

The contrarian

Hope out of Africa

Better governance is starting to take hold in Africa, which is good news for citizens and foreign companies alike, says Jon Entine

Afro-pessimism is in vogue. A casual look at the headlines suggests sub-Saharan Africa is in permanent disarray. Somalia has had no functioning civil government for years. The insurgency in Nigeria rages on. President Robert Mugabe of Zimbabwe has almost single-handedly turned Africa's most prosperous independent nation into an economic basket case. The International Criminal Court has accused the president of Sudan of genocide and war crimes. Even South Africa faces political challenges that threaten to unwind a decade of steady progress.

But perhaps the headlines are obscuring some hopeful signs of genuine, fundamental improvements, which are likely to persist despite the sour world economy.

"Two-thirds of sub-Saharan African countries have improved governance performances," says Mo Ibrahim, a wealthy Sudanese-born British telecoms magnate who created a foundation aimed at fostering good governance on the continent to spur economic growth. His dream is gradually taking hold. His latest index of good government, released in October, found that when the latest data was collected – in 2006 – 32 out of 48 countries had improved standards of governance. Better scores were seen in an aggregate index composed of five categories: peace and security; basic human and civil rights; economic growth; public services; and free and fair elections.

There are little gems of success, like Mauritius, once dependent on sugar cane, which steady hands have transformed into a textile and banking centre backed by a vibrant tourism industry. As its prime minister, Navinchandra Ramgoolam, has said, stability and growth resulted from regular, strife-free turnover at

the ballot box and an independent judiciary.

And there are longer-term examples, such as Botswana, that demonstrate the role that foreign investment can play – when managed in a country's best interest. When it became independent in 1966, Botswana was one of the world's poorest countries. Today it has a per capita income of more than \$10,000 and is generally considered the safest credit risk in Africa. The boom started as the result of Debswana, a partnership forged in 1969 between the government and the world's largest mining company, DeBeers, known historically for its exploitation of Africa.

Natural resource wealth does not guarantee prosperity. The key in Botswana has been good governance. The country's former president, Festus Mogae, who was recently honoured for his achievement in African leadership over the past decade – a \$5m prize offered by the ubiquitous Mo Ibrahim – helped diversify his country's economy, poured millions of dollars into education and forthrightly confronted the country's HIV/AIDS epidemic that threatened to undo decades of stability.

Progress pays

"Africans everywhere are very favourable to democratic growth because it's paying off," says Robert Rotberg, a Harvard professor who helped design the Ibrahim index.

Investors are taking notice. Political instability and dysfunctional states and markets have long discouraged companies from sizable investments in a continent with many resource-rich countries. That's changing. Despite sliding oil prices, black gold offers hope for long-term



Botswana's Festus Mogae, the latest Ibrahim alumnus

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growth. Sub-Saharan Africa has proven reserves of 67 billion barrels of oil, with more undiscovered. According to Duncan Clarke, author of *Crude Continent*, there are now more than 500 companies involved in Africa's extraction business and dozens of state-owned companies. China already sources one-third of its oil from Africa and the US is on track to source 25% of its crude from the continent by 2015.

The strengthening of Africa's governance structures not only opens the door for investment, but it also helps limit how much money lines the pockets of government officials. Better governance is essential before states can demand and enforce higher environmental and labour standards.

The stabilisation of Africa is key both for the continent, which faces explosive population growth, and world stability. The number of people in Africa is expected to surpass both China and India within a decade. It is fast becoming an urban culture with a third of its citizens expected to live in near poverty, in squatter-type settlements. If problems arise they will spill over to the rest of the world.

Clarke aptly says: "This largesse" – the continent's vast natural wealth – "needs to be properly utilised." Despite the enormous challenges and the often-dark headlines, there is finally room for cautious optimism, and governance is the key. ■



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