

Nigeria thinks big to turn growth into prosperity

Central banker's call for 'African capitalism'

by Alan Wheatley

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Globalisation is poorly serving Africa, which must emulate the strategic thinking of the likes of China, Dubai, Singapore and Malaysia if it is to reap the benefits of growing investor interest in the continent.

That is the view of Dr. Kingsley Chiedu Moghalu, Deputy Governor of the Central Bank of Nigeria, who was speaking at a series of OMFIF meetings in London on 28 January to launch his book 'Emerging Africa'.

Moghalu's grandiose vision would smack of hubris if he himself were not so forthright about the troubles of a continent that is home to some of the world's fastest-growing economies but is held back by corruption, rickety infrastructure and poor governance.

'There is a big difference between growth and prosperity. There is a big difference between growth and economic transformation,' Moghalu said.

The days when an African central bank governor was at the beck and call of his president to run the money-printing presses flat out were over. Inflation had fallen as more-independent central banks, such as Nigeria's, used their muscle to instill fiscal discipline.

Politically, too, the continent was now more stable despite conflicts in the Central African Republic and South Sudan.

But, referring to the title of his book, Moghalu asked whether Africa could truly be said to be emerging. He spelled out his concept of a new brand of 'African capitalism', but emphasised the difficulties of implementation.

Globalisation was doing Africa few favours. Inequality was rife. Foreign investors had flocked to Africa to extract its oil and natural resources but, with the exception of Ethiopia, they had largely shunned light manufacturing despite rising costs in China. Everyone in Africa now had a mobile phone; no one in Africa made mobile phones.

To unlock the 'secrets of prosperity', Africa needed the sort of clear, long-term worldview that had powered economic growth in China for more than three decades.

Developing human capital so that Africans had the skills to expand manufacturing would be critical. So would attracting venture capital to spur entrepreneurship.

Razia Khan, head of Africa research at Standard Chartered Bank, agreed that Nigeria could have done a better job of translating its resources into growth. Responding to Moghalu's remarks, she urged restraint in government spending and a greater emphasis on institution-building.

'Oil earnings alone are not going to be enough to be up to the task of driving the transformation that is needed,' Khan said.

An immediate risk for investors is that spending spins out of control in the run-up to elections in 2015, forcing the central bank to defend the naira by further tightening monetary policy.

Besides corruption, power shortages and red tape, foreign businesses are unnerved by the growing security risk posed by the Boko Haram Islamist insurgency group in northern Nigeria. Its latest attack on Monday, on a village in northeastern Nigeria, killed 85 people.

Moghalu said the Government was tackling the insurgency by deploying the military and promoting economic development. Investors should not let themselves be deterred by a conflict he described as localised.

Meghnad Desai, chairman of OMFIF's Advisory Board, said Nigeria should not get carried away by its good record of the last few years. Governments could easily 'mess up' an economy. That put the onus on Nigeria's politicians to show they could sustain the recent burst of growth.

Moghalu, too, said the answer to Africa's problems lay in its own hands. That was why he welcomed Britain's announcement of a change in its foreign aid priorities. The UK plans to spend more money on economic growth and jobs instead of programmes such as education and disease prevention.

Traditional aid had kept Africa dependent on an outstretched hand instead of seeking its own solutions, the deputy central bank chief said: 'Foreign aid has held Africa down for too long.'

Alan Wheatley is Editor of OMFIF. Kingsley Chiedu Moghalu's book can be obtained here on amazon.co.uk or bookcraftafrica.com

The series of discussions with Dr Moghalu on 28 January marked the launch of Africa Focus 2014, a year-long initiative to examine how the continent can strengthen infrastructure, financial markets and trade/investment, improve governance and lay the foundations for sustained growth to benefit African populations.