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Africa's rapid economic transformation

Thirty years ago, Africa was synonymous with war, famine and poverty. That narrative is clearly outdated. The living standards of Africans are rising remarkably fast, also thanks to the country's agricultural growth and the development of rural-urban value chains. Our authors are convinced that improving education and entrepreneurship will ensure that the region's progress is irreversible even as it confronts COVID-19.

By T. S. Jayne, Adesoji Adelaja and Richard Mkandawire

In the 1980s, most Africans lived in rural areas that were socially and economically isolated from the rest of the world, had no more than primary school education, and were mostly engaged in semi-subsistence farming. Poverty and malnutrition were rampant and life expectancy was under 50. It is almost mind-boggling how rapidly Africa's conditions have changed. Today, 48 per cent of Africans have a secondary school education, and 10 per cent of college-aged Africans are attending universities. Poverty rates have declined significantly since 2000. The share of people in sub-Saharan Africa (SSA) living on less than 1.90 US dollars (USD) a day declined from 58 per cent in 2000 to 41 per cent in 2015. Over the same period, the proportion of Africans making more than 5.50 USD per day rose from 10 per cent to 15 per cent, as recent World Bank figures suggest. Most Africans are now engaged in off-farm employment that provides considerably higher living standards than farming (Tschirley et al., 2015; Yeboah and Jayne, 2018).

For the majority of the region's population, living standards have clearly risen. Girls have experienced remarkable improvements in pri-

mary and secondary education. Women have become considerably more active in labour markets and are gaining greater influence over household resources in many areas (Oduro and Doss, 2018). Nutritional indicators also show gradual but clear improvement (Masters et al., 2018). Of all regions, SSA gained the most in average life expectancy, which is now 64 years. Governance has improved, albeit unevenly across countries.

Agriculture and agrifood systems are powering Africa's transformation

Agricultural growth enabled SSA's labour force to gradually diversify into off-farm employment. Since 2000, sub-Saharan Africa has achieved the highest rate of agricultural growth of any region throughout the world. According to the World Bank Developing Indicators, SSA experienced an annual inflation-adjusted increase of 4.6 per cent in agricultural growth between 2000 and 2018, roughly double that of the prior three decades. When agriculture grows, its extensive forward and backward linkages with agri-value chains and non-farm sec-

tors expand employment and income growth more broadly. Since 2000, SSA has been the world's second-fastest growing regional economy, exceeded only by Asia. The region's per capita GDP increased during this period by almost 35 per cent in real terms, doubling in some countries (Barrett et al., 2017). These trends have fuelled employment opportunities in off-farm stages of the agrifood system, and especially in non-farm sectors, creating more diversified regional economies (see Table on page 17).

Africa's agricultural growth has been catalysed by a growing class of commercialised, entrepreneurial and relatively well educated African farmers (Jayne et al., 2019). Parts of sub-Saharan Africa are witnessing profound changes in farm size distributions. "Medium-scale" farm landholdings of five to 100 hectares now account for 30 per cent or more of national area under cultivation in many African countries, and this share is rising in countries with substantial unutilised land (Jayne et al., 2016). Over roughly a decade starting in the early 2000s, the value share of national marketed crop output accounted for by medium-scale farms rose



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in Zambia from 23 per cent to 42 per cent, in Tanzania from 17 per cent to 36 per cent, and in Nigeria from 7 per cent to 18 per cent (see Figure on page 16). Of the additional value of national crop output during this period in Ghana, Tanzania and Zambia, medium-scale farms accounted for at least 45 per cent of growth in each country (Jayne et al., 2019). Perhaps ironically, the amount of land acquired by this category of African farmers since 2000 far exceeds the amount of land acquired by foreign investors (Jayne et al., 2014a). This might be considered a surprising development, but in retrospect, perhaps it should not have been. The dramatic rise in global food prices after 2007 initiated major foreign investment in African farmland. Why shouldn't African investors have done the same?

Agricultural growth has also synergistically co-evolved with the rapid development of value chains that link farmers to Africa's growing urban areas. The wealthiest African today built his fortune on the back of agriculture by pioneering large-scale production in sugar, flour, beverages and other food products. No wonder the President of the African Development Bank, Dr Akin Adesina, recently predicted that the next generation of African billionaires will be farmers. Powered by rapid population growth, rising incomes and urbanisation, the size of Africa's agrifood systems by 2030 will reach 1 trillion USD. Not surprisingly, small and medium-scale enterprises in agrifood systems are an important part of the region's development. And unlike in prior decades, it is educated, savvy and capitalised Africans who are leading the charge.

How sustainable?

At the same time, the pace of transformation has been highly uneven across the region. Valid questions arise regarding whether the transformation narrative will falter, whether it has been sustained by primary commodity price booms, and whether transformation is occurring without industrialisation or poverty reduction. Indeed, some countries' performance may justify these concerns, while many others do not, highlighting the widely varying pace of transformation in the region.

To assert that Africa is rapidly developing is not to assert that life is rosy for everyone. Sub-Saharan Africa remains the poorest region of the world. But at least most key indicators of livelihoods have consistently moved in the right direction for several decades now. So, as Africans mobilise to tackle the region's many sobering challenges, it is not constructive to hold on to the "doom and gloom narrative" from the 1980s and 1990s, especially when Africans themselves have never been more optimistic about the future and vibrancy of the region, as the latest Africa Youth Report states.

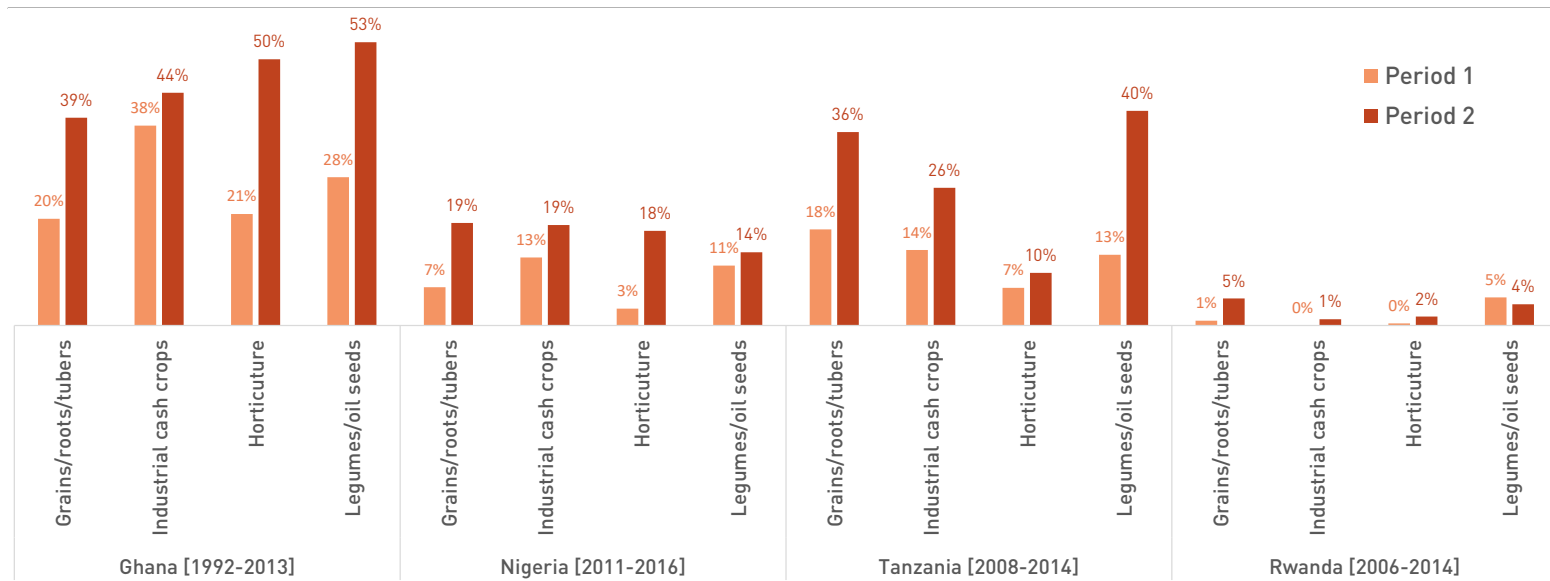
While these trends point to SSA's remarkable development progress over the past several decades, one might question how sustainable they are. We believe that Africa's long-term progress is irreversible for three interrelated reasons: an increasingly savvy and informed work force, driven by rising levels of education, the explosion of readily accessible information, and improving governance and political accountability.

A more entrepreneurial workforce and informed electorate

Rising levels of educational attainment is the main reason that Africa's rise will be sustained. The percentage of Africans over 25 years of age who completed lower secondary school has climbed from 23 per cent in the 1980s to 43.7 per cent in 2017, and is over 75 per cent for both men and women in rapidly developing countries such as Ghana (World Bank, 2019). Student enrolment in tertiary education grew from 1 per cent in the 1970s to 10 per cent in 2014 (Darvas et al, 2017). Quality of education has declined over the past several decades as universities have strained to accommodate rapidly growing numbers of students. But in 2006, the most recent year for which data is available, African countries' average public expenditure per university student was 2,000 USD per year – more than twice as much as non-African developing countries invested in tertiary education. There is also growing diversity in the fields covered by these institutions, including greater focus on technical education and entrepreneurship. The pace of educational improvement in Africa is more rapid than any other region of the world has experienced. While decades behind the rest of the world, Africa is starting to catch up.

A more educated workforce means that decision-making in the private sector, which includes millions of micro-entrepreneurs, is becoming more effective and competitive in the global workplace, thereby contributing to economic growth. It also means more informed public policy-making. Rising educa-

Medium-scale (5–100 ha) farms' share of national marketed crop output value



Period 1 represents the market share of medium-scale farms in the first year indicated for each country, e.g., 2011 for Nigeria. Period 2 represents the market share of medium-scale farms in the most recent survey year indicated for each country.

Source: computed from national household survey data collected by the national statistical services in each country. See Jayne et al. (2019) for details.

tion levels are driving Africans' demands for better governance, too. In the early 1980s, we were struck by how most Africans looked to governments for protection, for employment, and for ensuring access to cheap food. They viewed markets with suspicion. They bought the narrative that governments were looking out for their welfare after decades of foreign colonial rule. As Africans have become more educated, they have become more politically astute and active. It is hard to fool or oppress educated people. Today, most young Africans demand greater accountability from their governments and view markets as their source of opportunity and livelihood. A recent study from Kenya found that wealthier and more educated people were more likely to support democracy and vote for the opposition. Today's African youth are transforming the continent, not because they are young but because they are more educated, more entrepreneurial, more savvy, more technically skilled and better able to utilise global information than any other generation of Africans before them.

The digital divide is being narrowed

Especially when combined with a more educated workforce and electorate, the rapid rise of publicly accessible Information and Communication Technology (ICT) and phone-based information even in the most remote rural areas of Africa will almost certainly have profound pro-development impacts. A recent special section of "World Development" shows that information can indeed improve

development outcomes when users perceive it as relevant, and when they have both the power and the incentives to act on that information. Rising education levels will therefore contribute to more effective utilisation of the rapidly expanding supply of information and its conversion into improved livelihoods.

A special issue of "Foreign Affairs" documents the rapid growth in Africans' use of mobile banking and software-based provision of information and services. Former Netscape founder Marc Andreessen predicted recently that almost every African would own a smartphone by 2025; in anticipation, software providers are feverishly working to meet this growing market for digital services. As governments and businesses move deeper into the information age and digitise many of their processes, opportunities are rapidly emerging for the growing number of African information technology (IT) firms. With the rapid development of new communication technology, important aspects of the economy such as banking, payment systems, government revenue collection and online education are becoming increasingly digitised, especially in urban areas. The alarming digital divide that Africa faced three decades ago is gradually being narrowed.

In parallel to the transformational effect of digital technologies on business practices in developed countries, African farmers are gaining access to information that improves their decision-making and makes them more competitive. New digital technologies are slowly emerging for farm management practices, rural

transport services, market price information, buyer opportunities, electricity payments, input purchases and social welfare benefits transfer. Digital technologies hold great potential to reduce, if not overcome, the historical link between remoteness and poverty, and even to redefine what remoteness means. Digital transformation has also enabled Africans to connect with the global community in a manner that was not the case two decades ago. Millions of Africans now have access to global news and know-how in ways that would not have been possible decades ago.

Governance improving

Governance conditions are clearly improving for the region as a whole. Conditions for any given country may improve or decline in the short run, but the long-term trend is unmistakable. In the 1980s, most African governments were repressive. Coups d'état were common. African big men ruled by iron fist and imposed horrible policies on their people. Free presses were rare. This situation describes only a few of SSA's 45 countries today. Macro-economic management has improved dramatically in the post-structural adjustment period. Gone are the days of Idi Amin forcing finance ministers to print money; today, most Ministries of Finance are run by professionals who are committed to a market economy and adhere to global guidelines. Since 2000, there have been few cases of African countries falling into massive debt, requiring bailouts from international financiers, or experiencing hyperinflation or

Proportion of labour force in farming, off-farm agri-food systems, and non-farm activities among working-age population (15–64 years).

Country	Survey year	Working age individuals (15–64 years) in labour force in millions	----- % of full-time equivalent jobs in -----			
			farming	off-farm agrifood system		non-farm sectors
				agro-processing	downstream distribution	
Ghana	2005/06	9.5	43.5	6.3	8.6	41.6
	2012/13	12.1	34.3	3.7	15.5	46.5
	2016/17	12.8	28.6	7.9	16.7	46.8
Nigeria	2003/04	61.9	21.8	1.4	3.3	73.5
	2012/13	66.7	33.7	4.6	18.6	43.1
	2015/16	78.2	28.3	3.7	30.3	37.7
Rwanda	2005/06	4.4	65.7	0.4	7.4	26.6
	2010/11	5.1	54.0	1.2	7.7	37.0
	2014	5.7	59.7	1.2	7.6	31.5
Tanzania	2008/09	17.4	60.8	1.7	4.5	32.9
	2012/13	21.5	48.3	1.6	15.6	34.5
	2014/15	21.7	49.1	1.2	14.1	35.6
Uganda	2005/06	11.0	57.0	2.8	10.2	30.0
	2011/12	12.3	48.1	3.3	12.3	36.3
	2014/15	14.5	54.2	3.0	10.8	32.1
Zambia	2005	4.9	61.2	1.6	3.1	34.1
	2012	5.9	46.7	2.1	7.1	44.1

Note: Full-time equivalent jobs account for the fact that many individuals have more than one job in a given year. For this reason, sectoral employment shares based on primary sources of employment tend to overestimate the labour force share in farming.

Source: Yeboah and Jayne (2018), based on analysis of Ghana Living Standard Survey 5, 6 and 7; Nigeria's Living Standard Survey (2004) and General Household Survey (2013 and 2016); Rwanda Integrated Household Living Survey (EICV 2, 3 and 4); Tanzania National Panel Survey (2009, 2013 and 2015); Uganda National Panel Survey (2006, 2012 and 2014); Zambia Labour Force Surveys (2005 and 2012).

rapid currency depreciation. The majority of African countries have stabilised their macro-economies over the past 20 years, and this has attracted massive foreign direct investment and improved economic performance in the region.

Improved governance and cooperation have also aided freer movement of capital across boundaries in Africa and expanded intra-African trade (Songwe, 2019). Four decades ago, foreign banks controlled the banking sectors of African countries. Today, a number of indigenous banks dominate Africa's banking sector. Many of these banks now operate regionally. As investment opportunities have emerged across the continent, investment and private equity firms from the more advanced African countries are investing in less advanced ones (Silici and Locke, 2013). For example, many Nigerian banks operate across Africa. Entrepreneurship, agro-enterprises, women-owned business and food enterprises are increasingly the focus of emerging private equity funds. The Tony Elumelu Foundation has committed 100 million US dollars towards creating 10,000 entrepreneurs, 1 million jobs and 10 billion US dollars in new economic activity within ten years and has leveraged co-financing from international organisations.

Parliamentarians and government officials are mirrors of their society and constituents. And fortunately for Africa, as education levels continue to improve, the quality of governance will become more open, more egalitarian and more responsive to constituents. This doesn't mean that there won't be major hiccups along the way – one can point to setbacks and worrying developments in any country – but what matters is whether the cumulative impact of the positive developments outweigh the negative ones. On net, the governance trends in African are generally moving in the right direction, and this has been the case for at least three decades.

Conclusions

Thirty years ago, Africa was synonymous with war, famine and poverty. That narrative is clearly outdated. A middle class has started to emerge in Africa, propelled by agricultural growth, economic diversification, digitisation, entrepreneurship, labour mobility and urbanisation. Africa's rise has much to do with broadly improving education, greater access to information and opportunities, the spread of democracy and greater rule of law. Virtuous cycles are being initiated: as the more educated

and informed classes raise their voices in demanding clean and accountable governments, the quality of public services, infrastructure and economic opportunities will continue to improve as it has over the past several decades, but at a faster pace. While Africa's positive trajectory is unmistakable, it will be at least several decades before most of its countries are firmly middle class. Compared to other regions of the world, that is a remarkably short period, even though millions of poor people will understandably regard it as painfully slow.

It is difficult to accurately predict how COVID-19 will affect the region, but certainly it will kill many, create great pain especially for poor households, and arrest the region's development at least temporarily. COVID-19 will also almost certainly set in motion great pressures for governments to invest in water, sanitation and health facilities and galvanise the region's efforts to strengthen its own capacity to address pandemics and other types of shocks, and meet its citizens' basic human needs. These investments will reinforce Africa's long-term development trajectory.

Former hockey player Wayne Gretzky quipped that a good hockey player plays where the puck is, but a great hockey player plays where the puck is going to be. Because change is occurring so rapidly, Africa's future is best understood not by overly focusing on its current position – which can easily blight one's vision – but by considering where the trajectory of its many long-term trends is pointing.

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