Africa's Economic Future: Learning from the Past

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Introduction

African countries have been growing fast recently. In 2007, for example, GDP growth averaged 6.2 percent in Sub-Saharan Africa (SSA),[1] nearly double the rate in 2002 (World Bank 2009) and comparable to those in other regions of the world. Since 1995, some 26 African countries, representing 70 percent of the SSA population and 78 percent of the GDP, have grown their GDPs by an average of 6.9 percent annually, a rate that is comparable to the 6.7 percent rate over the same period for the emerging South Asian giant, India, for instance (Arbache et al. 2008).

Will the past serve as an appropriate guide for Africa's economic future? By the mid-1960s, most African countries had achieved political independence from colonial rule.[2] Although economic performance of the sub-continent has, in general, considerably lagged behind that of other regions of the world over the post-independence period, growth has been rather episodic. African countries grew fairly strongly until about the late 1970s; then the region's GDP growth began to decline substantially, falling short of population growth by the early 1980s and again in the early 1990s. Since the mid-1990s, however, Africa has once again grown strongly, with some signs of growth acceleration at the beginning of the 21st century.

The weak overall growth since the late 1970s until recently is reflected in the dismal poverty picture in SSA over the last two and one-half decades. The proportion of the population earning less than 1 US dollar decreased only slightly from 42.3 in 1981 to 41.1 percent in 2004. Over the same period, this measure of poverty fell substantially for South Asia (SAS), as a reference region, from 49.6 in 1981 to 30.8 percent in 2004, so that the relative SSA/SAS poverty rate gap increased steadily by nearly 50 percentage points.[3] Recent growth resurgence has brightened Africa's poverty picture over the last decade, however. During 1993–2004, the poverty rates at the USD 1 and USD 2 standards fell by 4.4 and 4.1 percentage points for SSA, respectively, comparable to the 6.1 and 5.1 percentage points for SAS (see Fosu 2009a).[4]

The current paper, first, briefly discusses the African growth record. Second, it presents evidence on the historical sources of growth. Third, the paper employs the taxonomy of 'policy syndromes' to explain the observed growth patterns.[5] Fourth, it discusses how governance might help decrease the likelihood of these syndromes and hence increase growth.

The African growth record

GDP of the SSA region grew at an average yearly rate of approximately 5.0 percent (per capita rate of about 2.0 percent) for about a decade and a half from 1960, with significant positive contributions from a substantial number of countries (Table 1).[6]

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[1] 'Africa' and 'SSA' are used interchangeably in the paper.
[2] Although the majority of SSA countries had not yet achieved independence by 1960, it is the conventional starting date for the post-independence period. By 1965, however, most of the countries had. Those attaining independence after 1965 are: Botswana, Lesotho, Equatorial Guinea, Mauritius, Swaziland, Guinea Bissau, Angola, Cape Verde, Comoros, Mozambique, Sao Tome, Seychelles, Djibouti, Zimbabwe, Namibia and South Africa, in chronological order.

[3] However, the differences in performance between SSA and SAS at the USD 2 poverty standard since 1981 have been much less dramatic. The SSA rate decreased slightly from 74 in 1981 to 72 percent in 2004, while the SAS rate declined from 88 in 1981 to 77 percent in 2004, which remains greater than the SSA poverty rate. Hence, the SSA/SAS difference in the poverty rate increased by less than 10 percentage points, as compared with nearly 50 percentage points in the case of the USD 1 standard (Fosu 2009a).
[4] Indeed, the recently revised World Bank data show a slightly smaller percentage-point reduction in poverty in SAS than in SSA for the USD 1.25 standard: 7 versus 8 percentage points between 1996 and 2005, while both regions exhibit about the same 4 percentage-point decrease at the USD 2.50 standard. Unfortunately, the lack of poverty data prevents extending the analysis backward to the 1970s or 1960s.
[5] By the policy syndromes it is meant *ex-ante* anti-growth policies, classified as: 'state controls', 'adverse redistribution', 'suboptimal inter-temporal resource allocation,' and 'state breakdown'. The absence of any of these syndromes is referred to as a 'syndrome-free' regime. Details of this taxonomy are presented below.
[6] These numbers are the GDP-weighted growth rates which are consistent with the usual World Bank statistics.

Table 1

Annual GDP per capita growth between 1960 and 2006, 5 year averages (%)

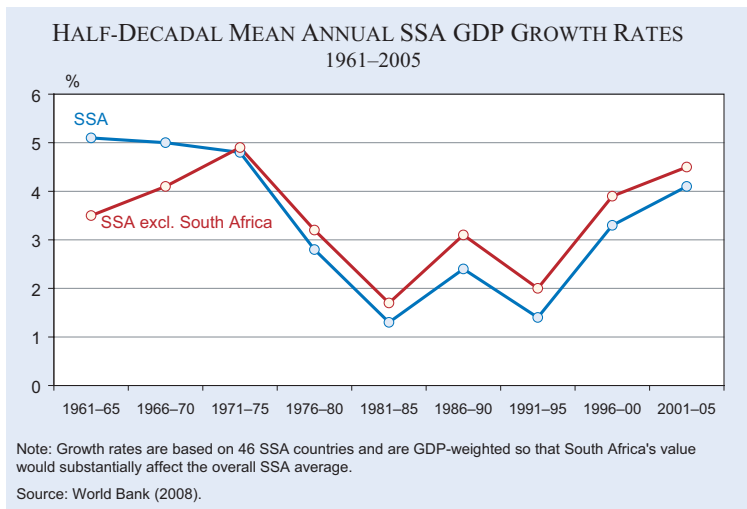| Country	61–65	66–70	71–5	76–80	81–85	86–90	91–95	96–00	01–05	2006	Average
Angola						0.69	– 6.73	3.84	7.40	15.26	1.96
Benin	1.44	0.46	– 1.13	1.13	1.17	– 2.38	0.53	2.19	0.59	0.90	0.46
Botswana	3.64	7.75	14.33	8.12	6.45	8.51	1.27	6.23	4.17	0.93	6.59
Burkina Faso	1.40	0.89	0.80	1.28	1.68	0.16	0.96	3.71	2.89	3.24	1.57
Burundi	0.15	5.70	– 0.29	1.87	1.88	0.60	– 4.20	– 2.63	– 1.10	1.08	0.24
Cameroon	0.44	– 0.86	3.86	3.73	6.23	– 5.15	– 4.54	2.25	1.30	1.59	0.82
Cape Verde					6.40	1.30	2.71	3.95	2.71	3.69	3.43
Central African Rep.	– 1.21	1.08	0.02	– 1.74	– 0.53	– 2.26	– 1.64	0.09	– 2.49	2.30	– 0.89
Chad	– 1.51	– 0.71	– 1.50	– 6.52	6.47	– 1.20	– 0.72	– 0.75	11.19	– 2.62	0.46
Comoros					1.60	– 1.00	– 1.31	– 0.65	0.64	– 1.64	– 0.20
Congo. Dem. Rep.	0.11	0.70	– 0.58	– 4.51	– 1.04	– 3.07	– 10.35	– 6.01	1.02	1.79	– 2.54
Congo. Rep.	0.74	1.99	4.76	1.95	7.28	– 3.10	– 2.33	– 0.29	1.86	4.11	1.49
Cote d'Ivoire	4.06	5.15	1.94	– 0.29	– 4.20	– 2.71	– 1.67	0.58	– 1.72	– 0.91	0.10
Equatorial Guinea						– 0.86	4.56	32.23	24.06	– 7.76	13.91
Eritrea							12.19	– 1.51	– 0.51	– 4.47	2.90
Ethiopia					– 3.93	1.84	– 0.50	1.81	2.98	6.19	0.66
Gabon	7.54	4.45	15.27	– 2.23	– 0.35	– 1.34	0.28	– 1.84	– 0.03	– 0.37	2.35
Gambia		1.55	2.04	1.06	– 0.21	0.19	– 1.62	0.87	0.74	1.61	0.60
Ghana	0.28	0.92	– 2.57	– 0.93	– 3.56	1.82	1.44	1.87	2.71	4.01	0.30
Guinea					– 0.19	1.10	– 0.05	1.91	1.18	0.82	0.58
Guinea–Bissau			0.96	– 4.48	3.95	1.10	– 0.04	– 1.74	– 3.13	1.12	– 0.44
Kenya	0.22	2.37	6.11	2.45	– 1.28	2.00	– 1.49	– 0.51	0.95	3.34	1.25
Lesotho	5.68	0.71	3.52	7.66	0.49	4.10	2.49	1.38	1.85	6.42	3.17
Liberia	0.47	3.65	– 1.32	– 0.88	– 4.78	– 16.32	– 21.86	29.50	– 5.60	3.67	– 1.78
Madagascar	– 1.14	2.02	– 1.96	– 1.27	– 4.30	– 0.13	– 3.18	0.79	– 0.26	2.06	– 0.98
Malawi	2.18	2.34	4.32	1.51	– 0.98	– 2.90	2.14	1.03	– 1.52	4.69	0.99
Mali		1.29	1.10	2.67	– 4.43	1.38	0.34	2.38	3.27	2.16	1.03
Mauritania	8.85	2.76	– 1.94	0.15	– 1.71	– 0.08	0.52	– 0.27	1.09	8.74	1.21
Mauritius					3.29	6.55	3.87	4.21	3.18	2.70	4.16
Mozambique					– 6.38	5.30	– 0.62	4.71	6.01	5.71	1.95
Namibia					– 2.75	– 1.85	1.73	0.94	3.28	1.55	0.32
Niger	2.88	– 3.62	– 5.17	2.10	– 5.18	– 0.50	– 2.59	– 0.73	0.62	1.20	– 1.30
Nigeria	2.12	3.05	3.10	0.98	– 5.41	2.38	– 0.40	0.33	3.10	2.75	1.07
Rwanda	– 3.67	4.10	– 2.24	6.73	– 0.68	– 1.96	0.75	2.00	2.85	2.74	0.92
Senegal	– 0.87	– 1.09	– 0.56	– 1.54	– 0.04	– 0.64	– 0.67	1.40	1.99	– 0.26	– 0.23
Seychelles	1.04	1.33	4.88	6.88	0.01	4.77	1.41	4.71	– 2.16	3.18	2.56
Sierra Leone	2.60	2.27	0.58	0.36	– 1.16	– 1.53	– 5.30	– 5.23	9.19	4.45	0.29
Somalia	– 3.38	1.38	1.55	– 5.17	2.57	0.49					– 0.41
South Africa	4.05	2.91	1.35	0.89	– 1.14	– 0.68	– 1.22	0.41	2.58	3.88	1.08
Sudan	– 0.36	– 1.02	1.96	– 0.49	– 2.36	2.12	2.46	3.88	4.35	9.41	1.35
Swaziland			6.54	– 0.07	– 0.50	6.88	– 0.28	0.27	0.77	1.46	1.93
Tanzania						2.13	– 1.39	1.53	3.84	3.31	1.61
Togo	8.16	2.10	1.00	2.38	– 3.89	– 0.84	– 2.01	0.84	– 0.72	1.31	0.79
Uganda					– 2.48	1.24	3.38	3.39	2.33	2.08	1.59
Zambia	3.06	– 1.55	– 0.93	– 2.79	– 2.65	– 1.39	– 3.84	0.38	2.83	4.22	– 0.66
Zimbabwe	0.22	5.86	1.40	– 1.62	0.37	1.11	– 0.95	– 0.55	– 6.00		– 0.02
SSA simple average	1.64	1.87	1.80	0.55	– 0.39	0.13	– 0.86	2.29	2.10	2.54	1.05
World Bank SSA weighted average	2.63	2.02	1.52	0.07	– 1.76	– 0.34	– 1.45	0.70	1.97	3.04	0.65

Source: World Bank (2008).

This rate could not be sustained in subsequent years, however, falling below population growth in the early 1980s and early 1990s. It was not until the latter 1990s that SSA began to grow sufficiently to overcome population increases. Thus, the issue of the overall African growth record is not necessarily a case of consistently dismal performance, but rather one of episodic growth (Figure 1).

The aggregate evidence masks the considerable disparities in growth among SSA countries, howev-

Figure 1

HALF-DECADAL MEAN ANNUAL SSA GDP GROWTH RATES
1961–2005

Note: Growth rates are based on 46 SSA countries and are GDP-weighted so that South Africa's value would substantially affect the overall SSA average.

Source: World Bank (2008).

er. During the period from 1981 to 1985, for example, when per capita growth was appreciably negative in SSA as a whole, many African countries actually registered growth rates of at least 1 percentage point above population growth.[7] Another salient observation is the heterogeneity in growth patterns across countries. Many economies that started as growth leaders in the 1960s had become growth laggards by 2000 (e.g. Cote d'Ivoire, Gabon, Kenya, South Africa, Togo, and Zambia – see also Table 1). Conversely, several laggards in the earlier period became growth leaders as of the 1990s (e.g. Benin, Burkina Faso, Ghana, Senegal and Sudan). In contrast, one African country that has exhibited consistently high economic growth is Botswana. Its GDP growth averaged about 10 percent annually over the entire period, and at least

5 percent every decadal period, though the record since the 1990s has been less than spectacular.

Furthermore, African countries have exhibited highly variable growth rates over the last four decades. The standard deviation of the per-worker GDP growth for a sample of nineteen SSA countries with consistent data averaged 3.2 percent over 1960–2000, which was the highest among all regions of the world (Table 2).[8] Indeed, SSA's coefficient of variation (CV) is nearly four times the world average, so that the region exhibited a lower mean growth with higher variance as compared to the rest of the world.

Sources of growth in Africa

Table 3 reports data on the sources of GDP growth for SSA over 1960–2000. These statistics show that, when SSA grew fairly strongly in the 1960s through the mid-1970s, growth was supported about equally by both investment and growth of total factor productivity (TFP). When economic growth fell substantially in the early 1980s and again in the early 1990s, however, it was mainly due to the deterioration in TFP. Moreover, the primary source of the growth recovery in the late 1990s was TFP improvement. The overall per-worker growth in SSA during the forty-year period was positive but modest. Furthermore, both physical capital and human capital (education) contributed favourably to this growth. In contrast, TFP's contribution was negative, though small. More importantly, there were considerable sub-period differences

Table 2

**Annual growth of real GDP per worker –
SSA versus other regions:
mean and variability measures 1960–2000 (%)**

	SSA	LAC	SAS	EAP	MENA	IC	Total
Mean (m)	0.51	0.76	2.18	3.89	2.37	2.23	1.63
Standard deviation (s)	3.24	2.79	1.47	2.46	3.13	1.77	2.87
Coefficient of variation (s/m)	635	367	67	63	132	79	176

Notes: SSA = Sub-Saharan Africa (19), LAC = Latin America and Caribbean (22), SAS = South Asia (4), EAP = East Asia and Pacific (8), MENA = Middle-East & North Africa (11), IC = Industrial Countries (20); figures in parentheses are the numbers of countries for the respective regions. Selected countries are those with consistent data over 1960-2000 and seem sufficiently representative of the respective regions. The 19 SSA countries are: Cameroon, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mali, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe.

Source: Ndulu and O'Connell (2003).

[7] This point is further discussed below.
[8] See the notes of Table 2 for details. The 19 countries represent all sub-regions of SSA and constitute 72 percent of the SSA population, as well as the lion's share of the region's GDP. Nonetheless, they still represent less than one-half of the number of SSA countries, and this caveat should be noted in interpreting the present results.

Table 3
Growth decomposition for Sub-Saharan Africa 1960–2000 (%)

| Year | Growth of real GDP per worker | Contribution of growth in | | Estimated residual* |
		Physical capital per worker	Education per worker	
1960–1964	1.33	0.53	0.12	0.68
1965–1969	1.74	0.80	0.20	0.75
1970–1974	2.33	1.05	0.22	1.06
1975–1979	0.19	0.74	0.24	– 0.79
1980–1984	– 1.70	0.16	0.29	– 2.16
1985–1989	0.45	– 0.22	0.34	0.33
1990–1994	– 1.74	– 0.08	0.30	– 1.95
1995–2000	1.51	– 0.12	0.26	1.37
Total	0.51	0.36	0.25	– 0.99

* A measure of growth of total factor productivity (TFP).
Notes: This is the Collins-Bosworth decomposition and is based on the production function: $q=Ak^{.35}h^{.65}$, where q, k and h are GDP per worker, physical capital per worker and human capital (average years of schooling) per worker, respectively, with respective capital and labor shares of 0.35 and 0.65. The exercise is conducted on per-country basis for the 19 countries with consistent data for 1960-2000 (see also note for Table 2), and then aggregated.

Source: Ndulu and O'Connell (2003).

in the overall performance of African countries, in terms of growth as well as its sources, a subject to which I now turn.

1960 to mid-1970s

This early period is characterised by relatively high growth, explained primarily by physical capital accumulation and TFP growth, at approximately 45 percent shares each (see Table 3). Growth performance was, however, uneven across countries (see Table 1). Although other country-specific factors explain the differences, it is observable that nearly all the high-growth countries during this sub-period had relatively liberal economic regimes nurtured by conservative political governments, while the reverse was the case for most of the low-performing countries. For example, Botswana, Cote d'Ivoire, Ethiopia, Kenya, Lesotho, and Malawi were countries with both high growth and market-oriented policies, supported by politically conservative governments during this period. In contrast, weak-growth performers such as Benin, Burkina Faso, Cameroon, Chad, Ghana, Guinea, Senegal, and Zambia had market-interventionist policies.[9] Beyond the control nature of the regime, the relatively weak growth in several countries, despite the overall good SSA record, could also be attributed to external factors, political instability, and weak institutions: e.g. Burundi, Mauritius, Rwanda, and Sudan.

Mid-1970s to early 1990s

The 1980s may be characterized as 'Africa's lost decade'; per-capita income of Africans at the end of the 1980s had fallen below the level prevailing at the beginning of the decade. The source of the contraction is primarily the deterioration in TFP (Table 3), likely attributable mainly to idle capacity, which became a major impediment to the industrialization process of African economies (Mytelka 1989). The supply shocks of the 1970s and early 1980s, both negative and positive, are observed to have engendered policy syndromes that resulted in weak growth performance (Fosu, 2008a).

Negative terms of trade provide only a partial explanation for the dismal performance. For example, among the countries registering negative growths in GDP, while Ghana, Mozambique, Niger, Namibia and Nigeria experienced substantial losses in terms of trade in the early 1980s, Togo, Mali and Madagascar did not. What appears to be a relatively common feature is that most of these poor-performing economies were saddled with control regimes inherent in the socialistic strategy of development: e.g. Ethiopia, Ghana, Madagascar, Mali, Mozambique, Niger, Nigeria and Togo.

Although SSA countries generally experienced poor economic growth during this sub-period, there were notable exceptions. For instance, many countries bucked the trend in the early 1980s (at least 1.0 percent per-capita growth): Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Congo Republic, Guinea Bissau,

[9] For regime classification, see Collier and O'Connell (2008). Politically conservative governments tended to have liberal market-oriented economic policies, while the socialist-leaning ones would generally resort to (soft or hard) controls on economic activities. As 'policy syndromes', control regimes are expected to inhibit growth. However, as the classifications were conducted independently of growth outcomes, as they should be, several cases do not conform to these expectations. For instance, Gabon and the Republic of Congo were classified as control regimes but exhibited relatively high growth during this period, while countries like Madagascar, Mauritania and Rwanda were viewed as syndrome-free regimes for most of the sub-period but experienced low growth. Similarly, Malawi was classified as syndrome-free throughout despite its growth record being checkered. Obviously, factors other than regime classification contributed to growth performance as well.

Mauritius, and Somalia (see also Table 1). Furthermore, in most of these countries, it was a continuation of the fairly strong growth in the 1970s. While the explanation of such relatively high growth is likely to differ across countries, one common feature was that nearly all these countries experienced considerable appreciations in their terms of trade during this period.

In spite of the slight growth recovery for SSA generally in the latter part of the 1980s, the early 1990s were simply calamitous, with similar abysmal growth as in the early 1980s. Much of this underperformance could be attributed to severe political instabilities, as in Angola, Burundi, Democratic Republic of Congo, Liberia, Rwanda and Sierra Leone, as well as to negative terms of trade shocks.[10] Despite the overall dismal growth performance of SSA in the early 1990s, however, there were a number of exceptions. The following countries registered decent growth (at least 1.0 percent per capita GDP growth): Botswana, Burkina Faso, Cape Verde, Equatorial Guinea, Eritrea, Ghana, Lesotho, Malawi, Mauritius, Namibia, Seychelles, Sudan, and Uganda (Table 1). What is interesting about this list of countries is that only a small number of them experienced appreciable terms-of-trade (TOT) improvements during the late 1980s or early 1990s. Instead, most these countries were 'syndrome-free' and many had adopted structural adjustment programs (SAPs), such as Burkina Faso, Ghana, Namibia and Uganda, suggesting that for such countries reforms may have aided growth.

Since mid-1990s

African economies have generally recovered since the mid-1990s (see also Table 1). Annual GDP growth has averaged approximately 4.0 percent (3.6 percent when South Africa is included and 4.1 percent when it is excluded: see Figure 1). Indeed, growth has accelerated to 4.5 percent for non-South-African SSA economies since the beginning of the millennium, while South Africa's GDP growth has averaged slightly less at 4.1 percent. This growth can be accounted for by TFP improvements (Table 3).[11] Bucking the trend during this period are mostly countries experiencing severe political instability, such as Burundi, Democratic Republic of

Congo, Cote d'Ivoire, Guinea Bissau, Seychelles, Togo and Zimbabwe.

One plausible explanation for the growth resurgence is the TOT improvements.[12] However, despite their general unpopularity,[13] the SAPs appear to have been beneficial to growth in several cases. Countries like Benin, Burkina Faso, Cameroon, Chad, Ethiopia, Ghana, Mali, Rwanda and Sudan undertook credible SAPs, leading to improvements of their respective macroeconomic environments for growth. Coupled with better macroeconomic environments, TOT improvements have apparently been translated to sustained economic growth. Actually, many countries have grown well since the mid-1990s despite weak TOT performance (negative or near-zero growth during 1996–2005): e.g. Benin, Botswana, Burkina Faso, Ethiopia, Mali, Mauritius, and Uganda. With the exception of Botswana, which apparently did not need SAP, all these countries had undertaken credible reforms, or were considered syndrome-free during the period.[14]

Policy syndromes and the African economic growth record

Numerous explanations have been offered for the African growth record. Receiving much attention have been initial conditions, including: colonial origins (Acemoglu et al. 2001), ethnicity (Easterly and Levine 1997), geography (Bloom and Sachs 1998), natural resources (Sachs and Warner 2001), and the slave trade (Nunn 2008). A recent comprehensive

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[10] Indeed, for 1989-1993, SSA net barter terms of trade declined at an average of 2.5 percent per year.
[11] Note that Table 3 provides no evidence for the more recent post-2000 period.

[12] TOT grew strongly for SSA overall in 1994 and 1995 at rates of 2.9 percent and 6.9 percent, respectively, and averaged 0.6 percent and 1.5 percent annually in 1996–2000 and 2001–05, respectively, for a yearly mean of 1.0 percent since 1996 (computed by author using data from World Bank 2007).
[13] Many studies have, indeed, argued that SAPs have been detrimental to African development, including de-industrialization and diminution of the social sector (e.g. Cogan 2002; Lall 1995; Mkandawire and Soludo 1999; Mytelka 1989; Sender 1999). While such arguments have some merit, they tend to ignore the fact that the deindustrialization process had already begun in many African countries before SAPs, due primarily to industrial operation inefficiencies and adverse terms of trade shocks. Regarding the social sector, Fosu (2007 and 2008c) find that on average public spending on health and education in SSA actually trended upward in the latter 1980s and early 1990s, despite SAPs, an observation that corroborates an earlier finding by Sahn (1992).
[14] A considerable portion of the TFP improvements, leading to stronger growth performance, is likely attributable to reductions in idle capacity following the reforms. Gross domestic capital formation as share of GDP in SSA has also risen, from 16.8 percent in 2000 to 19.5 percent in 2006 (World Bank 2007). As early reformers among SSA economies, Ghana and Uganda stand out as possibly shining examples of how reforms may have worked. However, there were also countries, such as Malawi, which undertook credible SAPs but did not fare as well perhaps due to substantial TOT deterioration (– 2.3 percent annual average in 1996-2005 for Malawi). But, even Malawi's per capita GDP growth rebounded strongly to nearly 5.0 percent in 2006 following a mean annual decline of 1.5 percent during 1996–2005 (see Table 1).

Table 4

Evolution of policy syndromes in Sub-Saharan Africa
(half-decadal relative frequencies)

Year	Syndrome-free	Controls	Redis-tribution	Inter-temporal	State breakdown	Soft control	Hard control
1960–1964	0.465	0.334	0.128	0.000	0.073	0.775	0.225
1965–1969	0.373	0.323	0.194	0.009	0.100	0.707	0.293
1970–1974	0.193	0.408	0.237	0.120	0.042	0.730	0.270
1975–1979	0.106	0.432	0.245	0.149	0.068	0.633	0.367
1980–1984	0.097	0.442	0.255	0.145	0.061	0.630	0.370
1985–1989	0.149	0.381	0.276	0.118	0.076	0.708	0.292
1990–1994	0.357	0.216	0.191	0.056	0.181	0.935	0.065
1995–2000	0.435	0.147	0.176	0.039	0.203	0.956	0.044
1960–2000	0.272	0.335	0.213	0.080	0.101	0.759	0.241

Notes: These figures are for 47 countries. All syndrome/syndrome-free classifications are defined in the text. The frequencies in the first five columns have been adjusted here to sum to 1.0 for each period, as multiple syndromes for a given country-year could occur. The frequencies of the last two columns have also been adjusted here to sum to 1.0.

Sources: Fosu and O'Connell (2006); Collier and O'Connell (2008) for raw data.

study, the 'Growth Project' of the African Economic Research Consortium (AERC), combines both cross-sectional analysis and at least 26 country cases to explain the African growth record since 1960.[15] The main thesis is that policies matter for growth in Africa, despite the initial conditions. The project characterizes the following policy syndromes as detrimental to growth: (a) state controls, (b) adverse redistribution, (c) suboptimal inter-temporal resource allocation and (d) state breakdown, while their absence is referred to as syndrome-free.[16] Discussed below briefly are these policy syndromes (see Collier and O'Connell 2008; Fosu 2008a; Fosu and O'Connell 2006), with their frequency data presented in Table 4.

State controls

A country was judged as having state controls, if the government "heavily distorted major economic markets (labor, finance, domestic and international trade, and production) in service of state-led and inward-looking development strategies" (Fosu and O'Connell 2006, 38). The relative frequency of state controls exceeded 30 percent in the early 1960s, reached a half-decadal peak in excess of 40 percent

during the early 1980s, but decreased thereafter, representing only about 15 percent by the late 1990s, perhaps in response to the SAPs.

Adverse redistribution

Adverse redistribution occurs when redistributive policies are determined as favouring the constituencies of respective government leaders, usually regional in nature and with ethnic undertones, likely resulting in polarization.[17] Also classified under this syndrome is the case of downright looting, such as the regimes of Mobutu in the Democratic Republic of the Congo (1973–97), Idi Amin in Uganda (1971–79) and Sani Abacha in Nigeria (1993–98) (Collier and O'Connell 2008). The relative frequency of this syndrome increased steadily right from the immediate post-independence period, until the early 1990s when it began to reverse course.

Suboptimal inter-temporal resource allocation

Suboptimal inter-temporal resource allocation represents revenue misallocation over time: overspending during commodity booms and expenditure under-spending during the subsequent busts. The incidence of this syndrome was relatively small, though, representing only about 10 percent of the country-years during 1960–2000. It was quite minimal in the immediate post-independence period, but then began increasing in the early 1970s, achieving a relatively high plateau beginning in the mid-1970s

[15] The project output appears in two volumes: Ndulu et al (2008a and 2008b). An epitomized version of the study is provided in Fosu and O'Connell (2006).

[16] Much of the present section derives from Fosu (2008a), which presents a number of case studies to illustrate each syndrome and syndrome-free. The definitions of the regimes, provided below, form the basis for the classification of each country-year into one or more of the categories by the editorial committee of the Growth Project. Note that "classification is based on policies, not growth outcomes" (Fosu and O'Connell 2006, 37). For example, though Sudan grew rather rapidly in the late 1990s it was not categorized during this period as syndrome-free but instead as state breakdown. Conversely, Malawi was designated syndrome-free throughout the post-independence period, yet it stagnated in the 1980s, and so did Cote d'Ivoire in the early 1980s despite its syndrome-free classification during that period.

[17] It is important to stress, though, that redistribution need not be adverse, that is, if it promotes harmony. As Azam (1995) for instance argues, governments could use redistribution to buy peace, especially between the north and south in many West African countries (e.g. Chad, Cote d'Ivoire, Ghana and Nigeria).

amidst commodity booms in many African countries, and then declined as of the latter-1980s.

State breakdown/failure

State breakdown/failure refers mainly to open warfare, such as civil wars, but also to acute elite political instability involving *coups d'état* that result in a breakdown of law and order.[18] It constituted about 10 percent of the country-years during 1960–2000. Despite widespread belief, open warfare has histori-

Figure 2

EVOLUTIONS OF SYNDROME-FREE AND EXECUTIVE CONSTRAINTS
1961–2004

Notes: See Table 4 for syndrome-free data; degree of constraint on the executive = XCONST.
Source: Fosu (2009b).

cally been rather rare in Africa, that is, until more recently in the 1990s when its relative frequency doubled to 20 percent of the country-years, from about 5 percent in the 1970s. Despite this syndrome's historically low frequency, however, its impact can be quite large.[19]

The syndrome-free regime

Syndrome-free (SF) results if none of the above syndromes is present, that is, when there is political stability with reasonably market-friendly policies (Fosu and O'Connell 2006). Interestingly, at more than one-quarter of the country-years, the frequency of SF was rather large in 1960–2000, and higher than that of any syndrome except the regulatory. Indeed, in the immediate 1960–65 post-independence period, the relative frequency of SF was about 50 percent. Its prevalence, however, began to wane during the latter-1960s; the downward trend continued until roughly the mid-1980s when it reversed course. The upward trend actually accelerated in the 1990s, most likely as a result of the SAPs. Fosu and O'Connell (2006) find for 1960–2000 that SF was a necessary condition for sustaining growth and a near-sufficient condition for preventing a growth collapse. Attributable to SF is 2 or higher percentage-point increase in per capita annual growth (see also Collier
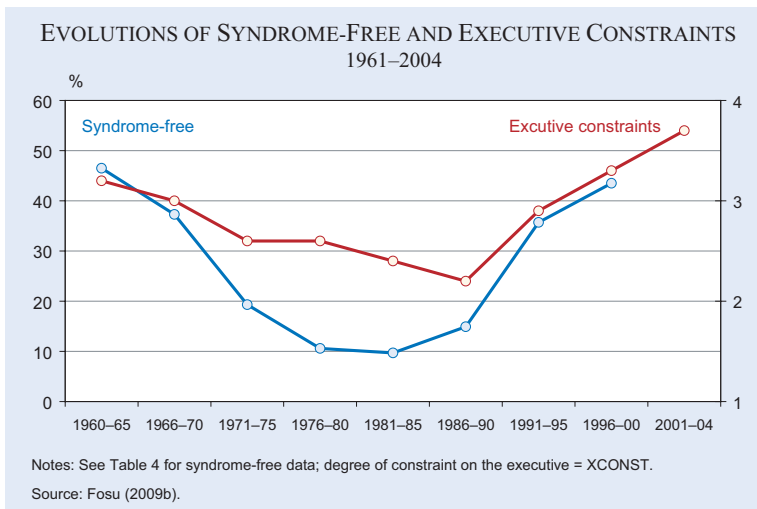
and O'Connell 2008; Fosu 2009b). Such an estimate represents about twice Africa's growth gap with the rest of the world during 1960–2000, a third of its gap with East Asia and Pacific, and more than the gap with South Asia (see Table 2).

The role of governance

Based on five-year panel country data over 1960–2000, Fosu (2009b) finds that governance, measured by the degree of constraint on the executive branch of government (XCONST) tends to increase growth in African economies; however, too much constraint could also hurt growth. More importantly, XCONST is positively correlated with SF. Indeed, it is better correlated with SF than with growth *per se*. As Figure 2 shows for the aggregate level, XCONST and SF track rather well inter-temporally.

In a follow-up study, Fosu (2009c) finds that the deleterious effect of ethnic fractionalization on growth could be attenuated by XCONST. Consistent with Collier (2000), then, 'good governance' may help reduce the incidence of policy syndromes. Furthermore, Alence (2004) observes that democratic institutions in Africa greatly improve 'developmental governance', which he defines as 'economic policy coherence (free-market policies), public-service effectiveness, and limited corruption'. He additionally finds that while 'restricted political contestation' (with limited executive constraints) has little direct impact on developmental governance, executive restraints improve developmental governance even if there is little political contestation. These results imply the critical role of XCONST.

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[18] Most of the classifications into state breakdowns involved civil wars, which are growth-inhibiting (Collier 1999; Gyimah-Brempong and Corley 2005). However, many studies have also uncovered adverse effects of the incidence of *coups d'état* on growth – see Fosu (2002 and 1992); Gyimah-Brempong and Traynor (1999), which may not necessarily be classified under this syndrome.

[19] The impact of state breakdown on Africa's per capita annual GDP growth is estimated to be as much as 2.6 percentage points (Fosu and O'Connell 2006), the largest among all the syndromes, and slightly larger than the 2.2 percentage points obtained for civil wars by Collier (1999).

But how is the optimal XCONST level achieved for development governance purposes? One way is via a disciplined executive that constrains itself, as perhaps in the case of China; however, this strategy seems not to have worked well in Africa. Another is via a democratic process. Unfortunately, an entrenched executive may block attempts to restrict its power. One way to reduce this likelihood is to impose office-term limitations on the executive, as many African countries currently have. Furthermore, Fosu (2008b) finds that electoral competitiveness can enhance growth in African countries, but only in 'advanced-level' democracies. Apparently, certain countries are susceptible to political disorder that may occur at the early stages of democratization (negative 'intermediate-level' effects). An appropriate solution would entail identifying such countries *ex ante* and finding means of forestalling these potential adverse effects.

As indicated above, state breakdown has been the most potent detractor of growth among the various policy syndromes. Unfortunately, many African countries degenerated into political disorder and open conflicts in the 1990s, resulting in part from the political reforms that ensued in support of economic reforms. As previously authoritarian governments began to lose their grip on authority, a power vacuum was created, which tended to undermine the cohesion of the state. In other cases, distributive politics replaced authoritarian rule that had previously succeeded in preserving the nation-state, opening up wounds of divisionism and accentuating polarization with ethnic undertones. By the 1990s, countries like Burundi, Comoros, Democratic Republic of Congo, Djibouti, Liberia, Niger, Rwanda,

Sierra Leone, Sudan and Togo had all descended into severe political instability, most in the form of open conflicts.

While political reforms may be blamed for many of these adverse political outcomes, it is also true that the new international political order that saw the diminution of the Cold War increased the tendency for insurrection, for the likelihood of their success increased. Thus, as SF has increased in the 1990s, so has the incidence of state breakdown (Figure 3), implying the need for increased attention toward post-conflict economies (Fosu and Collier 2005).

Conclusions and policy implications

The present paper has argued that learning from the past will appropriately inform Africa's economic future. First, presenting the growth record of African economies, the paper highlights that despite the usual observation that the overall post-independence growth has been paltry, the record has been less than uniform. From 1960 until the mid-1970s, African countries generally grew reasonably well, with GDP growth rates of nearly 2 percentage points annually above population growth, though this performance was still below that of other regions. Growth declined substantially in the 1980s and early 1990s, however, resulting in decreases in per capita income. Growth has resurged in many African economies since the mid-1990s, however, with per capita annual GDP increasing on average by about 2 percent once again. Indeed, there has been further acceleration in growth more recently in the 21st century. The aggregate picture fails to properly reflect the heterogeneity in African country performance, though. For example, Botswana and Mauritius have performed spectacularly well during the overall period. Moreover, even when growth declined substantially in the early 1980s and early 1990s, many African countries bucked the trend. Country-level growth has also been episodic, with many of those starting out with relatively strong growth faltering subsequently, and conversely.

Figure 3

EVOLUTIONS OF SYNDROME-FREE AND STATE BREAKDOWN REGIMES
1961–2000

Source: Table 4.
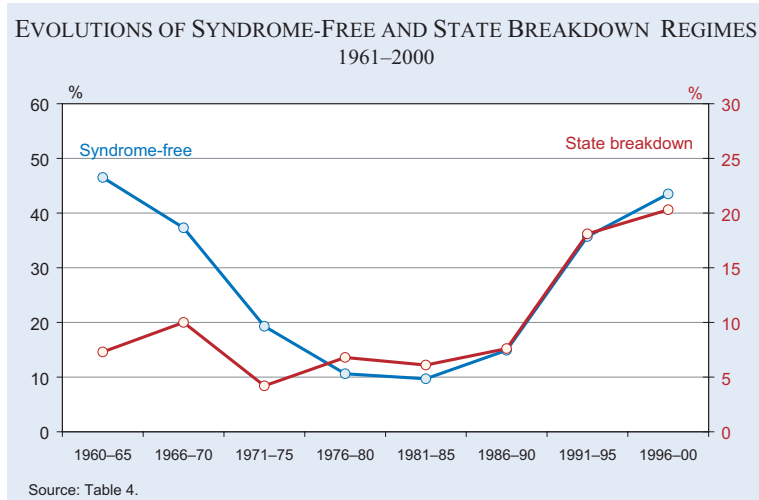
Second, the paper has presented evidence on the decomposition of economic growth. It finds that changes in total factor productivity (TFP) were strongly associated with economic growth performance in Africa generally. When growth was relatively strong in the 1960s and 1970s, TFP was a major contributing factor, which also explained the substantial deterioration in growth in the early 1980s and early 1990s. Similarly, the recent resurgence in growth has been associated with major TFP improvements.

Third, the 'policy syndrome' taxonomy explains the growth record reasonably well. The absence of syndromes, namely, a syndrome-free regime (SF), could raise annual per capita GDP growth by more than 2 percentage points, a rather large amount, given that SSA's growth has averaged less than 1.0 percent over the post-independence period. Much of this positive effect of SF is attributed to its favourable influence on TFP.

Fourth, 'good governance', represented by appropriate constraints on the government executive (XCONST), appears promising for augmenting SF and, hence, for increasing growth. Unfortunately, the recent rise in SF is also accompanied by an increase in the incidence of state breakdown. With the additional evidence suggesting that electoral competitiveness can enhance growth in relatively advanced-level democracies in Africa, it appears that the real challenge is to explore the path toward meaningful democratization that is capable of both augmenting SF and attenuating state breakdown. Meanwhile, as several African countries have already experienced conflicts, it is imperative that we accord special attention to post-conflict economies.

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