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EXPLAINING AFRICA'S POST-INDEPENDENCE DEVELOPMENT EXPERIENCES

Tony Killick

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WORKING PAPER 60

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Tony Killick

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OVERSEAS DEVELOPMENT INSTITUTE
Regent's College
Inner Circle, Regent's Park
LONDON NW1 4NS

CONTENTS

INTRODUCTION

It is widely believed that, by comparison with other developing regions, Africa's post-Independence development record has been one of failure. Part I below examines the evidence on this and the remainder of the paper is taken up with examining explanations of this record. Part II is centred around an econometric 'sources of growth' study, while Part III seeks to go beyond the econometrics to introduce a wider range of economic explanations, including the influence of incentive systems and state interventionism; the quality of macroeconomic management; and the effects of market failures. Parts IV and V enquire beyond the boundaries of economics into the influence of historical, political and institutional features, and Part VI offers a summary and conclusion. The coverage is confined to sub-Saharan Africa (SSA), excluding South Africa.

I. THE RECORD

1. Cautions

It is unfortunately necessary at the outset to state that there is much that we cannot understand about SSA's economic situation because of inadequate data. There are often large gaps in countries' statistical coverage and many questions about the reliability of such data as are available. Quite often there is little reliable demographic information, even about the size of the population. The extent and value of subsistence activities are usually estimated in most approximate ways. Even data on marketed food production are often little more than guesstimates. Fiscal statistics remain alarmingly poor. Data on international trade and capital movements are subject to large error margins.[1] And so on.

In the meantime, we have no alternative but to use such statistics as are available, while trying not to put more weight on them than they will bear, but the reader will do well to retain a sceptical attitude towards the statistical analyses which follow.

A second type of caution concerns the level of generalisation involved in a survey of African experiences. As with any other geographical region, there are large differences in the resource endowments, structures, performances and problems of the 45 or so national economies within SSA. In particular, there is an ever-present temptation to slip from the poor *average* record of SSA economies to assuming that *all* have performed poorly or have similar problems. The temptation must be resisted. Some have good or fair long-term growth records: Botswana, Burundi, Cameroon, Kenya, Lesotho, Mauritius . . . There have been major differences between the situations of the oil-importing and exporting countries. The Franc Zone arrangements place most Francophone west and central African countries into a special category (see Box, page 29), at least as regards their macroeconomic situations. Countries in the Sahelian zone and the Horn of Africa have a special vulnerability to uncertain rainfall. The fluctuating relationships between the giant economy of South Africa and the far smaller economies of the 'frontline states' place them in a rather special category.

There *are* many common characteristics and problems, and substantial similarities in development experiences.[2] Inevitably, limitations of space impel us to pay more attention to the similarities than to the differences but the reader should look out for over-generalisation.

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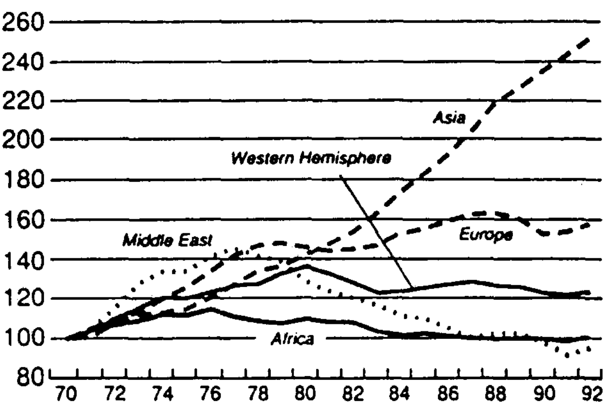
[1] Thus Yeats (1990) finds large discrepancies between the trade statistics of African countries and their trading partners. There are particularly large discrepancies in data on intra-African trade, such that he concludes these cannot be relied upon to 'indicate the level, composition or even direction and trends in African trade.'

[2] Thus, of the 31 SSA countries for which data on the growth of *per capita* GNP in 1965-89 are available, the growth rate of 20 fell in the range of between +1.9% *p.a.* and -1.9% *p.a.* (see World Bank, 1991a, Table 1). Similarly, underlying a number of the statistical presentations in this paper is a large number of special tabulations, prepared from the World Bank's data base, which sub-divided SSA into various alternative sub-groups but, by and large, the records of the various groups were similar and have therefore been little used here.

2. Growth and Modernisation

The central fact with which we must concern ourselves is the long-term slowness of economic growth in SSA, by comparison with other developing regions. Figure 1 shows that at the beginning of the 1990s *per capita* GDP was no higher than twenty years earlier, although we may also note that it is the Asian record which stands out as truly exceptional. Nonetheless, if we leave aside the Middle East as a special case, the economies of Africa have failed to a special degree to meet the material aspirations of their peoples. Indeed, the trend for low-income Africa over the last two decades looks even worse when it is adjusted for the income-reducing effects of deteriorations in the commodity terms of trade.[3]

Figure 2: **Developing countries: real GDP *per capita* by region**
(1970 = 100)



Source: IMF 1991, Chart 12.

Table 1 throws further light on this. Statistically speaking, the trend in *per capita* income is the combined outcome of high and rising population growth rates and low GNP growth, with the former outstripping the latter from the early 1970s, although there was a modest revival of GNP growth in the latter part of the 1980s. In consequence of declining *per capita* incomes, private consumption levels have fallen, overall and for most sub-periods, both for low-income SSA countries and for the region as a whole.

[3] See World Bank (1989b, p.24), which calculates heavily negative income effects from terms of trade trends among low-income African economies from the mid-1970s, although the record is more mixed for the region as a whole.

Table 1: **Trends in economic performance indicators, 1965-90**
(percentage change *p.a.*)

		1965-73	*1973-80*	*1980-85*	*1985-90*	*1980-90*	*All low-income countries*[b] *1980-90*
1.	Population						
	(a) Total SSA	2.63	2.75	3.10	3.22	3.17	
	(b) Low-income SSA[a]	2.64	2.77	2.99	3.16	3.08	2.72
2.	Total GNP						
	(a) Total SSA	4.3	3.4	1.0	2.4	2.0	
	(b) Low-income SSA[a]	3.4	2.7	0.8	3.1	2.0	3.6
3.	Private consumption *per capita*						
	(a) Total SSA	-0.7	2.9	-1.3	-2.0	-2.2	
	(b) Low-income SSA[a]	-0.6	1.1	-0.8	-0.2	-0.5	-0.5
4.	Prices (GDP deflator)						
	(a) Total SSA	6.5	16.5	18.1	22.2	19.6	
	(b) Low-income SSA[a]	6.2	19.4	26.1	35.1	30.2	14.8
5.	Export volumes						
	(a) Total SSA	14.2	-0.2	-3.1	0.0	-0.7	
	(b) Low-income SSA[a]	-	0.9	-4.9	0.5	-1.8	0.8
6.	Import volumes						
	(a) Total SSA	3.8	7.9	-6.7	-1.8	-5.9	
	(b) Low-income SSA[a]	3.1	1.6	-3.0	1.0	-0.7	-3.2

Source: World Bank data bank.

Notes: (a) Excludes Nigeria;
(b) Excluding China and India.

Parallel with this stagnation in living standards has been an at best halting progress with economic modernisation, as is shown in Table 2. Comparing these trends with the observed regularities in structural change during economic development, we see only gradual moves towards industrialisation and away from primary production. We also see gross saving and investment rates remaining in 1989 about where they were in 1965 (if we can rely on the statistics), again in contrast to other developing regions. Partly in consequence of low saving rates, we see a far heavier dependence on aid receipts, relative to GNP, than in the rest of the developing world,[4] contributing to an exceptionally large stock of external debt, despite only slight access to world capital markets during the credit boom of the 1970s and since.

Perhaps the most significant indicators in Table 2, however, are those relating to the composition of exports and consumption of energy. The unchanging level of energy consumption reflects not only the stagnation of living standards but the limited extent of modernisation of the productive system. Africa's export record will feature prominently later but note now the virtually unchanged reliance on primary product exports, a record which contrasts starkly with the other regions in Table 2. For most of the countries that came to Independence with heavy concentration on a limited number of commodity exports, that position had changed little by the beginning of the 1990s.[5]

These features, combined with small economy size (and therefore heavy reliance on international trade), have left SSA vulnerable to terms of trade shocks The continuing dependence of large majorities of the population on rural sources of income also leave the region's economies vulnerable to variations in the weather, as witness the famine of 1983-84 and the smaller one of 1991-92.

There is other evidence of the slow pace of modernisation. In agriculture, for example, average fertiliser consumption per hectare is estimated to have been a mere 10% of the average for all developing countries in 1988/89, with the gap having tripled since the beginning of the 1970s (World Bank, 1991a, Table 4), and yields for a number of crops are far below the developing country average.[6] Africa still awaits a Green Revolution.[7] There is also a widely-noted technology gap in much of manufacturing. The slow pace of technological progress helps to explain why estimates show no improvement at all in total factor productivity in Africa during 1960-87, against a trend rate of increase of 0.6% *p.a.* for all developing countries, with a substantial decline in 1973-87 (Boskin and Lau, 1990).

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[4] See Killick (forthcoming [a], Table 1) showing that in 1980-88 aid to SSA was equivalent to 33% of investment (10 times as high as the average proportion for other developing countries) and 26% of imports (five times as high).

[5] Lyakurwa (1991, Table 5) shows that export concentration indices actually went up during 1970-85 in a majority of the African countries for which data were available.

[6] Singh (1983, Table 4) shows for 1978-80 mean yields for coffee, rice, maize, sorghum and ground nuts in SSA averaging less than half of those in other developing countries.

[7] Thus, Binswanger and Pingali (1988) argue that many past agricultural research failures in SSA have been due to a mismatch between technological strategies and farming systems. See also Spencer, 1986.

Table 2: Comparative economic structures, 1965 and 1989

		Sub-Saharan Africa		East Asia		South Asia		Latin America & Caribbean		All low & middle income countries	
		1965	*1989*	*1965*	*1989*	*1965*	*1989*	*1965*	*1989*	*1965*	*1989*
1.	Average GDP size ($ billion)	**0.82**	**4.00**	-	-	-	-	-	-	4.56	34.98
2.	Agriculture as % GDP	**41**	**32**	42	24	44	32	16	-	30	19
3.	Manufacturing as % GDP	**8**	**11**	27	33	15	17	23	-	21	-
4.	Gross domestic investment as % GDP	**14**	**15**	22	34	17	22	20	20	20	26
5.	Gross domestic saving as % GDP	**14**	**13**	23	35	14	18	21	24	20	27
6.	Aid receipts as % GNP	-	**7.9**	-	0.7	-	1.7	-	0.4	-	1.1
7.	Total external debt as % GNP	-	**97**	-	24	-	30	-	46	-	41
8.	Share of primary products in exports	**92**	**89**	89	31	63	30	93	66	74	47
9.	Urban population as % of total	**14**	**28**	19	47	18	26	53	71	24	42
10.	Energy consumption *per capita* (kgs of oil equivalent)	**72**	**73**	164	487	99	197	514	1,010	275	575

Source: World Bank (1991, Development Indicators).

The record described above helps explain the population trends shown in Table 1. If population growth is seen as conforming to some version of the demographic transition model, it has continued to accelerate because the economic modernisation associated with reductions in fertility has not yet occurred (although there are signs that the 1990s may reveal a turning point in Africa's population growth).

Taken together, the evidence adduced above leaves SSA in an unenviable position. Sixteen of the twenty countries with the lowest recorded *per capita* incomes are in SSA,[8] as are most of those classified by the UN as 'least developed'. The World Bank estimated that in 1985 nearly half (47%) of the population lived below the poverty line, a figure exceeded only by South Asia (notably India). In that year it contributed a disproportionate 16% of the estimated total number of those living in poverty in developing countries, a proportion projected to double by the end of the century (World Bank, 1990, Table 9.2). Unfortunately, the data deficiencies are such that nothing general can usefully be said about trends in the distribution of income.

African countries are poor, then. Their poverty is also persistent: a study based on a sample of 63 countries (ODI, 1988) examined trends in *per capita* incomes (measured in 1980 international dollars) over 1960-85, placing countries into five income bands. It found that a third of the 33 countries that fell into the two lowest bands in 1960 had managed to raise themselves into higher bands, *but none of the SSA countries had achieved this.*

3. Macroeconomic Balances

In addition to stagnant incomes and slow modernisation, Africa's economies have also been marked by persistent macroeconomic imbalances and pressures. There has, for instance, been a chronic tendency towards unviable balance of payments deficits. This cannot be reduced to simple statistical demonstration but note the following supporting evidence:

- the cuts in import volumes during the 1980s, shown in Table 1.
- the frequency with which its African members have had recourse to IMF assistance, so that as at September 1991 22 SSA countries had programmes with the Fund (with a further five ineligible because they were in arrears with payments on earlier credits).
- SSA's current account deficit in 1973-90 averaged 21% of export earnings - a proportion far higher than for any other developing region - and ended the period higher than it began.[9]

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8 See World Bank (1991a, Table 1).

9 Calculated from IMF (1991, Table A35). The average for 1988-90 was an estimated 25%.

- relative to imports, SSA's international reserves are far lower than for any other region, averaging only 15% in 1983-90.[10]

Underlying these pressures was the poor export record already mentioned, illustrated further by the figures on export volumes in Table 1, showing the quantum of exports to have actually declined since the early 1970s. Indeed, although its exports remained heavily concentrated on primary products, even SSA's share of these world markets declined, as did its share in developing country commodity export earnings, although there is some evidence of a recovery in the later 1980s.[11]

Table 1 draws attention to another aspect of the pressure of demand on resources: significant and accelerating inflation levels, although here the inter-country differences are large enough to make the use of such averages suspect.

Given the low saving rates reported earlier (Table 2), such macroeconomic pressures are not surprising. Even though we have seen these to have been augmented by exceptionally large amounts of development assistance, the continent's access to private sources of world savings has been slight.

4. Social Welfare

It is with relief that we can now turn to a range of indicators where there is more progress to report. The dearth of good data is particularly acute when it comes to social welfare but Table 3 pulls some evidence together. With the exception of calorie supply, these all show substantial progress and help put the earlier evidence on poverty and stagnant living standards into context: the mortality improvements and accelerating population growth are simply inconsistent with economic catastrophe.

The demographic statistics are arguably the most fundamental welfare indicators of all and show Africans to be living longer, with the mean expectation of life to have gone up by about a fifth over the years in question and with mortality rates down by nearly a third. Underlying these results are better public health provisions, with substantial improvements in ratios of doctors and nurses to the general population (Akeredolu-Ale, 1990, Table 5). Encouraging though these trends are, however, we see in the table that the mortality statistics have been improving even faster in other developing countries. Infant and child mortality remains much higher than in other developing regions. Twenty-five to thirty years after Independence more than half the African population still has no ready access to health services, almost two-thirds lack safe water supplies, and many continue to suffer from

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10 Calculated from IMF (1991, Table A43). The comparable averages for other developing regions were:

Asia	37%
Western Hemisphere	29%

11 Svedberg (1991, Table 15) shows SSA's share in world primary product exports to have fallen from 7.0 to 4.1% in 1970/71-1984/85, with its share in developing country commodity exports declining from 21.0 to 14.5% during the same years. However, the World Bank (1991, Table 2.4) shows a recovery of SSA shares in some of the main markets during the 1980s.

preventable diseases (UNDP, 1991, pp.35-36). Moreover, the particularly virulent spread of AIDS in Africa threatens to undermine such social progress as has occurred.[12]

Africa's comparative disadvantage is starker in Table 3's figures on calorie supply. The statistics here are liable to particularly large error margins but there is other evidence pointing to adverse nutritional trends.[13] Africa's poor agricultural record plus its limited import capacity are the key factors here.

The school enrolment rates are also noteworthy, showing great improvements on the neglects of colonialism, and more than matching the record of other low-income countries. Inspection of Table 3 reveals, however, that this improvement was not sustained into the 1980s, as various budget constraints finally imposed themselves. It is also possible that the numerical progress recorded in the table was undermined by a decline in the quality of the education provided. Data on teacher-pupil ratios do not support this view, showing no deterioration, but there is a sufficiently large number of stories of under-maintained schools starved of textbooks and other supplies to raise questions abut trends in the quality of education provided. (Similar doubts surround the improvements in public health services reported earlier.) In any case, comparative enrolment statistics show that SSA's position remains a great deal worse than other developing regions.[14] Moreover, the economic value to the continent of this educational expansion has been reduced by a substantial outflow of the best qualified Africans to other regions and to international agencies.

Moving beyond the indicators in Table 3, particular mention should be made of the special plight of many African women. With the large-scale migration of young men to urban centres in search of wage employment, a great deal of the food farming is left to women, who also bear large families and look after the home, and who are discriminated against in the design of agricultural policies and access to agricultural services.[15] They are discriminated against in education too, with a far larger discrepancy between male and female school enrolment rates than for other developing regions, and poorer salaried job opportunities (UN, 1991, p.190-95). Progress in reducing these discrepancies has been slow.

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12 Armstrong (1991) suggests that in the African countries where the HIV incidence is greatest the resulting deaths were already by the early 1990s eroding past progress in reducing mortality rates, and warns of the likelihood of far greater losses in coming years.

13 See Akeredolu-Ale 1990, pp.17-18.

14 The World Bank (1991, Table 29) gives the following total enrolment rates for 1988:

	Primary	*Secondary*	*Tertiary*
SSA	**67**	**18**	**2**
East Asia	128	46	5
South Asia	90	37	...
Western Hemisphere	107	48	17

15 See Gladwin and McMillan (1989, pp.356-59) for a brief survey of the evidence on this.

Table 3: Trends in social welfare indicators, 1965-90

	1965	1973	1980	1985	*% change since 1965*	*% change, since 1965 all low-income countries[b]*
1. Crude death rates						
(a) All SSA	22.5	20.1	18.3	15.2	-32	
(b) Low-income SSA[a]	22.7	20.4	18.8	15.8	-30	-39
2. Infant mortality rate						
(a) All SSA	157	138	125	105[c]	-32	
(b) Low-income SSA[a]	156	141	130	109[c]	-30	-37
3. Life expectation at birth						
(a) All SSA	42.0	45.0	47.2	51.3	+22	
(b) Low-income SSA[a]	41.9	44.6	46.6	50.5	+21	+25
4. *Per capita* calorie supply						
(a) All SSA	2034	1990	2112	2011[d]	-1	
(b) Low-income SSA[a]	1977	1963	2043	1968	-	+13
5. Primary school enrolment ratios (% of relevant age group)						
(a) All SSA	42	56[e]	77	65[d]	+55	
(b) Low-income SSA[a]	40	55[e]	66	63[d]	+58	+60
6. Secondary school enrolment ratios						
(a) All SSA	4.4	10.0[e]	15.8	18.2[d]	+314	
(b) Low-income SSA[a]	3.8	10.3[e]	14.3	14.9[d]	+292	+207

Source: World Bank data bank.

Notes: (a) Excludes Nigeria; (b) Excluding China and India; (c) 1989 figures; (d) 1988 figures; (e) 1975 figures.

Finally, various symptoms of environmental deterioration should be mentioned, although there is little firm continent-wide evidence, nor agreement on the extent of the resulting problems.[16] There appears, first, to have been a decline in rainfall in the Sahelian zone and parts of the Horn since the late 1960s - areas that were already short of water. This is possibly a result of global warming, in which case it will presumably persist and worsen, but there is no scientific consensus about this. Relatedly, there is much concern about the southward spread of the Sahara, although here again there is little agreement on the extent and seriousness of this, nor firm data with which to settle the matter.

Further south, there is concern about the deforestation which is occurring in rainforest areas, notably in Ghana and the Côte d'Ivoire, although this appears less a direct result of logging than the work of farmers seeking to keep ahead of the loggers and to clear forest land for cultivation. Elsewhere, in savannah and other less wooded regions, areas are being cleared of trees in order to satisfy the growing demand - particularly emanating from the towns - for charcoal and fuelwood, with rural communities finding it increasingly burdensome to meet their own needs. Deforestation is only one of the environmental problems associated with urbanisation, however; weak controls mean that Africa's cities have more than their share of air and water pollution.

Overall and after all due caveats have been entered, the record surveyed above is an unhappy one, both absolutely and by comparison with other developing countries. The high hopes that accompanied Independence have been dashed. Many poor people have remained poor; some have slipped back. The promised modernisation has faltered. The task for the remainder of this chapter is to explore the reasons for these disappointments, paying special attention to the slowness of growth, and why the same did not typically happen in Asia and the Western Hemisphere.

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[16] See Grove (1991) for a brief and balanced survey.

II. ACCOUNTING FOR STAGNATION

1. Econometric Results

Such an exploration forbids a narrowly quantitative approach; we must range more widely than that. We can nevertheless take an econometric study as our starting point, to provide pointers for exploration later. In the tradition of the growth accounting literature, an unpublished study by el-Farhan (forthcoming) has applied an OLS regression model to cross sectional data on 32 SSA countries over 1960-86 in order to test for the influences on GDP growth.[17] Her principal results are summarised in Table 4, where the years covered are also broken down into three sub-periods.

The explanatory variables were:

POP:	Population growth rate
GDI:	Gross domestic investment as percentage of GDP
GOV:	Government consumption expenditure as percentage of GDP
ODA:	Aid receipts as percentage of GNP
LIT:	Percentage of population who are literate
INF:	Rate of inflation (as measured by GDP deflator)
XGR:	Growth of volume of merchandise exports
MGR:	Growth of the volume of merchandise imports
TDS:	Total debt servicing as percentage of GDP
POLIN:	An index of political instability

This project was limited by many lacunae in the data. Even for the variables that could be included, all the doubts expressed earlier about the reliability of the statistics resurface, in evaluating the results and deciding how much weight to place upon them. On the other hand, the results have reasonable overall explanatory value, most of the signs are 'correct' and the equations are fairly well behaved. What, then, might we learn from them?

The strongest explanatory variable emerges as the growth of export earnings, with results at least at, or close to, the 90% significance level, with particularly significant results for the later years and with large coefficient values. It may be objected that export volume growth is also a major part of the dependent variable, biasing the results. However, in Equation 3 import growth (MGR) - a variable that might be thought of as having a deflationary effect on the growth of the domestic economy - is substituted for export growth and here too the results are both significant and with positive sign for 1970-86 (data were inadequate for the

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[17] See el-Farhan (forthcoming). I am much indebted to Ms Farhan for allowing me to make use of her results and for valuable discussions of her work. Her study started with 45 SSA countries but 13 had to be dropped because of data deficiencies. The precise number of countries covered by her various equations varied from test to test, and three explanatory variables had to be dropped from the tests for the earlier years, also because of unavailability of data. Besides the reported here, she also ran regressions which excluded Nigeria, as a large special case, and oil exporters but these exclusions made little difference to the nature of the results.

Table 4: **Regressions for GDP growth in African economies**

Period	*Constant*	*POP*	*GDI*	*GOV*	*ODA*	*LIT*	*INF*	*XGR*	*MGR*	*TDS*	*POLIN*	R^2	*n*	*DW*
Equation 1														
1960-69	-0.125	1.338	0.145	-0.098	0.175	-0.019	-0.291	0.056	-	-	-	.62	26	1.8
		(2.050)**	(2.192)**	(1.186)	(1.123)	(0.708)	(2.301)**	(1.638)						
1970-79	3.205	0.046	0.145	-0.138	0.148	0.010	-0.106	0.147	-	-	-	.46	30	1.9
		(0.067)	(2.226)**	(1.294)	(0.863)	(0.379)	(1.201)	(1.636)						
1980-86	-3.584	0.805	0.050	-0.098	0.012	0.059	-0.009	0.419	-	-	-	.75	27	1.2
		(1.211)	(1.869)*	(1.202)	(0.254)	(2.442)**	(0.300)	(5.923)***						
1960-86	**1.027**	**0.126**	**0.118**	**-0.049**	**0.005**	**0.014**	**-0.073**	**0.205**	-	-	-	**.62**	**22**	**1.9**
		(0.197)	**(1.759)***	**(0.424)**	**(0.400)**	**(0.485)**	**(1.027)**	**(2.142)****						
Equation 2														
1960-69	5.165	-	0.135	-0.150	-	-0.034	-0.058	0.060	-	-	-0.128	.39	31	1.8
			(2.124)**	(1.959)*		(1.378)	(0.918)	(1.699)*			(1.890)*			
1970-79	4.364	-	0.102	-0.078	-	0.007	-0.055	0.143	-	-	-0.166	.50	30	1.8
			(1.594)	(0.878)		(0.287)	(0.609)	(1.741)*			(1.593)			
1980-86	-1.845	-	0.058	-0.055	-	0.062	-0.014	0.367	-	-	-0.047	.75	27	1.2
			(1.901)*	(0.743)		(3.040)***	(0.512)	(5.661)***			(1.367)			
1960-86	**1.607**	-	**0.135**	**-0.074**	-	**0.008**	**-0.036**	**0.213**	-	-	**-0.030**	**.72**	**27**	**1.6**
			(2.792)**	**(1.064)**		**(0.468)**	**(0.904)**	**(3.577)*****			**(0.546)**			
Equation 3														
1970-79	0.992	0.134	0.203	-	-	0.016[a]	-0.017	-	0.147	-0.680	-0.150	.69	31	2.1
		(0.246)	(3.276)***			(0.557)	(0.245)		(2.416)**	(2.100)**	(1.752)*			
1980-86	-1.511	0.211	0.190	-	-	0.025[a]	0.036	-	0.244	-0.252	-0.085	.52	30	1.8
		(0.284)	(2.498)**			(1.050)	(1.263)		(3.005)***	(1.693)	(2.018)*			
1970-86	**-0.905**	**0.043**	**0.233**	-	-	**0.011**[a]	**-0.028**	-	**0.206**	**-0.420**	**-0.067**	**.62**	**30**	**1.9**
		(0.065)	**(3.527)*****			**(0.429)**	**(0.699)**		**(2.178)****	**(2.001)****	**(1.323)**			

Notes: Figures in parentheses are t-statistics.
* = significant at 0.90 level; ** = significant at 0.95; *** = significant at 0.99.
(a) In this equation this variable was lagged by one period.

1960s). Equation 3 also introduces another balance of payments variable, the debt servicing ratio (TDS). This too yielded significant values, with the expected negative sign: debt servicing depresses growth. Taken together, these results point up the importance of the foreign exchange constraint described in Section I, and particularly to the adverse consequences of Africa's weak export record. A related variable that was also tested (not reported in Table 4) was changes in the commodity terms of trade but, although it had the expected sign, this variable did not pass minimum tests of significance. More on this later.

A further highly significant explanatory variable was the investment rate (GDI), with positive signs and statistically significant explanatory values throughout. Such a result is, of course, in line with conventional growth models but we will give reasons later for being surprised about it.

A feature of el-Farhan's work was the inclusion of an index of political instability as an independent variable (see Equations 2 and 3).[18] For each of the sub-periods, this turns out to yield generally significant results, with a consistently negative sign. However, the significance of this variable disappears when the whole period is examined (see Equation 2), which suggests that the negative effects of political turmoil are relatively short-lived and do not tell us much about the longer-term determinants of growth.

Few of the other variables (including a number not reported) were statistically significant, but some of these 'nil returns' are themselves interesting. The non-significant results from the population growth variable (POP) is noteworthy, for it contradicts those who emphasise the negative effects of Africa's high and rising rates of population growth. In fact, Table 4 records this variable as having a *positive* sign. However, when the equation was re-worked using the growth of *per capita* GDP as the dependent variable the signs became negative (and the result was significant at the 90% level for 1980-86).

The literacy variable (LIT) was included as a proxy for the stock of human capital. Given Africa's extreme initial disadvantage in this area (discussed later), it is puzzling that this variable produced generally non-significant results, although LIT is a highly imperfect indicator of human capital. Also noteworthy is that the share of GDP taken up by government consumption (GOV) also yields non-significant results, although the signs are consistently negative, but this ratio is again a poor indicator of the effects of government interventions. Inflation emerges with the predicted negative sign but low significance. Aid receipts (ODA) also emerge as without explanatory value. An attempt was also made to test for the influence of price distortions, as proxied by the difference between official and black market exchange rates but this turned out to be of no explanatory value.[19]

Finally, note that, in common with most growth-accounting results, there remain large unexplained residuals. Of the results reported in Table 4, the largest R^2 for the whole period

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[18] This is a composite index, modifying an approach developed by Johnson, Slater and McGowan (1984). It is based on the frequency of such events as foiled plots to overturn the government; unsuccessful coup attempts; successful coups; and civil or external wars, with weights attached to these of ascending value.

[19] This was so even after Franc Zone countries were excluded, on the ground that their currencies are convertible, eliminating or minimising divergences of the black market from the official rate.

was 0.72 (Equation 2), with 0.75 the largest value for any of the sub-periods (Equation 2, for 1980-86). There remains a good deal the model has been unable to capture, of which the influences of technology, institutional factors and the supply of high-level manpower are among the most plausible candidates.

III. BEYOND ECONOMETRICS

We will be returning to the results reported above as we go along but now we must extend the search for explanations of Africa's economic record beyond the variables that readily lend themselves to quantification and testing. This takes us more directly into controversy, for there is a good deal of disagreement about the weight that ought to be attached to various frequently-cited causes of SSA's sub-standard economic performance:[20]

- the influence of the world economic environment
- the influence of domestic policy mistakes
- the influence of sociological factors and of political systems
- the influence of colonialism and of Africa's initial under-development

Between them, these controversies seem to cover most of the ground. We will take them roughly in the order stated.

1. <u>The Influence of the External Environment</u>

Expressed in its most general form, this school of thought emphasises the negative influence of trends in the world economy and of industrial-country policies, and is sceptical about the extent to which integration into world trade and payments is in the interest of Africa.[21] The argument runs as follows.

Almost all SSA economies are reliant on primary products as their chief exports, often on only a small number of such commodities. Such exports are, it is argued, (a) subject to a long-run trend decline in real prices and (b) prone to greater world price instability. The first of these characteristics, it is argued, means that SSA is particularly prone to adverse barter terms of trade, a tendency that is heightened by pressures from the IMF and World Bank (hereafter the IFIs), and other aid donors, for African countries to increase their export volumes in the face of weak world demand - what has become known as the 'fallacy of composition' argument. For a number of crops, the sluggishness in demand, it is suggested, is partly the result of industrial-country agricultural protectionism. OECD protectionism also gets in the way of export diversification, through a cascading of protection levels, lowest for

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[20] See Mkandawire (1991, pp.83-90) for a brief, trenchant statement of some of these controversies.

[21] In addition to academics writing in the tradition of the dependency school, the UN Economic Commission for Africa is at best ambivalent on this issue. Thus, an influential report (1989, p.5) writes of external dependence, and the openness which has contributed to it, as having increased vulnerability to external shocks and to various resource leakages. While it goes on to reject a strategy of autarky, it only favours 'a degree of openness'.

imported raw materials and highest for finished goods. In addition, commodity price volatility destabilises export earnings, increasing economic uncertainties, aggravating the difficulties of macroeconomic management and necessitating the retention of larger international reserves than would otherwise be necessary.

This school also stresses adverse features on the capital account of the balance of payments: Africa's limited access to world capital markets; the allegedly deleterious effects of direct investments by multinational corporations; the distorting and demoralising effects of aid dependency; and the crippling effects of the external debt overhang.

Fortunately, there is empirical research with which to assess this line of argument, at least as regards its trading aspects. First, there is now wider acceptance than was formerly the case of the declining real commodity price thesis,[22] although much hinges on how the discontinuous shifts in the long-run price series are handled in the econometrics. A recent contribution to this literature (Powell, 1991) suggests that the trend of real commodity prices is actually stationary but that primary products are peculiarly prone to discrete downward shifts. This reinterpretation of the data leads to a familiar policy conclusion, however: the desirability of export diversification.

Whether OECD agricultural protectionism is a significant price depressant for African exporters is more doubtful, for the main affected commodities are sugar, rice and certain other grains. Since, overall, Africa is a minor net importer of sugar and a major net importer of cereals, it seems likely that its terms of trade benefit from the lower world prices resulting from OECD agricultural protectionism (although this is not true for a number of specific SSA countries).[23] Asia is worse affected.

What, then, of the influence of export prices and the terms of trade? In such open economies, the importance of these variables can scarcely be doubted. Thus, a detailed econometric analysis of the sources of stagnation in SSA during the 1970s found an 'extremely close relationship' between movements in export prices and average GDP growth (Wheeler, 1984, p.1 and *passim*). A more recent analysis of SSA export performance (Svedberg, 1991, Tables 2.6 and 2.7) similarly found terms of trade movements (up or down) to be the main influence on export earnings in 11 out of 33 countries in 1970-85 (although in only one country during 1954-69), and to have exerted a substantial influence in a further 8 countries.

However, it is by no means clear that SSA as a region has suffered from worse terms of trade than some other developing regions. Figure 2(a) shows large fluctuations in the terms of trade of the region as a whole but no clear downward trend. The movements shown there are partly influenced by the special experiences of Africa's oil exporters but a similar absence of a downward trend is shown in Figure 2(b) relating to the region's middle-income oil importers. It is the (oil-importing) low-income countries which are shown in Figure 2(c) as

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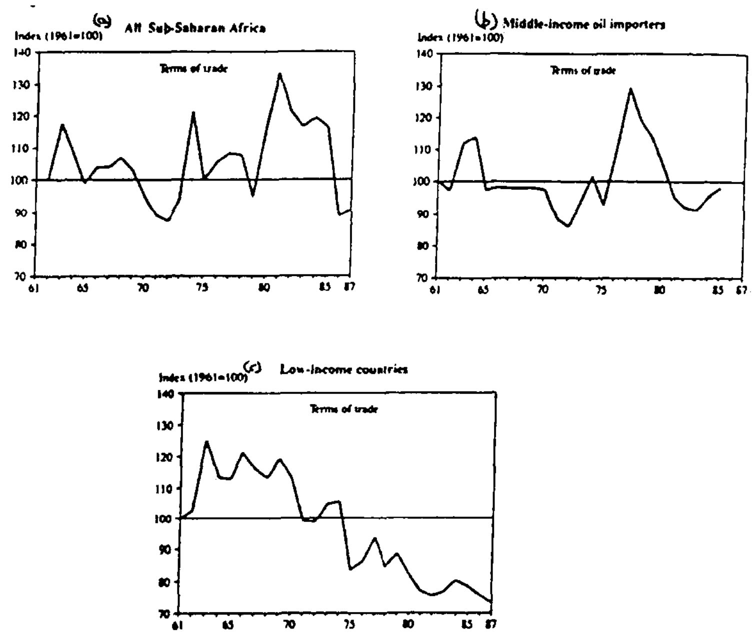
22 See Grilli and Yang (1988) and Ardeni and Wright (1990), who, using different methods, both estimate a long-term trend rate of decline of 0.6% *p.a.*

23 See Koester and Bale (1990) for a review of the effects of the European Community Common Agricultural Policy on developing countries.

having suffered a marked deterioration from the mid-1960s, although even within this group there have been variations.

Figure 3: **Terms of trade and income effect in Sub-Saharan Africa**
1961-87



Source: World Bank (1989, Figure 1.8).

Pickett (1990, pp.229-34) attempted to assess the effects on GDP growth of long-run terms of trade trends for a sample of 20 low-income SSA countries over 1966-86.[24] In all 20 the income effect of terms of trade trends were negative, but in most cases the effect was quite small. Worst hit was Zambia (whose terms of trade index fell 70% between 1966-73 and 1979-86), with Mauritania and Zaire also hard hit. All three are minerals exporters. For the

[24] He actually examined 21 countries but the data did not permit the estimated to be undertaken for Uganda. It appears that the columns of his Table 12.7 (p.232) estimates of income effects have been transposed and the table should be read accordingly.

others, however, the estimated income effects were relatively small, reducing estimated annual GDP growth by less than a third of a percentage point. This result is consistent with that of el-Farhan, reported earlier, who found that, although there was a positive association between the terms of trade and GDP growth, this was not significant, except during the 1970s.

For an analysis of the long run, it is, in any case, open to question whether we should view SSA countries as merely passive recipients of world prices. In the short run the small country assumption is appropriate but over a 20-30 year span the question becomes, why have those confronting long-run downward trends in the real prices of their traditional exports not responded by diversifying? To some extent the adverse terms of trade experiences of low-income SSA reflect an internal failure of response, in addition to external forces. To put it another way, if many Asian countries have had a better terms of trade record over the past two or three decades it is because they have reduced their dependence on exports facing weak global demand (see Table 2).

What of the 'fallacy of composition' argument? There is no question that IFI-sponsored adjustment programmes have been based on an export-led strategy and that in the short- to medium-term they have treated expansion of commodity exports as the best way of raising foreign exchange earnings. How serious is the danger of self-defeatingly large price-depressing effects depends crucially on the scale of commodity export expansion that can be linked to IFI programmes. Bank staff members dismiss the 'fallacy' argument by suggesting that SSA is a minor supplier on all but a few commodity markets but this is an unsatisfactory response, both because SSA is actually a major world supplier of several commodities[25] and because it is necessary to examine the adjustment-induced expansion from *all* sources, not just from SSA.

Another line of response might be that the fallacy argument imputes to adjustment programmes a potency that they do not possess and we will see later that it is indeed easy to exaggerate the effectiveness of such programmes. However, their effect in boosting exports is among the stronger programme results and Koester *et al.* (1989, pp.279-81) have shown that in at least one of the six cases they looked .t (cocoa), the price-depressing effects of expansion were likely to produce negative returns to new investment in this crop, with coffee as a marginal case - a result which affects the design of adjustment in such countries as Côte d'Ivoire and Ghana.[26] All in all, the fallacy argument cannot be dismissed, although it is often exaggerated.

What, now, about the argument that industrial-country protectionism has discouraged the export diversification that would reduce these risks? Here we can draw upon the results of a detailed study of protection facing SSA exports in the European Community, Japan and the USA by Erzan and Svedberg (1991). This shows the usual escalation of tariff rates from unprocessed to finished goods, and that SSA has not escaped the spread of non-tariff barriers, but their overall conclusion is unequivocal (p.123):

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[25] Svedberg (1991, Table 2.4) shows SSA to have supplied 30% or more of the world total in 1984/85 in seven out of 31 selected primary commodities. This number would be substantially increased if the list were extended to more minor commodities.

[26] In addition to cocoa and coffee, Koester *et al.* studied tea, cotton, sugar and groundnuts.

> *On the whole, SSA had a better deal in terms of both tariff and non-tariff protection . . . This was in part due to special preferential treatment, especially in the EC, and in part a consequence of the commodity consequence of its exports, heavy in primary goods . . . (T)here was no compelling evidence suggesting that protection in the major industrial markets has been a significant constraint on SSA's export growth. In fact, we found evidence to the contrary. Some SSA countries have benefited from protection restricting (MFA) - and in some cases virtually barring (CAP) - other developing countries' exports. In cases where SSA's exports were subject to 'hard core' barriers, they nevertheless had most often an advantage over other developing countries in market access. This finding rules out protection in the major markets as a cause of the poor* ***relative*** *export performance of SSA countries . . .*

This brings us to the proposition that the earnings instability associated with the commodity composition of SSA's exports has depressed economic growth. Although results differ according to the methods and models employed, and sample and period coverage, empirical tests relating to developing countries as a whole have not pointed to strong conclusions.[27] However, a study by Gyimah-Brempong (1991, pp.815-28) limited to data from 34 SSA countries for 1960-86 produces suggestive results. Employing a neo-classical growth equation he finds export instability to have a negative and significant effect on GNP growth - a result which is robust with respect to alternative measurements and which is consistent with Helleiner's (1986) finding that growth in Africa is adversely affected by *import* instability.

In concluding this discussion, two brief comments can be offered concerning allegedly negative external effects on capital account transactions. The first relates to the possible deleterious effects of aid dependency. Table 2 has already shown reliance on aid to be far greater for SSA than other developing regions; this is also true when expressed relative to gross investment or to imports. Killick (forthcoming [a]) surveys the evidence and shows there are major problems with excessive dependence, stemming from a proliferation of often poorly co-ordinated donors and projects, leading in the worst cases to a major loss of control by national governments over the composition and financing of public investment. However, this study also points out that, *despite its large absolute size*, studies have consistently failed to find a significant correlation (positive or negative) between aid and growth in Africa, and we have already reported el-Farhan's similar finding. Were aid dependence to have a strongly adverse effect, we would expect it to show up in such studies.

The second comment concerns the adverse effect of the external debt overhang. El-Farhan, it will be recalled, found the debt servicing ratio to have had a significantly negative effect in the more recent years; others have made a similar connection between SSA's debt and economic performance.[28] To some extent, external factors played a role, notably the terms of trade trends already discussed, reduced access to world capital markets and, to a modest extent, higher world real interest rates. However, domestic weaknesses have aggravated this

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27 See Gyimah-Brempong (1991, pp.815-17) for a brief recent survey of this literature.

28 See Mistry (1988); and Greene and Khan (1990) for discussions.

deterioration in the external environment. The central fact is that SSA's debt was, on average, acquired on far more favourable terms than was true of Latin America, both in regard to maturity and interest, as is shown by the following figures on the average terms on new loan commitments from all sources in 1980-89:[29]

	Interest (%)	*Maturity (years)*
All sub-Saharan Africa	5.3	23.0
Low-income SSA	3.4	29.0
Latin America & Caribbean	9.2	12.4

Most African countries simply did not enjoy the access to international capital markets to have borrowed on a large scale at high interest and medium-term repayments periods during the rapid expansion of Euromarket lending through the 1970s. Given the (average) terms on which they did borrow (chiefly OECD export credits plus development assistance), that many of them should have run into such large debt difficulties reflects not only their export performances but also the apparently low rates of return on domestic investment a judgement particularly valid for low-income borrowers.

Overall, then, various external forces have hampered the development of the economies of Africa. The strength of these retarding factors has varied from time to time and, of course, from case to case. But since we are forced to generalise, the evidence runs against those who see a hostile world economic environment as the main reason for SSA's comparatively poor post-Independence development record. However, no rounded judgement is possible until we have similarly examined the internal constraints on development - a task we now turn to.

2. The Influence of Policy Deficiencies

Modern policy analysis stresses the importance for economic performance at the micro and sectoral levels of the general policy environment within which they operate. This is applicable to the SSA case. While there are disagreements about the nature and importance of the weaknesses, there is general agreement that in a large proportion of SSA countries post-Independence policies (often building on colonial practices) gradually created distortions and inefficiencies on such a scale as to contribute in a major way to the continent's unhappy development record. In examining this proposition, trade policies make a natural starting point.

□ *Trade policies*

We earlier noted SSA's poor record on export volumes (Table 1), leading to declining world market shares and the failure to diversify into the export of manufactures. So complete was

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[29] *Sources*: World Bank, *World Debt Tables, 1990-91* and special tabulations. The figures for low-income SSA relate to 1981-90 and exclude Nigeria.

this failure that between 1960 and 1985 Africa's share of total developing-country manufactured exports fell from 9.3% to 0.4% (Riddell, 1990, Table 2A.3). This performance was not only weak compared with other developing regions but also by comparison with Africa's own performance in earlier years, with trends in export volumes dominating the effects of world price movements (Svedberg, 1991, pp.16-25). Explanations of this deterioration can be sought by reference to price incentives and various non-price factors.

Exchange rate policies make a natural starting point. The extreme case is represented by the countries of West and Central Africa which are members of the Franc Zone, who have had a nominal exchange rate that has not changed since 1948 (see Box, page 29). While not going to this extreme, most other SSA countries maintained 'adjustable peg' policies which led in practice to rather inflexible nominal rates during the 1960s and 1970s. At the same time (chiefly outside the Franc zone) inflation was more rapid than in Africa's trading partners. This combination led to a major appreciation of the real exchange rate in a large proportion of the countries of the region, mainly during the 1970s. The overall trend is shown in Table 5, showing an average real appreciation of 38% in 1969-71 to 1978-80. The effect of over-valuation was in practice mitigated by the growth of parallel markets in many countries (although not in the Franc zone because of currency convertibility), although this in turn gave rise to a number of serious economic distortions. For example, in the early 1980s the parallel rate for foreign exchange in Ghana was 20 to 30 times the official rate and a high proportion of all foreign exchange transactions were conducted through the parallel market, but the huge profits that could be made from access to imports at the official rate led to widespread corruption and other forms of rent-seeking. Similar, if less extreme, situations existed in many other SSA countries.

The disincentive effects of such trends for exporters (and import-substituters) were often compounded by other factors. The narrowness of the tax base and the difficulties of enforcing direct taxes led many SSA governments to rely upon taxes on international trade. Some taxed exports heavily, either overtly or covertly through state marketing monopolies offering producer prices well below the local currency equivalent of world market levels.[30] Quite apart from the revenues accruing to the state through these means, there was additional 'taxation' in the form of excessively high marketing costs on the part of the state monopolies.[31]

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30 See Bauer (1963) for a classic critique of the economic effects of West African marketing boards.

31 This could reach extreme levels. Thus, in Tanzania, where there was limited fiscal taxation of exports escalating marketing costs (in combination with currency over-valuation) absorbed increasingly large shares of the total local currency proceeds of commodity exports. Rwegasira (1984) provides the following figures on the percentages of world price being passed on to Tanzania's farmers:

	1969	*1980*
cashew nuts	70	35
coffee	81	45
cotton	70	45
tobacco	61	48

Table 5: Index of real exchange rates in selected African countries
(1969-71 = 100)

Country	*1973-75*	*1978-80*	*1981-83*
Cameroon	75	58	80
Côte d'Ivoire	81	56	74
Ethiopia	93	64	67
Ghana	89	23	8
Kenya	88	69	86
Malawi	94	85	94
Mali	68	50	66
Niger	80	56	74
Nigeria	76	43	41
Senegal	71	60	85
Sierra Leone	100	90	73
Sudan	76	58	74
Tanzania	85	69	51
Zambia	90	79	86
All sub-Saharan Africa	84	62	69

Source: World Bank, *World Development Report, 1986*, Table 4.2.

Note: The real exchange rate is defined as the official exchange rate deflated by the ratio of the domestic consumer price deflator to the U.S. consumption deflator. A fall in the index indicates exchange rate appreciation. Data are three-year averages.

There was also an implicit taxation on exporters resulting from high protection levels afforded local producers. DeRosa (1990 and 1991) shows low-income SSA countries to be exceptionally heavy protectors (especially in the forms of NTBs) and estimates that liberalisation would, on average, raise the price of exports relative to non-traded goods by between 15 and 34% (although he also found large inter-country variations). He estimates that the effects of this 'taxation' were to reduce exports by similar proportions and to discourage export diversification.

With over-valued exchange rates, fiscal taxation, x-inefficiency by state marketing boards and price biases induced by protectionism, the price disincentives against exporting were severe. Since there is abundant evidence that the farmers and entrepreneurs of Africa are price responsive,[32] it is unsurprising that export performance lagged.

There is more to it than just price, however. For suppliers to be fully responsive to price movements other conditions must be satisfied: supporting institutions and the basic infrastructure should be adequate; markets should be reasonably competitive and efficient;

[32] See Oyejide (1990) for a survey of the evidence.

there should be ready supplies of raw materials and other inputs. Each of these conditions probably deteriorated in the 1960s and 1970s (and in some cases, through the 1980s). Export-promotion services were weak, as was technology policy. There was a widely-observed deterioration in the systems of transportation (particularly in road networks), communications and marketing. This decay, in turn, almost certainly reduced market efficiencies, a decline further fostered by the protectionism just described, by instruments of financial repression (see below) and by price controls and other interventions fostered by a general distrust of market forces.

Poor agricultural performance and - in particular - inadequate import capacity starved exporters of needed raw materials, spare parts and capital goods, leading to a vicious circle in which poor export performance induced import scarcities which further undermined exports.[33] Shortages of imported consumer goods also weakened incentives, giving rise in extreme cases to apparently perverse supply responses. There is econometric evidence for this from Tanzania (Bevan *et al.*, 1987), supported by anecdotal evidence from elsewhere on the continent.

It is not possible to quantify the impact of these non-price constraints but there is little dispute that they were serious in many countries. For example, a detailed study of trade performance in six SSA countries in each case concluded on the *joint* importance of price and non-price constraints.[34]

Some measure of the significance of non-price factors in limiting supply elasticities may be gauged from the rather muffled responses of exports to the improved price incentives of the 1980s. Leaving the Franc Zone to one side, in this period far more SSA governments adopted flexible exchange rate policies and there were large depreciations. In consequence, and despite continuing problems with the control of inflation, there have been major *real* exchange rate depreciations since the early 1980s - see Figure 3 (although the steepness of the curve for Africa is strongly influenced by the large depreciation of the Nigerian naira). There has also been some action to abolish or reform some of the marketing boards.

Despite these changes, however, the response of exports has been sluggish, if in the desired direction. It appears that it was not until the late 1980s that a clear improvement in export volumes occurred, and even then data problems prevent us from being sure.[35] While it is

[33] Khan and Knight (1988) tested a model along these lines for a sample of 34 developing (not only African) countries and found a large, highly significant correlation between export volumes and the availability of imported inputs. See also Lyarkurwa (1991, p.17).

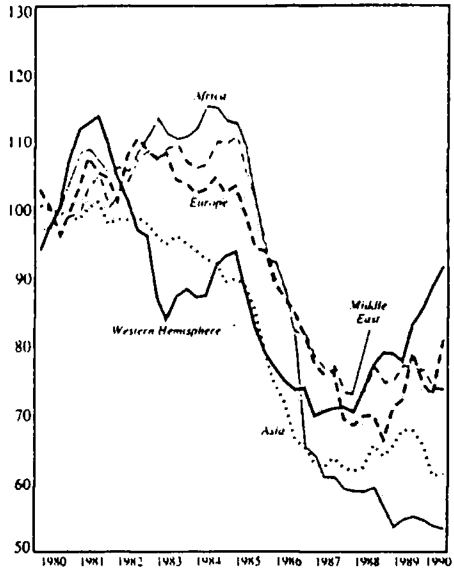
[34] Frimpong-Ansah *et al.* (1991, p. 8 and chapters 9-14). The six countries were Côte d'Ivoire, Ghana, Kenya, Nigeria, Tanzania and Zimbabwe.

[35] The IMF (1991a and b, Table A24) and World Bank (1991, Table A9) provide the following contrasting estimates of SSA export volume growth rates (*% p.a.*):

	IMF		*Bank*
1973-82	-1.0	1973-80	-0.2
1983-87	2.2	1980-87	-1.8
1986-89	0.3	1986-89	3.2

However, the IMF (1991b) estimates the growth of export volumes for 1988-91 at nearly 4% *p.a.*

Figure 4: **Developing countries: real effective exchange rates**[1]
(1980 = 100)



[1] Composites for regional groups are weighted averages, where countries' weights are dollar values of their respective GDPs during 1982–87. Because of the lack of appropriate domestic price data, the countries included for the Middle East and African regions cover only about 50 percent and 85 percent, respectively, of their regional GDPs. Coverage for the Western Hemisphere, Europe, and Asia is complete.

Source: IMF, *World Economic Outlook*, October 1990, Chart 15.

doubtless true that protection, taxation and the special problems of the Franc zone continue to bias relative prices against exports, the slowness of response re-emphasises that it would be a mistake to attribute the poor results of earlier decades exclusively to price distortions. At the same time, there is accumulating evidence that exports are responding in countries which have acted decisively to improve incentives, including the development (from a tiny base) of some manufactured exports.[36]

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[36] See, for example, Jebuni *et al.* (forthcoming) for a detailed study of non-traditional export response to policy reforms in Ghana.

To sum up, we see the weak performance of the export sector - diminishing quantities sometimes exacerbated by declining real world prices - as central to SSA's poor post-Independence development record. Domestically-originated price and non-price disincentives contributed to this and left the continent with a major foreign exchange constraint. With heavily trade-dependent economies and imports predominantly made up of producer goods,[37] this inevitably held back SSA's post-Independence economic development. This was illustrated by el-Farhan's finding of strong and significant positive association between SSA GDP growth and import volumes, reported earlier. Given the structure of the region's economies, policies which discouraged exports were about the worst possible choice.

□ *Other policy failings*

We will deal more briefly with the other ways in which past policy mistakes contributed to SSA's poor development record. A variety of failings deserve mention: policies which discriminated against agriculture; which discouraged the development of the financial sector and private enterprise; which neglected macroeconomic management; and which assumed for the state a range of interventions and powers which it was incapable of using to public benefit.

We have already deployed evidence bearing on *agricultural neglect*: the stagnation of *per capita* food production (Table 3); the poor (predominantly agricultural) export record; evidence of low and relatively declining agricultural yields; the depression of the relative prices of tradeable goods resulting from over-valued exchange rates, export taxation and high levels of industrial protection. To these can be added rising dependence on food aid and other imports. Although the (unreliable) official statistics probably overstate the seriousness of the relative decline of the sector and there have been large differences amongst African countries, the past overall weakness of agricultural performance has been widely recognised.[38] Policy weaknesses have by no means been the only cause of this but they have aggravated more deep-seated weaknesses. Bates has put the matter trenchantly (1991, p.117):

> *Governments intervened in markets that determined the incomes of farmers in ways that raised the prices that farmers paid for the goods they consumed, lowered the prices that farmers received for the goods they sold, and, while lowering the prices for farm inputs, conferred these benefits on but a small group of elite farmers . . . the agricultural policies of African governments violated the interests of most farmers.*

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[37] Steel and Evans (1984, Table 12) provide the following mean end-use composition of the imports of seven SSA countries in 1978-82 (percentages of total):

Consumer goods	20
Intermediate goods	49
Capital goods	32

[38] See Jamal (1988) for a dissenting view, however. These and other objections are briefly discussed in Killick (forthcoming [b], chapter 7).

Here again, we must note the large penalties attaching to such policy biases in economies still for the most part predominantly agricultural, with high proportions of the population still reliant on incomes derived from the rural economy.[39]

There is also ample evidence of *financial repression* in a high proportion of SSA countries (including within the supposedly liberalised Franc Zone):[40] administratively determined sub-market interest rates; direct controls over bank lending; and the use of state-owned banks and central bank powers to secure a disproportionate share of total credit for the public sector.[41] The interest controls, combined with inflation, led to negative real interest rates at levels comparable with those for Latin America and far below the rates for East and South Asia (Killick forthcoming [b], Table 8.1). There is evidence too (though less comprehensive) that this set of policies led to a crowding-out of the credit needs of the private sector, as well as contributing to low-productivity investments and retarding the development of the financial system.[42] With financial deepening an essential component of economic modernisation, these 'repressive' policies added yet further to the anti-growth biases of state interventions.

Fiscal weaknesses underlie a good many of the problems already discussed, although the inadequacy of public finance statistics prevent us from analyzing this with any refinement. Data on the deterioration in budget current account deficits are set out in Table 6. These show a deteriorating trend and demonstrate that the decline in SSA's gross savings ratio is almost entirely attributable to the worsening budget deficits. The problems of financing these in turn contributed to the balance of payments and inflationary pressures already described. They have also contributed to the difficulties which many of the region's countries have had in servicing their external debts, reflecting their small ability to mobilise through the public finances the transfers necessary if interest and amortisation commitments on the externally-held public (or publicly-guaranteed) debt are to be honoured.[43]

In addition to these macro-level consequences, fiscal pressures have also led to distortions and inefficiencies in public expenditure patterns. This has shown up in a number of ways: severe cuts in public investment programmes, because easier to reduce than current expenditures; a related under-utilisation of available aid through inability to provide local counterpart financing; what has become known as the 'recurrent-costs' problem, meaning

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[39] An estimated 72% of the population of SSA still lived in rural communities as late as 1989; the equivalent figure for 1965 was 86% (World Bank, 1991, Table 31).

[40] See Nelson's 1991 study of the Senegalese case.

[41] This evidence is surveyed in Killick (forthcoming [b], chapter 8). See also World Bank (1989a).

[42] See, for example, Agu (1988); Cole *et al.* (1988); and Hanson and Neal (1985) on Nigeria; and Killick and Mwega (1990) on Kenya.

[43] On this aspect see Scott (1991, pp.186-87), who develops the concept of the 'capacity to transfer'. For a general conceptual framework see Bacha (1990), presenting a three-gap model, where the third gap relates to the public finances, particularly in the face of large debt commitments.

Table 6:	Gross domestic saving in SSA (as percentage of GDP)		
	1972	*1981*	*1987*
Gross domestic saving	17.8	15.3	12.6
Fiscal current a/c deficit	-3.3	-5.9	-7.2
Private and other saving (residual)	21.1	21.2	19.8

Source: World Bank, 1989B, Table 8.1, p.165.

inadequate revenues to meet the intended standards of operation and maintenance of public services and infrastructure.[44]

These fiscal difficulties cannot all be attributed to policy failings, however. They are also the outcome of a small, inelastic tax base; large pressures for the provision of public services in the face of massive continuing needs; and the generally depressed state of the domestic economy. But some of the difficulties have been avoidable. Revenue collection has often been inefficient or worse. Tax structures have been slow to respond to the need for reforms. Revenues have often been severely depressed by the macro policy mistakes already discussed, especially exchange rate over-valuation. Governments have too often slipped into the trap of seeking to aid specific groups by providing general, and costly, subsidies. Expenditure planning has often been weak and excessively politicised, exacerbating the recurrent costs problem and resulting in low-productivity capital projects. Commitment to - and execution of - expenditure control has sometimes been weak, as is illustrated in the box on the Franc Zone. In consequence of these conditions, government consumption expenditures, relative to GDP, have grown a good deal faster in SSA than in other developing regions.[45]

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[44] On this, with a special focus on agriculture, see the collection of papers in Howell (ed.) (1985), particularly Howell's own introduction and the essay by Heller and Aghevli. It is often also said that social service expenditures are particularly at risk as a result of budget stringency and cuts introduced in adjustment programmes but the evidence suggests otherwise (Hicks, 1991), although the recurrent costs problem has certainly had serious effects on the supply of school teaching materials, and drugs and other supplies for public clinics and hospitals.

[45] As the following figures show, between 1960 and 1981 the share of government consumption in GDP increased by 47% in SSA as compared with 10% in East Asia and the Pacific, 30% in South Asia and 22% in Latin America and the Caribbean (general government consumption as % of GDP at current market prices):

	1960	*1981*
Africa South of the Sahara	9.7	14.3
East Asia and Pacific	11.2	12.3
South Asia	7.7	10
Latin America and the Caribbean	9.8	12.1

Sources: World Bank (1983); *World Tables*, Series IV (Table 3), Washington, World Bank.

THE EFFECTS OF THE FRANC ZONE *

Thirteen French-speaking countries are members of the Franc Zone, under which they have ceded substantial control over monetary, exchange rate policy and, to a lesser extent, fiscal policy to regional central banks in exchange for the advantages of a fixed nominal exchange rate (which has been pegged at 50 CFA francs to the French franc since 1948) and a currency whose convertibility is guaranteed by the French monetary authorities.

At least until the mid-1980s, these arrangements safeguarded against a number of the policy weaknesses experienced elsewhere on the continent. Franc Zone members did not suffer from the same problems of over-valued exchange rates, and their real exchange rates were a great deal more stable. Fiscal deficits were smaller and monetary growth less expansionary. A number of studies have concluded that these differences benefited the economic performance of the participants. Until the later 1980s member states had substantially faster rates of GDP and export growth; lower inflation and less of a foreign exchange constraint. Indeed, so persuasive were the advantages that some (*e.g.* Collier, 1991, pp.348-50) have urged similar arrangements for other SSA countries.

Others, however, now write of the Franc Zone as being in crisis. Certainly, much of the comparative advantage in economic performance seems to have disappeared in the later 1980s, with Franc Zone countries beginning to show inferior growth and export records, over-valuation of real exchange rates emerging as a serious difficulty in some countries (notably Cameroon and Côte d'Ivoire), and the system beginning to be perceived as operating to the advantage of the larger, richer members at the expense of some of the poorest nations in the world.

There are a number of problems with the system as it has come to be practised. Unlike earlier periods when the French franc was among the weaker of the OECD currencies, it has become stronger (and effectively linked to the Deutschmark) as a member of the European Monetary System. By contrast with the theory of how such currency unions should work, it has also become apparent that Zone member governments have been able to circumvent some of the regional central banks' monetary and fiscal controls to expand state spending, by accumulating large external debts, using public enterprises - and non-payment of bills - as means of evading expenditure limits, and various devices for enlarging the government's share of total domestic credit.

The emergence of over-valued real exchange rates is particularly difficult to deal with within the constraints of the fixed peg to the French franc, implying the need for a degree of disinflation that governments may be unwilling or unable to impose (as the difficulties of the Côte d'Ivoire demonstrate). Even more subversive, however, is the revealed willingness of governments to bend or evade rules upon which the long-term viability such a currency union depends. By the early 1990s more doubts were being expressed about the future of the system than had ever been raised before.

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* ODI (1990) provides a succinct discussion of the issues. For fuller treatment of this complex subject see Devarajan and de Melo (1987); Honohan (1990); Lane and Page (1991); and Nelson (1991).

An illustration of the essentially expenditure-driven nature of fiscal difficulties is provided by the substantial evidence that exists on the mismanagement of commodity booms (although this weakness is not confined to the governments of SSA). During temporary commodity booms tax revenues rise, directly through export taxes and/or via increased levels of imports and economic activity. Faced with this windfall the government succumbs to the temptation to raise public sector spending (often in hastily-considered ways), increasing civil service salaries, initiating new capital projects, expanding public services. When world prices, and government revenues, return to more normal levels the government finds it much harder to reduce expenditures accordingly than it did to expand them during the boom, leaving the budget in a weakened condition, with potentially grave consequences for inflation and the balance of payments. Such episodes are, for instance, well documented for Tanzania and Kenya, where the results of a coffee and tea boom in 1976-77 eroded the mechanisms of Treasury control over government spending so seriously that it took several years to restore control.[46]

A special tendency for the large-scale creation of various *public enterprises* and other parastatal agencies was a further symptom of the tendency to over-extend the sphere of the state - see Table 7.

Table 7: Share of public enterprises in output and investment

	Percentage share of GDP at factor cost 1974-77	*Percentage share in gross fixed capital formation 1974-77*
Sub-Saharan Africa	17.5	32.4
Latin America	6.6	22.5
Asia	8.0	27.7

Source: Short (1984),

A low standard of efficiency in public enterprises is not axiomatic[47] and some have good track records. Nonetheless, there are a disquieting number of indicators of low efficiency in the SSA case. We have already cited the high administrative costs of agricultural marketing boards. Stren (1988) has shown how public agencies have failed to keep pace with the demand for transport, housing and other urban services in African cities, with the consequence that private enterprises have sprung up to fill the vacuum. Killick (1983a) surveyed the evidence on the economic performance of industrial public enterprises in four SSA countries (Ghana, Senegal, Tanzania and Zambia) and found from limited information that there was a good deal of evidence of sub-standard performance and that it was difficult to point with confidence to any substantial achievements, except in the Africanisation of the skilled and managerial labour force (p.79).

46 See Bevan *et al.* (1990) for these case studies.

47 The evidence on the comparative efficiency of public enterprises generally is inconclusive - see Millward, 1988.

There is evidence, too, on the perverse and harmful effects of state attempts to use *administrative controls* over prices, imports and other variables, and the rent-seeking to which they gave rise, although most of it is seriously dated.[48] A final example of the way in which the reach of the state exceeded its grasp relates to the poor results secured from the *development planning* that was so extensively and vigorously adopted after Independence. Here too the African experience has been surveyed by Killick (1983b) utilising cross-sectional and country-case materials, concluding (p.57):

> *While there are pitfalls in the way of a satisfactory assessment and there have also been positive achievements to cite, there is no doubt that the general outcome . . . has been negative. Limited success has been achieved in meeting plan targets, which have been biassed towards over-optimism. Actual results show wide dispersions about target levels and planners seem impotent to modify more than marginally the impact of market forces. While country experiences have reportedly varied between the good (Ivory Coast) and the abysmal (Ghana and Senegal), all have failed in varying degrees to put their development plans into effect.*

The various policy weaknesses described point up a pervasive weakness of the post-Independence period: *the expansion of the economic role of the state beyond its capacity to operate efficiently.* Given the large share of the public sector in total investment and the sensitivity of the productivity of private investment to the economy-wide policy environment, it seems likely that this over-expansion caused the serious declines in the productivity of investment illustrated in Figure 4. If so, the revealed contrast with the South Asian case already gives us a strong proximate explanation of the differential performance of these two regions.[49]

This over-expansion moreover undermined the state as an instrument for economic change, by widening the gap between the expectations created and governments' ability to satisfy these expectations, alienating the people and creating what Ayoade (1988) has called 'states without citizens'. Indeed, some of the chosen forms of state intervention themselves hastened the decline of the state, by spawning parallel markets, eroding the tax base and diminishing those parts of economic life that came within the control of the state. Some governments have failed even to perform their most basic function, the provision of security to their peoples. Wars, civil and international, political instability and breakdowns of the rule of law have brought great suffering to Africans - displacing many, forcing others to retreat into the subsistence economy or to operate in the twilight zone of the parallel economy,

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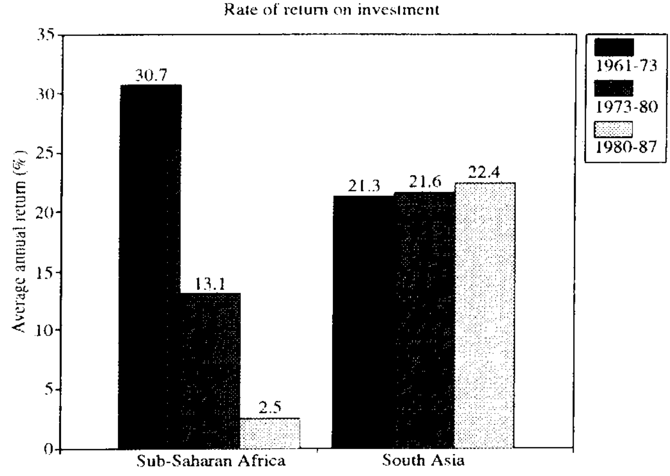
[48] On import controls see Leith (1975) and on price controls see Killick (1973). Both are based on evidence from Ghana.

[49] At the same time we should acknowledge the necessarily approximate nature of these World Bank estimates and note that the story they tell conflicts with the strong positive association found by el-Farhan between investment and GDP growth in SSA, reported earlier.

Figure 5: **Sub-Saharan Africa and South Asia: components of *per capita* income growth**



Source: World Bank, 1989, Fig. 1.9.

spawning burdensome armies that are as much part of the security problem as safeguards against it.[50] To quote the UNDP (1991, p.36):

> *In several countries, . . . problems have been compounded by political violence - cross-border conflicts, ethnic upheavals and civil strife. Angola, Burundi, Ethiopia, Liberia, Mozambique, South Africa and Uganda have suffered especially in this respect. By 1989 a combination of apartheid, social unrest and military skirmishes had created about six million refugees and 50 million disabled persons. Including the effect of natural disasters and difficult socio-economic conditions adds another 35 million displaced persons.*

Sandbrook (1991, p.105) has estimated the number of civil war deaths in SSA in 1963-87 at four million.

There were during the 1980s important changes in policies within SSA on the economic role of the state. These came partly as a result of the sheer unviability of continuing as before, partly through the 'conditionality' of the IMF and World Bank and partly as a consequence of the general change in the intellectual climate.

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[50] Recall el-Farhan's finding of a negative and significant medium-term relationship between political instability and economic growth (Table 4). Note also Gyimah-Brempong's (1989) finding of a trade-off between military spending and economic growth in Africa, because of its depressing effect on investment.

Significant reforms were introduced in a substantial number of countries (in Côte d'Ivoire, Ghana, Gambia, Nigeria, Tanzania, Togo and Uganda, to name but some): in the liberalisation of trade; in the reform of the financial system; in the de-regulation of prices. In other areas, progress was more patchy: in the privatisation or rehabilitation of public enterprises and other institutional reforms; in the reform of taxation and control of public expenditure; in the reduction of industrial protection. It is probably a fair judgement that in only a few countries did the changes comprise a decisive break with the revealed weaknesses of the past. This may explain the only slight improvement in SSA's economic performance in the most recent years of the period.

If this is an accurate judgement and the preceding analysis is right to place so much emphasis on the negative effects of policy weaknesses - weaknesses which were sustained for many years despite deteriorating economic results - the question arises, why was the policy response so slow? Why were dysfunctional policies allowed to remain in place for so long even though governments' popularity, even legitimacy, was undermined by the resulting economic decline?[51] And why has progress with reform been slow? To answer such questions we need to go outside the frontiers of economics, to examine the political, historical and cultural forces that may help to answer these questions.

[51] In support of this proposition, el-Farhan (forthcoming, chapter 6) finds a statistically significant relationship which runs from GDP growth to political stability: the slower the growth the greater the incidence of instability.

IV. BEYOND ECONOMICS[52]

1. The Biases of the Patrimonial State

We earlier (page 26) quoted Bates to the effect that government policies in many SSA countries had violated the interests of most farmers. He went on to add that such a phenomenon calls out for a political interpretation. Others agree on the centrality of political explanations of SSA's poor comparative economic performance. The World Bank (1989b, pp.60-61) - in a passage inserted at the insistence of its African advisers - placed on the international agenda a view which had already attracted a good deal of intellectual support:

> *Underlying the litany of Africa's development problems is a crisis of governance . . . Because the countervailing power has been lacking, state officials in many countries have served their own interests without fear of being called to account. In self-defence individuals have built up personal networks of influence rather than hold the all-powerful state accountable for its systemic failures. In this way politics becomes personalised, and patronage becomes essential to maintain power. The leadership assumes broad discretionary power and loses its legitimacy. Information is controlled, and voluntary associations are co-opted or disbanded.*

In an influential contribution based on a study of the operation of marketing boards, Bates (1981) responded to his own call for a political explanation. Writing broadly within the traditions of the public choice school, which sees those involved with the state as using it to maximise their own welfare, Bates sees governing groups as maintaining their positions by seeking coalitions of allies willing to support them in return for economic rents. He thus explains the exploitation of Africa's farmers in terms of a state dominated by an urban-based coalition of industry, commerce and the public bureaucracy, to which is added a small elite of large-scale farmers.

Others have taken this view further, writing of the African state as predatory upon the economy, using its legal monopoly on the use of violence to maximise the 'profits' of government. Frimpong-Ansah (1991, p.57 and forthcoming) has developed such a model to interpret the recent history of Ghana and, more generally, the persistence of dysfunctional trade policies in Africa. He sees the African state as taxing its prey (the economy) almost to the point of extinction, until the decay of the economy reaches crisis point and political change becomes inevitable. This, no doubt, is an extreme view, raising the question why the 'predators' would see it as in their interests to allow the economy to deteriorate to this degree, but it is a view that its author formed through an intimate personal experience of economic policy-making in Africa.

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[52] This section is much influenced by the work of my colleagues John Healey and Mark Robinson (forthcoming), from which I have borrowed extensively. They provide an excellent survey of the literature on the political systems of Africa and their economic consequences.

More influential among political scientists are models which present the state in terms of personal rule or 'patrimonialism' (*e.g.* Jackson and Rosberg, 1982; Sandbrook, 1985), where the position of the ruler and his government is maintained by patron-client relationships, based for the most part on familial and ethnic loyalties. Followers are rewarded with preferential access to loans, import licenses, contracts and jobs. Institutional rules and constitutional checks and balances are swept aside by the competition for patronage and the struggle to maintain power. Rulers have themselves voted 'president for life'; the dubious virtues of one-party rule become the official ideology; open political competition is banned or carefully delimited; the distinction between the public and private domains becomes blurred.

Governments which conform to this model are unlikely to secure a satisfactory record of economic development. Indeed, that is scarcely among their objectives. Sandbrook, for example, sees personal rule, and the patron-client relationships which underlie it, as destructive of capitalist development, with the pursuit of personal aggrandizement 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. Such states, he argues, become less and less capable 'of maintaining the political, legal and economic conditions that a flourishing capitalism requires' (1986, p.328).

Callaghy (1984) and MacGaffey (1988) have provided vivid accounts of the consequences of personal rule in the extreme form it has taken in Zaire and the consequential decay of the state. MacGaffey:

> *In Zaire those with political position have used the power of their office to seize control of the economy . . . to acquire manufacturing, wholesale and retail businesses and plantations. However, they have neither managed their enterprises in a rational capitalist fashion nor invested their profits in expansion of their businesses and improved production . . .* (p.175).
>
> *The ruling class is not a true economic bourgeoisie; it is one that loots the economy and collapses effective administration. It is thus unable to exercise the control over production necessary to maintain its dominance and must resort to consolidating its position by participating in the more lucrative activities of the second [parallel] economy* (p.172).

Fortunately, only a minority of African countries have been driven to the benighted condition of Zaire, although a much larger number is marked by personal rule and the consequences of that. Although much of the evidence is country-specific and/or anecdotal, the logic of the model and a good deal of the evidence suggest that patrimonial political systems give rise to systematic policy biases:

(a) Emphasis on the appropriation and distribution of resources by the state, rather than on growth and wealth creation.

(b) The growth of the state relative to the private sector, in order to maximise the opportunities for patronage and reward, including the creation of public enterprises.

(c) For the same reason, forms of intervention which provide the agents of the state with direct and discretionary control, as against operating impersonally through price incentives, *e.g.* import controls instead of the exchange rate.

(d) The politicisation of investment decisions, at the expense of economic criteria.

(e) A pro-urban, anti-smallholder bias, along the lines suggested by Bates.

(f) The growth of crony capitalism (as in Zaire), to the frustration of genuine local entrepreneurial talent.

(g) A low level of responsiveness to the problems of the general population and to changing economic circumstances.

This is a model which resonates well with political realities as they existed in a good many SSA countries at the beginning of the 1990s. It also yields predictions of policy consistent with many of those noted in Part III: the over-extension of the state; the choice of direct controls over market-oriented policies; the choice of inward-looking strategies; financial repression; the neglect of smallholder agriculture; the persistence of 'policy mistakes' long after their anti-developmental effects have become evident.

At the same time, we should not get carried away by the explanatory power of any single model of African politics. Here especially we must beware over-generalisation. A few SSA countries have established democratic traditions (Botswana, Gambia, more recently Namibia and Senegal). There are a good many military regimes, which vary from the benign to the awful. Some of these do not appear to fit into the patrimonial model, which is essentially about civilian politics.

Moreover, there were increasing pressures for political change in many African countries by the early 1990s, with a number of former dictators being forced to give way to more pluralistic systems. Indeed, there were higher hopes for democratisation across SSA than at any time since the immediate post-Independence period. However, there were also grounds for caution about the possible economic consequences of democratisation, which, in effect, qualify the 'patrimonial' explanation of policy weaknesses.

First, it is not only the patrimonialist states which have experienced severe economic difficulties. While Botswana's record is outstandingly good (but so are its diamonds!), Gambia and Senegal have had ups and downs, including periods of great difficulty, culminating in IFI-supported adjustment programmes in the 1980s. Second, just as patrimonialism introduces biases into policies, so does pluralism. Empirical research does not find a robust connection between democracy and high-quality economic policies, any more than dictatorship is *systematically* associated with poor economic results.[53] Finally, it is the essence of the public-choice and, to a lesser extent, the patrimonialist models that these political systems are seen as *rational* responses to the social and economic realities of African rulers. If this is so, it does not bode well for the future working of democracy.

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[53] This is the theme elaborated by Healey and Robinson (forthcoming).

And it implies the continuation of apparently sub-optimal policies. Sandbrook (1991, p.111) has put the point persuasively:

> *. . . factional loyalties and patronage will continue to be the 'glue' that holds many fissiparous states together and permits governments to govern. Enlightened structural adjustment policies, recognising the importance of the state to economic recovery, will need to take account of these political exigencies. This will mean trading off some short-run efficiency to enhance governability. Public bureaucracies and public policies have legitimate, if unacknowledged, goals other than efficiency and distributional justice. What appears from an economistic viewpoint merely as 'waste' or 'mismanagement' may play a significant role in preserving order and some measure of unity. 'Reform' in sub-Saharan Africa is a far more complicated business than many realize.*

2. The Influences of History and Social Structure

The post-Independence political systems just discussed are not rootless orphans of history. They are products of historical experiences, and of the distinctive social values and structures of their peoples. Some observers would attribute SSA's poor comparative post-Independence economic record to such factors. Various questions arise. How did history and social structure influence the economic policy choices that were made after Independence? How are they connected to the spread of anti-developmental political systems? Above all, how do they help us to understand why SSA's development experience has been worse than that of other developing regions - what is different about Africa?

One feature which is different from, say, most of Asia is low population densities.[54] A number of writers see this characteristic as having far-reaching implications for political processes. In pre-colonial times, the majority of 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 (Hyden, 1986, p.54). The favourable land-labour ratio and the low carrying capacity of much of Africa encouraged disperse settlements and a history of voluntary migration in search of food, pasture and trading opportunities (Hopkins, 1986, p.1479). These factors and the prevalence of pre-modern cultivation techniques meant low productivity in agriculture and the lack 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 formal ties of kinship.

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[54] As at 1960 population densities (per km^2) were estimated as follows, although such averages of course conceal huge inter-country differences within each region (UN *Statistical Yearbook, 1975*, Table 2):

Africa	13
Asia	80
Latin America	15

Such social structures were, of course, modified by colonialism, for example through the alienation of land and forced commercialisation of agriculture, but they were rarely transformed by it.[55] A key feature of colonialism - covering not only Britain but France and other colonial governments - was their insistence that colonies should pay their way and not become a burden on the 'home' budget. This led in the British case to 'indirect rule', as the most cost-effective way of governing an empire with a handful of personnel, committing the colonial authorities to supporting traditional rulers and the relations of production on which they depended, and often enhancing ethnic divisions.[56]

Although the French philosophy was different, with their territories administered as *départements* of France and the principle of assimilation of indigenous population, the budgetary imperative limited the actual extent of assimilation. The educational system was so neglected that the number of colonial subjects who qualified for assimilation was small (Fieldhouse, 1986). Many bureaucrats in the French territories still owed their position to the status they enjoyed in traditional society. The principle of the balanced budget was thus in conflict with the 'modernisation' of the French and British colonies alike.

In the view of writers like Hyden, the survival of traditional social structures through the colonial period, and the superficiality of any social 'modernisation' as a result of European rule, makes Africa unique in the developing world and imparts a special character to the nature of its political organisation. In the urban areas immigrants continue to seek support from members of their own tribe or village and as a result urban dwellers continue to behave in ways more akin to villagers than an urban proletariate. Hyden calls this structure 'the economy of affection' and views the role of ethnicity in African politics as closely tied to this perpetuation of links to the countryside. It results, he argues, in vertical (ethnic) and not horizontal (class) political groupings which characterise African society, and in structures hostile to formal bureaucratic principles.

Without the power and authority of their imperial overlords and as the cement of anti-colonialism lost strength, post-colonial rulers lacked adequate indigenous legitimacy to rule over the ethnically diverse communities that had comprised the colonial state. Despite the grafting-on of democratic forms during decolonisation, the colonial state left a far older legacy of authoritarianism and group rights, derived from the tradition of indirect rule and the co-optation of traditional authorities.[57]

Colonial borders which lacked geographical or ethnic integrity made matters worse, committing governments to the maintenance of artificial unions, sometimes in the face of considerable opposition. Expenditure on security was consequently an important component of the growing fiscal deficit, sometimes intensified by the impact of the cold war.

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55 Fieldhouse (1986) and Hopkins (1986) both note this feature.

56 In fact, ethnicity in modern Africa is viewed by some as a relatively modern creation, in which the experience of colonisation played an important part. For a survey of approaches to ethnicity in modern Africa see Vail (1989), who also presents case studies.

57 On this see Young (1986).

Inexperienced political leaders were thus faced with the most daunting task of maintaining their authority and the integrity of their nations in the face of divided societies and fragile states. At a personal level they tried to guarantee their dominance over the political establishment by a process of reward and by placing confidants in positions of power. In the fluid political economy of post independence Africa, placing members of the same lineage or clan in important positions was an obvious way of guaranteeing their allegiance. At the national level, the legitimation crisis could be partially offset by maintaining the welfare strategies of the previous decade and by using the selective provision of welfare services as a means of rewarding and generating public support.

A further legacy of British colonial administration in many territories was the practice of taxing cash crops, which newly-independent governments merely took over and extended (Young, 1986).[58] Often lacking large mineral resources or alternative sources of revenue, the metropolitan insistence that colonies be self financing meant that colonial administrations increasingly came to rely on the taxation of export crops, often through marketing board monopolies. This subsequently facilitated the urban bias that we have earlier noted as a frequent feature of post-Independence SSA.

In the run-up to Independence, however, the thrust of colonial policy changed. Increasingly it was felt that an imperial presence could only be justified in the name of social and economic development.[59] This led to a flow of grants and soft loans under the British Commonwealth Development & Welfare Acts and the French *Fonds d'Investissement pour le Développement Economique et Social* (FIDES) programme. In the decade after World War II prices for colonial produce improved to the point that larger development expenditures could be reconciled with the fiscal constraints of the metropolitan powers.

The efficient operation of the marketing boards in the British colonies generated substantial revenues for the colonies which enabled an enormous increase in state expenditure. In the French colonies loans under the FIDES program enabled the colonies to run huge deficits in their balance of payments (Fieldhouse, 1986, p.14). There was a surge in development and welfare spending. Even in colonies like the Belgian Congo a rudimentary education system rapidly expanded to enrol 70% of school-age children by Independence and state outlays there rose elevenfold in 1939-59 and tripled again by 1962.[60] Such increases were typical of the last years of many colonies and the experience of this was to leave a lasting impression on the nationalist leaders who led their countries to Independence.

The colonial experience also had an influence on the new leaders' attitudes to the outside world (although this was less the case in former French colonies), many of whom agreed with Kwame Nkrumah's doctrine that political independence was meaningless without economic

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[58] This was not true of the French colonies but after independence the governments of Francophone Africa were quick to notice the revenue potential of this source of taxation - which was, indeed, one of the few cost-effective sources available to nascent tax administrations.

[59] See Fieldhouse (1986) for a detailed discussion of the conflicting pressures on the old imperial powers during this period.

[60] Quoted in Young (1986, p.32).

independence. From this it was an easy step to pursue a relatively closed-economy approach to development, the nationalisation of foreign-owned companies[61] and a rapid Africanisation that paid little heed to the consequences for efficiency.

Leaders of this type of persuasion were sympathetic to the views of the dependency school, which although it had its roots in Latin America made ready converts among African intellectuals.[62] Dependency writers viewed economic autonomy as the starting point and a way of breaking the cycle of underdevelopment that participation in the world economy was thought to induce. Countries that adopted this approach therefore had to rely on agriculture and trade as the chief means of generating funds for investment in structural transformation. The common emphasis on taxing the existing agricultural base to support industrialisation and large scale commercial farming meant that ideologically opposite regimes, in different parts of Africa, pursued similar developmental goals with similar policies, but with different degrees of coercion and openness to the world economy.

Even those who remained sceptical of the dependency position were influenced by the prevailing consensus in development economics.[63] This reinforced their own predilection for a process of development which depended on state led expansion in many sectors of the economy. They saw a need for the structural transformation of their economies by forcing an increase in domestic capital formation. They attempted to increase the investment ratio by a combination of agriculture taxes and foreign borrowing. Profits generated in agriculture could be used to fund industrialisation, which was seen as the ultimate destination and objective of most economic policies.

If we return now to the questions with which we started this section, the short answer is that the conjuncture of demographic, social and historical influences that were unique to SSA resulted in a situation ready-made for the spread of clientelist-based political systems. That these operated in fragile nation-states reinforced the incentive to use patronage and a centralised authoritarianism to hold the state together. These factors combined with the experiences of late colonialism and various intellectual influences to result in many of the policy choices which hindsight now shows to have been anti-developmental. We can add that the economic decline in many SSA countries, together with the excesses and unresponsiveness of authoritarian governments, in turn, added to the crisis of legitimacy. This resulted in many of the policy reforms noted earlier and, by the beginning of the 1990s, in often irrepressible movements for political reform.

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[61] According to Sandbrook (1985, p. 136), between 1960 and 1974 more foreign firms were expropriated in Africa than in any other part of the world.

[62] For a detailed discussion of the intellectual inheritance of post-Independence African leaders see Sklar (1986).

[63] This case is argued by reference to the Ghanaian case by Killick (1978, especially chapter 2).

3. The Influence of Population Growth[64]

Since it reflects a high-fertility culture related to the economic and social characteristics just discussed, we can here consider the hypothesis that rapid population growth helps to explain SSA's poor comparative development performance. We observed in Table 1 that SSA has the highest rate of demographic expansion among developing regions and that, alone among them, the rate of increase accelerated, leaving the average in 1985-90 at 3.2% *p.a.* Individual countries had growth rates well above the average: *e.g.* Zambia (3.7); Kenya (3.9%); and Côte d'Ivoire (4.1). Is it not likely that such extraordinary expansions in numbers have retarded the pace of development?

Partly because of the intrinsic difficulties of tracing the interactions between demographic and economic variables, there is a dearth of direct evidence with which to test this hypothesis. However, we should recall here el-Farhan's results reported in Part II. These were (a) that growth of total GDP was *positively* associated with population growth but (b) that growth of *per capita* GDP was *negatively* correlated. This suggests that each increase in population results in some accretion to value-added but by an amount less than the previous average *per capita* level. However, (c) few of her results for the POP variable were statistically significant, so that, at most, the effects of demographic expansion were weak.

Various reasons can be hypothesised why population growth might retard average incomes. A high child dependency rate is a characteristic of a rapidly expanding population: output per active member of the labour force has to be shared among a larger number of mouths. This, in turn, is liable to depress saving and investment rates, and hence the growth of the economy. Such a tendency may be reinforced from other directions. An expanding population, and the young age structure which goes with it, places pressure on the public provision of eduction, diluting the quality of the schooling that can be offered and/or diverting resources that might otherwise be invested more productively. Rapid population growth is also likely to lead to accelerated urbanisation which will similarly absorb resources, because of the extra high-cost investments needed in urban infrastructure and services.[65]

If for these reasons net productive investment is reduced, this will likely slow down the rate at which technological improvements are embodied in the productive system. Expansion of the population may also lower productivities. Even if the investment level remains unchanged, the more rapid expansion of the labour force means that there will be less investment per worker, tending to lower output per man. There will also be growing pressures on natural resources that are non-renewable or which can be expanded only with difficulty. The low population densities which characterise much of Africa diminish but do not eliminate this problem, *e.g.* causing soil erosion in semi-desert and dry bushland areas

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[64] For useful surveys of modern approaches to the population-development nexus see Birdsall (1988) and World Bank (1984). On the African case see particularly Boserup (1985), Sai (1986, 1988), and the World Bank (1986).

[65] Urbanisation may occur in the absence of population growth but the evidence from SSA suggests that much of it results from push factors in the rural areas, including the growing pressure of population on the land. Becker and Morrison (1989) found that only 8% of SSA's urbanisation could be explained by urban pull factors. See also Sai (1986).

such as the Sahel and in parts of Kenya and Ethiopia, where there are high population densities and pre-modern cultivation techniques.

We should, in any case, not restrict ourselves to enquiring into possible effects on average incomes. Development is about more than that and there is *prima facie* reason for thinking that rapid population growth has negative influences on the quality of life. In particular, it is likely to bear especially hard on the poor, aggravating the problem of poverty. It is also likely to be associated with the social ill-effects of open unemployment and rapid urbanisation: shanty towns, crime and drug abuse. Finally, Africa's high fertility rates are closely bound up with the generally low status of women and the limited opportunities available to them.

At the same time, we should keep this in perspective, as el-Farhan's results remind us. Population growth has its most detrimental effects when there are already large pressures of population on resources. Although the pressures are growing, most SSA countries are still characterised by low densities, with agriculture commonly still operating at the extensive rather than the intensive margin.[66]

In such situations the expanding labour force associated with population growth can be thought of positively, as enhancing productive resources. In sparsely populated areas there may also be economies of scale in the provision of public services,[67] although that is an argument to be treated with caution. It is also possible, as Boserup has consistently argued, that growing population pressures act as a stimulus in rural communities for the introduction of improved standards of husbandry. To the extent that her results signify genuine correlation, it is presumably forces of this type which explain el-Farhan's positive association between the growth of population and total GDP.

To sum up, it would be wrong to place large weight on demographic explanations of SSA's poor development experience. Indeed, the continent's rapid population growth is as much a result of the poor record as a cause of it. Nonetheless, it has surely made progress that much harder in already extremely difficult conditions and has magnified the ill-effects of the policy mistakes and other constraints discussed earlier. Moreover, densities are steadily rising and with them pressure on resources. Leonard (1986) has suggested that the mid-1980s were a threshold period during which the land frontier became an increasingly binding constraint and resulting environmental damage an increasingly serious problem. It is presumably for such reasons that African governments have gradually moved from their former scepticism to the adoption of measures to reduce fertility.

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66 Note the following estimated population densities (per km^2) as at 1987 (from UNESCO *Statistical Yearbook, 1989*, Table 1.1):

Africa	20
Asia	105
Western Hemisphere	20

67 A desire to tap these was one of the explanations offered for the ill-fated creation of *Ujamaa* villages in Tanzania.

V. SOCIAL CAPABILITIES AND THE PROBLEMS OF CATCHING UP

In our search for explanations of SSA's comparatively poor development record there are still a number of factors to consider which differentiate it from other developing regions. Most of them have to do with the initial conditions at the time of Independence and the particular difficulties these could be predicted to create for Africa's long-run development.

We have already had a good deal to say about ways in which colonial experiences and policies impinged upon social structures and the capabilities of the state. We now need to bring in further features of the colonial legacy (but without entering into the controversy whether conditions would have been better or worse without colonialism). In particular, we should stress the poor state of the capital stock at the time of the hand-over.

First, the infrastructure was often minimal. The chief capital investment was often a single railway line constructed to facilitate the transportation of agricultural produce to the coast for export. The cost of this investment meant that the colonial authorities were slow to build roads (Fieldhouse, 1986, p.35). There were virtually no links between adjacent West African states. Even in 1976 the extent and quality of Africa's road network was significantly poorer than in Asia.[68] Other forms of infrastructure were poorly developed. Energy consumption *per capita* (measured in coal equivalent kilograms) was in 1960 only 76 compared with 356 for all low income countries.[69]

Of even graver significance was an acute shortage of educated and trained personnel, reflecting the slight development of the educational system until the years immediately preceding Independence. The number of people with advanced education was often negligible.[70] There were no universities in the French territories and only a few in the British colonies. There were few technical schools or colleges to provide industrial and managerial skills (Fieldhouse, 1986, p.35). At Independence the new states were still largely populated by people who were illiterate and innumerate. Despite the large educational expansion that has occurred since, Africa's relative disadvantage persists, with much lower school enrolment rates than in any other region of developing countries.[71]

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68 Ahmed and Rustagi (1987) provide data on the density of the road network for 11 SSA countries with a mean of 0.05 kms of road per km^2 of land area, against figures of 0.35, 0.41 and 0.41 for Bangladesh, India and Indonesia respectively. They also show that in these three countries an average of 36% of their roads was paved, against a mean for the SSA countries of 14%.

69 World Bank, 1981, Annex Table 6.

70 In the World Bank's *Accelerated Development for Sub Saharan Africa* (1981, Annex Table 38) the proportion of people enrolled in tertiary education relative to the population aged 20-24 in 1960 was less than half of one per cent in 16 of the 18 SSA countries for which estimates could be provided, compared to 2% for all low income countries taken together and 4% for middle income countries and 17% for industrialised countries.

71 See World Bank (1991, Table 29).

The new states were also, of course, poor and it is tempting to include this poverty as an explanatory factor, along the lines of poverty-trap models.[72] But while such models may indeed throw light on the special difficulties of low-income countries generally they do not, in fact, help us to explain the African case, since initial income levels were, on average, rather higher than in South and East Asia (always assuming that such comparisons are meaningful).

The tiny initial size of the domestic market is more persuasive. Line 1 of Table 2 above illustrates this by reference to the average value of GDP. A separate estimate for African and comparable-sized economies suggests that even in 1988 their internal market for industrial goods was only around one three-hundredth of the market in the average OECD country (Killick forthcoming [b], Table 4.1). This has obvious implications for the possibilities of industrialisation in the pervasive presence of economies of scale. This difficulty has been made more intractable by the absence of effective regional co-operation on industrial policies and, indeed, the disintegration of some of the regional bodies created under colonialism.[73]

Low incomes and small economies, poor communications and infrastructure, and great scarcities of many kinds of skilled manpower - these are not conditions in which we can expect markets to operate very smoothly, even when policy interventions do not make things worse. The evidence points to often low levels of market efficiency at the time of Independence (and through to the present time): dualistic labour and capital markets; the predominance of monopolistic or oligopolistic structures in manufacturing, banking and parts of distribution and trade; incomplete markets for rural credit and insurance.[74]

How might we assess the impact of these initial conditions on SSA's weak comparative development performance? Modern development theory particularly stresses the importance of human skills as a key resource, not the least because of its influence on the rate at which technological improvements can be incorporated into the productive system. Consistent with this, Barro (1991) has found the initial stock of human capital to have a substantial positive influence on economies' ability to catch up with more prosperous countries.[75] We have seen SSA to have been particularly disadvantaged in the supply of educated people, and the latest World Bank report on SSA (1989b, chapter 3) re-emphasises the centrality of larger and better investments in people if Africa's development record is to be improved (a task made

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[72] Such models are, of course, out of fashion but recent econometric work by Barro (1991, p.437) has found that GDP growth is positively associated with the initial level of *per capita* income when other explanatory variables are held constant.

[73] There is a substantial literature on the history and modalities of regional co-operation in SSA. For useful recent contributions see Hazlewood (1991), Johnson (1991) and Robson (1990).

[74] See, in particular, Lele's (1988, pp.196-204) exploration of market efficiency in Africa's present-day rural economies and of the implications of the remaining deficiencies for policy.

[75] We should recall here, however, that el-Farhan got generally weak results from the inclusion of the literacy rate in her tests of the sources of SSA growth (Table 4), which conflicts with the view being argued here. However, the literacy ratio is such a poor proxy for the stock of human capital that the absence of statistically significant results is unsurprising.

all the more urgent by the rapid spread of the AIDS virus in Africa, particularly among educated young adults).

We can also posit an important role for industrialisation in long-run development, along the lines of findings by Kuznets, Chenery and others, in which case a combination of tiny domestic markets, a poor supply of skilled labour and policies which discriminated against exporting can be seen as particularly crippling.

Flowing from these factors, Lall (1989) argues that industrialisation in Africa has been crucially held back by shortages of what he calls 'industrial capabilities'. This can be understood to refer to the skills, institutions and organisational arrangements that will permit firms to utilise suitable technologies and deploy their resources efficiently. Lall argues further that such was the tiny base of indigenous industrial capabilities with which independent SSA started that the main determinant of industrial development has been the success of each country in mobilizing and deploying non-African industrial capabilities.

Lall, then, takes us in the direction of also looking beyond the availability of labour skills to the effectiveness of institutions. Although it is not a feature which can be readily demonstrated, the malign effects of incompetent or corrupted police forces and judiciaries, out-dated laws and hidebound or venal public administrations were surely considerable in parts of the region. There are also questions about the supply of entrepreneurship. The general view on this is that there is no such shortage, only a scarcity of economic environments which encourage the expansion of private enterprise.[76] However, there remain doubts about whether enough of Africa's entrepreneurs have access to sufficient know-how to enable them to bring the needed modernisation to the continent's productive system.

Lall's notion of industrial capabilities is reminiscent of Abramovitz' (1989, pp.222-24) use of the idea of 'social capability' as a determinant of economies' ability to catch up: 'One should say, therefore, that a country's potential for rapid growth is strong not when it is backward without qualification, but rather when it is technologically backward but socially advanced' (222). If we consider the relative positions of SSA and most Asian countries around 1960 with this proposition in mind we would predict what happened in reality: slow African growth outstripped by Asia.

If we again contemplate the initial SSA condition of a predominantly primary production base, a sparse infrastructure, little trained labour, weak institutions, poorly functioning markets and weak states we might make another prediction: economic inflexibility, a low capability of adapting to changing needs.[77] This too seems to fit the facts, for it appears that the response of African economies to adjustment measures has been sluggish by comparison with other developing economies. A World Bank evaluation of its experiences with structural adjustment programmes (1989c) concluded that differential results were weaker in SSA (and in heavily-indebted countries), and a study of the results of adjustment programmes in 17 SSA

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76 For developments of this theme see Elkan (1988) and Marsden (1990).

77 For a development of this theme and of the proposition that flexibility is a rising function of economic development see Killick (forthcoming [b], chapter 3).

countries by Mullei (1991) similarly found weak results. Although the evidence on the short-run effectiveness of IMF programmes in SSA is mixed,[78] we have referred earlier to the continent's chronic tendency to persistent balance of payments difficulties, which suggests that long-run effectiveness is low.

If we are right in suggesting that the characteristics of SSA economies results in inflexibility, their difficulties with stabilisation and adjustment programmes are easy to understand. This, in turn dampens long-run growth, because of the negative feed-back from foreign exchange shortages (and perhaps inflation).

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78 This is reviewed in Killick *et al.*, 1991, pp.15 and 24.

VI. SUMMARY AND CONCLUSIONS

1. Summary

The argument of this paper can be summarised in the following propositions:

1. Notwithstanding poor data and considerable inter-country differences, SSA's post-Independence record on economic growth, modernisation, macroeconomic management and, to a lesser extent, social welfare has been poor, when judged against the aspirations of its peoples and the achievements of other developing regions. The paper has been directed to explaining this, particularly why SSA's performance has been generally inferior to that of other Third World regions.

2. Explanations have been sought from different directions. As regards *economic explanations*, only modest weight has been given to two commonly asserted sources of difficulty: a hostile world environment and rapid population growth. Even the overhang of external debt, which is strongly linked with the stagnation of the 1980s, is seen primarily as reflecting domestic weaknesses. Poor export performance, and the factors contributing to that, have been given pride of place, including past exchange rate over-valuation and various other policy interventions which have biased incentives against exports. The declining productivity, and limited volume, of investment have also been stressed, as have the adverse consequences of fiscal weaknesses and the over-expansion of the economic role of the state.

3. Economic explanations only take us so far, however, for they leave unanswered the question why anti-developmental policies were adopted and allowed to remain in place for so long. To answer this we looked at *political factors*. Political instability is one source of difficulty but we pay particular attention to 'patrimonial' models of African politics. Such models seem able to predict quite a number of the policy weaknesses previously described, which increases their persuasiveness, although we point out the dangers of over-generalising about Africa's varied political reality. In any case, the patrimonial model still leaves us with the question, why Africa and not other regions?

4. This search thus led us into the *historical and social* particularities of the continent, concluding that a conjuncture of demographic, social and historical influences unique to SSA resulted in a situation ready-made for the spread of clientelist-based political systems. The fragility of post-Independence nation-states reinforced the incentive to use patronage and a centralised authoritarianism. These factors combined with the experiences of late colonialism and various intellectual influences to result in many of the policy choices which hindsight shows to have been anti-developmental.

5. We finally drew attention to other comparative disadvantages with which SSA entered the 1960s, in terms of the stock of human and inanimate capital, technological capacities and institutional development which together define the region's '*social capabilities*' for rapid economic development. And we stressed the problems created

by the smallness of the domestic market and the economic inflexibility which characterises most SSA economies.

2. Conclusion

History, particularly the colonial inheritance, emerges prominently from this analysis. Major objections suggest themselves, however. If the initial conditions were so oppressive, how can it be that most indicators suggest relatively good economic performance in the 1960s and into the 1970s, with the worst coming later? Is it not implausible still to be blaming colonialism thirty years after Independence?

The answer to the first part of this challenge is that the effects of weaknesses that can be traced back to the 1960s were gradual and cumulative. Poor export performance only gradually imposed a serious constraint on import capacity and it was only in the 1970s that the commodity terms of trade of low-income SSA began to seriously deteriorate. The seeds of fiscal deterioration were sown in the sixties but it was only later that this resulted in major deficits. It is plausible to postulate a similar delayed reaction to poor public enterprise performance and other manifestations of the over-expansion of the state. The marginal productivity of capital began to decline in the sixties but it was only later that this became most serious.

However, that it is increasingly implausible to attribute Africa's economic ills to colonialism is surely right, not the least because the anti-colonial argument begs the counter-factual question of what would have happened to Africa's economies in the absence of colonial rule. The argument here restricts itself to the proposition that the interaction of colonialism and traditional social structures created conditions at the time of Independence from which it could be *predicted* that SSA would have greater difficulties in economic development than, say, Asian ex-colonies; and led to political systems incapable of responding adequately to economic crisis. No historical or sociological determinism is intended; merely a plea to be willing in the search for an understanding of SSA's development problems to look below the economic surface.

Evidently, then, we reject any simple diagnosis of SSA's situation, and any single solution. It is not the purpose of this paper to present a blue-print for the future. There is no shortage of advice from other sources.[79] One pointer that does emerge is that getting prices right and markets to work better is important but by no means all the story. 'Policy reforms' without changes in underlying social 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, accelerated no doubt by rapid urbanisation. While the pressures for more open political systems hid a naive assumption that democracy would bring economic improvement, they did appear to reflect a deep-seated desire to break with the patrimonial past and for more responsive forms of government. If the governments of the

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[79] The latest (1989b) World Bank report on SSA is particularly recommended for the long-term view it presents and the (albeit rather undiscriminating) richness of its policy recommendations.

future 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 three decades of African Independence. If instead things continue as before the prospects are bleak indeed.

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odi @ gn.uucp (GreenNet)
10074: SKK1133 (Telecom Gold)