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Africa's future depends on job creation

THE biggest challenge for Africa, after the best growth decade on record, is no longer economic growth but job creation. Creating sufficient jobs for a burgeoning number of youthful people, most of whom will be living in the cities, offers exciting prospects — but if their expectations are unmet, they may become a destabilising force.

Today, in the middle of an unprecedented commodities boom, more than 70% of sub-Saharan Africa's exports comprise mineral products. While this is good for the fiscus, it creates not nearly enough jobs required in a region where 80% of people subsist in self-employment. More can inevitably be done to ensure mining and oil companies source products in a way that benefits local economies, but economic diversification is the route to more jobs.

Here, Africa's record has been very poor. Tourism, which offers high job multipliers, is constrained by the high costs and unreliability of air flights and onerous visa regimes. Hence, Africa gets under 5% of the $1-trillion world market.

In manufacturing, the record is equally poor. While Africans have preferred to focus on external factors — such as access to markets — as the main problem, the reality is that African countries lack the enabling environment to encourage businesses to set up and compete.

This explains why some countries have got stuck, where they went up to the first rung of the industrialisation development ladder into light manufacturers, but, unlike southeast Asia, quickly fell back down again, rather than jumping up into electronics and other sectors.

Zambia, once relatively industrialised, is today overwhelmingly dependent on its mines for export and tax income. While its population is at over 12 million, four times larger than at independence, formal-sector jobs are only 25% greater, now totalling 400 000.

As a result, Zambians routinely express frustration at how much they gain from mining investments, even though taxation from this sector since 2000, when the mines were privatised, totals some $3-billion.

Where Zambian industries once ranked only behind Zimbabwe and SA in the region, by 2012 very few existed. When the tax and incentives which formed the centrepiece of the government's import substitution policy went away, so did the industries.

This was hastened by the lowering of protectionist tariffs. Although the government stated late last year its intention to reclaim the glory days of manufacturing, it will have to improve the business climate and make it easier for investors, rather than make imports more difficult and expensive.

This is a lesson for all African countries. The answer to the diversification dilemma is to put in place domestic investor policy and infrastructure regimes that are at least as attractive as other investment competitors worldwide.

● *Dr Mills has been in Zambia this week*