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EXPLAINING AFRICA'S DEVELOPMENT EXPERIENCES

However unfairly, it is widely believed that, by comparison with other developing regions, Africa's post-independence development record has been one of failure. The evidence shows that on most comparative indicators the region's record has indeed been poor. The chief purpose of this Briefing Paper is to examine possible explanations of these poor results, and of the weak responsiveness of many African economies to economic crisis. It begins by examining the effects of economic policies and then explores the influence of historical, political and structural features. The coverage is confined to sub-Saharan Africa (SSA), excluding South Africa.

The record

Official estimates show that, on average, incomes in SSA are today no higher than 20 years ago and are well down over the last decade. There have also been comparatively large and persistent balance of payments and inflation problems, very low levels of saving and investment and a declining productivity of investment. Table 1 summarises some of the evidence and compares the African record with that of other low-income countries.

The economic comparisons are clearly to the disadvantage of SSA. The comparatively poor record on export volumes, and the failure to diversify out of primary product exports, is arguably the most serious of these. The social indicators are better, showing improving mortality rates and school enrolments but even here, other low-income countries mostly made more progress, and the dietary comparison is particularly adverse. Progress with the enlargement of secondary school enrolments was a notable exception to these unfavourable comparisons. There are, however, concerns that in some SSA countries the quality of schooling has deteriorated and there is evidence of declining enrolment rates in recent years.

In surveying the evidence, two major cautions are necessary, however. First, the data necessary for understanding SSA's record are exceptionally poor. Even for the most basic indicators there are often large gaps in countries' data coverage and many of the statistics that do exist are unreliable. Although these deficiencies have probably not systematically biased regional comparisons to the disadvantage of SSA, a degree of scepticism is justified and undue weight should not be placed on such data.

A second caution concerns the level of generalisation involved in a brief survey of African experiences. There are, of course, large differences in the resource endowments, structures, performances and problems of African economies. There are major differences between the situations of oil-importing and exporting countries. The Franc Zone arrangements place most Francophone African countries into a special category (see Box 1). Countries in the Sahelian zone and the Horn of Africa have a special vulnerability to uncertain rainfall. Southern Africa is currently experiencing an exceptional drought.

Figure 1 illustrates the wide spread of experiences by reference to the growth of per capita income in 1965-90. Over that period substantial increases are shown for a number of countries, while in a slightly larger number average incomes are today lower than they were a quarter of a century ago. The record is not uniformly bad. Yet strong performers like Botswana and Mauritius are distinguished more by their special circumstances than by their potential as role-models. The more recent record has been worse and most of the countries listed in Figure 1 were unable to prevent declines in per capita incomes during the 1980s. Some of the worst performers such as Sudan and Mozambique are not included in the Figure; nor is it weighted by population. (Nigeria's stagnation and Zaire's decline far outweighs the growth of the smaller countries). Yet there *are* many common characteristics and substantial similarities in experience; this paper is concerned with what the economies of SSA have in common rather than with the differences.

Table 1: Comparative indicators of economic performance

		SSA	*Low-income SSA*	*All-low income countries*
Economic growth, 1980-89 (% p.a.)				
Income (GNP) per capita		-1.2	-1.1	+0.7
Private consumption per capita		-2.2	-0.5	-0.5
Export volumes		-0.7	-1.8	+0.8
Prices (inflation rate)		+19.6	+30.2	+14.8
Structural indicators				
Gross domestic savings as % GDP	1965	14	...	18
	1989	13	...	26
Gross domestic investment as % GDP	1965	14	...	19
	1989	15	...	28
Primary products as % total exports	1965	92	...	76
	1989	89	...	48
Energy consumption per capita*	1965	72	...	125
	1989	73	...	330
Social indicators (% change 1965-89)				
Crude death rate		-32	-30	-39
Infant mortality rate		-32	-30	-37
Calorie supply per capita		-1	0	+13
Primary school enrolment		+55	+58	+60
Secondary school enrolment		+314	+292	+207

Source: World Bank, various.
Note: * = kgs of oil equivalent.

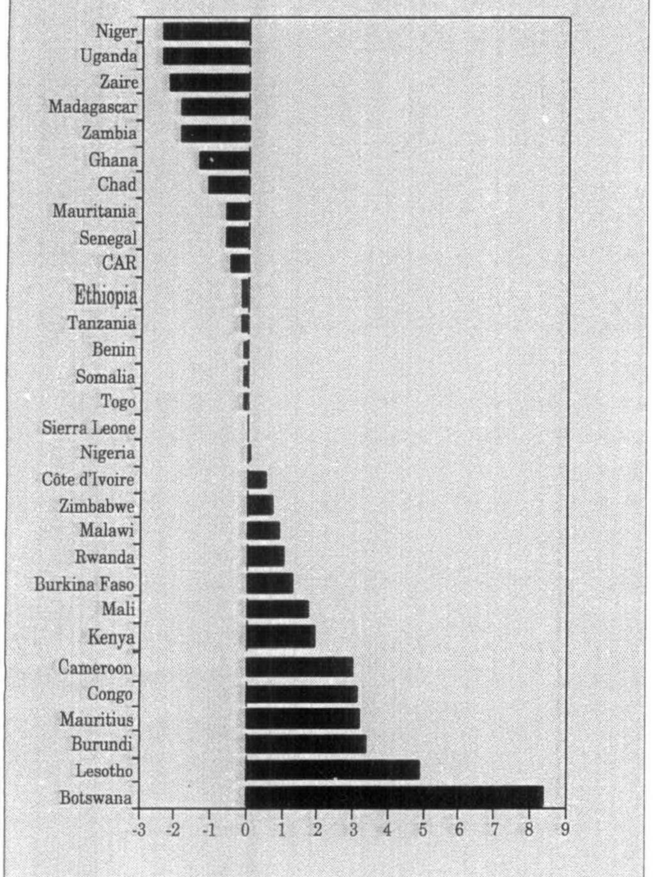
This Briefing Paper is concerned with possible explanations for the disappointing general record. The consequences of an adverse world economic environment are also considered: conditions in the world economy have only weak explanatory power when considering long-run comparative performance, so the main focus is on more domestic factors.

Economic policies

The poor quality of past economic policies is often blamed for SSA's unhappy experience, particularly policy biases which contributed to the poor export and balance of payments record. There was a tendency until the early 1980s to maintain fixed and over-valued exchange rates, with a two-fifths average real appreciation during the 1970s. Over-valuation reduced the profitability of exporting and this disincentive was compounded by other policy biases. A substantial proportion of export receipts was often withheld from producers as a result of export taxes (overt or covert) and the inflated costs of state monopoly marketing agencies. Exceptionally high levels of industrial protection also acted as a tax on exporters, by raising the cost of local inputs and biasing relative prices in favour of import substitution. Inadequate supporting services and a crumbling infrastructure often made things worse.

Implicit in the above was another common feature of the 1960s

Figure 1: Change in per capita GNP, 1965-90, % p.a.



and 1970s: relative neglect of agriculture. To the pro-urban bias of import substitution, particularly in manufacturing, and the taxation of cash crops can be added, in some cases, price controls on foodstuffs, depressing the prices paid to farmers; under-resourced, inefficient research and extension services; and under-investment in rural infrastructure.

'Financial repression' was another common feature: interest rates controlled at well below market levels; lending decisions based on political and other non-financial criteria; a variety of devices for capturing a disproportionate share of domestic credit to finance the deficits of the public sector. Such 'repression' is blamed for holding back the development of financial systems, frustrating the credit requirements of private businesses and contributing to low-productivity investment.

The large need of the public sector for bank credit reflected two further weaknesses: deteriorating fiscal balances and unprofitable public enterprises. The evidence indicates that governments were increasingly unable to meet even their recurrent expenditures from tax revenues, contributing to the deteriorating savings position, and to inflationary and balance of payments pressures. The number of public enterprises was greatly expanded and, while some of them performed well, they were the exceptions. The inefficiency of some - in the delivery of agricultural services, export marketing, banking, manufacturing and retailing - further contributed to the poor economic record under examination.

Another common weakness was a preference in the 1960s and 1970s for the use of controls and discretionary powers rather than policy interventions which operate through market incentives. Controls over imports and prices, a multitude of licensing requirements and other restrictions on economic life often had the effect of tying-up high-level manpower, created large opportunities for corruption and spawned parallel (black) markets.

The economic role of the state was in these ways often expanded well beyond its capacity to perform efficiently. It seems likely that this over-expansion contributed to the serious decline in the productivity of investment which also occurred. It may also have undermined the state as an instrument for economic change, by widening the gap between the expectations created and the ability of governments to satisfy these expectations, alienating the people. Some of the chosen forms of intervention themselves hastened the decline of the state, by creating parallel markets, shrinking the tax base and eroding those aspects of economic life within the control of the state.

Some governments failed notoriously to provide basic security for their peoples. Wars - civil and international - political instability and breakdowns of the rule of law have brought suffering to a multitude of Africans - displacing many, forcing others to retreat into the subsistence economy or to operate in the twilight zone of the parallel economy, contributing to the creation of burdensome armies.

The effects of personal rule

Some of the policy weaknesses identified above were also in evidence in various Asian and Latin American countries. One of the features which has placed SSA into a special category, however, was the slowness of its governments to respond to the deteriorating economic results produced by these weaknesses. In many cases deficient policies were sustained for many years so the question arises, why was the policy response so slow? Why were policies harmful to the economy allowed to remain for so long even though governments' popularity, even legitimacy, was undermined by the resulting economic decline? Why were so many of the subsequent policy changes initiated from outside and why has progress with these reforms been slow? In the search for answers to these questions political, historical and cultural forces appear to be at least as important as the economic factors described above.

For many political scientists 'personal rule' models of African political systems are particularly persuasive. They see the position of modern African rulers and their governments as maintained by patron-client relationships, largely based on familial and ethnic loyalties. Followers are rewarded with preferential access to loans, import licenses, contracts and jobs. Institutional rules and constitutional checks are swept aside in the struggle to maintain power. The distinction between the public and private domains becomes blurred. Malawi, for instance, used to be favoured by Western donors because it seemed a stable, market-oriented country whose government abhorred communism. Those who knew the country well saw things rather differently, however, noting that the Head of State himself was a major shareholder in the private sector.

Governments which conform to this model are unlikely to care much about broad-based, long-term economic development. Indeed they are seen as destructive of it, with the pursuit of personal aggrandisement and short-term political advantage leading to economic irrationality. As rule becomes more personalised and power more concentrated, so policies are apt to become less predictable, more arbitrary. Manipulating the distribution of wealth becomes more important than its creation.

Despite its explanatory value, there are particularly large dangers of over-generalising here and of appearing to denigrate all African governments. Nonetheless, the personal rule model appears able to predict and explain a number of the policy weaknesses described earlier:

- The proliferation of generally over-manned public enterprises and, more generally, the over-expansion of the state relative to the private sector to maximise opportunities for patronage.
- The preference for direct controls and discretionary actions over interventions that work impersonally through the market, for similar motives.
- Inward-looking import-substitution policies, to provide further opportunities for rewarding important urban groups; and the neglect of (politically unimportant) peasant farmers.
- Financial repression and politicised credit allocation mechanisms, in order to have cheap credit to offer to supporters.
- The persistence of anti-developmental policies long after their

Box 1: Does the Franc Zone Help?

The evidence suggests that until about the mid-1980s the economies of the thirteen French-speaking African member countries of the Franc Zone benefited from this arrangement, under which they cede substantial control over monetary, exchange rate and fiscal policy to regional central banks in order to secure a currency pegged to the French franc, with convertibility guaranteed by the French authorities. At least until the early-1980s, these arrangements gave rise to fewer problems with over-valued exchange rates, fiscal deficits were smaller and monetary growth less expansionary. Although the Francophone states also retained substantial numbers of expatriates in executive positions and some governments or presidents benefited from an ability to call on the French armed forces in times of emergencies, it was surely no coincidence that until recently member-states had substantially faster rates of GDP and export growth, lower inflation and less of a foreign exchange constraint.

However, the Franc Zone is now seen as being in difficulties. Much of the advantage in economic performance appeared to have disappeared in the later-1980s, with member countries beginning to show inferior growth and export records, currency over-valuation emerging as a serious difficulty in some countries (notably Cameroon and Côte d'Ivoire), and the system perceived as having operated to the advantage of the larger, richer members at the expense of some of the poorest nations in the world. Crucially, member-governments have bent the rules necessary for the efficient operation of the system, by circumventing central bank controls to expand state spending, accumulating large external debts, using public enterprises (and non-payment of bills) as means of evading expenditure limits, and various devices for enlarging the public sector's share of total domestic credit. A fixed nominal exchange rate combined with financial laxity is creating increasing problems in some member-states and today more questions are being asked about the future of the system than ever before. US Assistant Secretary of State Herman Cohen has even challenged the French Government to devalue the CFA Franc on the grounds that its overvaluation was impeding the recovery of African Franc Zone members - a challenge that was subsequently rebuffed by Prime Minister Pierre Bérégovoy.

ill-effects have become apparent, because their primary function was to provide a system of rewards and maintain the ruler in power, rather than to promote development per se.

History and social structure

It is evident that personal rule and clientelist-based politics occur in many parts of the world but they do appear to have been particularly pervasive in Africa. If this is so, the question becomes why the region has offered such fertile soil for the growth of this style of politics. A full exploration of Africa's development experience thus requires reference to social structures, values and historical experiences unique to SSA. Taking these together, a possible explanation emerges along the following lines.

- One feature which differentiates SSA from, say, most of Asia is low population densities. As at 1960, the average population density is estimated to have been 13 persons per km^2, against 80 in Asia (although such averages of course conceal huge differences within each region). A number of analysts see this characteristic as having far-reaching implications for political processes. In pre-colonial times, most Africans were either pastoralists or cultivators with few obligations to feudal overlords or landlords. They hence enjoyed a degree of autonomy impossible in the highly regimented agriculture of pre-colonial Asian civilisations.
- The favourable land-labour ratio and the low carrying capacity of much of Africa's land encouraged dispersed settlements and a history of voluntary migration in search of food, pasture and trading opportunities. These factors and the prevalence of pre-modern cultivation techniques meant low agricultural productivity and the absence of a surplus with which to support a highly stratified or specialised society. In most cases the political unit remained the village or clan. Social obligations were determined by the ties of kinship.
- Colonialism modified these structures, especially through land alienation, but rarely transformed them. Any modernising tendencies of the colonial powers quickly ran into metropolitan insistence that colonies should not be a financial drain and must balance their budgets. In the British case, this led to 'indirect rule', intended as a cost-effective form of administration and tax-raising, and hence to the reinforcement of traditional rulers, often enhancing (or even creating) ethnic divisions.
- This survival of traditional social structures through the colonial period, the continuing rural basis of society, and the superficiality of any social modernisation as a result of colonial rule, it has been argued, makes Africa unique in the twentieth century, facilitating the emergence of the systems of personal rule described above.
- Colonially-imposed national frontiers lacking in geographical or ethnic integrity often made matters worse, committing governments to the maintenance of artificial nation-states, sometimes in the face of considerable opposition.
- Inexperienced nationalist leaders were faced with the daunting task of 'nation-building' and maintaining authority in the face of largely pre-modern economies, divided societies and fragile states. They responded by concentrating power and utilising the economic powers of the state to maintain it.

Role of the State

The internal impulse of personal rule to exploit the economic role of the state was reinforced by the authoritarianism of colonial rule. There was also the example of policies during the last years of colonialism, when state spending was greatly expanded in an effort to turn back the nationalist tide, as well as by the emphasis then dominant in development economics in favour of state-led development. Similarly, capital investment was given higher priority than human resource development. Infrastructure and production capacity was ranked ahead of effective demand and export orientation as key considerations in those days. While African countries adopted such models on independence, mostly in the 1960s, post-independence India, for instance, had much earlier committed itself to development through a state apparatus seen as both benign and progressive. This still held much appeal in the 1960s. France used indicative planning for its own economy and helped to transfer the system to many francophone African countries. Marxism or the Soviet model also exerted an influence on some governments, not least through Cold War diplomatic rivalries; the application to African conditions in the cases of Zanzibar, Somalia, Congo, Ethiopia and Madagascar of such derived models was not a success.

Initial conditions and structural weaknesses

Whatever the validity of these wider political and cultural factors, they do not alone explain Africa's development experience. Further explanations are provided by reference to other conditions at the time of independence, and to chronic weaknesses in the structures of its economies, in respect of which the average African economy was at a serious disadvantage relative to other developing countries at the beginning of the 1960s.

- Populations were largely illiterate and there were acute shortages of educated and trained personnel. Thus, in 1960 the proportion of people enrolled in tertiary education relative to the population aged 20-24 was less than half of one per cent in 16 of the 18 SSA countries for which estimates are available, compared to 2 per cent for all low income countries taken together and 4 per cent for middle income countries. This has had serious and long-lived consequences for attempts at modernisation, and for SSA's capacity to absorb and adapt modern technologies. Modern approaches to the determinants of economic growth place great importance upon such human

Box 2 - Influence of the World Economy

Some writers invoke the often adverse world economic environment as a reason for Africa's economic plight.

They emphasise the ill effects of unstable commodity prices, of industrial-country protectionism and of long-term deteriorations in the prices of SSA's exports relative to the prices of its imports (the terms of trade).

They also draw attention to Africa's limited access to world capital markets and the crippling effects of the external debt overhang.

Fortunately, the research base exists with which to assess these lines of argument. There is, for example, clear evidence that long-term commodity prices are on a declining trend in real terms, i.e. relative to the prices of manufactures, pointing up the desirability of export diversification.

In the open economies of SSA, the importance of this can scarcely be doubted. However, it is by no means clear that SSA *as a whole* has suffered from worse terms of trade than other developing regions. It is the oil-importing low-income African countries which have suffered a marked deterioration from the mid-1960s. One study has assessed the effects on GDP growth of terms of trade trends in 1966-86 and found that in all the 20 low-income SSA countries studied the income effect was negative. However, in most cases the effect was quite small, reducing estimated annual GDP growth by less than a third of a percentage point.

For an analysis of long run economic performance, it is, in any case, questionable whether SSA countries should be viewed as mere passive recipients of world prices. Taking a 20-30 year span the question becomes, why have those confronting long-run deteriorations in the real prices of their traditional exports not responded by diversifying? To some extent, the adverse effects of these trends reflect an internal failure of response, in addition to external forces. To put it another way, that other low-income countries have had a better terms of trade record over the past two or three decades is because they have reduced their dependence on commodity exports facing weak global markets (see Table 1).

A similarly negative conclusion can be drawn about the effects of industrial-country protectionism as an explanation of poor comparative export performance. While SSA has by no means been exempt from the effects of industrial protectionism, analysis has shown that the region gets a favourable deal by comparison with other developing regions, with a variety of preferential arrangements. Similarly with OECD agricultural protectionism: the main affected commodities (sugar, rice and certain other grains) impinge seriously on only a few SSA countries. Asia is worse affected.

Finally, as regards the debt overhang, while external factors have certainly contributed to its gravity, domestic weaknesses have aggravated the deterioration in the external environment. The central fact is that SSA's debt was acquired on far more favourable terms than was true of Latin America, with loan maturities on average about twice as long and interest rates about half the Latin American average. Given the terms on which they borrowed, that many low-income SSA countries should have such large debt difficulties reflects not so much the external environment but their weak export performances and low rates of return on domestic investment. It should also be remembered that SSA has received a quite disproportionate share of total development assistance, much of it in grant form.

Overall, then, various external forces have indeed hampered the development of the economies of Africa, with short-term collapses in commodity prices creating major difficulties (as in 1990-92). However, in general the evidence runs against those who see a hostile world economic environment as a principal reason for SSA's comparatively poor post-independence development record.

and technological capacities.

- As another aspect of under-developed human resources, the relative absence of an indigenous entrepreneurial class equipped to employ modern know-how to the development of substantial productive firms.
- The heavy dependence on primary product exports induced by the colonial approach to development; the consequentially under-developed condition, and distorted nature, of the infrastructure of transport and communications, oriented towards trade with Europe rather than internal development.
- The tiny size of the domestic market for industrial goods (which today for a typical SSA country is about 1/300th that of an average-sized industrial country), operating as a major constraint upon industrialisation (a constraint greatly aggravated by import-substitution strategies based on the home market).
- Market mechanisms operated poorly, due to the poverty of the economies, their small size, weak communications and infrastructure, low literacy and scarcities of modern skills. These conditions created extensive dualism and much monopoly outside of traditional agriculture and marketing.
- These initial conditions can, in turn, be seen as resulting in inflexible economic structures and a low economy-wide capability of adapting to changing needs. Combined with a predominantly primary production base, these conditions interacted with personal rule to reduce economic responsiveness. This helps explain the static composition of exports, and could be why the response of African economies to structural adjustment programmes has been sluggish by comparison with other developing economies. It was Africa's lack of resilience in the face of adverse external conditions (see Box 2) which was weak.

In respect of most of the initial conditions just surveyed the SSA situation was worse (often much worse) than was typical of countries in Asia and Latin America at a comparable stage, helping to answer the question, why Africa? With hindsight, absolutely and comparatively poor development performance could have been predicted, although that was not how it was seen at the time. It is therefore inappropriate to describe the SSA experience as one of 'failure'. Sustained rapid development would have been extraordinary.

Conclusion

No simple or single diagnosis is adequate to explain SSA's situation. However, the influence of historical and political factors emerges with some strength. These suggest that 'policy reforms without changes in underlying political realities are unlikely to bring fundamental solutions.

Perhaps the most encouraging feature of the African scene in the early-1990s was that these realities did seem to be changing. Improved policies were being put in place in a substantial number of countries and there were growing pressures for more open political systems. While often based on a naive assumption that democracy *per se* would bring economic improvement, the public ferment did reflect a desire to break with past patterns of personal rule. If in consequence future governments are more responsive than those of the past, there is at least a prospect that they will engineer a break with the inflexibilities which exerted such a baneful influence during the first decades of African independence.

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For further reading see Tony Killick, *Explaining Africa's Post-Independence Development Experiences*, ODI Working Paper 60, £4.00, available from ODI. For further information about this Briefing Paper please contact Tony Killick at ODI.

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