

AFRICAN ECONOMIC DEVELOPMENT

AFRICAN ECONOMIC DEVELOPMENT

SECOND EDITION

EDITED BY

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Foreword to the Second Edition

I am delighted to write the foreword for the second edition of *African Economic Development*.

The first edition published by Academy Press, an imprint of Elsevier Science in 2003, has been well received. The useful collection of 23 original essays has been very influential and filled a void in the teaching of African economic development at various levels in universities and other institutions of higher learning all over the world.

Since the first edition was published, there have been several developments in Africa. After almost two decades of stagnation and decline, one and a half decades (2000–2014) have been a period of sustained economic growth before the commodity slump of 2014, leading to the recent euphoria on African renaissance. The growth was not only spread across countries, with about 40% of them growing at 5% or above, but it was also broad-based with many sectors contributing (resources, finance, retail trade, agriculture, transportation, and telecommunications).¹ During this period, inflation fell to single-digit levels in several countries and foreign reserves increased in most countries. Also in most African countries, the overall business climate improved, stimulating notable increases in foreign direct investment inflows. There was also a quick recovery from the global economic and financial crises of 2007–2008, such that the continent's average growth in 2012 was almost five times the average growth in the Eurozone. Some of the world's fastest growing economies are now in Sub-Saharan Africa while Africa's private sector has also become an increasingly powerful engine for change, driving innovation and transforming outdated business models. Foreign direct investment has also increased by a factor of six over the past decade. With Kenya's mobile money M-Pesa, drones delivering vaccines and blood to Rwanda, and supplying just-in-time information to winegrowers in South Africa, it is increasingly evident that Africa is on its way to becoming a place of immense innovation and creativity.

Despite these recent developments, there are still some palpable challenges. Africa's economic growth slowed to 3.6% in 2015, and decelerated further to 1.6% in 2016, the lowest level in the last 20 years, challenging the "Africa rising" narrative. The sharp decline in aggregate growth reflects the adverse external

¹McKinsey and Company (2011). Lions on the move: The progress and potential of African economies. Retrieved from <https://www.mckinsey.com/global-themes/middleeast-and-africa/lions-on-the-move>.

environment and challenging economic conditions in the region's largest economies and commodity exporters—Angola, Nigeria, and South Africa—as they continue to face headwinds from lower commodity prices, tighter financing conditions, droughts as well as sluggish growth from the North African countries still rebuilding after the Arab Spring². This notwithstanding, there is variation across countries, particularly between resource and non-resource-rich countries. While countries in East Africa led the pack of fastest growing economies – not just in Africa, but also in the world in 2015 – overall, Africa's growth trend remains below pre-financial crisis levels. A modest rebound is foreseen in the medium term, as commodity prices continue to pick up gradually.

African countries, with a few exceptions, have also been far less successful in raising per capita incomes, reducing poverty, and transforming their economic structures. Although the incidence of extreme poverty has fallen from 57% in 1990 to 43% in 2012, it remains high, and slower growth is deepening the challenge of reducing poverty. Recent growth in Africa has not been accompanied by significant structural transformation. Indeed, the economic structures of several African countries, especially resource-rich countries, became more concentrated, making them more vulnerable to external shocks. Moreover, Africa's recent growth has not been as inclusive as desirable, thereby failing to provide remunerative employment opportunities. Achievements in the area of human development remain unsatisfactory despite improvements in school enrolment rate and child/ maternal mortality. Climate change has become a major threat so also is migration with images of thousands of African youth drowning in the Mediterranean, propelled by poverty or conflict at home and lured by the hope of jobs abroad. These are some of the issues that preoccupy this volume.

This updated second edition by Emmanuel Nnadozie and Afeikhena Jerome is a collection of 23 chapters from leading scholars on Africa including Paul Collier, Achim Steiner, Jean- Philippe Platteau, Augustin Fosu, Olu Ajakaiye, Thomas Jayne, and Marcel Fafchamps just to name a few. Subdivided into four sections, the book offers authoritative insight and unique perspectives on different facets of the process of economic development in Africa. The chapters cover the major influences on growth and development over time and their effects, the institutional context, as well as the significant or unique problems which have slowed or undermined Africa's growth and efforts being made to counter them.

It is my hope and expectation that this book will provide an effective learning tool and reference resource for students and professionals interested in African economic development.

Dr. Ngozi Okonjo Iweala

²See World Bank Group (2016). *Africa's Pulse*, No. 14, October 2016. World Bank, Washington, DC.

Foreword to the First Edition

Africa is suffering. In the 40 years since the ending of colonialism, the continent has been smitten by three catastrophic droughts, civil war in countries that encompass more than half of all its inhabitants, the Tutsi genocide, six wars between African states, an AIDS epidemic of vast proportion, and adverse movements in its terms of trade. If we may describe these events as “external shocks” over which those in charge of the management of Sub-Saharan economies had little control, there were a variety of “internal factors” that have also contributed. Thus advances in national output have been repressed by economic policies that often include expenditure on grandiose projects and quick-fix economic controls. The former has drained precious tax proceeds and the latter has worked to destroy incentives to produce. And African economies have further been weakened by a blanket of theft cast by their national leaders and public servants. Such theft takes the form of fiduciary looting by those at the top and by pervasive corrupt exactions by those below charged with administering the nation’s social and economic programs.

Yet the picture is not one of unmitigated gloom. Despite the common perception, Africa is not “a continent under intolerable strain, poised between crisis and catastrophe.” A true social and economic crisis would produce a fall in life expectancy – yet, AIDS notwithstanding, life expectancy is up by almost a quarter since 1960. Child mortality has been cut in half. Female literacy, with all it entails for health and childcare, at 48% is greater than in South Asia or North Africa. Higher up the ladder, female enrolment in secondary schools has risen from about 3 to 23%. Access to potable water is now over 30% as compared to 10% in 1970. As one of Adam Smith’s primary determinants of the market’s size, and hence advances in the division of labor, the network of paved roads between 1970 and 1990 had risen from 3.8 to 8.9 kilometers per 1,000 square kilometers. Agricultural yields per acre for most of the basic staple crops are up substantially since the early 1960s – 29% for cassava, 43% for wheat, 57% for corn, and 65% for rice. And Africa has had its own information explosion in terms of newspaper circulation, radio, and TV ownership with expansions of five- to fifteen fold in the past 25 years. With more information disseminated across society, the foundations for improved decision-making are laid, not only in matters of economics but also for politics. A better-informed electorate makes it that much harder for authoritarian regimes to retain power. Such regimes have recently been replaced by multiparty electoral systems in Nigeria and Ghana – joining six smaller countries – so that over a quarter of all Africans now live in functioning democracies, as fragile and imperfect as they may be.

For the students of this volume, these disparate elements of gloom and hope, of progress and stagnation will become part of an intelligible whole. Borrowing Sir Frederick Lugard's term, its authors have set themselves a "dual mandate." The first part of that mandate is to provide a comprehensive survey of Africa's economic development. Early chapters by Emmanuel Nnadozie and Mario Azevedo set out the essential facts, diversity, and unique features of its climate, topography, and history that have shaped the postcolonial experience. In the chapters that follow, virtually every sector of the economy – agriculture, health, education, communications, labor, financial markets, and trade – is described and its performance over the past 40 years evaluated. No other book on African economies can boast such breadth. Indeed, one would have to go back to Lord Hailey's magisterial 1,800-page *An African Survey of 1945* for a comparable scope. Interestingly, Lord Hailey's opening paragraph setting out his objectives applies equally well to the present undertaking:

This work is not limited to a discussion of the state of our knowledge regarding the problems which are involved in the development of Africa; it attempts also to describe the physical and social background out of which these problems have arisen, and to analyze the factors which, so far as can now be seen, must determine their solution.

The second part of the mandate set by our authors relates to Lord Hailey's final point, analyzing the factors which must determine the solution to Africa's current ills. Leading scholars in their field – Paul Collier, John Quinn, John Mbaku, E. Wayne Nafziger, Kwabena Gyimah-Brempong, Marcel Fafchamps, James Duesenberry – probe deeply into the adequacy of contemporary economic and political theory as they apply to Africa's problems. The focus is on economic policy and the empirical testing of policy prescriptions. How the formulation, adoption, and implementation of those policies are impacted by ethnic diversity, political instability, corruption, and globalization are closely scrutinized.

Few stones are left unturned. Other topics explored include the continent's experience with structural adjustment programs, the potential of regional cooperation and of utilization of the Internet, and the economics of conflict and humanitarian emergencies.

"Seek ye first the political kingdom." In the final chapter of this volume, Arthur Goldsmith and his coauthors offer the proposition that the leaders of Africa have, in effect, run Thomas Hobbes' Leviathan in reverse. In a state of nature, it is "all against all," where no rules prevail, uncertainty reigns supreme. Here human life is "nasty, poor, brutish and short" and, it hardly need be added, the returns to effort and enterprise, to savings and investment are highly problematic. To escape this predicament, a social contract is struck where the people submit themselves to an independent political authority who provides in exchange social peace and "commodious living." No mean attainment, Adam Smith judged this state of things to be in itself the necessary and sufficient condition for economic development: "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and tolerable administration of justice; all the rest being brought about by the natural course of things." During the late 1960s and the 1970s, Africa's leaders breached the social contract, sewing disorder and compelling

their subjects to fall back on traditional and informal mechanisms. Once the contract is securely reinstated, once the extraordinarily difficult task of returning good government to Africa has been accomplished, then and only then will a sustained development process be possible. This book makes important scholarly and policy contributions by providing a multitude of insights into Africa's development conditions. African decision makers must be open to learn from and act upon the type of analysis and policy prescriptions set forth in this volume which points to the roads to be avoided and the roads to be taken.

Peter Kilby

Preface

African Economic Development, Volume 2 is prepared for use at the university level for courses such as African Economic development, Economic Development and International and African Studies.

The book is comprehensive and eclectic: therefore, accessible to a wide audience. It pays great attention to maintaining balance among the economic development theoretical constructs. The text also covers critical African development issues in a comparative, cross-sectional and sound pedagogical procedure using appropriate theoretical tools.

The book is structured and written both for students who have had some basic training in economics and for those with little or no formal economics background. The textbook may also be useful to undergraduate and graduate students and others who are interested in African development. It highlights and explains, at appropriate points, essential principles and concepts of economics that are particularly relevant for the understanding of African development problems and issues. These concepts are also defined in detailed and extensive glossary. Thus, the book should be of special value in undergraduate and international courses that attract students from a variety of disciplines. In addition, the coverage is broad in scope and rigorous enough to satisfy any undergraduate and certain graduate economics requirements in the field of economic development.

What this Book Contains Approach

This book contains chapters from prominent scholars, which focus on African economic development. The chapters examine both the political and institutional frameworks in which economic development takes place.

Further, they consider the economic situations in African countries, including their relationship with rich nations.

The book provides answers to the four fundamental questions: (1) What is African development and how is it unique? (2) What appears to have caused development to occur in more advanced regions and do current economic theories explain Africa's performance? (3) How can we bring about development in Africa and what is the role of the state? (4) In the current era of globalization, what should be the relationship between richer nations and African countries, especially with regards to aid, debt, and trade?

Hence, the chapters in this book deal with issues such as the causes of Africa's underdevelopment, poverty, income distribution and income inequality, development and human welfare, the theories of development, and strategies for Africa's economic development. The chapters recognize the historical realities of African countries and adopt a pragmatic approach that balances the different schools of thought within the spectrum of African development thinking to make the book comprehensive and more holistic. Accordingly, the various chapters of the book:

- Provide a comparative approach to elucidate real-world development issues using appropriate theoretical tools.
- Emphasize a problem-solving scenario by characterizing the problems and proposing suitable solutions.
- Use cross-sectional and time series data from various parts of Africa.
- Adopt multidimensional and interdisciplinary scope thus presenting the different dimensions and perspectives of the issues.
- Deal, from an economic point of view, with the critical issues relating to women and development, the environment, wars, famine, migration, and health.
- Recognise development problems and solutions from institutional and structural perspectives.
- Understand the growing global interdependence and the role of the information age in Africa's economic development.

Organization and Content

The book is organized in five parts. Part I introduces Africa and African economic development. This segment is designed to provide the reader with the basic development concepts, the characteristics of the African continent, and African development challenges. In chapter 1, Emmanuel Nnadozie provides a justification for the study of African economic development and stresses the usefulness of non-economic variables in explaining Africa's development trajectory. He follows this up in Chapter 2 with an overview of Africa's development since independence by several African nations mostly in the 1960s, highlighting major developments over time and the diversity in the 55 countries that currently constitute Africa. Emmanuel Nnadozie and Afeikhena Jerome appraises the various definitions and measurement of growth and development in Chapter 3 and came up with the conclusion that there is no generally acceptable definition of both concepts as their meaning and context keep changing over time.

Part II deals with Africa's characteristics and the development challenges. In Chapter 4, "Geo-economy and History", Mario J. Azevedo provides the reader with a brief history and geography of Africa. Azevedo's chapter presents a succinct but useful set of basic information for the reader. Marcel Fafchamps in Chapter 5 presents a well-developed exposure on the usefulness of economic theory in explaining Africa's development experience. Fafchamps revisited his chapter in the first volume and argues that most of his original analysis still stands. He then presents a

number of insights on how growth and prosperity would unfold in the next decade. Noteworthy is the observation that Africa could become the most dynamic and vibrant region of the world by 2050 if investments are steered in the right direction.

Climate change has become a major threat to Africa, putting at serious risk the attainment of the 2030 Agenda for Sustainable Development and Africa's Agenda 2063. Achim Steiner in Chapter 6 from a vantage viewpoint as former head of UNEP evaluates climate change, the environment and sustainable development in Africa and notes that Africa is the most vulnerable continent to climate change in spite of contributing the least to global warming. The continent is already severely impacted by adverse impacts of climate change. In light of some perceived weaknesses in countering the adverse impact of climate change in Africa which Steiner identifies to include weak climate and environmental governance frameworks, limited capacity to attract climate and environmental finance and investment, and poor access to climate data and information. The author recommends a proactive response to reverse environmental damage by shifting to a more environment-friendly and sustainable Development in Africa.

In Chapter 7, Jacob Adetunji focuses on the nexus between population and economic development in Africa. The importance of this chapter lies in the fact that while population is slowing down in the rest of the world, Africa's population is set to double to 2.4 billion people by 2050 according to projections by the United Nations. Adetunji argues that higher population growth rates, which lead to higher labour force growth rates, constitutes one of the major challenges to African development.

Nick Vink, Norma Tregurtha and Louw Pienaar's contribution in Chapter 8 focuses on the challenges of poverty. Essentially, the authors illustrate how basic choices or capabilities can be accounted for in the measurement of poverty to ensure a policy more suited to understanding the plight of poor people. This was accomplished through a case study of farm workers on commercial farms in South Africa.

Ayodele Odusola, in Chapter 9, appraises the nexus between growth, poverty, and income inequality with a view to determining policy actions that make the relationship mutually reinforcing in Africa. Some of the options put forward include macro and micro-level interventions directed at tackling overlapping deprivations, increased use of social safety nets and proactive engagement in rural infrastructural transformation.

Part III of the book discusses critical issues in Africa's economic development in the areas of ethnic diversity, health, education, conflict and corruption. Paul Collier's chapter "Implications of Ethnic Diversity" sets the tone by providing a refreshing view on the consequences of ethno-linguistic fractionalization in Africa. Collier highlights the role of primary commodity, the degree of fractionalization and the diaspora in explaining conflict and provides useful policy suggestions.

Jean-Philippe Platteau, in Chapter 11, examines the economics of religious conversions, which the author claims to be particularly interesting in Africa given that monotheistic churches coexist with traditional practices. Drawing on insights from several parts of Africa, he came up with two main prepositions. First, traditional religions are gradually giving way to new religions that are typically monotheists

and sufficiently flexible to accommodate erstwhile practices imbued with magical beliefs. Second, the gradual rise of new religions and the corresponding decline of traditional religions are conducive to capital accumulation, risk-taking and economic growth though the evidence is still limited.

Chapter 12 by Augustin Fosu addresses institutions. Based on a review of the extant literature, the chapter observes that there have been improvements in the measures of economic and political institutions in Africa and these improvements are positively associated with the rising tide of economic development in Africa.

Africa is going through profound shifts in its demography, economics, technology, politics and environment and this has huge implications for human capital development, especially with the population set to more than double by 2050. Mario J. Azevedo, Akim T. Lukwa and Olufunke A. Alaba address, in Chapter 13, the subject of health and argues that Africa is in a health crisis which is depleting both the human and economic resources needed for development and disease eradication. The factors which they identified as responsible for the crisis include natural climate conditions, the colonial legacy, unwise policies introduced by the African leadership, and Africa's international debt burden.

Mario J. Azevedo and Emmanuel Nnadozie, in Chapter 14, take stock of developments in education in Africa. They note that education contributes both directly and indirectly to economic development by improving human capital, productivity of labour, economic growth and human and social welfare. The authors argue that despite recent accomplishments in literacy rates, like the colonial educational system, the post-colonial African educational systems have been inadequate and have had difficulty adapting to the development needs of the African people.

In Chapter 15, John Ohiorhenuan evaluates the issue of leadership as it applies to the process of development based on a multi-disciplinary reading of the leadership literature complemented with that of the developmental state. The chapter considers what leadership means, the factors required for effective leadership and what kind of leadership is required in the process of development and lessons for development in Africa.

In Chapter 16, John Mukum Mbaku discusses the problem of corruption in Africa and its negative effects on economic development. Mbaku argues that while corruption is a serious development problem for most of the countries on the continent, several countries notably Botswana, Mauritius, Namibia and Tunisia are making significant progress in fighting this scourge.

Part IV, "Sectoral Analysis", begins with Chapter 17, "Agricultural Transformation and Economic Development," by T. S. Jayne, Rui Benfica, Felix Kwame Yeboah, and Jordan Chamberlin. The authors present a framework for agricultural transformation and identify eight major trends signifying the transformation of agriculture and broader agri-food systems in parts of Africa. They note that despite the variability in progress across countries, the region's agricultural transformation is unfolding in ways that are often quite different from the stylized facts of the smallholder-led Asian green revolution, which until recently has been considered the blueprint for agricultural development in most of Africa.

Innovative finance mechanisms have grown in use recently especially in developing countries where the need for finance to support development programs is immense. Chapter 18 by Nicholas Biekpe and Odongo Kodongo identifies and briefly review several such mechanisms currently in use. The authors pay special attention to agricultural value chain finance, an important innovation in the African context, given the critical role agriculture plays in income and wealth creation in the continent.

Chapter 19 by Afeikhena Jerome, Emmanuel Nnadozie and David Nabena appraises Africa's Energy Conundrum. The chapter documents the various developments taking place in the sector to meet universal energy access especially in renewable energy. These include the increasingly prominent role played by China in the sector, and the influx of a wide range of new actors inspired largely by the United Nations Sustainable Energy for all initiative (SE4All). Several innovations are also being witnessed in the sector including South Africa's Renewable Energy Independent Power Producer Procurement Program, Morocco Rural Electrification Program and unprecedented growth in rural electrification through the use of pico-scale solar photovoltaic (PV) appliances and micro-grid solar home systems (SHS) especially in East Africa.

The revival of industrialization in Africa against the background of policy mistakes which resulted in disappointments with efforts to industrialize so far and the atypical transformation from agriculture to low-productivity services currently being observed in several countries is the focus of Chapter 20 by Afeikhena Jerome and Olu Ajakaiye. The authors note that in addition to tackling major constraints such as the perceived weaknesses of the private sector and infrastructure deficiencies, the Fourth Industrial Revolution (4IR), which is driven by technologies such as automation, additive manufacturing, and the industrial Internet of things is irrevocably transforming manufacturing and Africa needs to adapt to this changing trend.

Part V, the final segment of the book, deals with development challenges, policies and strategies. Una Osili, in Chapter 21, addresses the issues of migration and remittances which remains a relatively unexplored area despite their increasing relevance to economic development. The author identifies unique challenges and opportunities that exist in harnessing remittances for development purposes using the case of Nigeria that accounts for 60% of all the remittance flows to sub-Saharan Africa, and is ranked sixth among the top remittance receiving countries in the world. The author draws on two key major surveys – the UK Nigeria Remittance Corridor and the US Nigeria Migration Survey.

In light of the prevailing policy reversals and economic fluctuations which have been the norm in Africa, restarting and reigniting growth is the focus of Chapter 22 by James Duesenberry, Arthur Goldsmith and Malcolm McPherson. The authors develop a framework for thinking about how growth and development can be reignited and sustained in Africa.

In the final chapter, Olu Ajakaiye and Afeikhena Jerome review Africa's development experience and policy practice since the 1960s when several African states attained independence to enrich an understanding of the nexus between policy and

performance as well as guide future actions. The chapter recommends that African leaders should take advantage of the ongoing onslaught on globalization to forge old and new alliances to lay the foundation for a stable, prosperous continent as laid out in Africa long-term vision *Agenda 2063: The Africa we want*.

To sum up, this book attempts to provide a multidimensional perspective on ways of bringing about development to Africa. The principal goal is to demonstrate how Africa's development challenge is multifaceted and not solely dependent on economic variables. In reality, however, the prescriptions for Africa's economic development problems have not matched the diagnosis. With few exceptions, the underlying prescriptions and their modus operandi have often been in form of a one-size-fits-all programs prescribed mostly by outsiders. Since the 1960s, Africa has suffered from faulty and inappropriate advice by well-meaning but often ill-informed, sometimes biased and politically motivated "expert" advisers from outside Africa. The bottom line of this book is that Africa's performance is influenced by its history and its geography. More eclectic approaches and models of growth must be developed in order to better understand the significance of other non-economic variables, including historical, political, socio-cultural, geographical, environmental and international factors.

From this book we can identify four key issues:

- (1) There are no absolute solutions to Africa's problems, especially since many of the largely economic development prescriptions for African countries are of little relevance to the continent. We can also learn that ethnic diversity, colonial legacy, political instability, democracy, culture and geography are being raised as possible causes of Africa's underdevelopment within the mainstream of economic thinking.
- (2) There is a need for increased pragmatism and lessened ideological or political focus. Each African country must adopt a pragmatic choice of policies based on its historical, social, political, economic and environmental realities. Policies could carefully mix interventionist and market-oriented approaches.
- (3) In many respects, the economic environment is improving in Africa as we see in various chapters in the book despite the recent commodity slump. The macro-economic policy environment is changing through economic reform and financial institutions are also reforming. Labor market reforms are underway but need to intensify. There is a need to invest heavily in infrastructure.
- (4) Regional integration is slowly building up in Africa. With the signing of the African Free Trade Agreement (AfCFTA) in March 2018, Africa is set to become the largest free trade area in the world. However, concerted efforts are needed to implement this agreement. Regional organizations such as ECOWAS, SADC and EAC are, in spite of their numerous problems, slowly beginning to address the problems of market size, multiplicity of inconvertible currencies and inadequate infrastructure.

The passage of time has shown that dire predictions about other regions have been wrong. The performance of other regions, coupled with the achievements of a

number of African countries, suggests that a significant reduction in poverty is possible in Africa. Nonetheless, what is needed for Africa to develop are the right leadership, better governance, good institutions, human and physical capital investment, and international support.

The usual disclaimer applies in the production of this volume. The views and opinions expressed in this publication are those of the authors and do not necessarily reflect the official policy or position of our employers or institutions with which we are affiliated.

Emmanuel Nnadozie and Afeikhena Jerome
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