

PLS 343

Politics of Sub-Saharan Africa

Week 11, Lecture 2:

Economic development—postcolonial policy-making and its limits

Recap

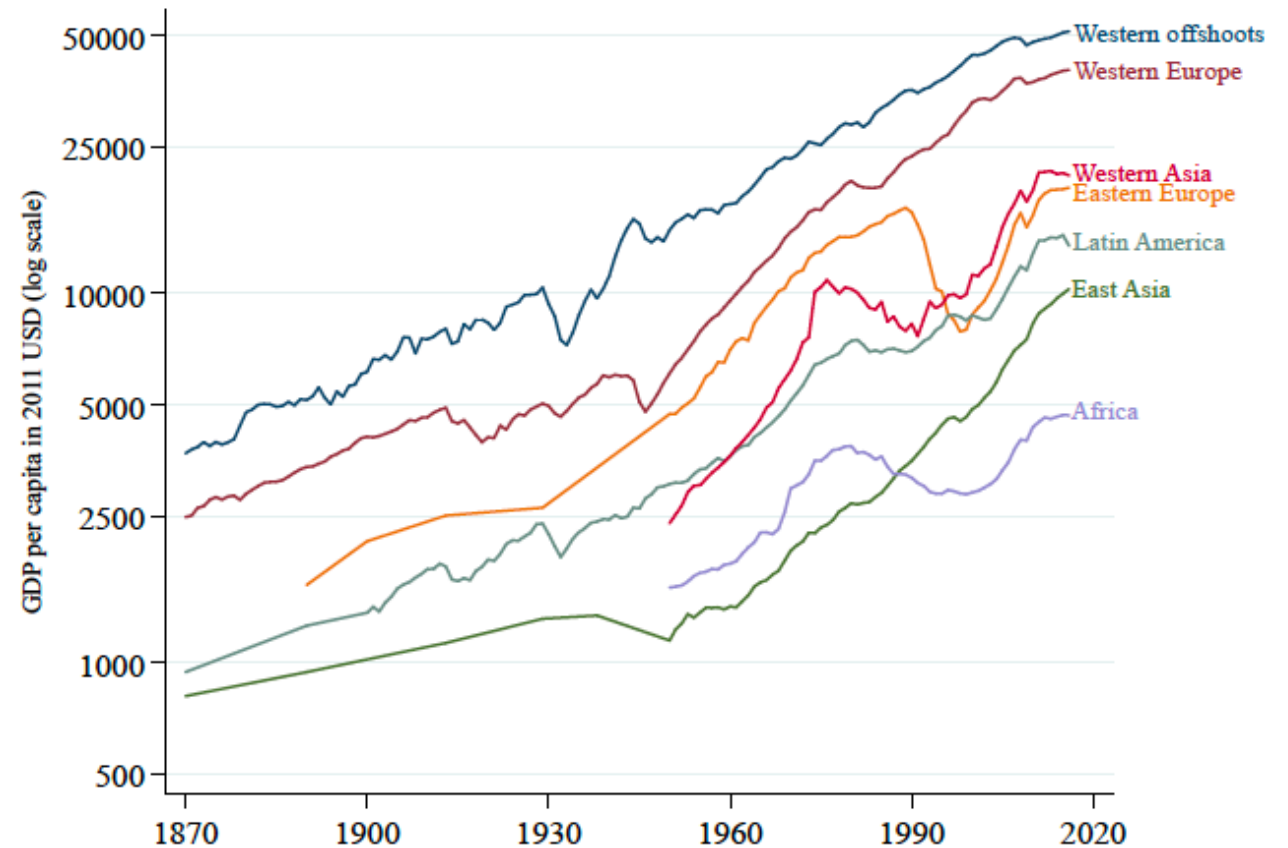
- Africa's geography and pre-independence history as necessary, but not sufficient, causes of Africa's economic development

Plan for today

- Drivers of economic performance:
 - Domestic policies
 - External influences:
 - Structural adjustment programs
 - China
- Recent trends and variation

Developmental trends

- Faster economic growth in Africa than in East Asia in the first half of the 20th c.
- Acceleration between 1960-73
- Subsequent deterioration



Source: Maddison Project Database 2018, Bolt et al. (2018)

Phases of economic policy in postcolonial Africa

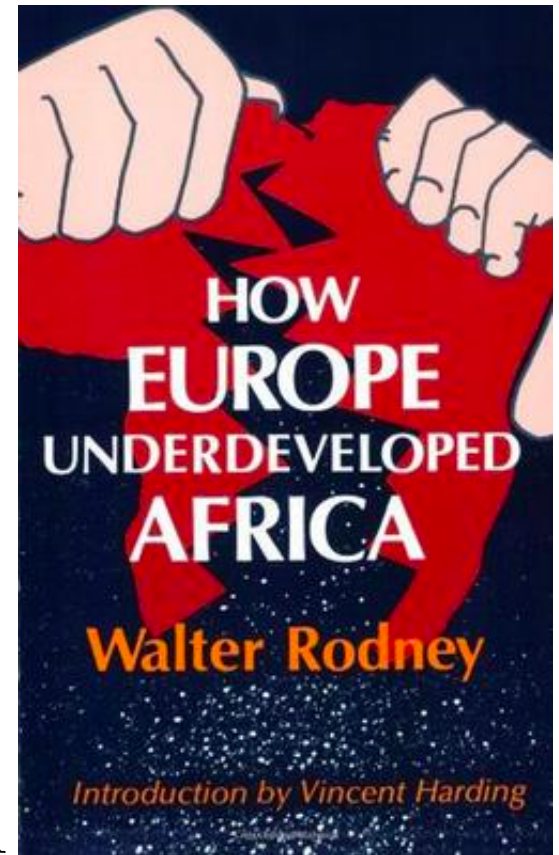
- State-led developmentalism (~1960s)
- Crisis (1970s)
- Structural adjustment and stagnation (1980s and early 1990s)
- Globalization and 'partnership' (from the mid-1990s)

African economies at the time of independence

- Mercantilist colonial economic policies —> limited industrial capacity
- Agriculture as the dominant sector
- Dependence on primary commodity exports, esp. cash crops and minerals —>
- No economic gains from processing and vulnerability to global price volatility

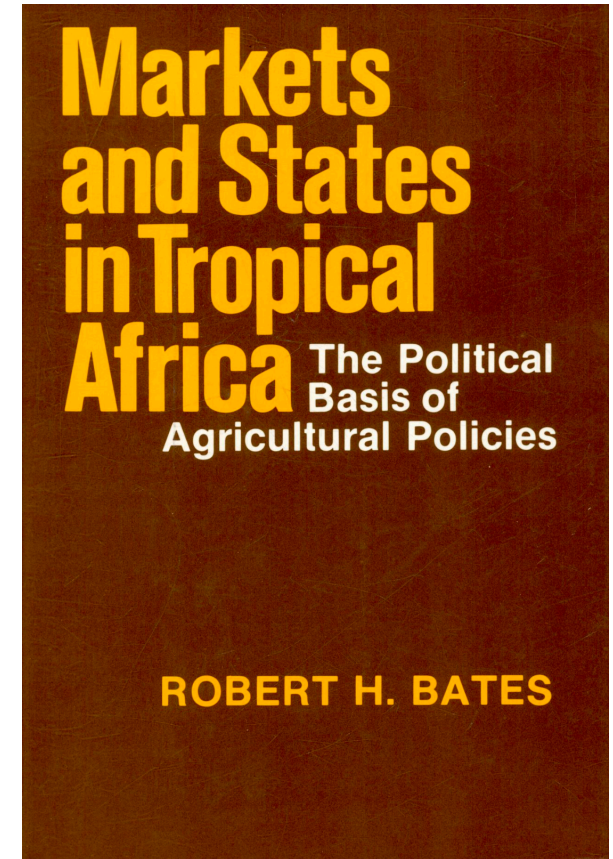
Post-independence economic policies

- Modernization and the need for industrialization
- Dependency / underdevelopment and the desire to counter colonial legacies
- Congruence of business owner, worker, and government interests (—> Bates)
- Import substitution industrialization (ISI):
 - Protectionist trade regime
 - State intervention in economy
 - Subsidization of industries and industrialization



The politics of post-independence economic policies according to Bates

- Economic policies:
 - ISI and increased prices of manufactured goods
 - Taxation of agricultural producers and the use of marketing boards and market regulation to reduce food prices
- Bates' questions:
 - Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?
 - How do governments get away with it?



The politics of post-independence economic policies according to Bates

- Why should reasonable people adopt public policies that have harmful consequences for the societies they govern?
 - Congruence of business owner and worker interests
 - Urban base of political power

The politics of post-independence economic policies according to Bates

- How do governments get away with it?
 - Coercion
 - Weak organizational capacity of smallholders
 - Collective vs. personal interests and creation of incentives to accept the status quo —>
 - Redistribution and alliance formation —>
 - Patronage
 - Entrenchment of private interests over time

Failure of the postcolonial policies

- Continued reliance on primary resources
- Indebtedness
- Political instability

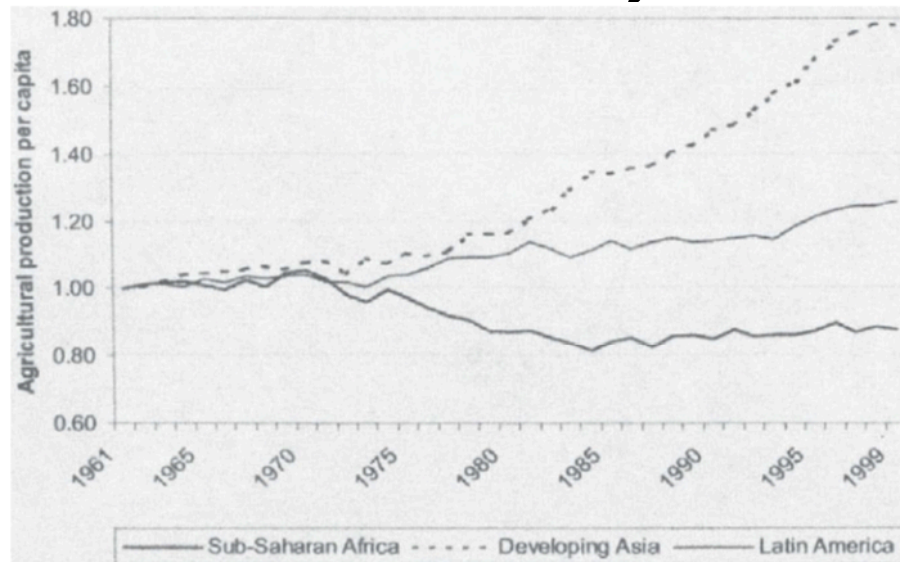


Table 9.2 African export concentration, 1982–86 (countries where one, two, three or four primary products account for over 75 per cent of a state's total export earnings)

One product (15 countries)

Algeria: *oil and gas*
 Burundi: *coffee*
 Guinea: *bauxite*
 Nigeria: *oil*
 Somalia: *livestock*

Angola: *oil*
 Congo: *oil*
 Libya: *oil*
 Rwanda: *coffee*
 Uganda: *coffee*

Botswana: *diamonds*
 Gabon: *oil*
 Niger: *uranium*
 São Tomé: *cocoa*
 Zambia: *copper*

Two products (14 countries)

Cape Verde: *fish, fruit*
 Congo-Kinshasa: *copper, coffee*
 Ethiopia: *coffee, hides*
 Malawi: *tobacco, tea*
 Réunion: *sugar, fish*

Chad: *cotton, livestock*
 Egypt: *oil, cotton*
 Ghana: *cocoa, bauxite*
 Mali: *livestock, cotton*
 Seychelles: *oil, fish*

Comoros: *vanilla, cloves*
 Equatorial Guinea: *cocoa, timber*
 Liberia: *iron ore, rubber*
 Mauritania: *iron ore, fish*

Three products (8 countries)

Benin: *oil, coffee, cocoa*
 Cameroon: *oil, coffee, cocoa*
 Guinea Bissau: *cashews, groundnuts, palm oil*
 Senegal: *fish, groundnuts, phosphates*

Burkina Faso: *cotton, vegetable oil, livestock*
 Central African Republic: *coffee, diamonds, timber*
 Kenya: *coffee, refined oil, tea*
 Sudan: *cotton, vegetable oil, livestock*

Four products (4 countries)

Côte d'Ivoire: *cocoa, coffee, refined oil, timber*
 Sierra Leone: *diamonds, cocoa, coffee, bauxite*

Madagascar: *coffee, cotton, cloves, fish*
 Togo: *phosphates, cocoa, cotton, coffee*

More diverse export economies (11 countries)

Djibouti, Gambia, Lesotho, Mauritius, Morocco, Mozambique, South Africa, Swaziland, Tanzania, Tunisia, Zimbabwe

Source: Brown, Michael Barratt. *Africa's Choices: After Thirty Years of the World Bank*. London: Penguin, 1995. 28

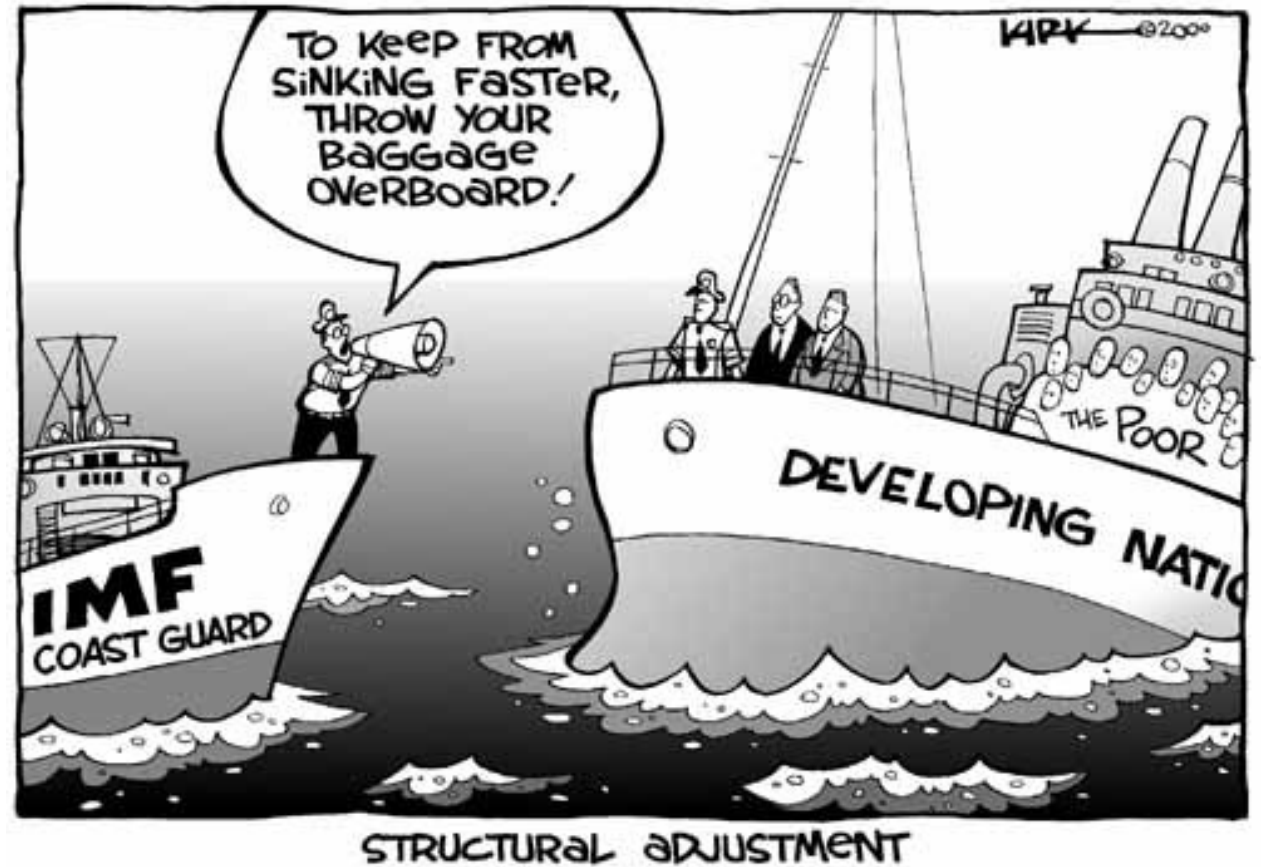
Broader context

- Global economic crisis (stagflation, 1973 and 1979 oil crises)
- Lower primary resource prices
- Interest rates increase
- Debt crisis



External response to the crisis

- Neoliberalism
- Washington Consensus
- Structural Adjustment Programs (SAPs)



Structural adjustment programs

- Reduction of deficits and inflation
- Elimination of seignorage and currency devaluation
- Reduction of public spending, including social expenditures and public sector employment
- Removal of price controls



Structural adjustment programs

- Comprehensive economic reforms
- Privatization of state-owned banks and enterprises
- Deregulation
- Trade liberalization
- Encouragement of foreign direct investment



Implementation of structural adjustment programs

Table 2.3. *Policy Reform in Africa: Patterns of Implementation, 1979–1999*

Reform	Degree of Implementation	Probability of Reversals	Comments
I. Stabilization			
a. Fiscal adjustment	mediocre-good	high	Belated progress in mid-1990s Sustainability questionable
b. Exchange rate policy	good-excellent	medium	Early focus of IMF; CFA countries devalue in 1994, maintain fixed rate
c. Monetary policy and external balance	mediocre-good	high	Uneven progress across time; reliance on large aid flow
II. Adjustment			
a. Domestic liberalization	poor-excellent	medium	High variation across cases
– Banking/credit	good-excellent	low	Early focus of adjustment programs
– Investment	mediocre	low	Large gap between de jure and de facto situation
– Export agriculture	mediocre	medium	Prices still set by state, particularly in ex-French states
– Food markets	mediocre-good	medium	Consumer prices liberalized more than producer prices Less continuing regulation in west and Central Africa
b. Trade policy	poor-mediocre	high	Little progress and often subverted in practice.
c. Public enterprise reform	poor-mediocre	low	Privatization quickens in 1990s, biggest Public enterprises remain
d. Civil service reform	poor	low	Consistently deferred, high cost and complexity

Impacts of structural adjustment programs

- Accelerated inflation rates
- Reduction of investment
- Higher food prices
- Lower employment and real wages
- Lower per capita incomes
- Increased poverty rates

SPOT THE DIFFERENCE



ANSWER: 'SPOT THE DIFFERENCE'

10 YEARS OF IMF STRUCTURAL ADJUSTMENT POLICY

Impacts of structural adjustment programs

- Reduction of the quality of public services
- Introduction of user fees
- Poor education and health, including malnutrition
- Particular impact on women

- Stewart, Frances. 1991. "The Many Faces of Adjustment." *World Development* 19 (12): 1847-64.

SPOT THE DIFFERENCE



ANSWER:
'SPOT THE DIFFERENCE'

10 YEARS OF THE STRUCTURAL ADJUSTMENT POLICY

Impacts of structural adjustment reforms: the case of Uganda

- Loss of 40% of GDP between 1970-1986
- Structural adjustment reforms —>
- Rapid economic growth:
 - 6.3% between 1986-1999 —> 6.9% in the 1990s
- Poverty reduction:
 - 56% in 1992 —> 31% in 2006
- Attributed to structural adjustment reforms
 - Collier, Paul, and Ritva Reinikka. 2001. "Reconstruction and Liberalization: An Overview." In Ritva Reinikka and Paul Collier (eds.), *Uganda's Recovery: the Role of Farms, Firms, and Government*. Washington, D.C.: 15-47.
- "The most influential development model of the 1990s"
 - Mallaby, Sebastian. 2004. *The World's Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations*. New York: Penguin Press.

Globalization and 'partnership'

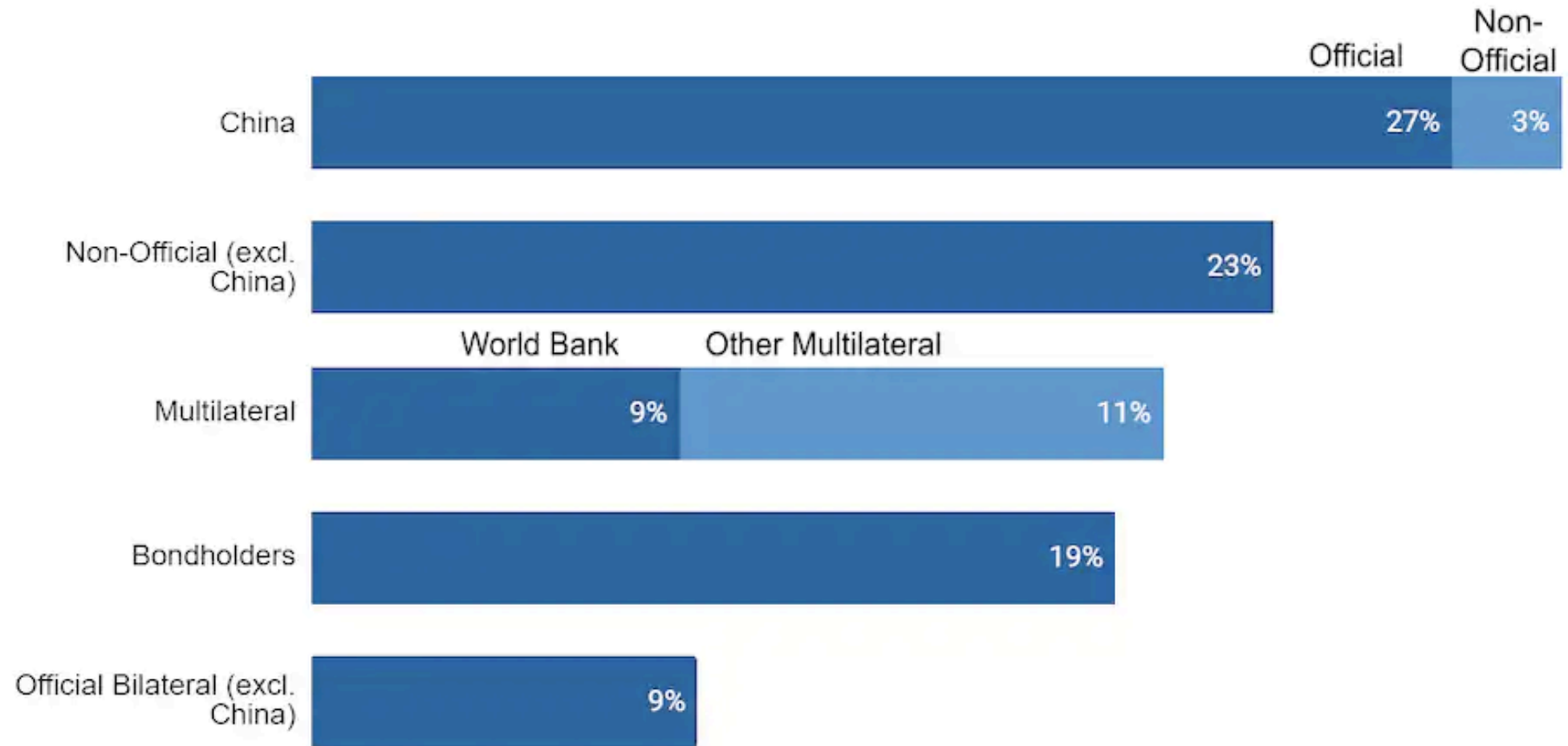
- The good governance paradigm and Poverty Reduction Strategy Papers (PRSPs):
 - Debt relief in exchange for PRSPs
 - Delivery mechanisms in e.g. the US Millennium Challenge Corporation
- Globalization and 'trade, not aid':
 - Bilateral investment treaties (BITs)
 - African Continental Free Trade Agreement (AfCFTA) (2018)
 - China in Africa

China in Africa



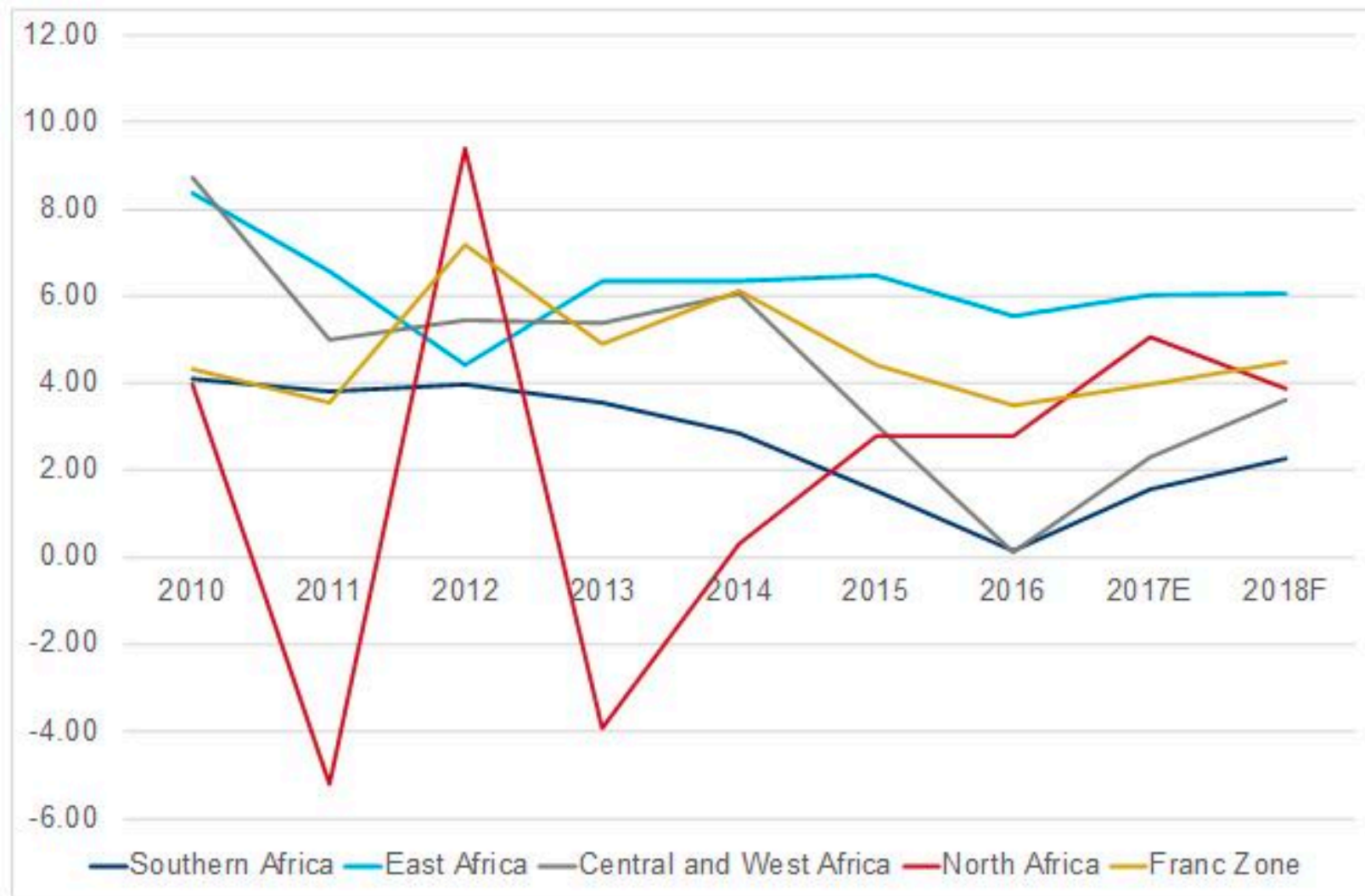
<https://www.youtube.com/watch?v=KGhHmYW7FMc>

China in Africa



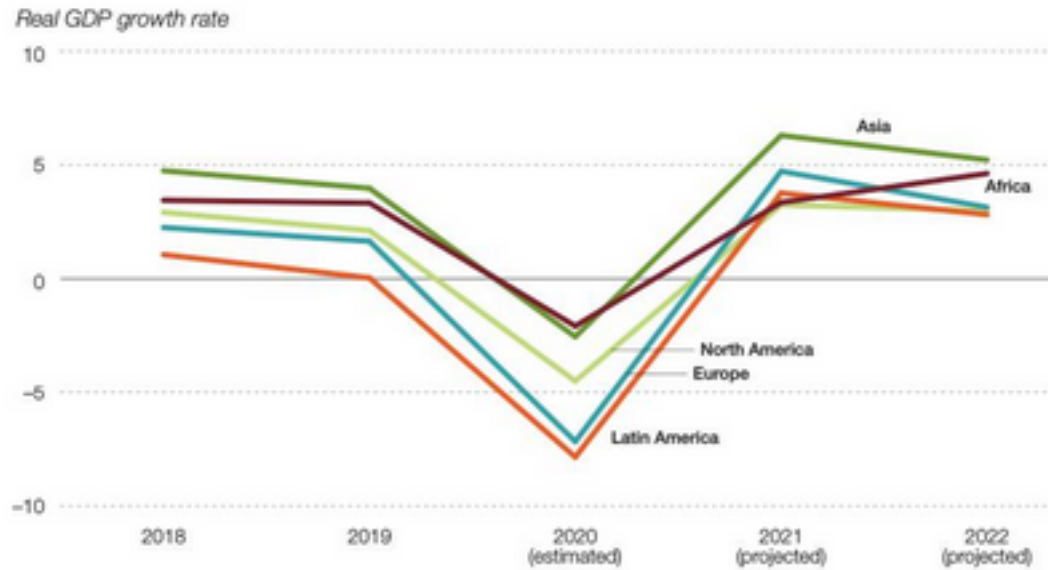
Source: <https://www.washingtonpost.com/politics/2021/02/26/pandemic-has-worsened-africas-debt-crisis-china-other-countries-are-stepping/>

Recent trends (and variation)



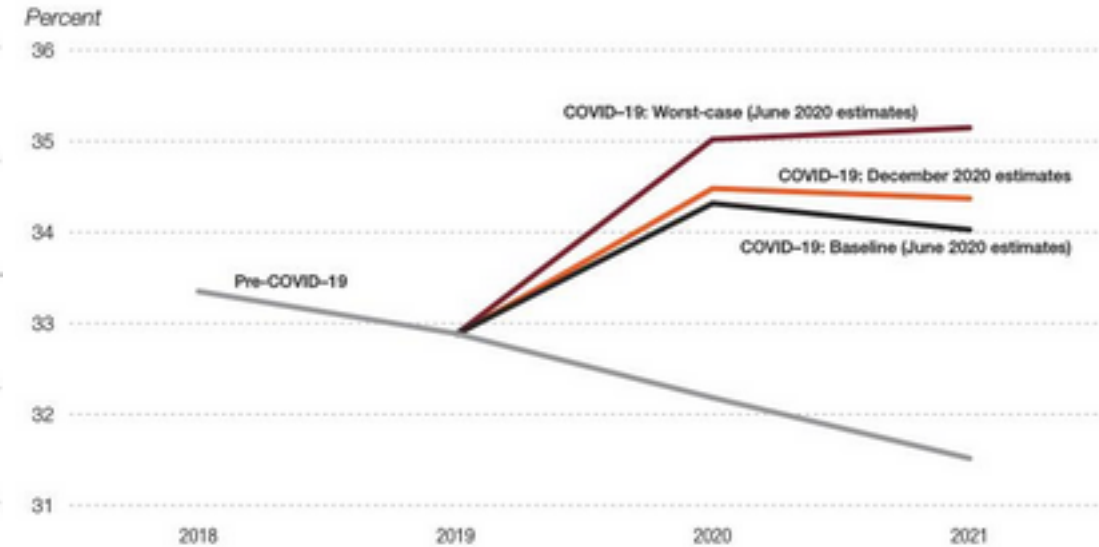
Economic impacts of the pandemic

FIGURE 1.1 Depth of recession, Africa and other regions, 2018–22



Source: African Development Bank statistics and IMF World Economic Outlook database.

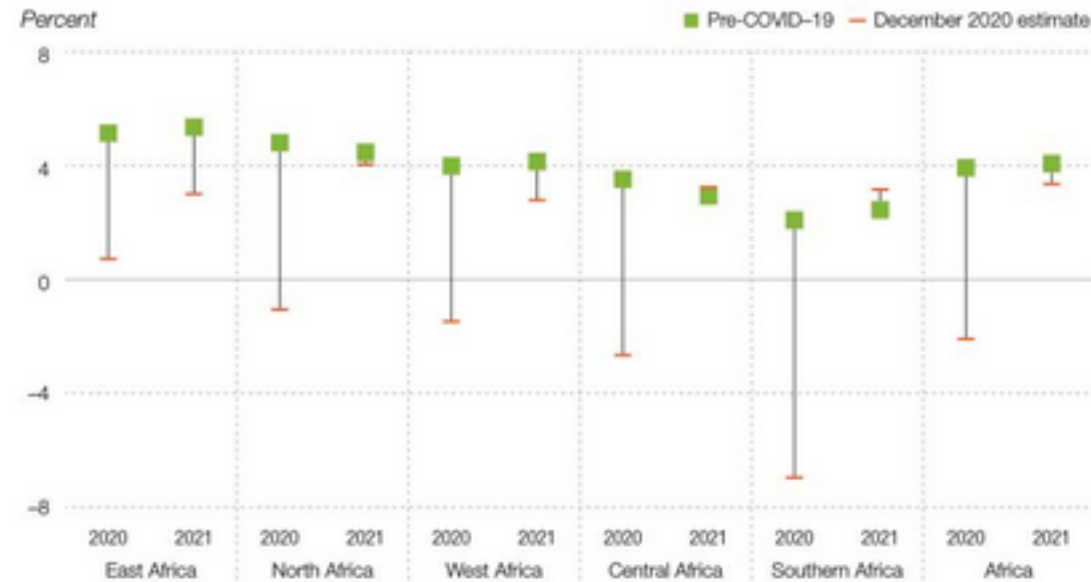
FIGURE 1.22 Africa's extreme poverty rates, 2018–21



Source: Staff calculations based on World Bank PovcallNet datasets, growth projections by African Development Bank Statistics Department, and population projections by United Nations Population Division.

Varied economic impacts of the pandemic

FIGURE 1.9 Growth's decline was steepest in Southern Africa, 2020–21



Source: African Development Bank statistics.

Takeaways

- African agency amid external constraints and opportunities