

Africa's Economic Development Potential Huge, Economist Says Governance and capacity cited as impediments to faster growth



IRG's President and CEO,
Asif M. Shaikh (IRG photo)

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Washington, December 21, 2005 -- The potential for economic growth and development across sub-Saharan Africa is "huge," according to international economist Asif M. Shaikh, the president and chief executive officer of the Washington-based International Resources Group (IRG).

Shaikh, who has been involved in Africa since 1963 and professionally involved with the continent since 1972, made that point in a December 13 interview with the *Washington File*.

"Africa, more than any other part of the world, is [functioning] way below its economic potential," he explained. "The core reasons have more to do with governance and capacity than they do with resources or human potential. There is a great deal of entrepreneurship. There is a great deal of vitality, etc. So ... the potential [for organizations like IRG] to have an impact in Africa is extremely great."

Sustained economic growth and development in the region cannot take place, he cautioned, without a positive interaction between four key sectors: protection of the environment and the natural resource base; economic growth; good governance; and capacity building.

"One finding that emerges over the last 30 years of development efforts ...," the career economist said, "is that you cannot 'stovepipe' development [achieve results by concentrating on just one sector]," but need positive interaction between all four key sectors.

A second lesson of development, he said, is that "you cannot just clump everything together and expect people to do everything all of the time. So you really need ways of seeing links between the sectors and seeing the key pressure points where those connections occur."

The IRG group that Shaikh directs is an international professional services firm that has completed more than 700 contracts in 135 countries since its founding in 1978. IRG works under contract to the U.S. Agency for International Development (USAID), the World Bank, the Asian Development Bank, the United Nations and a host of other institutions, governments and organizations.

IRG is unique, Shaikh explained, because "most organizations, either as organizations or within their organizations ... tend to respond within sectors. From the very outset, from the creation of IRG, we have been known as a company that is able to link across sectors."

To illustrate his point, Shaikh said IRG helped develop with USAID a program known as Nature, Wealth and Power, "which cuts across resources, economics and governance. Being able to see those kinds of key linkages - - population, environment, economic growth -- has been probably the most important distinguishing characteristic we have brought to the table."

Looking into the future, Shaikh said: "Africa over the next 25 years is definitely going to be in transition. The population is going to double, no matter what we do. Urban populations are going to be about half the total, and that means the relationship between rural production and urbanization has to go from the negative cycle that we now have, where people are leaving the countryside in despair and the cities are centers of consumption and bureaucracy.

"That shift needs to happen," he said, "so that urban areas become a source of demand for rural products. We

have done a great deal of analysis on this. That can revitalize both the rural and urban areas and create cities that are centers of production, of good governance.

"The key variable in that dynamic," he said, "will be good governance."

Asked if the development and economic growth trend line is going in the right direction and if he is encouraged by what he sees in Africa, Shaikh said, "Yes." But he quickly cautioned: "It is very hard to talk about trends in Africa because ... the trend line might be up, but there are cycles that go up and down. But more and more countries have turned to democracy."

Shaikh said he also is encouraged by all of the work that USAID has done to prepare countries to qualify for assistance under the Millennium Challenge Account (MCA). This groundbreaking development initiative, announced by President Bush in March 2002, proposes to award grants to poor countries to help them spur economic growth and attract investment so that they can finance their own futures. Only countries that govern justly, invest in their people and open their economies to enterprise and entrepreneurship can qualify for MCA funds.

"More and more countries in Africa realize that in order to make things better, they have to live up to an international standard of governance," Shaikh said. "So I am encouraged. You look at Mali, Senegal, Namibia, Mozambique. South Africa's transition has been excellent. There is new hope in Kenya. Wars are ending in places like Liberia, Sierra Leone. ... So I am optimistic. ... In each decade we will see things looking a little better."

Asked about the impact of HIV/AIDS or the possible impact of avian flu on Africa, Shaikh said: "Obviously, HIV/AIDS has played exactly to Africa's weaknesses – which is its [lack of] capacity to respond to a broad-scale problem with a major institutional response. I think that part of the fear is that avian flu will address exactly the same weaknesses. So the potential is there" for problems in these health areas, he said.



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