

The African Growth Tragedy: Comments and an Agenda for Action

Karl Wohlmuth

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1. Introduction

The Meaning Of The Term “African Tragedy”

Since the appearance of an article by Easterly/Levine (1997) on the growth problems of the African continent we find in the literature a wide use of the term “Africa’s growth tragedy”. In their article this term was related to the disastrous effects of ethnic fragmentation in Africa. It is argued that growth is not only retarded by wars and open conflicts as a consequence of ethnic division and ethno-linguistic fractionalisation, but also by ethnic diversity as distorting systematically public expenditure and investment policies. So the term was related to the policies of colonial powers that were dividing the continent in an arbitrary way and widely unrelated to ethnic divisions.

In this way the term was not used in an unhistorical way, and so kept a meaningful importance for explaining some of the current problems of Africa. However, in more recent times the term was dissociated from the issue of colonial legacy and the ways of building African political entities and states by crosscutting ethnic divisions. So we find in Artadi/Sala-i-Martin (2003) some strong words in the direction of using the term more widely. The authors want to document the dismal growth performance of Africa as a tragedy, “the worst economic disaster of the XXth century” (Artadi/Sala-i-Martin, 2003, p. 1). They do not, however, give any historical context in their study, but they broaden the issues so as to incorporate qualitative growth/ high quality growth. They look not only to the per capita growth rates since 1960 when many African countries got independence, but they also look at income distribution, consumption distribution, and poverty trends up to the year 2002. Nothing is any more clear and convincing in this wording: Why is the development of Africa since 1960 the worst economic disaster of the XXth century? What are the reasons for all that? What is the basis for the assessment? Who is responsible for all this? What can be done to turn the situation? The authors then go on to present (really interesting) figures that show how Africa has developed away from the US/OECD pattern of growth and development. Also some “key determinants” are presented that are considered as responsible for the ‘tragedy’, although they are quite similar to other explanations.

We also have to oppose this type of wording in the context of growth in Africa as a “tragedy” for another reason also. The term is deeply rooted in Greek mythology, describing a dramatic form where one or various actors and a chorus display myths describing possible fates for people, so as to clean the feelings of the attendants by creating fear, despair and compassion. Therefore, such a wording and such a presentation of Africa’s growth as a “tragedy” leads to reactions that will not help us to identify any developmental options open for changes.

Such a categorisation limits analysis and options.

First, the largely aggregate look obscures the fact that in all periods of African development there were successful African economies growing not only in quantitative but also in qualitative terms, that there are many countries in Africa with long and sustained periods of growth, and that economic management and political organisation in Africa during various periods and in many countries has shown a high degree of commitment and ability to adapt to the external shocks and to the requirements of the globalisation trend.

Second, implicit is the view that broad and deep interventions (presumably from outside) are needed in Africa, and that completely new strategies and institutions (found elsewhere than in Africa) are required so as to react to the dangers, to the fate, to the tragedy, but nowhere than in Africa we find something useful for “Africa’s Renaissance”. From outside come general policy rules such as the Washington Consensus or Augmented versions of it as displayed in various forms (see as an example Rodrik 2003 and his 20 “Rules of good behaviour for promoting economic growth”). Dangerous for Africa can be the attitude to assume that such intervention rules and policy rules can be easily derived from principles of economics and good government behaviour, and that with such rules it will be possible to turn the African Tragedy into an African Renaissance. It is obvious from analysing growth experiences in a global comparative way that always the local context matters for the design of growth policies and strategies (Rodrik 2003). To design appropriate strategies for Africa, therefore an African Consensus is requested (the term “ownership of reforms” is too often associated with an undue mixture of intervention from outside and an encouragement of local actors to present some inputs).

Third, the term African Growth Tragedy can be used so as to “clean the feelings” of the observers and actors in OECD countries to do more for Africa in terms of debt relief, market access, and financing of Official Development Assistance (ODA). But also such a use of the term is problematic because the history of economic relations between Africa and OECD countries reveals that aid, financial transfers, debt rescheduling and direct support programmes work only to the benefit of growth if the developmental state in Africa is thereby strengthened and not weakened. Too many forms of donor conditionality and explicit and implicit prerequisites and preconditions have however weakened the developmental states in Africa (this was quite clearly analysed by Mkandawire 2001).

The Alternative View: Successful Development Experiences In Africa

Our approach to analyse growth and development of African countries is different from the African Tragedy or African Renaissance framework. In the context of the Research Group on African Development Perspectives in Bremen we publish the African Development Perspectives Yearbook with the aim to learn from successful development experiences, from progressive initiatives to design new regional strategies, to learn from policies that indeed

have been sustainable over longer periods as evidenced by the concrete outcome. Then we also want to inform and to propagate about such successes so as to allow others to draw conclusions how growth policies can be made effective in Africa by adapting to local conditions. From the first volume of the African Development Perspectives Yearbook onwards we have identified successful cases, policies, strategies, projects, programmes, and common African initiatives. When we discussed the issues of “Human Dimensions of Adjustment” we found out that some African countries successfully could combine structural adjustment policies by incorporating elements of social and human dimensions, thereby enhancing the basis of growth. When we discussed the issues of balancing the development of agriculture and industry in Africa we learned that some countries were successful in relating policies in a more appropriate way to both sectors. When we discussed the labour and employment situation and related enabling policies in Africa we learned that some African countries have developed a deep understanding of the functioning of labour markets and have also designed strategies for bridging and integrating formal and informal, urban and rural labour markets. When we discussed good governance and empowerment in African countries, we found out that in many countries and at various government levels important changes have taken place to the effect of making the whole government system more efficient and growth promoting. Finally, when we discussed ways and forms of integrating African firms and countries better into the world economy so as to benefit from the globalisation trend, we could observe that in various countries policy responses and actions taken of governments and enterprises were innovative and based on local, regional and global partnership so that new export chances could be developed. In more recent volumes on “African Entrepreneurship” and on “Balancing Public and Private Sectors” (Wohlmuth et al. 2004a, 2004b) we could see how well African countries and their developmental actors such as government officials and entrepreneurs understand the necessity of organising markets, of establishing functioning markets, of creating structured markets, and of “governing markets” so as to develop a basis for growth and development. We also could see how they want to learn from Asian experiences of market development, often termed “miracles”. Much of the literature on comparisons between growth in East Asia and in Africa is dealing with the issue of how to build up a functioning market economy, and what lessons can be derived (see UNCTAD 1998, Akyüz/Gore 2001, and UNCTAD 2003). However, during our work of now 15 years in the Research Group we also could see that too many important initiatives, strategy designs, policy initiatives that were coming from African authors and institutions were ultimately not taken up by the international donor community, or were not considered as appropriate to change the situation in Africa fundamentally. We have reprinted important strategic documents coming from Africa such as “The Khartoum Declaration: Towards A Human-Focused Approach To Socio-Economic Recovery And

Development In Africa” from 8 March 1988 (see Wohlmuth et al, 1990, pp. 41-62). Compared with later efforts to come to appropriate designs for new generations of Structural Adjustment Programmes (SAPs) this was a milestone effort and a very innovative document indeed. The “African Charter for Popular Participation in Development” from February 1990 as proposed in Arusha, Tanzania is another important example that Africa was highly successful in designing its own strategies to develop the social basis for growth and development (see Wohlmuth et al, 1992, pp. 221-240). None of these and many other proposals and strategy designs were taken up seriously by the multilateral and the bilateral donor agencies as attempts to build on local interpretations how adjustment, growth and development works in Africa. It is more of a tragedy that all these expressions of African development visions and of development ideology so as to guide developmental states in Africa were lost, forgotten and ignored. It is therefore important to look behind the scene of those studies that mirror Africa as a growth tragedy by “identifying” Africa Factors and Africa Dummies. As these studies reach all policymakers and international finance institutions in OECD countries it is urgent to get a critical look at these views on Africa or images on Africa.

Therefore, we will review in this paper in Section 2 some of the evidence on growth trends for Africa, and in Section 3 some of the evidence working on explanations of the “African Growth Tragedy”. In Section 4 we will come to the role of the African developmental state as an organizer of sustainable growth policies, and in Section 5 we will turn to an Agenda for Action and to the Conclusions.

2. The African Growth Record: From Quantitative to Qualitative Growth Assessments

Towards the Millennium Goals

The most important Economic Report on Africa 2004 (ECA 2004) refers to the unsatisfactory situation for Africa that progress towards the Millennium Development Goals with aimed at annual average growth rates of 7% is slow, and that Africa just has begun to recover from two “lost decades” in the 1980s and the 1990s. I referred earlier (Wohlmuth 2001) to the various sources of the growth optimism after independence, also to the sources of the upcoming growth pessimism in the second half of the 1970s that lasted until the first half of the 1990s, and then I referred to the sources of the new growth optimism that came up in Africa in the second half of the 1990s. The aim of my essay at that time was to look how substantiated this new growth optimism really was, and what perspective a continuation of this trend would bring for Africa. The question was: What would be the prerequisites for maintaining a growth rate in Africa of 6 per cent, a rate that was considered widely in reports by African institutions as a “sustainable growth rate” to allow the region to catch up?

Just in the year 1996 the “magical” figure of 6 per cent growth was approached with around 5% real GDP growth for the Africa region, but Africa could achieve such a growth rate only in few years of its growth history (Wohlmuth 2001, p. 107-108). For the real per capita GDP in Sub-Saharan Africa we observe for the period of 1960-1975 a growth rate of 2.3% and for 1980-2000 a growth rate of -0.8 % (Rodrik 2003, Figure 1 in the Annex). In between these two periods we observed a short period of a “golden age” in Africa with regard to growth (Wohlmuth 2001, p. 107-108). Not surprisingly, we find for the period from 1970 onwards for Africa measures for the total factor productivity that have negative values throughout, and in the growth accounting we see only small compensating factors from education and - in the early periods after independence - from physical capital (Rodrik 2003, Table 1 in the Annex). No other region in the world has such values over the long-term, and no other region has such a negative contribution of productivity to the growth of the output per worker. No other region has such a negative record with regard of the role of physical capital as a source of growth.

The situation however looks different when we regard the short-term. We see top performers in Africa, successfully growing countries, and we also identify in Africa remarkable growth stories (see especially the analyses in the World Economic Outlook of the IMF, such as IMF 2003a, 2003b, 2004). However, it is not only reported that growth has been remarkably resilient over the last few years in Africa despite of the world economic slowdown, but also that the IMF has systematically overestimated growth in Sub-Saharan Africa in the past (IMF 2004, pp. 48-49), so that its projections may give little guidance. Also the various rankings of African countries by their economic performance show that in Africa we can find top performers and high growth economies (ECA 2003, 2004, WEF 1998, 2000, 2004), but again the rankings do not give that much guidance for policy action. Only some general impressions on the policies of the top ranked African countries are presented.

Referred is also to the fact that in 2003 Africa was the fastest growing region in the developing world, behind Eastern and South Eastern Asia (ECA 2004, pp. 1-2). The observed growth rates of 3,8% in 2003 and of 3.2% in 2002 are related to such factors as the oil price increase, good weather conditions, rising commodity prices, increased foreign direct investment, and better macroeconomic management. Also, it is argued that the growth rates differ considerably between the five sub-regions with North Africa claiming a growth rate of 4.8% in contrast to East Africa and South Africa with only 2.5%. However, compared with the Millennium targets the growth rates are highly unsatisfactory.

Also important is another indicator of changes with regard of growth - the fact that in 2003 seven economies had negative growth rates, whereas in 2002 only one country and in 1999 none had recorded negative rates of growth (ECA, 2004, p. 2). For Sub-Saharan Africa (SSA) we also see a deterioration of performance with a growth rate of 3.1 per cent in 2003

compared to 3.5% in 2002. Because of rapid population growth in SSA, the per capita growth has been 1.7 % only (ECA 2004, p.2). These few data not only show that progress on the Millennium poverty reduction front is very limited, but also that the Millennium growth targets are out of reach in the near future; and also the medium-term outlook presented does not give hope to realise the ambitious targets (ECA 2004, pp. 50-52).

The Long-Term Growth Record: Various Approaches

A closer look at the long-term growth record of Africa is important, and there are various attempts to look behind averages in the long-term. We find at least 5 approaches to do this task: first, the identification of distinct phases of African development since independence; second, the identification of extended phases of high growth in specific African countries; third, the identification of so-called “convergence clubs” in Africa; fourth, the identification of growth trends by sub-regions and by economic opportunities; and fifth and most important, the more recent interest to identify and present indicators for a long-term analysis of “high quality growth” in Africa.

There are also many attempts to study the growth history and the growth perspectives of individual African countries, such as the “show case” of Uganda (the growth story of Uganda is analysed now deeply, and the growth success stories are disputed for various important reasons now; see on the debate Dijkstra/Van Donge 2001; Kappel et al. 2003). Such individual country case studies with analyses of growth factors, sustainability conditions and framework conditions for policies are important indeed, and can enlighten policy-makers in other African countries to review their strategies and policies, especially in the context of the intended peer review activities that are foreseen by the New Partnership for Africa's Development (NEPAD). Another relevant approach goes to analyse growth by high-growth sectors in individual countries, such as the often spectacular growth of informal sectors in African countries, sectors that are moving more and more from survival to regular activities of country-wide importance, and are affecting more and more economic sectors, regions and producers in urban and rural areas (see especially Hope, Sr. 2001, and Wohlmuth et al. 1996, 1997). The available estimates for the share of these sectors in GDP and employment reveal the importance of informal sectors for African economies; there are high shares and increasing values, although they are quite different from country to country. Therefore any analysis of growth trends in Africa that is ignoring the informal activities may miss the point. The “African Growth Tragedy” may just turn out to be a result of misreading figures and of misunderstanding what they really measure.

However, increasing interest was in the recent years in the analysis of the aggregate (Sub-Saharan Africa/SSA and Africa Region/AR), by the grouping of these countries so as to understand the aggregate. Country growth experiences for the Africa Region/for SSA were

therefore aggregated so as to be able to analyse the slow growth phenomenon in Africa, and then to contrast the overall African Growth Tragedy with growth in Miracle countries, such as the High-Performing economies in East Asia. All this should bring concrete results that could be used for identifying new policy approaches and support programmes that were obviously needed from the side of donors, governments, and international financial institutions (see in this context the comparative perspective as developed by Akyüz and Gore 2001).

What is then the role of these highly aggregated growth analyses, and how can they help us to understand the roots of the "African Growth Tragedy" and the ways out of it?

Periods of Growth in Africa

To start with, what about the lessons from those studies that present a classification of historical periods of African growth (see as examples AfDB 2000, pp. 1-44; and UNCTAD 1998, pp. 115-132). The identification of such periods is crucial for understanding when and why there might have been real chances for breakthroughs towards sustainable African growth. Serious problems might however arise with the exact identification of such periods for Africa, as the effort should highlight the specific internal and external factors that have shaped the growth process. The first source (AfDB 2000, pp. 12 ff) comes to five periods of growth: first, the period of 1965 –1973 (called post-independence period); second, the period of 1973 -1980 (called period of adjustment to the first oil price shock and to world recession); third, the period of 1980 -1985 (called period of adjustment to the second oil price shock and other related external shocks; fourth, the period of 1986 -1995 (called period of structural adjustment with economic reforms initiated and supported basically by external actors), and fifth, the period of 1995 -1999 (called a phase of fragile recovery that was undermined by the Asian Financial Crisis and related external effects). The last period may be extended up to now when looking at the fragility of recovery in Africa. The problem with this classification is that all periods are defined from the perspective of external shocks that were affecting African growth, rather than looking also at the perspective of the internal (accumulation) dynamics such as the savings/investment/exports/productivity nexus. Quite similar is the classification in the second source (UNCTAD 1998, pp. 115-132). The African growth story is written as being completely dependent on outside forces such as external shocks. We see the trend of declining growth, the break in the growth trend already in the second period, the growth rate remaining throughout below satisfactory and sustainable levels. We observe the unsatisfactory trend of real per capita growth figures, the declining investment rate, a deteriorating investment structure, highly volatile figures, large country differences, and disappointing sector growth rates, especially for agriculture. But most important is the insight that – behind the rhetoric in Africa of "self-sufficiency", "creating a new industrial development decade", "laying the foundations of a balanced development of agriculture and

industry” - export diversification and structural change did not really take place so that the dependence on commodity booms and slumps remained untouched throughout all these periods of growth. From the “star performers” of the first period (Botswana, Burundi, Ivory Coast, Nigeria, Zimbabwe) only Botswana could consolidate its position over the years. For all the sub-periods we see other star performers that were emerging, but their successes remained short-lived. The data on investment decline are crucial. We find however quite different sources on the level and the decline of investment rates in Africa but from one source we can even see that over 40 years of African development the investment rate has declined from a low level of 15% before 1975 to 7.5% for SSA and 8.5% for the Africa region after 1975 (Artadi/Sala-i-Martin, 2003, p. 8). It is often argued that such an aggregate as the investment rate should be disaggregated for private and public investment, domestic and foreign investment, so as to include in the analysis the different productivity effects of various forms of investment, but the implied assertion that public investment in Africa has a comparatively low productivity is not substantiated by all the evidence. Therefore, we can conclude from the analysis of distinct African growth periods that the ambitious political attempts to make Africa more independent from the commodity cycles by Lagos Plan of Action type programmes have largely failed, and that Africa basically failed “to establish a virtuous growth circle involving complementary increases in savings and exports” (Akyüz and Gore 2001, p. 268). Whereas in East Asia economic growth was backed by savings and exports that were rising faster than income and investment for two to three decades thereby closing the savings and foreign exchange gaps (Akyüz and Gore 2001, p. 267), such an accumulation process did not occur in Africa. However, the presentation of the periods of African growth as being primarily shaped by external shocks does not really help us to understand what type of policies would have brought the breakthrough in accumulation, and which policies will now lead to a reversal of the African accumulation process. The question is how to initiate the changes that are needed to establish another exports/investment/savings nexus giving free the path towards export diversification and structural change.

Growth Episodes in Africa

This brings us to the second approach of dealing with the African growth record – the analysis of the African growth episodes. In fact, there have been quite many growth episodes all over Africa in the sense of extended periods of strong and uninterrupted GDP growth exceeding 3.5% per annum (see Berthelemy/Söderling 2001; and also Akyüz and Gore 2001, pp. 266 ff; Rodrik 2003 analyses “growth transitions” in Africa also in a comparative way). The issue is to explain why the growth episodes in Africa have ended much earlier than in East Asia, how the earlier and the later growth episodes differ, and what could be

learned from these episodes so as to reverse the unsatisfactory growth trend in Africa in the coming decades. Two main factors are mentioned in this context for Africa: first, investment surges were not matched by savings increases because of short-lived commodity booms; and second, productivity gains were not achieved at sufficient levels so as to induce private investment. This evidence on investment and growth episodes is important as the earlier growth episodes in Africa that started already in the 1960s (16 out of 20 episodes started already in the post-independence period) show that capital accumulation accounts for a much higher share of growth than in more recent growth episodes; growth in the few remaining cases rests mainly on reform-induced productivity increases, especially in Ghana, Mozambique and Uganda (Berthelemy/Söderling 2001, p. 330). Whereas in the cases of the earlier growth periods the savings (and exports) did not match the investment surges, in the more recent episodes we see quite limited chances for export diversification and structural change at such a low share of capital accumulation in growth. Also with regard to productivity increases there are differences between the earlier and more recent growth episodes. Policy reforms are obviously more important in the recent episodes, whereas human capital accumulation seems to have played a crucial role in the earlier period. The deceleration of human capital accumulation in the more recent periods of structural adjustment may add to the problems related to the lack of physical capital accumulation in Africa. Collective learning from export growth and productivity gains from the reallocation of labour towards more productive sectors worked as factors favourably in both growth periods. However, in earlier periods capital accumulation did not promote export diversification, and in the more recent periods capital accumulation is not strong and self-reliant enough to support export diversification. There is obviously a “development dilemma” with regard to both episodes of growth (Berthelemy/Söderling 2001, pp. 331-334). This also seems to explain the fact that we still remain in economic rankings of African countries with just the two “star performers” Botswana and Mauritius (and South Africa, Namibia, Tunisia) where export diversification took place in earlier growth periods associated with high rates of capital accumulation. To strengthen growth forces in Africa we see that capital accumulation and productivity increases on a broad front matter alongside the continuation of macroeconomic stabilisation. We can learn from the analysis of growth episodes that low levels of savings and low levels of productivity may have ended the investment-driven growth paths in so many countries in the earlier periods, and that low levels of domestic/national saving and insufficient productivity gains may prevent investment rates to become sustainable in level and structure. This seems also to be the case for countries in the more recent growth episodes (Berthelemy/Söderling 2001, pp. 334-337), and this may also be the case for the high growth economies of Africa today (see the most recent report from ECA 2004). In order to remain in the select group of “star performers” a deepening of capital accumulation, broad-based

productivity gains, increased savings without aid dependence, structural changes, and export diversification matter. Productivity gains are so important because of the impact on investment profitability and its impact on the financing of investment in productive sectors (Berthelemy/Söderling 2001, p. 335).

Similar conclusions can be drawn from the data on the productivity of investment of Africa in comparison with other developing regions (World Bank 2000, p. 16). Productivity of investment has to double and the extent of “capital flight” has to be reduced quickly from its level of almost 40 per cent of private savings in the early 1990s (World Bank, 2000, p. 16). Investment therefore not only depends on sustained productivity increases but also on a much higher domestic savings capacity (especially so corporate sector savings). Both factors seem to work favourably in the cases of Mauritius and Botswana. In other African countries either one factor or the other fails to support the growth process. Therefore, such low investment rates as recorded of below 10 per cent of GDP at international prices despite of tremendous adjustment efforts in Africa cannot be considered as merely an “investment pause” (Akyüz and Gore 2001, p. 270). We see that both factors are important - progress with regard to all factors that have positive effects on productivity trends, and progress with regard to capital accumulation and a strong domestic savings capacity so as to finance a sustainable investment activity without increasing aid and foreign resource dependence. We see from all relevant studies on the effects of structural adjustment policies that they matter, but that they are not enough to broaden and to deepen the growth process. Adjustment and investment processes need to be carefully examined as we know that even countries that were rigorously applying structural adjustment policies have failed to “establish a sustained accumulation process linking investment with savings and exports”, what also implies that new investment policies matter that are incorporating the most important causes of economic vulnerability (Akyüz and Gore 2001, p. 272). From the understanding that basically all groups of “adjusters” in Africa have experienced investment problems it follows that newly designed structural adjustment policies are necessary so as to enhance long-term productivity growth, capital accumulation and domestic savings generation aside with macroeconomic stabilisation.

Clubs of Growth in Africa

Another approach to learn from the history of growth in Africa is to identify convergence clubs, distinct groups of countries that belong to the same group with respect of convergence to higher sustained income (see Baliaoune 2002). Such studies may also help us to understand which group of countries can really benefit from the prescribed and recommended policies - such as increasing openness/world market integration - that are assumed to be facilitating convergence to higher income levels. If Africa is considered as

“one club of countries” what the main proposition in many studies on African growth is the main point is missed, that there are “threshold effects” at work that are preventing the benefits from globalisation to materialise at least in the medium-term. A look at three groups/clubs of countries in Africa (Baliamoune 2002) - a high income group with 12 countries in 1995, a middle income group with 11 countries, and a low income group with 18 countries when grouped according to their income position on the basis of PPP values in 1995, and then comparing the membership changes in the club between 1975 and 1995 - reveals that most of the countries stay in their “club” as measured by income averages, and that inter-group movements are very rare. Convergence within Africa is obviously extremely limited as none of the 18 low- income countries out of 41 African countries moved from the “low income group” to the “high income group” over the 20 years, and only two countries (Botswana and Egypt) moved from the “middle income group” to the “high income group” (Baliamoune 2002, pp. 5-6). “Africa” is not a homogenous group/club as we also see that for the “high income group” countries the ratio of average per capita income in 1995 to income in 1975 was 2.48 relative to 1.99 for the “middle income group” and 1.7 for the “low income group” (Baliamoune 2002, p. 6).

Uniform proposals, recommendations and policy prescriptions to reverse the trend named the African Growth Tragedy are therefore highly misleading. This is especially the case with the prescription that “openness” is a requirement for growth and especially will help to benefit from the globalisation trend. There seems to be evidence from the empirical growth analysis based on convergence clubs (see Baliamoune 2002) that globalisation favours those countries that are already in higher income clubs, that have reached certain “threshold levels”, but that problems may arise especially for countries that are in the lowest income club. Openness obviously helps the richer African countries more as they are better endowed with human capital, and with managerial and institutional capacities. Recent proposals for linking growth, trade, and poverty reduction policies in the case of the low income African countries are therefore important – they emphasise a new type of “export led growth strategy” for least developed economies that is effectively combined with a trade capacity building component and a modernised version of a basic needs strategy (see UNCTAD 2002a, 2004); related to these strategic elements are specific policies to work on the high degree of commodity dependence of the low income countries (UNCTAD 2002a).

Sub-regional Growth in Africa and Economic Opportunities

Most important are also analyses of the growth by sub-regions in Africa as “geography” (associated with risks, endowments, natural conditions) matters as an explanation of unsatisfactory growth trends in many studies. Such a sub-regional view is important as we see for the year 2002 that the share of sub-regions in Africa’s GDP is quite different and that

also the income per capita and the growth dynamics by sub-regions are quite different. North Africa commands a share in GDP of 44,6%, Southern Africa a share of 26,1%, Western Africa a share of 15,5%, Eastern Africa a share of 8,2%, and Central Africa a share of 5,6%. With respective shares of population that are quite different from the GDP shares we observe large discrepancies in income per capita levels for these sub-regions, with per capita incomes being much lower in Central, Eastern and Western Africa than in Northern and Southern Africa (AfDB 2003, p. 48). However, so far we do not know that much about the sub-regional growth dynamics and its relation to various factors of geography (spatial distribution of population, endowments with resources, climate and health factors, impact of countries being landlocked, economic impacts of traffic routes, and access to coastal areas). We also did so far not succeed in explaining the causes of the wide disparities of growth and its dynamics within these five sub-regions. "Geography" is however not independent as an explaining factor for the sub-regional growth trends and cannot be separated from various other causal factors, such as government policies, colonial legacy, ethnic diversity, etc.

Concerning export shares (in relation to all of Africa) for 2002, Southern Africa with a share of 35,5 % and Northern Africa with a share of 35.3% are dominating exports of Africa, whereas Western Africa with a share of 6%, Central Africa with a share of 6.7% and Eastern Africa with a share of 6.5% have limited contributions to the overall volume. The "geography of trade", the differences in the openness of sub-regions and its countries to trade, as well as the trade channels and links between the sub-regions also matter. But the information available and the studies done on the sub-regions do not tell us that much about growth dynamics, growth clusters and growth factors and not that much about the trade channels and other links between sub-regions so as to help us to explain the different growth paths and perspectives of the sub-regions. So the vast literature on the African Growth Tragedy does not seem to be interested in the issue of sub-regional growth dynamics.

Even within the five African sub-regions we see wide disparities in growth and trade openness. There is a wealth of information available on macroeconomic and structural data, endowments, policies, and diverse social developments for the sub-regions, especially information that is contained in the annual reports of the African Development Bank (AfDB) and the Economic Commission for Africa (ECA). This material can be used in the future to qualify the growth trends. It may be useful to combine the hypothesis of "club convergence" in Africa with the analysis of sub-regional growth as based on geography factors. This could help to understand regional growth dynamics and perspectives better as we observe quite considerable differences by sub-regions in openness and in responses to the globalisation trend (AfDB 2003, Chapter 2, pp. 47 ff; ECA 2003, 2004). The differences in openness as observed when considered for the five sub-regions do not correlate with the income levels per capita. Some higher income sub-regions obviously have lower indicators of openness

and show more passive responses to the globalisation trend. With a per capita income in 2002 of \$1298 in North Africa, \$1196 in Southern Africa, \$241 in Eastern Africa, \$292 in Central Africa, and \$355 in West Africa we cannot expect a similar ranking in trade openness. So, for Central Africa we identify an average trade-GDP ratio of 76.0% in 2002 (AfDB 2003, p. 59), for East Africa one of 55,4% (AfDB 2003, p. 79), for North Africa one of 53,5% (AfDB 2003, p. 98), for Southern Africa one of 75,5 % (AfDB 2003, p. 117), and for Western Africa one of 71,6% (AfDB 2003, p. 139). Although we observe also huge differences in these ratios for the individual countries in these sub-regions, nonetheless the averages may indicate that some sub-regions such as Central Africa and Western Africa are “over-exposed” to the forces of globalisation while others like North Africa lack the competition from the world market that would boost their growth.

There is also an increasing necessity to work on “geography” as a determinant of African growth by using a classification of African countries that considers economic opportunities (see UNIDO 2004, pp. 7-16). Classifying all African countries as “natural resource-rich”, as “coastal”, and as “land-locked” allows it to derive more explicit growth strategies. This gives then the possibility to look at risks associated with geography, at development strategies, and at the economic role of links between African countries and especially at the economic impact from (good or bad) neighbours. On the whole, population is more or less evenly divided between the three groups.

For the “natural resource-rich countries” the task in strategy and policy is the transformation of rents into growth by joint action of public and private actors, but we know that so far only few African natural resource-rich countries show a sustainable growth pattern; for most of these countries we observe unsustainable growth strategies. But there is nothing to be found to prevent a sustainable growth path for these countries when based on reforms that allow an exploitation of the economic opportunities.

Although Botswana is always mentioned as the “showcase” of a much developmental and wise use of rents, the international conflict about diamonds trade brought also to the government of this country harsh international criticism, and in this process it revealed some quite negative aspects of the state interventions undertaken there (see Taylor/Mokhawa 2003). It would be good not to derive all conclusions about proper management of natural resource rents and sustainable growth for this natural resource –rich group of countries only on the case of Botswana (as it is usual and done so not only in UNIDO 2004).

“Coastal African economies” obviously were not and are not that successful in exploiting their advantages of “labour-abundance” (UNIDO 2004, pp. 11-14). Price, cost, productivity, infrastructure, and reliability of supply matter. Successful growth is recorded for coastal countries, such as Mauritius, and sometimes also Madagascar is mentioned, and for some few landlocked countries with access to efficient transport infrastructure, such as Swaziland

and Lesotho. Such country cases of “export-led growth” – with the exception of Mauritius- are not considered as sustainable enough because of the dependence on South Africa’s infrastructure (Lesotho) and/or on the specific provisions of the African Growth and Opportunity Act (AGOA) of the US. It may however be that the AGOA period of export success can be used to build up a significant pro-export lobby of entrepreneurs that may help to overcome resistance to reform, but this is only a hope and not more. The problem for these “Coastal African countries” is that the labour cost advantage does not adequately turn into a comparative advantage (UNIDO 2004, pp. 12-14). The comparative advantage of these countries is not exploited because of non-labour cost items that are higher for transport, infrastructure, water, and power (UNIDO 2004, p. 13), but also because of high prices of investment goods, licences and fees, and other cost factors. Trade capacity building is not advanced and has to be coordinated with government action in these fields. Export Processing Zones (EPZs) can have the double advantage to reduce these infrastructure obstacles, and to limit the impact of removing industrial protection on other sectors/regions of the domestic economy (Rodrik 2003 describes this for Mauritius as part of its success story). The classification of countries by economic opportunities shows in the case of the coastal countries that the African state/the developmental state has an important role to play so as to exploit the “comparative advantages”. Obviously also for agro-processing such cost disadvantages are real. Overall, we are not very far to recommend specific policies so as to exploit better in a comprehensive strategy design such comparative advantages.

The growth of the land-locked African Economies depends however not only on appropriate national policies but also largely on successful regional integration with coastal and natural resource-rich neighbours, so that transport routes and market opportunities there can be utilised. These chances can be supported also by NEPAD-like initiatives and by the work of All-African institutions (UNIDO 2004, pp. 14-16). Growth in land-locked countries depends on the dynamics of markets in the other two groups of countries as “good neighbours” facilitate market expansion and market integration, what we observe now in the case of Uganda in the East African Community. The growth of the land-locked country also depends on the stability of growth of regional integration zones. Cases of success for some years such as Uganda and Burkina Faso have however to show in the years to come that growth can be sustained. More sustained growth episodes in these countries will depend on growth in the whole region what requires that simultaneously pursued and maintained reform policies are undertaken. Otherwise they will be affected by civil conflict and bad policies of neighbours, what the West African cotton producers such as Mali and Burkina Faso could observe just recently. In West Africa the political problems in Ivory Coast have created additional problems for the land-locked neighbours. Agricultural transformation in these land-locked countries may be an option but depends on agricultural research, various inputs, coherent policies, and on firm

strategies, such as an Agricultural Productivity-Oriented Development Strategy or an Agricultural Demand Led Industrialization (ADLI)- type development strategy. It may then be that land-locked countries could even exploit new opportunities in traditional and non-traditional agricultural export products when airfreight services and telecommunication facilities allow this. However, so far the coastal countries use these options with more successes.

It is interesting to note that NEPAD offers a lot of perspectives just to the land-locked African countries although the origin of the initiative goes back to the leaders of coastal states such as Nigeria, South Africa and Senegal (UNIDO 2004, pp. 15-16). An inclusion of leaders from the land-locked countries is therefore important in order to make them benefit most directly from the realisation of the five core principles of NEPAD: good governance; entrenchment of democracy, peace and security; sound economic policy-making and execution; productive partnerships; and domestic ownership and leadership (see Hope, SR 2002 on the high potentials of the initiative for all of Africa).

High Quality Growth in Africa

The last group of studies that is increasingly important to mention with regard of growth trends in Africa refers to indicators of high quality growth or qualitative growth. This is done by incorporating - beside of figures on real per capita incomes - various inequality of income measures and poverty ratios (see for such an approach Artadi/Sala-i-Martin, 2003). Most important, indicators of qualitative growth are now implicit in all important development indexes presented, such as the Human Development Index (HDI) in the annual Human Development Reports from UNDP (see the comparative data for a decade on African countries in UNDP 1994 and UNDP 2004), the African Competitiveness Reports from WEF/World Economic Forum (see WEF 1998, 2000, 2004), and the rankings for African countries in the annual reporting for the Globalisation Index (as presented annually by the Foreign Policy Magazine). As all these indexes and indicators of qualitative growth for African countries show a high correlation, we find in these reports similar lists of “star performers” in Africa. But such rankings do not show the complete story on the growth perspectives.

Most important is it to understand the trend revealed by quality growth indicators, and if there are incentives enough in a specific country to change the situation by social and economic reforms. The results of such studies on qualitative growth indicators for the Africa region are revealing and show a drastic deterioration of the quality growth basis. Quality growth indicators are so important as the future reform capacity in a country may depend directly on its developments. The deterioration of income inequality indicators for Africa as a continent - measured by the Gini Coefficient with a value of 0.57 in 1970 and 0.63 in 2000 - and for SSA

– with values of 0.58 and 0.65 respectively – means a lot for the fate of serious reforms in Africa. The authors presenting such qualitative growth indicators for Africa (as Artadi/Sala-i-Martin, 2003) argue that one facet of the African Growth Tragedy may be that the richer income segments in Africa have no incentive to initiate, to continue or to speed up necessary reforms (Artadi/Sala-i-Martin, 2003, p. 3-5). For the case of Nigeria it even follows that “the richest citizens of Nigeria actually benefit from the current disastrous situation” as manifested by the increases of their incomes and relative positions (Artadi/Sala-i-Martin, 2003, p. 5). Growth-inhibiting consequences of this type of inequality are considered in theory and policy now, as we learn from the –empirically tested - shape of the inequality-growth relationship and from the “efficient inequality ranges” on this curve that growth can be sustained by appropriate redistribution policies (see Cornia/Court 2001, pp. 22-24). A new problem in the era of globalisation is it – however - that old and new causes of inequality add up, mix up and create new demands for action on redistribution. Old causes, such as land concentration, and new causes, such as differential access to global financial and technological markets, have to be assessed in detail and considered in all phases of policy action. Studies from a number of growth episodes in developing countries show that the type of growth and the extent and development of inequality impact on the feasibility and reality of poverty reduction (Cornia/Court 2001, p. 24). Therefore, not over-ambitious growth targets should be emphasised and propagated for Africa, but the growth-inequality-poverty nexus matters more and more in the coming years and should be targeted for.

The empirical evidence on the development of poverty rates for Africa gives reason for much concern as the share of the African population whose consumption is less than one dollar a day was in 1970 42% for the Africa region and 48% for SSA, and in 1995 these figures were already at 50% and 60% respectively (Artadi/Sala-i-Martin, 2003, p. 6). Growth definitely matters for poverty reduction, but income inequality increases (within and between countries) as we observe them in Africa may prevent such an impact on poverty rates of any accelerated growth that may occur in the foreseeable future in Africa. Therefore, the old and the new causes of inequality matter, and the additional causes that come up with force in times of globalisation have to be investigated carefully in their consequences for Africa. However, for different clubs of African countries there may be different avenues for the applicability of redistribution policies what we learn when we compare the relevance of the various redistribution instruments with the capacity to implement such policies that exists in distinct groups of countries (see on these issues Dagdeviren/Van der Hoeven/Weeks 2001, pp. 19- 22). In the three convergence clubs that were identified for Africa, there may be quite different approaches and instruments that are necessary to stimulate high quality growth. The effective degree of openness - so as to respond timely to globalisation trends - and the feasible type of redistribution policies - so as to impact favourably on growth and poverty

reduction - may therefore be quite different for countries belonging to different convergence clubs.

Most important are the results of analyses (done for the period 1960-1992) that relate economic growth (EG) and human development (HD) trends to each other for developing countries and also for African countries (see especially Ranis/Stewart 2000, and the Human Development Reports of UNDP over the years). EG has important impacts on HD, and HD has important impacts on EG. These two chains of transmission mechanisms are analysed so as to identify the strength of impacts and the crucial factors that are at work. Sub-Saharan African (SSA) countries mostly are low in HD and also low in EG, and therefore many of these countries are in vicious cycles, but there are some important exceptions, and some countries have escaped directly from vicious to virtuous positions, and from vicious to HD lop-sided positions, whereas no country could move from EG lop-sidedness to become a virtuous cycle country. Only Botswana managed to get out directly from the position as vicious to become a sustained member of the virtuous club, whereas Mauritius dropped from the position of HD-lopsided to EG lop-sided (this is explaining the tremendous need for structural reforms in this country over the last 10 years to avoid becoming a vicious country). Better is the position in North Africa with Algeria and Morocco being HD lop-sided, whereas Egypt dropped from EG lop-sided to vicious (Ranis/Stewart 2000, pp. 208-213). For South Africa, we can only say that the new policies since the end of the Apartheid with the emphasis on both, HD and EG, will definitely mean a break of the vicious trend and will ultimately bring a reversal. However, no such move to the virtuous position is guaranteed, and the analyses show that income distribution matters for the virtuous position to be reached and to be stable, as redistribution allows EG to benefit more from HD and HD to benefit more from EG. This finding is robust for all development levels, although the redistribution instruments may differ considerably (and much deeper analyses of the interrelationships of growth, income distribution and poverty also matter; see Ravallion 2001); this is especially important in the policy context of facilitating transitions to a better position (as mentioned in Ranis/Stewart 2000). However, more integrated and more comprehensive strategies for quality growth promotion including new types of employment creation programmes will be needed in African countries in the years to come (see Motloun/Mears 2003).

Looking at all these facets of the African growth record, we can see that much more information and research are still needed to understand the real African growth process, and so as to allow for a differentiation between groups of countries and regions in such a way that pro-active policies can really work that intend to impact on the causes of slow growth (see on details also the Annex tables 1-4 with some quantitative evidence on growth and

human development in African countries by income position, economic opportunities, growth episodes and by sub-region).

3. Explaining African Slow Growth: Secrets and Mysteries

The Africa Factor: A Multiplicity of Explanations

Since years many economists and political scientists that are working on the growth perspectives of developing countries and/or on African development problems discuss the issue of Africa's "growth deficit" relative to other regions. Why is Africa growing more slowly than other regions, why have African countries much lower "steady state" per capita income levels, and what can we say about the extent of the "Africa Dummy" or the "Africa Factor" in all these cross-sectional studies of growth that are presented as econometric exercises (see on some more recent approaches and reviews of these studies Fielding 2001; Englebert 2000; and Collier/Gunning 1999). It is tried in these studies to explain the growth deficit by comparing Africa with other regions on the basis of standard explanatory variables that matter in analysis of growth. If this procedure works in explaining the slow African growth by accounting fully - on the basis of these variables - for the growth differences with other regions, the Africa Dummy will be insignificant; otherwise new researches/new approaches will try to identify the "real" causes of the African growth deficit, but often only by "transferring the puzzle elsewhere", without adding to our understanding of Africa's growth problems (Collier/Gunning 1999, p. 65).

Many studies ended up with a significant African dummy effect of 1%-2% in terms of an annual decline in per capita GDP (see Englebert 2000, p. 1821), even after controlling for various important factors such as corruption/lack of rule of law or ethno-linguistic diversity/social fragmentation. This led researchers to the conclusion that some further research input was needed to identify the sources of the slow growth in Africa. By the way of these conventional studies, and even by including non-standard factors beside of standard factors to explain African slow growth it was not possible to capture the "truth" about the "African Growth Tragedy".

More successful were some few studies that could make regressions with statistically insignificant Africa dummies, a) by arranging for a certain mix of structural and policy factors and b) by controlling for the ratio of government consumption to GDP, thereby "explaining" the slow growth in Africa on the basis of policy factors and policy choices mainly (Englebert 2000, pp. 1821-1822). Indeed, the "puzzle" is transferred now to another area as the Africa Dummy is just "replaced" by indicators/proxies for policy choices, such as measures of openness, measures of government saving and government consumption, or measures of

institutional quality. The real danger with such procedures is that “the AFRICA dummy may well end up empirically deflated but its mystery remains” (Englebert 2000, p. 1822). Therefore, it would be important to identify those factors that help us to understand why policy choices are taken that lead to slow growth Africa-wide. More recent studies that try to “solve the mystery” therefore claim to go to the roots of the problems – emphasising the lack of embedded state institutions (Englebert 2000) and the negative effect of income inequality on per capita income, living standard and health (Fielding 2001).

If the mystery is to be found in the lack of embedded/legitimate state institutions (Englebert 2000, pp. 1829- 1832), the policy implications are complex. Simple measures of governance reform, of political reform, of participatory reform, and of specific policy reforms will not work. Poor performance with regard to health and income distribution can be overcome by deliberate and long-term oriented policies, by removing under-expenditures on public goods, by a better structure of international aid, by combining redistribution and growth policies, etc. We also know that the knowledge on determinants, causes, African factors, structural and policy factors cannot be accumulated on the basis of cross-sectional studies only, but that many other approaches and methods have to be used so as to understand the African growth deficit, especially by using insights from deep country case studies and organising for their comparative evaluation.

Numerous Lists of Determinants of Slow Growth in Africa

It is interesting to look at the various lists of factors that are presented as determinants of Africa’s growth deficit, and then to group the various determinants, so as to identify the areas where policy choices are barriers to African growth and where political action is needed so as to improve policies. The real causes of Africa’s growth deficit as presented in the literature are at quite different policy and structural levels, are derived from different analyses of growth factors, are often highly aggregated, and are often assumed to be relevant for Africa as a region. We find not only many lists of factors that may matter, but also quite different approaches to classify and to group them, and all this is associated with different weights applied and different perspectives envisaged. We therefore have to concentrate in our comparative exercise on some few examples so as to identify the background of particular emphasis, and to show how broad the discussion really is. This review of the lists of factors might then be helpful in view of necessary policy changes in Africa.

Basically, most of the studies identify the role of low investment in Africa as crucial, may it be domestic and foreign investment, private and public investment, and investment sector-wise such as in agriculture, industry, services, and especially so in all areas of infrastructure. Investment is considered as crucially important for growth in Africa, but when measured in terms of international prices the rapid decline of the investment rate in Africa becomes

evident. The investment rate has declined in the years after 1975 from below 15% in the post-independence period continually to reach levels of 7.5% in SSA and 8.5% in the Africa region in the first half of the 1990s (Artadi/Sala-i-Martin, 2003, p. 8). This situation is associated with high investment risks and low rates of return on investment; the rates of return are considered as unfavourable despite of the capital scarcity observed in Africa. But why is this so?

In a recent study that was also used for the new Africa Competitiveness Report 2004 (Artadi/Sala-i-Martin, 2003) seven factors are mentioned: distortions and cost of investment; human capital (education and health); geography, the tropics, and institutions; openness; excessive public spending; and military conflict and ethno-linguistic fragmentation (Artadi/Sala-i-Martin, 2003, pp. 9-17). We see a bundling together of factors such as related to the accumulation of capital, to geography, to institutions, to policy design, and related to exposure to conflicts. In the context of the main message of the authors that income distribution has worsened in Africa relative to other developing regions the policy implications become clear. Policy choices, policy reforms and policy implementation will be impeded and will deteriorate further, and this will hamper growth even more in Africa if not drastic changes are taken on the side of income distribution and for the well-being of the people. It is interesting and important to find this message also in a World Economic Forum publication, the Africa Competitiveness Report 2004 (WEF 2004).

Similar is the list presented by the World Bank (World Bank, 2000). Factors mentioned are geography, health, and demography; sparseness of population, ethnic diversity, and democracy; external shocks and social conflict; aid dependence; and economic management (The World Bank, 2000, pp. 23-27). Factors are bundled together that have to do with geography, with ethnic diversity, with domestic management, but also with external flows and their impacts. Basic theme of the report where these factors are mentioned is how to respond more quickly and effectively to the requirements of globalisation, especially by better governance, by diversifying the economy, and by investing in people. The wisdom of the former approach – to look at the disastrous effects of the worsening income distribution in Africa for reform imperatives, chances and potentials – is completely ignored. The list from the African Development Bank (AfDB 2000, pp. 19-37) mentions geography and environment; war and conflicts; population growth and human capital; investment and physical capital; economic structure; external shocks; and domestic policy management. We find a bundling of factors that includes external and internal, economic, environmental, demographic, institutional and social factors, but the list gives no understanding of the driving forces of developments and changes in Africa and gives not indications for a possible agenda for action. However, we also miss in the list a concept of a more developmental state that is organising the reforms more effectively than so far, and we miss a vision of

development that is based on more equity and solidarity. In their comprehensive review Collier/Gunning (1999) have identified such factors as a lack of social capital; lack of openness to trade; deficient public services; geography and risk; lack of financial depth; and high aid dependence. Innovative is the bundling of important factors in the group “social capital” as all relevant areas of social interaction are considered, in the form of either private or public social capital. Although the term “social capital” and the theories surrounding this concept lead to many conceptual problems, measurement problems, and ambiguous assessments of the results, this “cause” to explain Africa’s growth deficit has opened the research agenda widely (but without making explicit the transition paths of specific societies and states with regard to the stock of social capital). Also the bundling of various factors under the heading of “geography and risk” is innovative, but leads to the mingling of factors that are brought about by natural volatility and/or by policy volatility, making any analytical distinction so difficult (Collier/Gunning 1999, p. 73).

Related to this classification of factors that try to determine the roots of the unsatisfactory African growth performance is a list by UNIDO (UNIDO 2004, pp. 21-24) that distinguishes firstly, exogenous factors (like geography, colonial legacy, and ethnic diversity); secondly, policy-induced factors (such as educational capital, life expectancy and other health indicators, infrastructure, and civil conflicts and wars); thirdly, a group of slow-changing endogenous factors (such as income and wealth inequality); and fourthly, a group of other economic and market related initial conditions (such as the size of markets, agricultural productivity, quality of macroeconomic institutions, and trade openness). If combined with the classification of countries by economic opportunities the foregone growth in Africa on account of these factors is calculated. We again can see that the loss values for land-locked countries are higher, indicating their more exposed position, followed by the natural resources-rich countries and then the coastal countries as the least exposed ones (UNIDO 2004, p. 23). Both non-economic and economic factors, exogenous and endogenous factors are therefore important in analysing slow growth, and for working out policy decisions that will lead to a better institutional framework for growth.

Systemic and Risk Factors in explaining slow growth in Africa

In our own approach on growth perspectives, growth optimism and growth pessimism in Africa (Wohlmuth 2001) we have identified some systemic determinants that may explain the African growth deficit and the large number of countries that are losers in terms of growth relative to the small number of countries that are winners in terms of growth. These determinants relate to systemic effects of rent seeking, to systemic effects of ethnic diversity, but also to a group of critical development bottlenecks that impede systemic evolution in Africa. Such critical development factors are the systems of human capital accumulation and

of technological capacity building, the national finance and innovation systems, and the (rural and urban) systems to mobilise and to intermediate savings for investment. These systems allow it to follow economic strategies so as to guide markets and to facilitate policy transitions to a more open trade and investment regime.

The question was: What are the reasons that some few countries in Africa have been winners in terms of growth and could move towards a process of more or less sustainable growth? This success is obviously related to the degree of systemic change that was possible in a specific period of development. The degree of openness of social and economic systems is important, and the extent of flexibility of economic and political systems matters (see also Killick on his economic flexibility concept as applied to African countries in Killick 1995). Economic flexibility means the ability to adapt, the ability to take advantage of chances, the ability to respond quickly to new chances, and the ability to overcome constraints in the economic and political system. Countries such as Botswana avoided excessive state intervention, pervasive market distortions, a high degree of political instability, and were so preserving and enlarging their economic flexibility, leading then to relatively high and efficient public and private investments that were planned carefully.

Economic flexibility means a lot in times of globalisation and in times of increasing sources and forms - traditional and new ones - of external vulnerabilities. These external vulnerabilities are analysed deeply and regularly by UNCTAD in various reports (UNCTAD 2002b, 2003, 2004); this is done in the context of analyses of more recent world market developments that are affecting developing countries (like changing international production networks, dynamic relocation of enterprises, drastic market organisation changes and increasing price volatilities, changes of the degree of competition on world markets, the emergence of new market channels, etc.). These new external vulnerabilities also affect now the terms of trade in labour-intensive manufactured goods of developing countries when trading with OECD countries (UNCTAD 2002b, pp. 117- 120). The "China effect" in these supplies on world markets is only one aspect at work as the discussion about the Fallacy of Composition argument - that competition is greater in the markets for manufactures that are exported by developing countries - tells us (UNCTAD 2002b, pp. 113 ff). On the other side China is absorbing now more of raw materials, thereby potentially improving the prices of African raw materials exporters in the future. The world competition for labour-intensive manufactured goods is changing rapidly (UNCTAD 2002b, pp. 120-124), and this leads to greater price flexibility with the burden of adjustment falling on labour when rapid productivity increases do not come forth. This is therefore another factor that has to be considered in the context of demands for increasingly flexible African labour markets. Obviously the rigid labour market hypothesis is no longer substantiated by empirical evidence. However, when regarding the available evidence of largely controlled, non-competitive and closed product

markets - despite of privatisation and deregulation - the African producers of labour-intensive export products may still be constrained in finding export niches, but not from the side of the labour markets (see Collier/Gunning 1999, pp. 89-99; and also the case studies on recent forms of world market integration in Wohlmuth et al. 1999, 2004a, 2004b).

The “legacy of hostility” against private business, private entrepreneurs and private investors is mentioned by various authors that discuss slow growth in Africa (see Collier/Gunning 1999), but our own research indicates that there are changes in many African countries to the better (see Wohlmuth et al. 2004a, 2004b) and this factor seems not to be overwhelmingly relevant today. More relevant than this “hostility factor” towards private business is the factor “level and absorption of risks” by private enterprises (see Collier/Gunning 1999). The high risks associated with private business determine the structure of economic sectors and the interaction of formal and informal sectors in African countries. The small extent of the formal labour market in African countries is then not related to an inherent lack of flexibility and inability of adjustment and to outright inappropriate government policies, but is seen as rooted in problems of financial markets and in risks, public service delivery problems, etc. This also implies that the growth of the informal sectors in African countries is more an adaptation to the structural conditions of the financial markets, to the risks for the investors and producers, and to the lack of public social infrastructure, supplies of public goods, and public service deliveries. The “risk theory” of slow growth in Africa has its merits (although the combination with the “social capital theory” in Collier/Gunning 1999 is problematic and so reduces its explanatory power). This “risk factor” may then further impede export diversification and structural change towards manufactures and related services. Such products from developing countries and especially from African countries – when supplied to the world market - may also behave there more like primary commodities than like skill- and technology-intensive products (UNCTAD 2002b, pp. 121).

Accumulation, Risk and slow growth in Africa

More important, the post-colonial/the post-independence “accumulation model” obviously has reinforced the management problems with regard of external shocks and especially the organisation of primary commodity markets (Akyüz and Gore 2001, pp. 273- 278). As we know from the various periods of growth in Africa, agricultural production growth was not only modest but in overall terms highly disappointing, reflecting the “knife-edge problems” of post-colonial agriculture, the “strategic dilemmas” that were present since independence (Akyüz and Gore 2001, pp. 275). The problem of finding the right balance between production of food and export crops became all over the periods of development in Africa a crucial management task, and in the end the failure to provide for a net agricultural surplus has constrained overall development. Comparing East Asia and Africa with regard to small holder

agriculture shows that East Asia has followed successfully a two-sided approach of taxing agriculture but counterbalancing this effectively by investments into basic infrastructure for sustainable agricultural production, by the introduction of innovations, and by inducing productivity increases that led to profitability of private investment in the sector (Akyüz and Gore 2001, p. 275).

This “management failure” in Africa is also expressed in the analysis by Collier/Gunning (1999) when arguing that inadequate public service delivery, high risk and volatilities led to complex and costly insurance strategies for the rural households that reduced growth. All this may then explain better the contribution of agriculture as a sector to the overall African growth problems (Collier/Gunning, 1999, pp. 76-84). When the government does not compensate the risks and volatilities and when the markets are not structured in appropriate ways, the negative effects on growth will become stronger and pervasive (see also the detailed analyses in UNCTAD 1998, Part Two, Chapters II and III). The generation of a net agricultural surplus by strong institutions, consistent policy choices, the support of rural public social capital, and effective public service delivery is key for growth. However, there is enough evidence that it was not simply overtaxing agriculture by the “neo-patrimonial class”, but rather inappropriate and uninformed responses of government to complex agro-economic conditions. Funds that went back to agriculture were for distributional reasons more directed to food crops, not for overall productivity increases and/or for export crops; there were policy biases, but not necessarily exploitative relations and distortions as often assumed (Akyüz and Gore 2001, pp. 275-276). It is therefore possible to relate the “Africa Dummy” to the complex factors of African peasant agriculture (geography and risk factors, high cost of social capital formation, low quality and limited availability of public goods supplied, and unreliable access to public service delivery); as all these factors are not included in the usual growth regressions, these factors seem to be a good approximation of the unexplained part of the African growth deficit (what Collier/Gunning 1999, pp. 83-84 assert). There are many reasons for investment stagnation in African agriculture, as the sector is depending on social capital provision, and is suffering from lack of infrastructure, governmental management problems, and undersupply of public goods.

However, the failure of the “post-colonial accumulation model” in Africa to generate a sustainable investment/savings/exports nexus with regard of industry has also to be mentioned (Akyüz and Gore 2001, pp. 276- 278), and as well the specific constraints on firm growth such as high risk in the context of a limited capacity to bear it, poor public services, lack of social capital, and the burden of inappropriate financial intermediation systems have to be emphasised. The “paradox of industrial accumulation” in Africa can in this way be explained, and it is shown that industrial progress is often short-lived. When looking at comprehensive competitiveness indicators that take account of exchange rates, wage and

productivity movements (UNCTAD 1998, pp. 198-201), we see that countries with an increase of their competitiveness reached this mainly by depreciation and wage cuts but at falling investment; in other countries satisfactory productivity and investment growth was offset by currency appreciation and rapidly rising wages. What is absent in Africa is obviously the "pattern of strong investment and productivity growth, combined with moderate growth in real wages and relatively stable currencies" (UNCTAD 1998, p. 199).

We know from various studies on the innovativeness of the African industrial entrepreneurs that they are innovative, but in the context of all these general and specific constraining factors the impact of the "innovative milieu" is not broadened and deepened so as to generate growth (see Wohlmuth et al. 2004a, and 2004b).

All the strategies to reduce and to accommodate the risks are costly, in agriculture and as well in industry, and so – in the context of market and state failures – investment is impeded and retarded. Liberalisation and structural adjustment may reduce some costs and may eliminate some risks, but the inherent risks and the problems of credibility and continuity of policies remain, and so the loss of governmental protection and of a monopolistic position are then opposed widely (see Collier/Gunning, pp. 84-89). A vast literature on compensating these trends of high risks and high costs and of incredible policies by creating domestic and external agents of restraint to "discipline" politicians, politics and bureaucracy in Africa has emerged, but most examples show that their longer run impact on government and on investment may be limited (see Riese 2004 on such approaches to discipline at various levels of action the policymakers in African countries). It is important to discuss the issues in more detail, especially of how to strengthen the state in its functions so as to pursue credible strategies and to support private and complementary public investments.

The Absence of Comprehensive Investment Policies and Strategies in Africa

We see that the weaknesses of the post-independence accumulation process and the combination of risks and costs of transactions associated with activities in both of the productive sectors of the economy – agriculture and industry – resulted in a low propensity to invest. Investment propensity was limited, the level and rate of investment were shrinking, and the structure of investment was deteriorating. We know from comparative studies of levels of investment, stability of investment and composition/structure of investment that all these above mentioned factors left their mark on the African investment level and pattern; when compared with East Asia and Latin America we see a much more negative picture in Africa with lower levels, lower degrees of stability, and a structure and composition of investment that is more unfavourable than elsewhere (see UNCTAD 2003, pp. 65-84; see in this context also Wohlmuth 2001, pp. 129-153, on the various theories that are relevant to understand the growth and investment process in African countries).

The decline of the gross domestic investment rate for SSA from an average of 20.5% in the period 1975-1984 to 15.1% in the period 1985-1989, and the slight recovery in the 1990s to 17% (The World Bank 2003a, p. 15) means that despite of an improved “investment climate” the change towards a more sustainable rate of investment was rather insignificant. Although the figures were at far higher initial levels in the 1970s and 1980s in North Africa, also there was a dramatic decline without any improvement in the 1990s. If we consider the argument of expensive investment goods and reduce the rates mentioned by one third we come to unsustainably low levels and rates of investment. In this context the decline of gross public investment in SSA from around 9% to around 7% and 6% in the same periods is also a manifestation of foregone chances to “crowd in” private investment. More than this, as long as the Africa region remains far below a 25% investment to GDP ratio – and at high incremental capital /output ratios - an acceleration of growth cannot be anticipated (see ECA 2004, p. 40). In so far the Millennium target of a 7% growth rate is too far away from a realistic perspective for the medium-term (see Wohlmuth 2003b).

Redirection of investment is therefore a key priority for Africa, and this requires a consideration of all the factors mentioned that determine the “investment climate”, but also a more developmental attitude of government and bureaucracy is necessary. In this context the feasibility of such a redirection has to be discussed. Such a redirection has many aspects as we learn that various African countries were able to initiate extended growth episodes in the 60s, the 70s and the 80s that were based either on capital accumulation or on policy reforms so as to increase physical capital and overall factor productivity. However, most of these episodes were in the 60s and the 70s, and only few of such episodes started in the 80s (see Rodrik 2003, Table 9; and Berthelemy/Söderling 2001, p. 325). We learn (from Rodrik 2003, pp. 14-19) that growth spurts are usually associated with a narrow range of policy reforms, but that these growth spurts require deep institutional reforms that combine elements of orthodoxy with unorthodox practices so as to sustain growth. We also learn that institutional innovations such as unorthodox practices - as used in East Asia and elsewhere in industrial and export policies - cannot be transferred/borrowed/adapted/ learned easily so that each country needs experimentation and own development of such institutional innovations to start growth and to sustain it. And we finally learn that sustaining growth for long is very difficult, as institutional reforms have to be deepened considerably and adapted to changing conditions.

What has this to do with the situation in Africa? We can assume that lack of real ownership, lack of own experimentation, and a lack of local context in design and implementation of policy reforms have contributed to the systemic, risk and accumulation problems in African economies, and have prevented that many more new and more “appropriate” growth spurts (in the sense of more investment associated with them) could occur. Many questions arise:

Is this a result of “aid dependency”, of a fundamental lack of ownership, of an inappropriate conditionality from the side of donors, and of an inadequate sequencing of reforms and of international finance flows? Or is all this caused by the lack of a coherent investment policy? We are again and again told that policy reforms that lead to a better investment climate by removing obstacles to investment are in most cases not enough, and that pro-active elements of an investment strategy are necessary to “structure markets” and to exploit comparative advantages (see especially Stewart 1995). “Structuring” a market involves goals, targets, and instruments. In this context a coherent investment strategy is needed that emphasises - at all levels of action towards structuring the market - the relevant institutional build-up to promote economic growth and social justice (see on elements of such a strategy again Rodrik 2003, pp. 19-28). This leads us then directly to the issue of the foundation and the legitimacy of the African state, its governance structure and the role of its bureaucracy – is the African state “neo-patrimonial” or “developmental”? An answer is important so as to be able to recommend and to design appropriate growth strategies.

4. The African State and Sustainable Growth Policies: Towards an Agenda for Action

The “Neo-Patrimonial State” - The “Africa Dummy”?

We have seen that most of the factors that were identified as determinants of slow growth in Africa have to do directly or indirectly with the state of the government and of public administration, with the social base, the character and the behaviour of representatives of these states, with public policies, domestic management, and public services delivery. We may look at the quality of domestic economic management, the role of the public social capital, the development strategies pursued such as agricultural and industrial policies, policies on human capital formation, income distribution and poverty, physical capital accumulation, savings and exports, export diversification, etc. Also such factors which are considered as exogenous, like geography, external shocks and various types of natural volatility and risk, have to be mentioned in this context, as all these conditions, constraints and vulnerabilities can be influenced by strategy, determined policy action and by planned structural change. We can see this when comparing the performance of African states in this respect. Countries that are landlocked, or natural resource-rich, or located coastal can benefit from these economic opportunities or will loose by failing to react to this situation (see UNIDO 2004).

So we must directly address the issue of how to look at the structures and foundations of the state in Africa, and how to initiate the changes that are required to start for growth and to adapt to the trends of globalisation. It is not enough to argue in general terms about state

failure in Africa, and to speak of weak states, incapable states, failing states, mismanaged states, illegitimate states, dependent states, and hundreds of other attributes that were given from outside of Africa to illuminate the images of the state in Africa.

However, we observe that there are opinions about the state in Africa and its capacity to reform and to transform politics and the economy that have to be addressed in more detail. There are not only over-generalisations but also basic beliefs and basic assumptions that are not consistent with any significant role of the state in growth policy so as to address the African slow growth dilemma.

Basically we find two positions, and sometimes we find something between. The African state is portrayed widely as a “neo-patrimonial” state that has lost more or less completely after independence its developmental role, its capacity for reform, its development vision and ideology, and its impetus to build national identity by referring to power relations inherited from early pre-colonial times. This type of state is portrayed as clientelistic, as rent-seeking, as re-distributive and non-productive, as a state that is distorting markets, as a state not embedded into local social and power relations, as a state dissociated from the civil society, as not autonomous from specific interest groups, and as not legitimated by pre-colonial configurations and new post-colonial social forces, etc. (see on some of these arguments again Englebert 2000). How can such a state do anything substantial on laying foundations for growth and sound growth policies? How can one then explain high growth in Africa in various countries and during successful periods of growth?

The other position argues that there is really nothing what prevents the African state to act and to behave as a developmental state. However, the arguments from this side are not taken really serious. This is so despite of so much theory and evidence that is presented to show that a developmental state in Africa is feasible and that the arguments about the “neo-patrimonial” state in Africa are weak and unhistorical (see especially Mkandawire 2001 arguing importantly and impressively against the wave of “impossibility theories” with regard of a developmental state in Africa).

In between we find the position that the state in Africa can become more effective if changes are intended, committed and pursued (these positions we find in documents from regional and international organisations mainly). The argument that the state in Africa is a “neo-patrimonial” one (see Englebert 2000) comes to the simple conclusion for most of Africa that such a state became a mere mechanism for appropriation, redistribution and misuse of resources and rents derived, that it is an alien institution, not being the outcome of a social contract, that it is only acting by some “instrumental legitimacy” and not being based on real legitimacy, that it is substituting patron-client links for the lack of moral rights to rule, that it is not able to envisage long-term futures, that it is only disturbing and distorting markets and all related rational policies. More than this, this type of state is favouring current consumption

over investment, and more generally speaking, this state is not legitimated by pre-colonial sources of power and institutions of authority and is therefore not embedded (Englebert 2000, pp. 1823-1825). In order to explain then the fact and reality of the more successful states in Africa it has to be argued that just these states have higher legitimacy, either because the country was not colonised for long (such as Ethiopia, although not considered as successful state) or because the states were constituted as close approximations of pre-colonial political structures (like Botswana, widely considered as a successful state in Africa). Obviously the case of Botswana and only this case seems to fit all the arguments just needed for demonstrating the developmental role of the state in Africa, although a closer look at democracy, politics, economy, adaptation to the globalisation trend and extent of structural change in Botswana leads to somewhat different results and projections (see especially Good/Hughes 2002, Good 2004, Emminghaus 2002). The situation in other cases such as Uganda – a low legitimacy state - is not so simple when looking more deeply into systemic political and economic changes (see the comparison of the “movement system” and the multiparty system in Uganda by Therkildsen 2002).

The argument about “neo-patrimonial” states is even used to construct a connection between slow growth and lack of legitimacy of African states, concluding that the (very few) more legitimate states in Africa give proof of a superior growth performance. This is then presented to the researchers on Africa all over the world as an achievement, to have “solved” the “mystery of the Africa Dummy” (this being the title of the article by Englebert 2000). However, the identification of the more legitimate states in the world is indeed methodically very obscure in such analyses, and the identification of criteria/proxies for the qualification of a neo-patrimonial type of state is also not at all convincing. Deficits in the observed state legitimacy lead then in Africa to favour “neo-patrimonial policy choices” with high government consumption, lack or low levels of investment in education, large bureaucracies, lack of long-term investment, non-productive investments, less open economies to generate rents from international trade, distorted financial markets to create rents, etc. The impact of the “legitimacy of states ” on growth performance is considered (and “tested”) as overwhelmingly great so as to come out with solving the mystery of the AFRICA dummy (Englebert 2000, p. 1830). The message is that “African governments choose neo-patrimonial policies because they offer the highest relative power payoffs in the context of arbitrary state structures” (Englebert 2000, p. 1831). How can anything be done in terms of a growth-supporting policy then? How can trade and industrial policies do anything good? How can markets be structured by policy in such a state? Any such policy would just clash with the reality of the neo-patrimonial policies. All policy initiatives on growth must fail in this context.

Similar views are presented in other analyses. In a recent study on the promotion of small and medium enterprises and entrepreneurial development in Africa (Kappel 2002) we learn

that the neo-patrimonial state prevents development because of a high degree of informality of transactions that works against improving systemic competitiveness, and in such a type of political environment the economy is perverted by prevailing rent-seeking. Entrepreneurial development is just not possible because of the neo-patrimonial state (NPS). Only some few exceptions are seen in Africa such as Mauritius, Botswana, and South Africa. These NPS as well are not endowed with the right type of social capital (this is quite distinct to the lack of social capital thesis presented by Collier/Gunning 1999), so that modernisation is again prevented. Finally, and thirdly, the African countries are mostly raw material producers and exporters of such goods and stay in this position (labelled “Ricardo countries”), and have a very low potential for structural change, for export diversification and for catching up; all this again strengthens the NPS by a high propensity for rent appropriation and redistribution in favour of the “patrons”. There are only very few African countries with an industrial base or countries being integrated into global production chains (again such countries as South Africa and Mauritius). So we see that the three arguments about the NPS, about the wrong type of social capital, and about a cemented position of African countries in the international division of labour leave not any space for pro-active development and growth policies. In such countries sustainable growth can only be achieved with extreme difficulties (Kappel 2003, p. 25). These types of countries are not “convergence countries” or “catching-up countries” and will stay so if not the three pillars of the NPS are eliminated. But how should this come? How can a policy shift take place, how can a new development policy be implemented in such countries? Can structural adjustment policies work, can aid work, can conditional finance work? Definitely they cannot work; they will be wasted efforts.

Approaching the Developmental State in Africa

The answer of the World Bank was quite early to change fundamentally the role of the state by reducing its involvement in production and in the regulation of the economy, thereby assuming that it would be possible to eliminate the sources of the NPS. Another pillar was related to acknowledging that agriculture was not a backward sector but an engine of growth so that “over-taxation” by the NPS was seen as harmful (see The World Bank 1994, pp. 34-41). Moving step by step from adjustment to development was from now on the theme. To do all this “the state is pulling back from direct intervention in the economy and improving its capacity to provide basic services and a stable policy environment”(The World Bank 1994, p. 35). More elaborate on the African state became the World Bank views later on (see The World Bank 2000). The reform agenda was reversed - not eliminating the “source” of the NPS in the form of state involvement, but positively benchmarking what the state has to deliver. Criteria for a well-functioning state were developed. Emphasis was laid on the institutional infrastructure that was seen as necessary to deliver public goods and services.

Then the “effective state” will be able to finance infrastructure and services, and the political process will be “viewed as legitimate and provides an anchor of predictability for private investment and economic development more broadly” (The World Bank 2000, p. 51). Restructuring and reforming such states was considered as possible, but depended only on various “inputs” such as participation, individual liberties, empowerment, an enabling environment, and the enforcement of the rule of law. On the whole, the arguments presented did not deny the possibility that developmental states could emerge in Africa, but for this to happen would require more transparency on the budget, more reliable information and contract enforcement for the business community, and new policies of the government in ethnically diverse societies so that patronage can be avoided. Representation and legitimacy of people in power matters, and inclusion of ethnic groups, social groups and regions is important, but there are many options, avenues and routes to realise such effective and well-functioning states (The World Bank 2000, pp. 67-68). The message is that there are various ways and paths to come to a more developmental state.

This issue is also discussed in the context of the future of the African state as confronted by the more recent trend of globalisation (see Young 2004). It is argued that the “post-colonial state” ends, and that the pressures of globalisation and inclusion will definitely have to lead to a reconfiguration of the African states. There are new dangers coming up as civil conflicts may retard or even prevent this reconfiguration of the African state, with the result that there will be limited scope for effective reforms. Also the other evidence on the recognition and the feasibility of reconstructed African states, such as own reforms of budgets and a better public sector management in Africa, show that a much wider variety of policies, of political paths, and of political choices can be observed now, and that the administrative capacities for such a turnaround are indeed gradually developed.

It is also becoming obvious that strengthening the elements of a developmental state directly is more important than relying on surrogate solutions (domestic and external agents of restraint so as to discipline the politicians and the government bureaucracy, or relying on sets of conditional finance to influence behaviour in this way). The direct path to more developmental states is obviously more effective than relying on surrogates for own state capacities and on external pressures based on conditional finance/and or market access (see Riese 2004 on experiences with such surrogates for functioning states and external pressures of different types and at various levels of action).

In our own work on African Development Perspectives we have seen that African countries/African states can successfully combine adjustment with a strengthening of human dimensions (Wohlmuth et al. 1990), can successfully pursue agricultural demand-led industrialisation and development strategies and programmes (Wohlmuth et al. 1992), can successfully design and implement sustainable development strategies, programmes and

projects (Wohlmuth et al. 1994), can successfully reform labour markets and employment systems (Wohlmuth et al. 1996, 1997), can successfully implement governance reforms and empowerment programmes (Wohlmuth et al. 1999a, 1999b) , can successfully implement policies to reintegrate African economies into the world economy (Wohlmuth et al. 2001), can develop successfully private sectors and African entrepreneurship (Wohlmuth et al. 2004a), and can successfully balance private and public sectors (Wohlmuth et al. 2004b). We could see that most important elements of a developmental state can be found in many African countries, and that the task is it now to build it up and to strengthen it further.

5. An Agenda For Action and Conclusions

Towards an Agenda For Action

If we define a developmental state as one “whose ideological underpinnings are developmental and one that seriously attempts to deploy its administrative and political resources to the task of economic development“ (Mkandawire 2001, p. 291), we can then much better proceed with an Agenda for Action. An Agenda for Action is important so as to present an alternative on African growth and so as to overcome the phase of mere reasoning about the various meanings and expressions of what the African Growth Tragedy stands for.

Such an Agenda for Action has eight pillars and is derived from the above analysis of the factors that are determining African growth:

First, an African Consensus on Structural Adjustment and Policy Reform:

Much more is necessary than believing in the economics principles that are called Washington Consensus/Post-Washington Consensus/Augmented Washington Consensus (see Rodrik 2003, Table 2), as it presents just a list of sound economic principles that may have relevance when guiding appropriate policies. We learn (again from Rodrik 2003) that “developmental” is the skilful and timely application of these principles to the local and specific context. Therefore we find a Chinese Consensus, an Indian Consensus, a Mauritian Consensus, and we should think about an African Consensus which matters in all relevant policy issues such as liberalisation, deregulation, privatisation, trade and capital account opening, budget reform, corporate governance reform, establishing property rights, reaching more flexible labour markets, adjusting in time to WTO principles and rules, installing appropriate exchange rate regimes, adapted social safety nets, etc. Regrettably, attempts in Africa to develop such an African Consensus were not taken serious by the international community of donors and finance organisations, such as Africa’s Alternative Framework to

Structural Adjustment Programmes (see Wohlmuth 1992, pp. 329). Hopefully, the peer review mechanism of NEPAD and the region-wide analysis and use of the EPSI/Expanded Policy Stance Index (see ECA 2003, pp. 52-60, and my review of the report in Wohlmuth 2003b) will help to build up a realistic perspective for adjustment, growth and development and will also allow it to learn from others in Africa. For the results on the EPSI as contained in the ECA 2003 Economic Report on Africa we find a review of second-generation reforms and a ranking of African countries, including assessments of contract enforcement, policy ownership and regulatory structures in African countries. This mechanism for policy competition in Africa can help enormously to compare African countries` policy stance between countries and over time.

Second, a Focus on Human Development and Income Redistribution:

We have seen that human development and income redistribution matter profoundly for any acceleration of African growth, as income distribution and human development affect growth in various directions and at various levels. The aggravation of the situation with regard of (within and between) income inequality in Africa obviously now retards and prevents a deepening of the overall reform process. This reduces and limits the transmission of progress in human development toward economic growth and of progress with regard of economic growth to human development advances more and more.

Action on Human Development and on Income Redistribution cannot wait for times of higher economic growth and for post-stabilisation periods (although such views that only “trickle down” of growth matters for human development are still held in some quarters; see Rimmer 2003). The discussion about a certain type of sequencing of reforms, starting with stabilisation and then moving on to deeper structural reforms, was therefore wrong and inappropriate from the outset. Also highly inappropriate are discussions and proposals about allocating aid as a premium to the successful reformers that have already done their job, so as to honour the successful stabiliser. It is also important to do more for countries in their post-stabilisation period (see Collier/Gunning 1999b) so that human development can be accelerated. Important is it to honour by aid allocations the successful organiser of comprehensive action on human development. Also the Highly Indebted Programme Countries/HIPC initiative is still one-sided and bureaucratic in this respect, and therefore new instruments should support in unconditional forms of finance those countries that are improving more quickly their human development indicators/and their redistribution record.

It is most important to channel aid towards coherent human development programmes on a national and regional basis, and to support such programmes for the redistribution of incomes that are adapted to the level of development. This is also an issue now in South Africa with the land reform initiative of the government. The talk about reducing “aid

dependency” is insofar meaningless because any success in growing out of this form of dependency requires human development at a much larger scale. Again, Africa was very early in recognising the importance of human development strategies for its growth. The Khartoum Declaration on Human Dimensions of Adjustment (see Wohlmuth et al. 1990) gives evidence, and it was an important enough initiative, but it was not used as a frame for international aid policy.

Third, a Coherent and Balanced Investment Strategy:

Establishment of a coherent and balanced investment strategy is a most important but complex task. “Coherence” means that all sectors (formal and informal ones; sectors such as agriculture and other productive sectors) need equal support and incentives. Therefore neutral conditions between sectors are good for investors and for the economy, at least on the average and in the longer run. Neutrality of incentives matters, and in most African countries there is a long history of non-neutral economic incentives for investors. A “balanced” investment strategy means that public and private investment, domestic and foreign investment have their important role to play. It is therefore not appropriate to praise the changes in the structure of investment toward the private part as a success of the country (without further qualification) and as progress in policy when the level and the share of overall investment are still so low in Africa. A balanced investment strategy requires that core public investment is maintained, expanded and rigorously planned in the context of efforts to improve the investment climate for private entrepreneurs (see the case studies on such balanced investment strategies in Wohlmuth et al. 2004a, 2004b).

A strategy to improve the investment climate for private investors can be based on removing policy distortions and inappropriate regulations (forms of government failure), but too often this will not be enough to start growth as also various market failures have to be addressed by applying various selective policy instruments (such as the real depreciation of the currency, incentives to restructure sectors and incentives to export, EPZs, installation of technology transfer boards, venture capital funds, and using various other unconventional forms of supporting entrepreneurs (see Rodrik 2003, pp. 23-25 on various kick-off strategies). Some form of industrial policy can pay off, and also in some African countries we could see this.

Improving the “investment climate” is therefore much more than removing “obstacles to invest”. It is also necessary to study carefully the own growth and investment history so as to learn from the successes and failures of import substitution and from the periods of extended growth. This may facilitate the design of such policy interventions that are creative enough to attract investors.

The start of a new growth period can be facilitated by creative interventions and by coherent policies. Proposed is a two-pronged growth strategy (see Rodrik 2003, pp. 19-28), with a kick-off phase that is followed quite soon by a deepening/consolidation phase. The case of Mauritius - with the establishment of the EPZ in the kick-off phase and an overall institutional build-up in the country quite soon after so as to broaden the scope of investment activities - is of general interest. Even in cases of a bad investment climate - what is assumed to be the case in many African countries - some creative interventions by government can kick off growth (as it was so in South Korea in 1961; see Rodrik 2003, pp. 23-24).

Creative interventions to kick-off growth have to be followed soon by an institution-building phase. The implication is that at least four types of institutions (formal and informal ones) are needed (Rodrik 2003, Table 11), such as market-creating institutions (property rights and contract enforcement), market-regulating institutions (regulatory bodies, and other institutions to correct for market failures), market-stabilising institutions (monetary and fiscal institutions, financial sector prudential regulation and supervision institutions), and market-legitimising institutions (democracy, social protection and social insurance). The agenda is broad, and the message is that progress in all four categories of market development is needed to consolidate growth. Therefore, progress in Africa cannot be limited to one or the other component of building institutions. The EPSI/Expanded Policy Stance Index of ECA (in ECA 2003), the TCI/Trade Competitiveness Index of ECA (see ECA 2004), and the PRM (Peer Review Mechanism) of NEPAD may now help mutually among African countries to detect early such weaknesses in the build-up of institutions for the consolidation of growth. All these necessary reforms refer to other issues of the Agenda for Action, such as human development and income redistribution or establishing a new Investment/Savings/Export Nexus. However, a (full) convergence of institutional set-ups cannot be expected and is not necessary, neither between Africa and other regions nor within Africa. We have to understand that growth convergence does not imply institutional convergence (see Rodrik 2003, p. 27), so that African institutions will differ and have to be built up in real ownership. Forms of Aid Dependency may have led to institutional convergence at the expense of growth convergence.

Fourth, a Focus on an Alternative Post-Liberal Development Strategy:

Such a frame for strategy design had been presented quite recently by UNCTAD for LDCs (see UNCTAD 2004, pp. 271-314). If it is assumed that African countries will continue with policy reforms, with structural adjustment, with managed opening of their economies, with entry into WTO negotiations, etc., then an important question is what type of development visions and strategies will follow and will base future action. If growth and poverty alleviation are envisaged as objectives in such a context (and this in conformity with the Millennium

targets), then a new growth-trade-poverty nexus will become necessary (see UNCTAD 2002a, Chart 46) so as to broaden the positive impact of export led growth strategies and other more open development strategies. A combination of a more open development strategy with a basic needs strategy/a human development strategy/an income redistribution strategy may become necessary. International assistance may concentrate more on financing the basic needs/human development part of the strategy in those countries where policy reforms and an institutional build up are concentrated on versions of development with emphasis on export-led growth and adequate export growth (UNCTAD 2004, pp. 282-283).

So far, the discussions on “new post-liberal development strategies” for African countries and especially for the African Least Developed Countries are limited indeed. The questions are: What are feasible development visions for the years to come in a world of continuing globalisation trends, and what is feasible for a developmental state that is strengthening its capacity and is moving forth to more openness and not back to old models of closed economies or old style import substitution?

To create more balance between sectors and more balance between domestic and export demand is a guiding imperative for designing such a new development strategy anyway. These are not new ideas (see Wohmuth et al. 1990, 1992, 2001, and especially 2004b with a review of policies to balance private and public sectors and the presentation of case studies for countries that tried successfully to balance the productive sectors and the domestic and export demand components), but in the context of needed strategic decisions on post-liberal development strategies the rethinking of such experiences is important.

The basic idea of a neutrality of incentives between sectors and between domestic and export activity is obviously relevant for all post-liberal development strategies, and this is not in contradiction with a kick-off strategy for growth based on incentives as discussed above. We know that the balance between sectors can be restored and realised while applying selective interventions as part of policy of a developmental state. Neutrality of incentives - as measured by effective rates of protection/effective exchange rates/effective subsidy rates - is compatible, as we know from East Asia, with selective interventions and kick-off strategies for growth.

Five of such open development strategies for Least Developed Countries are outlined in more detail elsewhere (see UNCTAD 2004, especially pp. 308-311). First, a strategy of balanced growth based on agricultural growth and export-accelerated industrialisation; second, a strategy of agricultural-development-led- industrialization with primary exports; third, a strategy of development and diversification through management of mineral and oil revenues; fourth, a strategy based on natural-resource-based production clusters; and fifth, a triadic strategy of employment-led growth that is incorporating elements of tradable, non-tradable and subsistence sector transformation. All these strategies can be combined to a

certain degree, but all of these strategies are demanding in terms of development management; and it is required also that other elements of the Agenda for Action are seriously taken into consideration. No strategy can work without a coherent investment strategy. All of these strategies imply that key productive sectors are promoted but without ignoring the role of other sectors. Thereby developmental costs that are resulting from emerging constraints are minimised. However, all these growth and development strategies depend - for initiation and implementation – also on supporting systems for African entrepreneurs.

Fifth, a Focus on African Entrepreneurship and on National Innovation and Finance Systems:

We know from various empirical studies that the African entrepreneurs (in agriculture, industry, finance and other services) are active, future-oriented and skilled enough to pursue investment strategies when they see opportunities to exploit market niches locally, regionally and on global markets. They are ready to gain from new economic opportunities, and they are keen to react to changes on markets as rapidly as possible, by considering the risks that are associated with these activities. They are also innovative in technical, financial and organisational matters as well as in management style. We also know that this particularly applies to small and medium sized companies of the formal and the informal sector. However, also some larger companies and their managers (private and state run ones) in Africa have a record to be able to supply regularly not only local and regional markets, but also world markets (see on such case studies Wohlmuth et al. 2001, 2004a).

The vitality of informal and formal small enterprises is acknowledged but the problems of limited firm growth are nonetheless mentioned all over Africa and by so many donor organisations. African growth is also weak because of impeded firm growth. What is then the cause for the internal growth problems of African enterprises - is it the risky environment for enterprises that prevents growth, or are there also other factors such as systemic deficiencies?

In times of globalisation there are two major driving forces at work that affect the growth of countries and firms - technical and financial innovations (Wohlmuth 2004). These driving forces determine the costs and benefits that are derived from the process of globalisation. In order to exploit the potentials that are offered by globalisation two systems are decisive for growth and have to interact smoothly – the National Innovation System (NIS) and the National Finance System (NFS). It is just because of the strong forces of globalisation that such national systems have to be strengthened and should not be weakened by inappropriate deregulation, privatisation and liberalisation policies. Liberalisation and deregulation, opening and privatisation as imperatives do not mean and should not mean for

policymakers that countries can neglect the strengthening of such systems. These two systems and their interconnections are key for growth (see on the type of linkages between the two systems Wohlmuth 2003a). NFSs bundle productively all the institutions and the activities of policymakers in a mutually consistent frame for the guidance of important policy areas so as to create incentives to cooperate actively. There is a bundling of such actors as those responsible for the exchange rate regime, the regulatory and supervisory regime for the finance sector, the capital account liberalisation policy, and the structural relation between the central bank and the commercial banks. The intense systemic interconnections matter for progress in the institutional build-up and for facilitating finance and innovation of enterprises in an economy. This also applies to state-regulated African economies, to economies with a rudimentary financial sector, and to those economies that still have a large state-owned finance sector.

The NIS bundles all those actors and institutions that determine the rate and the direction of technical innovation in a country (research & development organisations; extension and training services; government authorities that work on patent rights, licences, trademarks and brands; banks that finance innovative businesses; universities and the whole education system; and also foreign enterprises, foreign consultancies and skilled manpower that is established and resident in the country and is important for transferring technology). So far, most of the African countries have not yet tried systematically to bundle these institutions and systems and to give them in design, establishment and implementation a systemic perspective (see Wohlmuth et al. 2004a on NFSs in Africa, and Lall/Pietrobelli 2002 on NISs in Africa).

We know that in many African countries we can find excellent research, training and education institutions, competent commercial banks and funds that can select suitable projects and finance innovative businesses, and we can also find technical institutions of various types that can contribute to the technical innovation in firms. The problem is interaction and bundling of all these institutions by creating incentives to cooperate for the benefit of the enterprises. We know that many African countries are now reforming seriously also their finance sectors, by bridging formal and informal finance institutions, by extending the reach of the micro-credit facilities, and by strengthening the role of central banks and the regulation of commercial banks. Also with regard of technical innovation systems a lot is done in Africa. This is a good point of departure so as to reconstruct the NISs and the NFSs in tandem; this is a chance for growth as rudimentary as the state of these systems may be at the moment.

Sixth, Creating a Viable Investment/Savings/Export Nexus:

We have seen that a most important difference between East Asian development and African development refers to the quite distinct Investment/Savings/Export Nexus (see Akyüz and Gore, 2001, pp. 266-272; UNCTAD 2002a, pp. 181-188). Creating a viable Nexus for African economies - in the sense of mutually reinforcing interactions between export growth, savings growth and investment growth - is therefore key for growth. Complementary increases of savings and of exports are necessary to maintain high investment rates, and to come again to new, more numerous and stable high investment and growth episodes. This also requires that investment activities, savings mobilisation and export development have to be planned and directed, implemented and executed in context. This also requires that institutions dealing with investment promotion, with savings mobilisation, and with trade promotion have to work together most actively. All this is necessary so as to avoid that unsustainable situations emerge in the process, such as aid dependency, savings gaps, declines in exports and foreign exchange earnings because of a lack of investment into new export fields and complementary infrastructure, or that the investment structures becomes inadequate.

Important is first of all the investment-export nexus so that investment in new export activities will improve export structure, productivity in the production of tradable goods, and the speed of structural change in the country. Such a nexus can also have positive effects on savings and vice versa. Establishing such a link also implies that policies on foreign investment, on aid and on savings policies have to be adjusted and coordinated accordingly. The structure of investment, of savings and of trade will then be linked favourably by a comprehensive policy focus. The discussion about "aid dependency" has lost the perspective that such a nexus has to be planned carefully in terms of appropriate policies, and in all phases of macroeconomic stabilisation and adjustment.

More recently, we see that all the policies that have to do with this nexus are analysed in great detail so as to learn from the deficiencies of former growth episodes and their ultimate fate (see UNCTAD 2002a, 2004).

It is also of interest to see how the emphasis on the investment/savings/export trade nexus can be linked to the objective of poverty alleviation (UNCTAD 2002a, pp. 177 ff). Poverty alleviation in turn strengthens the nexus as savings are generated and the increasing domestic demand has positive effects on growth. External assistance and external resources are not only important for establishing such a new and sustainable investment/export nexus. There are new directions for assistance. Trade capacity building can also be an important area for international development cooperation (and still is a widely unexploited area so far; see UNCTAD 2002a, p. 184, Table 42, and UNCTAD 2004, Chapter 7), and so it can contribute via exports growth more sustainable to poverty alleviation. All the activities we observe now in Africa and in other developing countries towards the construction of viable

NFSs and NISs can also contribute to the creation of a viable investment/savings/exports nexus. This will improve the outlook for African entrepreneurs. A broader view on the “investment climate” in African countries is therefore necessary as the identification of new export chances involves a new type of “strategic” industrial and trade policies and a much broader perspective on investment determinants. However, strategic decisions on exports, on investments, on infrastructure, and on savings are required (see also UNCTAD 2002a, pp. 184-188). Such strategic issues have then basically to do with the options for post-liberal development strategies that are available; and the option that may ultimately be selected depends on the economic opportunities of African countries as discussed above in the context of Africa’s “ economic geography”.

Seventh, a Focus on Regional integration and NEPAD-type Arrangements:

We have seen that regional integration and NEPAD-type cooperation arrangements have a justification not only in narrow economic terms. More important may be that new avenues and new options for growth are emerging and are becoming visible, what is especially important for the land-locked African countries. Also all forms of policy competition between African countries and learning from each other are important, and may lead to real ownership of development processes and to the foundation of viable development strategies. Also improvements in development management and a strengthening of the developmental state can be expected. A narrow focus on trade benefits of regional integration is not any more useful and appropriate, as we see now the many other benefits of African Union-type arrangements for economy, peace, human rights and security.

Eighth, a Focus on the Further Strengthening of the Developmental State:

Strengthening the developmental state means much more than aiming at good governance, democratisation, better economic management, civil service reform, and capacity building in various fields as important as they may be. Strengthening of developmental states cannot be confined to improving domestic managing of the economy with regard of issues such as external vulnerability, aid dependence and/or an economic and social policy that prevents civil conflict and ethnic tensions. Strengthening of the developmental state has especially also to do with development visions, development ideologies and development strategies so as to lay the foundation for national identity, poverty alleviation and sustainable growth that is backed by real ownership. The meaning of ownership had been obscured in the past and often has implied new forms of conditionality and dependence, but it should be understood in this context as a process where all phases of development action are under the control of an African state that is aiming continuously and determined for economic and social progress

even when external shocks and internal conflicts between social groups have to be managed.

Conclusions

We have discussed in this paper in various sections the evidence on the African growth record, the relevance of various explanations of slow growth in Africa, the role and the limits of a developmental state in Africa so as to guide newly designed growth policies, and we have also presented an Agenda for Action to lay the foundations for sustainable growth in Africa.

The main messages of our paper are that a lot can be learned for better policies from reviewing carefully the long-term growth record of Africa, that there are some relevant explanations of slow growth in Africa to guide future growth policies, and that the propagation and the wide circulation of “impossibility theories” with regard of a developmental state in Africa not only lead to an exaggeration and misinterpretation of the situation but are also highly counterproductive for reform policy, growth and development in Africa. We have argued that an Agenda for Action can be built around eight pillars for a strategy that may lead the way towards a new growth policy for Africa.

We started with a sceptical note on the term “African Growth Tragedy”, and we could see that more constructive development thinking is necessary to initiate and sustain growth in Africa.

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Table 1: Growth and Human Development in African Countries by Income Position						
Country	Income in 1975 US\$ (PPP values)	Income in 1995 US\$ (PPP values)	Income in 2002 US\$ (PPP values)	HDI 1975	HDI 1995	HDI 2002
High-income countries						
South Africa	4,593.20	8,631.20	9,870	0.655	0.735	0.666
Mauritius	1,422.20	7,592.50	10,530	n. a.	0.747	0.785
Gabon	3,615.00	6,258.50	5,320	n. a.	n. a.	0.648
Botswana	773.62	5,843.30	7,770	0.503	0.666	0.589
Namibia	4,217.00	5,232.30	6,650	n. a.	0.667	0.607
Tunisia	1,451.80	4,943.40	6,280	0.516	0.696	0.745
Algeria	1,952.60	4,698.30	5,330	0.504	0.664	0.704
Swaziland	1,499.00	4,085.10	4,530	0.516	0.606	0.519
Morocco	1,009.70	3,126.10	3,690	0.429	0.571	0.620
Egypt	657.58	2,941.90	3,710	0.438	0.608	0.653
Zimbabwe	1,117.30	2,547.60	2,120	0.547	0.571	0.491
Angola	1,091.00	2,105.10	1,730	n. a.	n. a.	0.381
Middle-income countries						
Guinea	1,273.50	1,746.90	1,990	n. a.	n. a.	0.425
Ghana	801.30	1,709.80	2,000	0.439	0.532	0.568
Cote d' Ivoire	900.07	1,533.50	1,430	0.382	0.410	0.399
Mauritania	699.12	1,526.90	n. a.	0.339	0.423	0.465
Gambia	650.26	1,450.60	1,680	0.283	0.418	0.452
Cameroon	676.48	1,466.00	1,640	0.415	0.508	0.501
Togo	745.04	1,371.30	1,430	0.396	0.486	0.495
Senegal	638.35	1,292.20	1,510	0.315	0.398	0.437
Central Africa	647.41	1,127.50	1,190	0.334	0.366	0.361
Kenya	401.37	1,027.30	990	0.445	0.524	0.488
Congo Rep.	243.18	1,016.10	700	0.451	0.530	0.494

Country	Income in 1975 US\$ (PPP values)	Income in 1995 US\$ (PPP values)	Income in 2002 US\$ (PPP values)	HDI 1975	HDI 1995	HDI 2002
Low-inc. countries						
Uganda	681.09	998.93	1,320	n. a.	0.404	0.493
Dem Rep. Of Congo	980.72	945.40	580	0.410	0.380	0.365
Guinea-Bissau	327.88	855.05	750	0.254	0.339	0.350
Benin	334.95	845.93	1,020	0.288	0.381	0.421
Burkina Faso	294.99	836.19	1,010	0.239	0.312	0.302
Chad	414.28	828.64	1,000	0.260	0.335	0.379
Nigeria	405.42	824.99	780	0.324	0.455	0.466
Madagascar	511.83	801.19	720	0.400	0.443	0.469
Zambia	579.89	754.37	770	0.466	0.418	0.389
Niger	458.09	736.41	770	0.237	0.265	0.292
Rwanda	377.79	736.35	1,210	0.341	0.341	0.431
Mali	311.66	678.39	840	0.232	0.309	0.326
Mozambique	404.34	657.75	n. a.	n. a.	0.318	0.354
Burundi	282.47	644.41	610	0.282	0.311	0.339
Sierra Leone	395.42	613.62	490	n. a.	n. a.	0.273
Ethiopia	411.63	563.01	720	n. a.	0.319	0.359
Malawi	231.78	545.83	570	0.315	0.408	0.388
Tanzania	429.99	472.31	550	n. a.	0.406	0.407

Explanation: This Table is based on Table 2a in Baliamoune 2002, and is extended to incorporate figures on income in 2002 and the HDI trend. The group in Baliamoune and here are formed based on per capita incomes in 1995. Throughout PPP values are used.

Sources:

For Block "Income in 1975, Income in 1995" see Baliamoune (2002), p. 24-25, Table 2.a

For Block "Income in 2002" see IBRD/ The World Bank (2003), World Development Report 2004, p. 252, Table 1 " PPP Gross national income per capita in 2002 (US dollars)" and p. 263, Table 7 "Key indicators for other economies".

For Block "Human Development Indicator (1975, 1995, 2002)" see UNDP (2004), Human Development Report 2004: Cultural Liberty in Today's Diverse World, p. 139 ff

**Table 2:
Growth and Human Development in African Countries by Economic Opportunities**

Country	Population (million people)			Gross national income (GNI) per capita in 2001 US dollars, Atlas method	Average Annual Percentage Growth of Real Gross Domestic Product			Human Development Index		
	Natural Resource-Rich	Coastal	Land-locked		1975-84	85-89	90-2001	1975	1990	2002
Angola	13.5			500	n. a.	4.5	2.0	n. a.	n. a.	0.381
Benin		6.4		380	3.8	1.5	4.8	0.288	0.356	0.421
Botswana	1.7			3,100	11.6	12.2	5.2	n. a.	n. a.	n. a.
Burkina Faso			11.6	220	3.6	4.4	4.9	0.239	0.302	0.302
Burundi			6.9	100	3.8	5.1	-2.2	0.282	0.338	0.339
Cameroon	15.2			580	8.5	-0.1	2.1	0.415	0.519	0.501
Cape Verde		0.4		1,340	13.8	4.5	n. a.	n. a.	0.623	0.717
Central African Rep.			3.8	260	0.4	0.7	2.1	0.334	0.375	0.361
Chad			7.9	200	-1.3	5.4	2.5	0.260	0.326	0.379
Comoros		0.6		380	n. a.	1.3	n. a.	n. a.	0.501	0.530
Congo Dem. Rep.			52.4	80	-0.3	1.7	-5.1	0.410	0.414	0.365
Congo, Rep. Of	3.1			640	9.2	-1.0	-0.1	0.451	0.532	0.494
Cote d'Ivoire		16.0		630	2.2	2.0	3.1	0.382	0.429	0.399
Djibouti		0.6		890	n. a.	n. a.	n. a.	n. a.	n. a.	0.454
Equatorial Guinea	0.5			700	n. a.	1.4	n. a.	n. a.	0.504	0.703
Eritrea		4.2		160	n. a.	n. a.	3.1	n. a.	n. a.	0.439
Ethiopia			65.8	100	n. a.	2.9	4.9	n. a.	0.305	0.359
Gabon	1.3			3,160	n. a.	-1.4	n. a.	n. a.	n. a.	0.648
Gambia		1.3		320	4.3	3.3	n. a.	0.283	n. a.	0.452
Ghana		19.7		290	-1.1	5.2	4.2	0.439	0.511	0.568
Guinea	7.6			410	n. a.	4.7	4.1	n. a.	n. a.	0.425
Guinea-Bissau		1.2		160	2.1	3.1	n. a.	0.254	0.311	0.350
Kenya		30.7		350	4.7	5.9	2.0	0.445	0.540	0.488
Lesotho			2.1	530	6.7	5.6	3.9	0.457	0.544	0.493
Liberia		3.2		140	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Madagascar		16.0		260	-0.2	2.3	2.4	0.400	0.436	0.469
Malawi			10.5	160	3.2	1.9	3.7	0.315	0.368	0.388
Mali			11.1	230	2.3	0.8	4.1	0.232	0.288	0.326
Mauritania	2.7			360	1.6	3.3	4.2	0.339	0.387	0.465
Mauritius		1.2		3,830	n. a.	7.7	n. a.	n. a.	n. a.	n. a.
Mozambique		18.1		210	n. a.	6.0	7.5	n. a.	0.310	0.354

Country	Population (million people)			Gross national income (GNI) per capita in 2001 US dollars, Atlas method	Average Annual Percentage Growth of Real Gross Domestic Product			Human Development Index		
	Natural Resource-Rich	Coastal	Land-locked		1975-84	85-89	90-2001	1975	1990	2002
Namibia	1.8			1,960	n. a.	2.2	4.1	n. a.	n. a.	0.607
Niger			11.2	180	2.0	4.2	2.6	0.237	0.259	0.292
Nigeria	129.9			290	-0.7	5.0	2.5	0.324	0.430	0.466
Rwanda			8.7	220	6.8	2.9	0.8	0.341	0.351	0.431
Sao Tome and Principe	0.2			280	n. a.	1.8	n. a.	n. a.	n. a.	0.645
Senegal		9.8		490	2.1	3.5	3.9	0.315	0.382	0.437
Seychelles		0.1		6,530	n. a.	n. a.	n. a.	n. a.	n. a.	0.853
Sierra Leone	5.1			140	2.5	-0.3	-2.8	n. a.	n. a.	0.273
Somalia		9.1		n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
South Africa		43.2		2,820	2.4	1.4	2.1	0.655	0.729	0.666
Sudan			31.7	340	2.6	0.9	n. a.	0.344	0.427	0.505
Swaziland			1.1	1,300	3.3	10.0	n. a.	0.516	0.611	0.519
Tanzania		34.4		270	n. a.	n. a.	3.1	n. a.	0.413	0.407
Togo		4.7		270	2.1	3.4	2.2	0.396	0.474	0.495
Uganda			22.8	260	n. a.	3.4	6.8	n. a.	0.395	0.493
Zambia	10.3			320	0.2	2.3	0.8	0.466	0.466	0.389
Zimbabwe			12.8	480	3.0	4.2	1.8	0.547	0.617	0.491
Total	192.9	221.3	260.4							

Explanation: On the details of the classification of countries by economic opportunities see UNIDO 2004; the classification is based on strategic considerations such as management of rents in natural resource-rich countries, use of coastal regions for the exports of manufactures, and dependence of land-locked countries on neighbours for transport routes and markets.

Sources:

For Block "Population (Natural Resource-Rich, Coastal, Land-locked) see UNIDO (2004), Industrial Development Report 2004, Industrialization, Environment and the Millennium Development Goals in Sub-Saharan Africa, The new frontier in the fight against poverty, p. 7, Table 1.1.

For Block "GNI per capita in 2001" see IBRD/ The World Bank (2003), African Development Indicators 2003, p. 33, Table 2-19.

For Block "Average Annual Percentage Growth (1975-84, 85-89)" see IBRD/ The World Bank (2003), African Development Indicators, p. 15, Table 2-1.

For Block "Average Annual Percentage Growth (1990-2001)" see IBRD/ The World Bank (2003), World Development Report 2003, p. 238, Table 3.

For Block "Human Development Index" see UNDP (2004), Human Development Report 2004: Cultural Liberty in Today's Diverse World, p. 139 ff.

**Table 3:
Growth and Human Development in African Countries by Growth Episodes**

Country	Rodrik-Growth transitions				Berthelemy/ Söderling growth experiences				Average annual % growth of real gross domestic product			HDI		
	Year of acceleration	Growth before	Growth after	Magnitude of acceleration	Start	End	Length of period	Average growth	1975-1984	1985-1989	1990-2001	1975	1995	2002
Algeria					1962	1985	23	5.2	5.5	0.8	2.0	0.504	0.664	0.704
Botswana	1966	-1.00	9.85	10.85	1965	1996	31+	9.3	11.6	12.2	5.2	0.503	0.666	0.589
Cameroon	1971	-0.13	4.30	4.43	1967	1986	19	7.0	8.5	-0.1	2.1	0.415	0.508	0.501
Congo, Rep	1969	0.36	4.46	4.09					9.2	-1.0	-0.1	0.451	0.530	0.494
Congo, Rep	1977	2.44	6.71	4.27										
Cape Verde	1975	-3.21	8.76	11.97					13.8	4.5			0.675	0.717
Cote d'Ivoire					1960	1978	18	9.5	2.2	2.0	3.1	0.382	0.410	0.399
Egypt	1976	-3.36	4.10	7.47	1960	1990	30	6.6	8.3	4.1	4.6	0.438	0.608	0.653
Ethiopia					1960	1972	12	4.5		2.9	4.9		0.319	0.359
Gabon					1965	1976	11	13.1		-1.4				0.648
Ghana	1963	1.03	5.16	4.14	1983	1996	13+	4.8	-1.1	5.2	4.2	0.439	0.532	0.568
Guinea-Bissau	1969	-1.01	5.93	6.93					2.1	3.1		0.254	0.339	0.350
Guinea-Bissau	1986	-1.70	4.29	5.99								0.254	0.339	0.350
Equatorial Guinea	1989	-2.07	5.85	7.93						1.4			0.528	0.703
Kenya					1961	1981	20	6.7	4.7	5.9	2.0	0.445	0.524	0.488
Lesotho	1969	0.74	4.99	4.25	1970	1982	12	9.9	6.7	5.6	3.9	0.457	0.549	0.493
Malawi					1964	1979	15	6.6	3.2	1.9	3.7	0.315	0.408	0.388
Morocco	1957	-2.18	5.89	8.06	1966	1980	14	5.9	4.1	4.7	2.5	0.429	0.571	0.620
Mauritius	1969	-2.96	5.37	8.33	1980	1996	16+	5.5		7.7			0.747	0.785
Mauritius	1982	0.36	4.97	4.62									0.747	0.785
Mozambique					1986	1996	10+	6.2		6.0	7.5		0.318	0.354
Namibia					1961	1979	18	6.4		2.2	4.1		0.667	0.607
Seychelles	1968	1.29	6.20	4.91										0.853
Seychelles	1985	-2.08	4.04	6.12										0.853
South Africa					1960	1974	14	5.1	2.4	1.4	2.1	0.655	0.735	0.666
Chad	1971	0.05	4.10	4.05					-1.3	5.4	2.5	0.260	0.335	0.379
Tanzania					1961	1975	14	5.7			3.1		0.406	0.407
Togo					1960	1974	14	6.8	2.1	3.4	2.2	0.396	0.486	0.495
Tunisia	1966	2.46	6.14	3.68	1960	1985	25	5.8	5.3	2.4	4.7	0.516	0.696	0.745
Uganda					1986	1996	10+	6.6		3.4	6.8		0.404	0.493
Zimbabwe	1962	0.43	6.97	6.53					3.0	4.2	1.8	0.547	0.571	0.491

Explanation: Figures missing in any of the blocks were not obtainable from the respective source.

Sources:

For Block “Rodrik-Growth transitions” see: Rodrik (2003), p. XX, Table 9.

For Block “Berthelemy/ Söderling growth experiences” see: Berthelemy/Söderling (2001), p. 325, Table 1. Figures are logarithmic growth rates over the period defined by start and end period as indicated above; + indicates that the growth period continues after 1996.

For Block “Average annual % growth of real gross domestic product (75-84, 85-89)” see: IBRD/The World Bank (2003), African Development Indicators, p. 15, Table 2-1.

For Block “Average annual % growth of real gross domestic product (1990-2001)” see: IBRD/The World Bank (2003), World Development Report 2003, p. 238, Table 3.

For Block “Human Development Index” see UNDP (2004), Human Development Report 2004, p. 139 ff.

Country	GDP per capita (Average 1998-2001, US\$)	Openness (Trade, Average 1998-2001)	Average Annual % Growth of Real GDP			HDI (Human Development Index)		
			1975-1984	1985-1989	1990-2001	1975	1995	2002
CENTRAL AFRICA								
Burundi	116	29	3.8	5.1	-2.2	0.282	0.311	0.339
Cameroon	590	55	8.5	-0.1	2.1	0.415	0.508	0.501
Central African Rep.	272	44	0.4	0.7	2.1	0.334	0.366	0.361
Chad	202	53	-1.3	5.4	2.5	0.260	0.335	0.379
Congo, Dem. Rep. Of	91	46	-0.3	1.7	-5.1	0.410	0.380	0.365
Congo, Rep.	860	135	9.2	-1.0	-0.1	0.451	0.530	0.494
Equatorial Guinea	2471	193		1.4				0.703
Gabon	3902	100		-1.4				0.648
Rwanda	259	31	6.8	2.9	0.8	0.341	0.341	0.431
Sao Tome and Principe	332	117		1.8				0.645
Central Africa	283	70.9						
EAST AFRICA								
Comoros	309	57.5		1.3				0.530
Djibouti	874	106.6						0.454
Eritrea					3.1			0.439
Ethiopia	102	44.3		2.9	4.9		0.319	0.359
Kenya	361	59.5	4.7	5.9	2.0	0.445	0.524	0.488

Country	GDP per capita (Average 1998-2001, US\$)	Openness (Trade, Average 1998-2001)	Average Annual % Growth of Real GDP			HDI (Human Development Index)		
Madagascar	253	59.8	-0.2	2.3	2.4	0.400	0.443	0.469
Mauritius	3783	124.3		7.7			0.747	0.785
Seychelles	7486	163.8						0.853
Somalia								
Tanzania	255	40.0			3.1		0.406	0.407
Uganda	258	38.3		3.4	6.8		0.404	0.493
East Africa	246	55.1						
NORTH AFRICA								
Algeria	1695	54.9	5.5	0.8	2.0	0.504	0.664	0.704
Egypt	1361	40.2	8.3	4.1	4.6	0.438	0.608	0.653
Libya	5991							
Mauritania	372	91.6	1.6	3.3	4.2	0.339	0.423	0.465
Morocco	1168	65.3	4.1	4.7	2.5	0.429	0.571	0.620
Sudan	363		2.6	0.9		0.344	0.465	0.505
Tunisia	2129	90.9	5.3	2.4	4.7	0.516	0.696	0.745
North Africa	1375	50.8						
SOUTHERN AFRICA								
Angola	584	154.5		4.5	2.0			0.381
Botswana	3171	93.6	11.6	12.2	5.2	0.503	0.666	0.589
Lesotho	423	124.7	6.7	5.6	3.9	0.457	0.549	0.493
Malawi	157	67.4	3.2	1.9	3.7	0.315	0.408	0.388
Mozambique	211	56.4		6.0	7.5		0.318	0.354

Country	GDP per capita (Average 1998-2001, US\$)	Openness (Trade, Average 1998-2001)	Average Annual % Growth of Real GDP			HDI (Human Development Index)		
Namibia	1928	108.5		2.2	4.1		0.667	0.607
South Africa	2950	52.9	2.4	1.4	2.1	0.655	0.735	0.666
Swaziland	1464	164.2	3.3	10.0		0.516	0.606	0.519
Zambia	321	68.2	0.2	2.3	0.8	0.466	0.418	0.389
Zimbabwe	481	94.1	3.0	4.2	1.8	0.547	0.571	0.491
Southern Africa	1399	63.7						
West Africa								
Benin	375	44.0	3.8	1.5	4.8	0.288	0.381	0.421
Burkina Faso	213	41.9	3.6	4.4	4.9	0.239	0.312	0.302
Cape Verde	1329	80.4	13.8	4.5			0.675	0.717
Cote d'Ivoire	738	72.4	2.2	2.0	3.1	0.382	0.410	0.399
Gambia	324	110.9	4.3	3.3		0.283	0.418	0.452
Ghana	339	96.4	-1.1	5.2	4.2	0.439	0.532	0.568
Guinea	406	51.4		4.7	4.1			0.425
Guinea-Bissau	178	73.3	2.1	3.1		0.254	0.339	0.350
Liberia								
Mali	234	64.5	2.3	0.8	4.1	0.232	0.309	0.326
Niger	185	42.2	2.0	4.2	2.6	0.237	0.265	0.292
Nigeria	339	79.5	-0.7	5.0	2.5	0.324	0.455	0.466
Senegal	495	68.1	2.1	3.5	3.9	0.315	0.398	0.437
Sierra Leone	156	42.8	2.5	-0.3	-2.8			0.273
Togo	299	80.4	2.1	3.4	2.2	0.396	0.486	0.495
West Africa	351	74.2						

Explanation: Figures missing in any of the blocks were not obtainable from the respective source.

Sources:

For Block "GDP per capita (Average 1998-2001, US\$)" see African Development Bank (2003), African Development Report 2003, p. 49, Table 2.2; p. 68, Table 2.5;

For Block "Openness (Trade Average 1998-2001)" see African Development Bank (2003), African Development Report 2003, p. 60, Table 2.4.

For Block "Average Annual Percentage Growth of Real GDP (1975-84, 85-89)" see IBRD/ The World Bank (2003), African Development Indicators, p. 15, Table 2-1.

For Block "Average Annual Percentage Growth (1990-2001)" see IBRD/ The World Bank (2003), World Development Report 2003, p. 238, Table 3.

For Block "Human Development Index" see UNDP (2004), Human Development Report 2004: Cultural Liberty in Today's Diverse World, p. 139 ff.

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