice of ODA will have to be channelled into the development process in these low-income countries, which have successfully maintained reasonable economic growth rates. Short-term and medium-term policy initiatives on development cooperation and African actions must be implemented. Such measures should be implemented now to avoid the aid gap that has ensued over the past few years.

The provision of healthcare in developing countries differs markedly from other sectors in four critical areas. A high proportion of input and low technological and entrepreneurial innovation characterises these fundamental services. There is an asymmetrical income elasticity of demand between the developed and developing countries. The sociopolitical risks are higher in structural reforms regarding the reliability of such services provided by the nationals of the receiving countries. The satisfaction of immediate needs is not always accompanied by outcomes.

Africa and the Near East remain particularly concerning to the international community because of their persistently depressed economies. The majority of the population in these regions has low or limited access to even the most basic services, such as health, education, and safe water and sanitation. The depressed state of these economies makes it impossible for their governments to provide these services.

12. Agricultural Innovation and Food Security

Agriculture is the mainstay of most African economies, providing a critical safety net against national food crises and a means to achieve longer-term poverty reduction and economic growth. However, low investment, policies that discriminate against agriculture, poor access to technology and knowledge, inadequate market infrastructure, and an absence of functioning regulatory frameworks have all combined to consign millions of poor Africans and their children to a daily struggle to meet the essential nutritional requirements.

Africa is the only region that has not significantly increased agricultural productivity during the past 40 years. Eradicating hunger and malnutrition in Africa must be a top priority in support of poverty reduction, economic growth, and social development on the continent. The drive to raise agricultural productivity is now being given extra impetus by the unacceptable number of African children who die or are otherwise made ill by lack of access to adequate levels of nutrition.

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In response, the 11 CGIAR institutions, together with various international programs, are placing renewed emphasis on conducting agricultural research and technology dissemination activities that reduce the incidence of hunger and malnutrition in Sub-Saharan Africa. Key CGIAR contributions to action to reduce child undernourishment have been identified and aggregated into the CGIAR System Priority for African Agriculture during the Next 2005-2025, which guides the work of the CGIAR support unit until the following forum, with specific emphasis on paying particular attention to nutritional requirements of women and the African population in general over the next two decades.

13. Financial Inclusion and Access to Capital

Access to working capital for many African small and medium-sized enterprises (SMEs) is a significant obstacle to economic growth. While some countries have lowered minimum capital requirements and simplified registration processes to encourage SMEs to merge, many new SMEs are declining to do so. Thus, despite donor-funded initiatives in Africa, mainly through various microfinance schemes, most African SMEs still have little access to capital and financial services. These constraints' economic and logistical inefficiencies force most firms to operate in the informal economy and limit their investment and growth prospects.

Outside of foreign exchange shortages and inflation, the other main areas of concern for a majority of respondents were related to capital constraints. There seems to be a consensus that for the last two years, perceived capital shortages have become more acute. The perceived high level of capital constraint among respondents points to a problem related to rigid lending practices, lender risk aversion, and specific constraints faced by smaller firms.

For example, the low capital base and high uncertainty surrounding firms' balance sheets explain the high cost of capital and the short-term nature of lines of credit in Africa. African venture capitalists tend to be conservative and are mainly interested in short-term returns, which precludes long-term research support. Market fragmentation also means that local genius and market information remain locked up in local economies with small SME markets. Banks and other lenders are risk-averse and are hindered from extending more profound credit based on SME potential because of unusual credit and information constraints.

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14. Public-Private Partnerships for Economic Development

Public-private partnerships (PPPs) are facilitating development elsewhere in the world. In countries at Africa's level of development, PPPs are being more creative than is possible in the wealthier nations. In Accra, the government has provided public infrastructure to a private group for a modest investment. In exchange, the government gets to use part of the group's large tract of land for commercial roadways, parking spaces, and rights-of-way for the Golden Jubilee Terminal's passenger apron area. The Ghana Ports and Harbors Authority's financing, ownership, and operational problems are handled by the authority being a shareholder in the Golden Jubilee Terminal over two decades of the 30-year contract. Upon completion, the maritime facility will be returned to the GPHA. The National Investment Bank and City Securities of Ghana, which manage the project, hope to finance similar projects in 40 ports in an African market worth USD6 billion.

Another novel approach to the development of the private sector is A Vision for Water for Food, which was launched at The Hague on 22 March 2000 during a conference organised by the United Nations Educational, Scientific and Cultural Organization's International Hydrological Programme as a unique contribution to the World Water Day. Within the broad framework of ethical and equity responsibilities, A Vision for Water for Food suggests partnerships at three levels: local, national, and international.

The Poor Peoples Energy Charter is unique in various ways due mainly to its experimental quality. During three years in 10 countries, the outcomes and methodologies of this initiative will be field-tested in 18 projects (advisory services, applied research, policy benchmarks, and public awareness). These projects provide input into national and multinational field exchanges, workshops, publications, and propositional/procedural development. The critical mass is already formed and consists of government agencies, civil society organisations in Africa, Asia, and Europe, as well as many other networks and partners.

15. Policy Frameworks and Governance

Towards the end of this introductory chapter, I mentioned the importance of policy imperatives for developing the African continent. Since the contemporary status of the continent's economic and physical infrastructure is primarily the result of the colonial heritage, my brief on this crucial aspect of the development

challenge will seek to situate current circumstances within the broader historical context to demonstrate the symbiotic relationship between economic performance and changes in policy focus about developmental outcomes. Put another way, where the economy's growth performance is high, the experience has been characterised by the dominance of a 'developmental state' and 'guided economies' in one form or another.

The trade strategy these "successful" economies pursued in the post-war and early independence years provides a shortcut to the standard underlying policies and the evolutionary aspects of the models themselves. Structuralism became the dominant theme among policy participants in the establishment and the developing worlds. But during the 1970s, a remarkable shift occurred. Structuralists saw this as a replication of the foreign property-owning class that characterised the pre-independence years and vigorously opposed it. The colonial powers were sympathetic; they were opposed to OAU tender years resolutions calling for African economic cooperation and wanted a 'political union'. For this purpose, they were prepared to break the Algiers and Harare Conventions on independence. A "Commissar" from Algiers was dispatched to Accra's secessionists to ascertain their real intent. It became known that the British, French, and Portuguese had sent an armada with 40,000 troops to sustain the secession. Although they sailed this far, it was said, their intention was deterrence rather than intervention. Nevertheless, it is reasonable to argue that African unity was stillborn during political independence.

16. Measuring the Impact and Success of Innovative Solutions

It improves accountability and ensures that projects are making progress from their intervention logic. It allows stakeholders to adjust, plan, change tactics, and be innovative mid-course, if necessary, to steer the course and ensure the effectiveness of pipeline projects and project monitoring and evaluation models. It also helps illustrate the impact of innovations. Suppose the success of many innovative projects would be measured only through the percentage of the project's objectives achieved. In that case, funders such as development agencies may not appreciate the full potential of many interventions.

Extracting such a model from the innovations project's foundational concepts, principles, and practices seems inappropriate since several intervention logics will not fall into that category. However, it occurs to me that with sufficient critical mass of financing from this model, there would be the opportunity to offer

significant amounts for Impact Features at the heart of Innovating in Business. There is no strong tradition of corporate management decision-making based on formalising the process. However, the scientific paradigm for numerically evaluating a project may be firmly embedded in the covenants of existing financial institutions. Many inefficiencies, such as business innovation, might be addressed with a collective and organised effort. It starts with a goal of becoming the first central unit in the private sector dedicated to organising, demonstrating, and promoting a new paradigm for project development evaluations in Africa.

17. Future Trends and Emerging Technologies

Here are some examples of future emerging technologies that will likely have a significant impact, potentially within three years after the November 2006 conference, attracting increased interest or considerable investment from government, industry, academia, or venture capitalists. These technologies are rapidly changing, with high employment growth or new job creation. The list focuses on the most significant areas of future emerging technologies that will drive new business opportunities and new work. It includes aggregated use cases, specific technologies such as Deep Packet Inspection (DPI), Software/Solutions, Augmented Reality, Graphene, Distributed Energy Storage, Quantum Computing, and Energy Consumption Enablers. The list deliberately emphasises technologies which are likely to play a significant role in the success of the biological economy.

The fourth industrial revolution will require new skills and education to support new business models. Many public sector groups have recognised these demographics and are developing new strategies to provide education and skills for current and future generations. The convergence of availability, affordability, and demand is a powerful driver for transforming thinking and value delivery. Progressive innovation is essential to address the many challenges global technology convergence poses. How we manage and what we allow technology to do for us is the biggest issue. Only a holistic approach will enable us to manage the significant problems. I strongly advocate that the many big notifications coming down the line urgently need to be reined in to deliver better quality and necessary aspects of life. Only a critical review and brainstorming of strategies for providing and maintaining the essential precepts of independent life, consumer acceptability, business process, and accountability. Data reduction at all levels and also sensor and technology agnostics are critical. Phase and voltage monitors, the

establishment of the currently proposed complex architecture, and the diversity of minimetrogenic clocks are designed with the necessary technological characteristics.

18. Conclusion and Key Takeaways

1. Infrastructure has been and will continue to be the key to unlocking Africa's potential. To achieve the desired results, the continent must adopt innovative approaches and create the enabling environment to attract private sector investment at increasing levels. When the NEPAD initiative was launched, everyone embraced its vital role as the primary vehicle for harnessing infrastructure-led development in African countries. The deficit estimate was put at over US$60 billion annually. Trends around the globe suggest that both public sector and government-assisted financing can hardly cover a quarter of this amount. This will remain the case if nothing is done to arrest the situation.

2. The need to accelerate growth and the spotlight on infrastructure as the key to unlocking the continent's growth potential had reawakened the continent's leadership to seek workable solutions to fund the upgrade of the infrastructure stock. The Commission for Africa also highlighted infrastructure as a key to stimulating growth and concluded that the Millennium Development Goals would not be achieved without it. It drew attention to the fact that the costs of the deficit would increase in the next ten years. While there is general agreement about the level and significance of the infrastructure funding gap, agreement on how to fund it is slow. The predictable funds are already committed. The challenge is to access capital.