

Sub-Saharan Africa

What's the problem?

Readings

- The Economist October 1st 1998, A Continent Goes to War
- The Economist, July 3rd 2003, A Region in Flames
- The Economist, January 15th 2004, Survey of Africa
- The Economist, May 20th 2004, Jeffery Sachs on Africa
- The Economist, June 30th 2005, the Difficulty of Helping Africa
- Jeffery Sachs, The End of Poverty, Penguin, 2005
- William Easterly, A Modest Proposal,
<http://www.washingtonpost.com/wp-dyn/articles/A25562-2005Mar10.html>

More Readings

- Jeffery Sachs, Reply to Easterly, <http://www.washingtonpost.com/wp-dyn/articles/A64541-2005Mar24.html>
- William Easterly, The West Can't Save Africa, http://www.washingtonpost.com/wp-dyn/content/article/2006/02/12/AR2006021201150_pf.html
- Robert Guest, The Shackled Continent, Pan Books, 2004
- Report of the Commission for Africa
http://www.commissionforafrica.org/english/report/thereport/english/11-03-05_cr_report.pdf
- Peter Boone, Effective Intervention: making aid work, <http://cep.lse.ac.uk/centrepiece/v10i3/boone.pdf>
- Finn Tarp, Aid and Development, http://www.eudnet.net/download/wp/EUDN2006_09.pdf

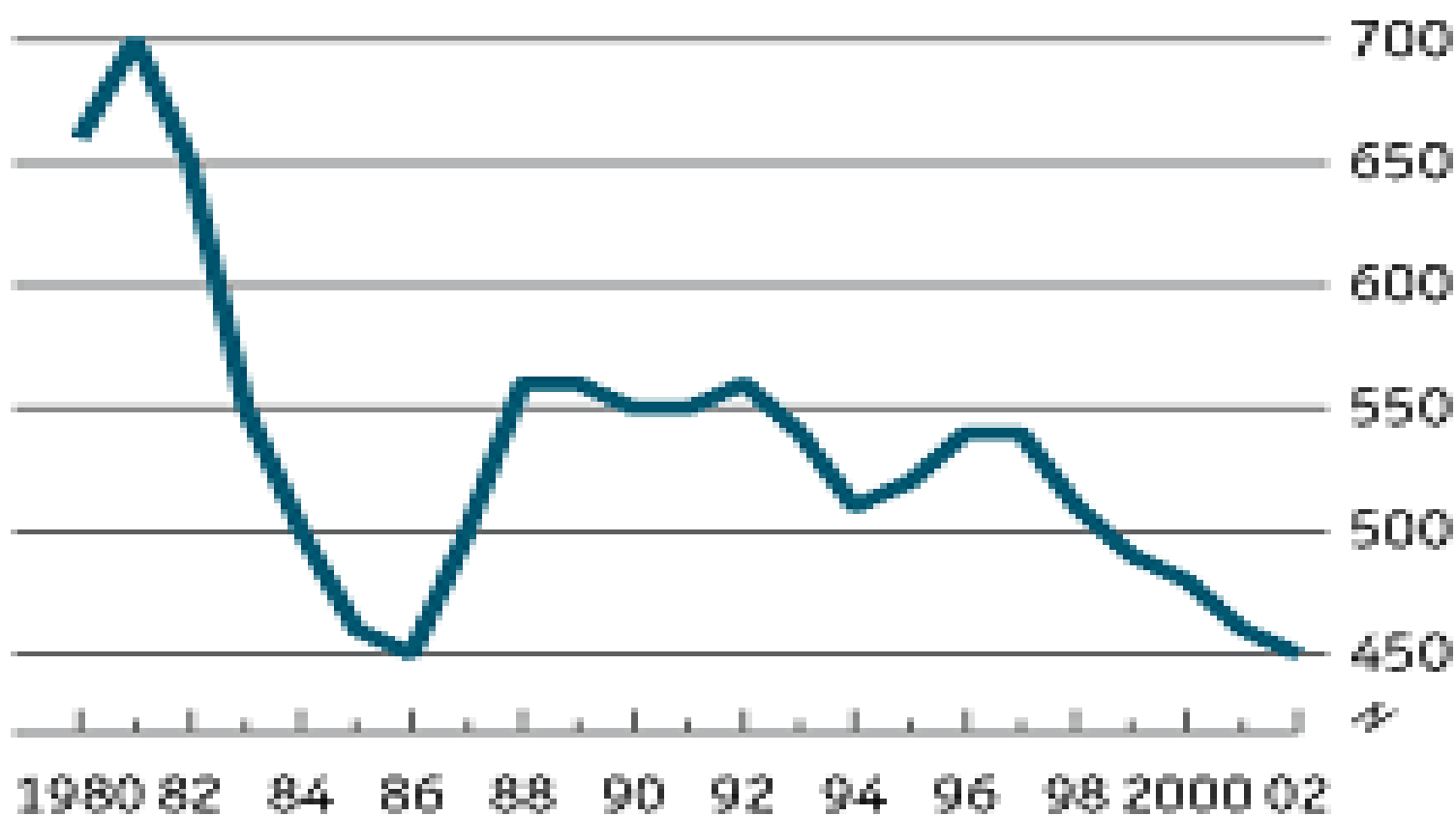


Getting Poorer

- Sub-Saharan Africa (hereafter, “Africa”) is the world's poorest continent: half of its 700m people subsist on 65 US cents or less a day
- it is the only continent to have grown poorer in the past 25 years, despite the explosion of technology and trade that has boosted incomes in other regions
- Not even Africans want to invest in Africa: an estimated 40% of the continent's privately held wealth is stashed offshore.

Struggling

Sub-Saharan Africa
GDP per person*, \$

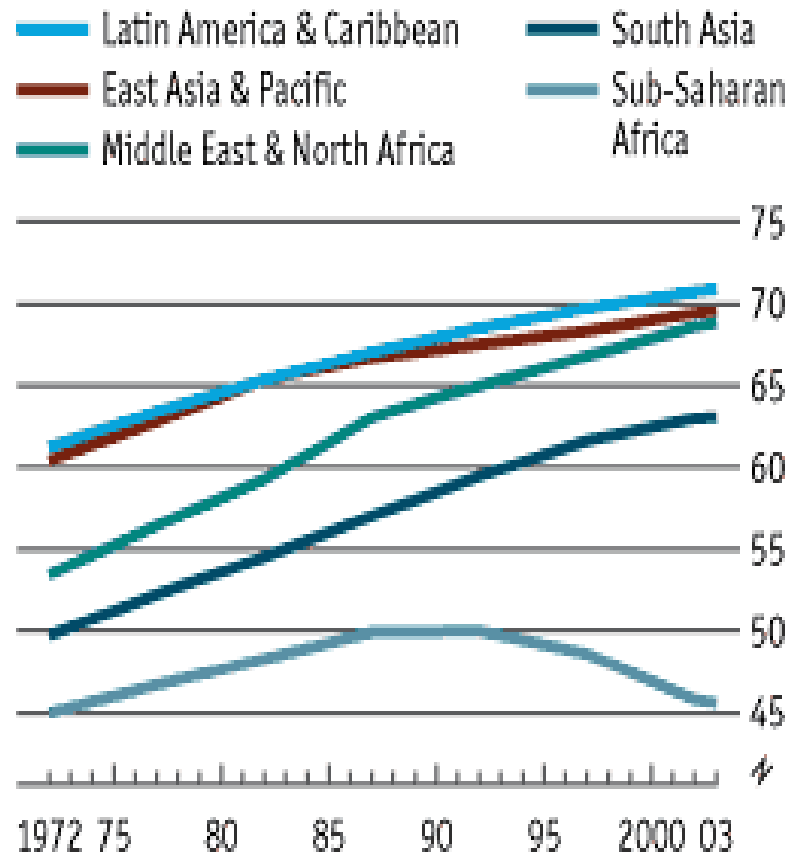


Source: World Bank

*Atlas method

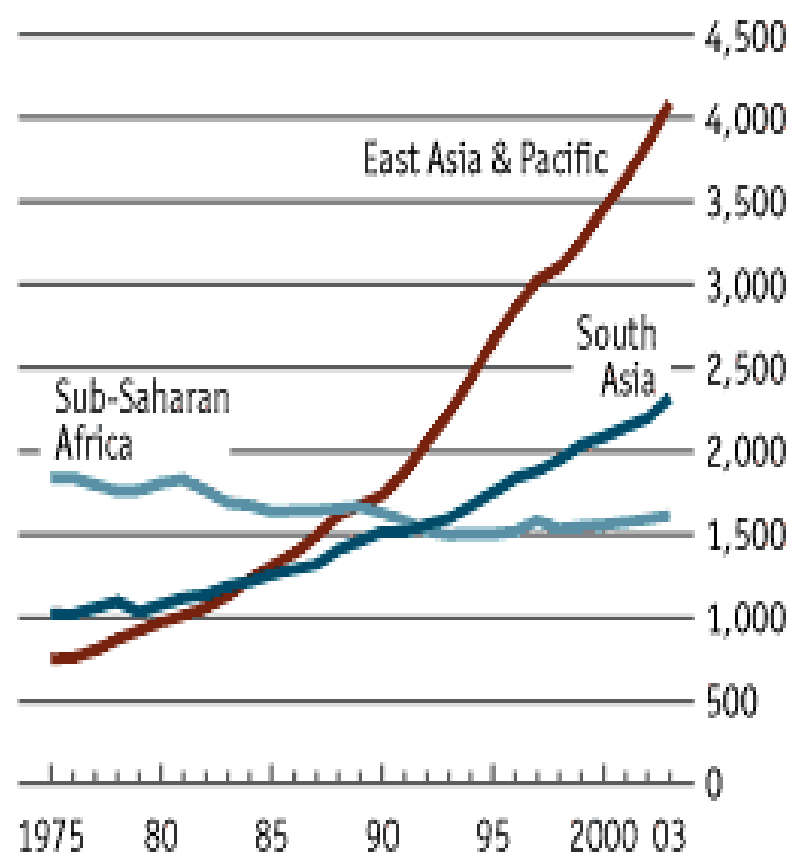
Things have only got worse

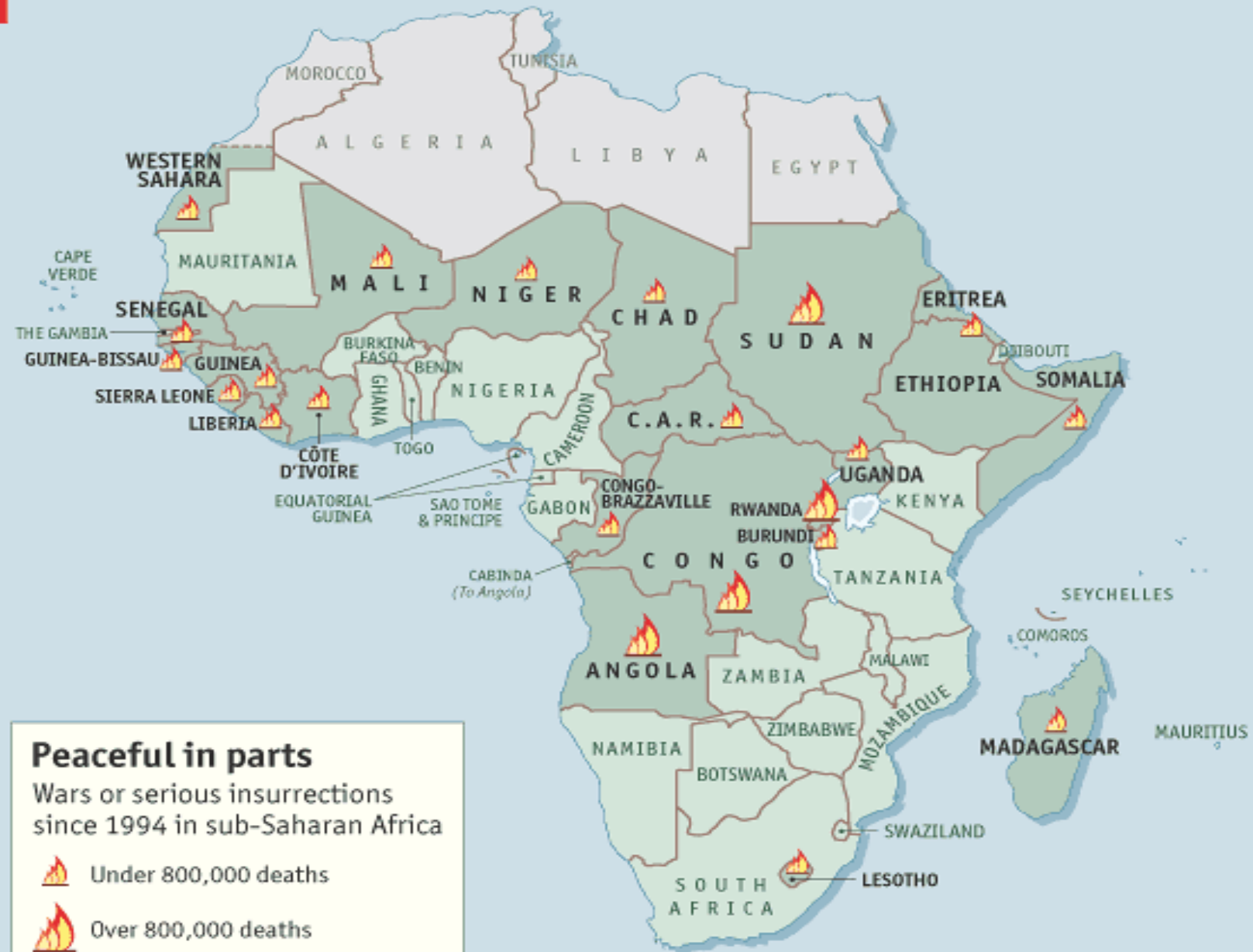
Life expectancy at birth, years



Source: World Bank

GDP per person, PPP, 2000\$

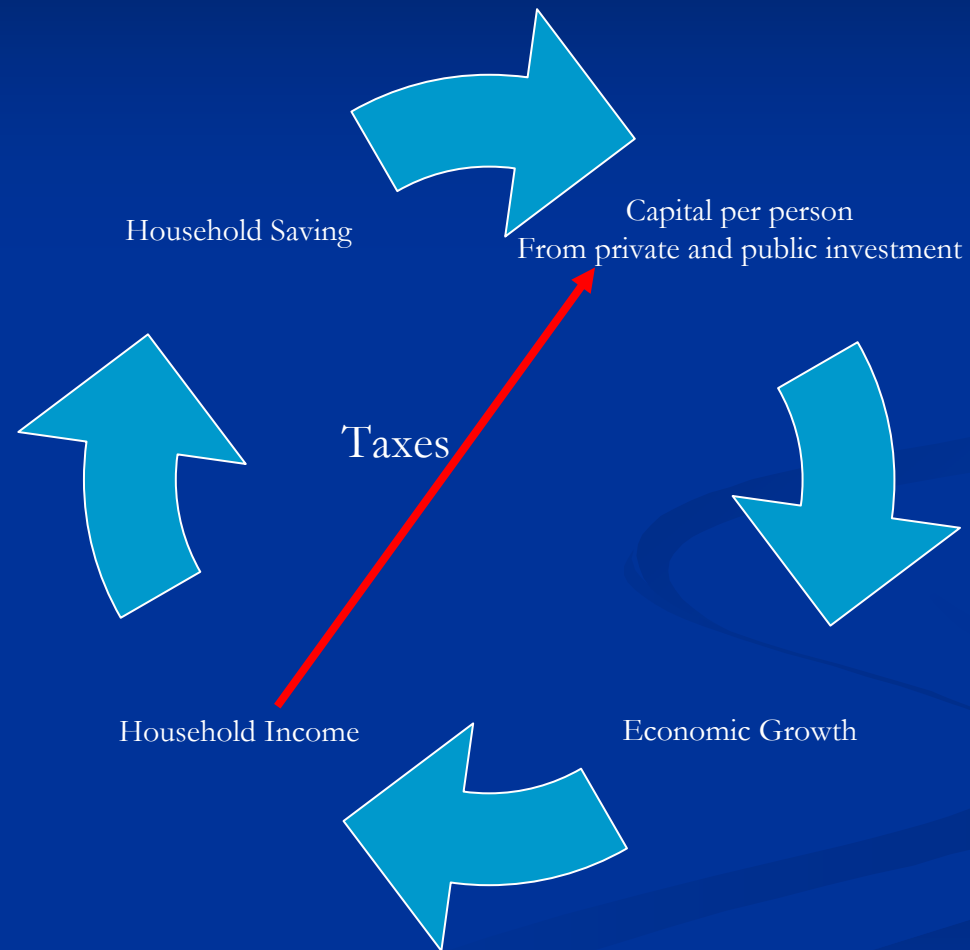




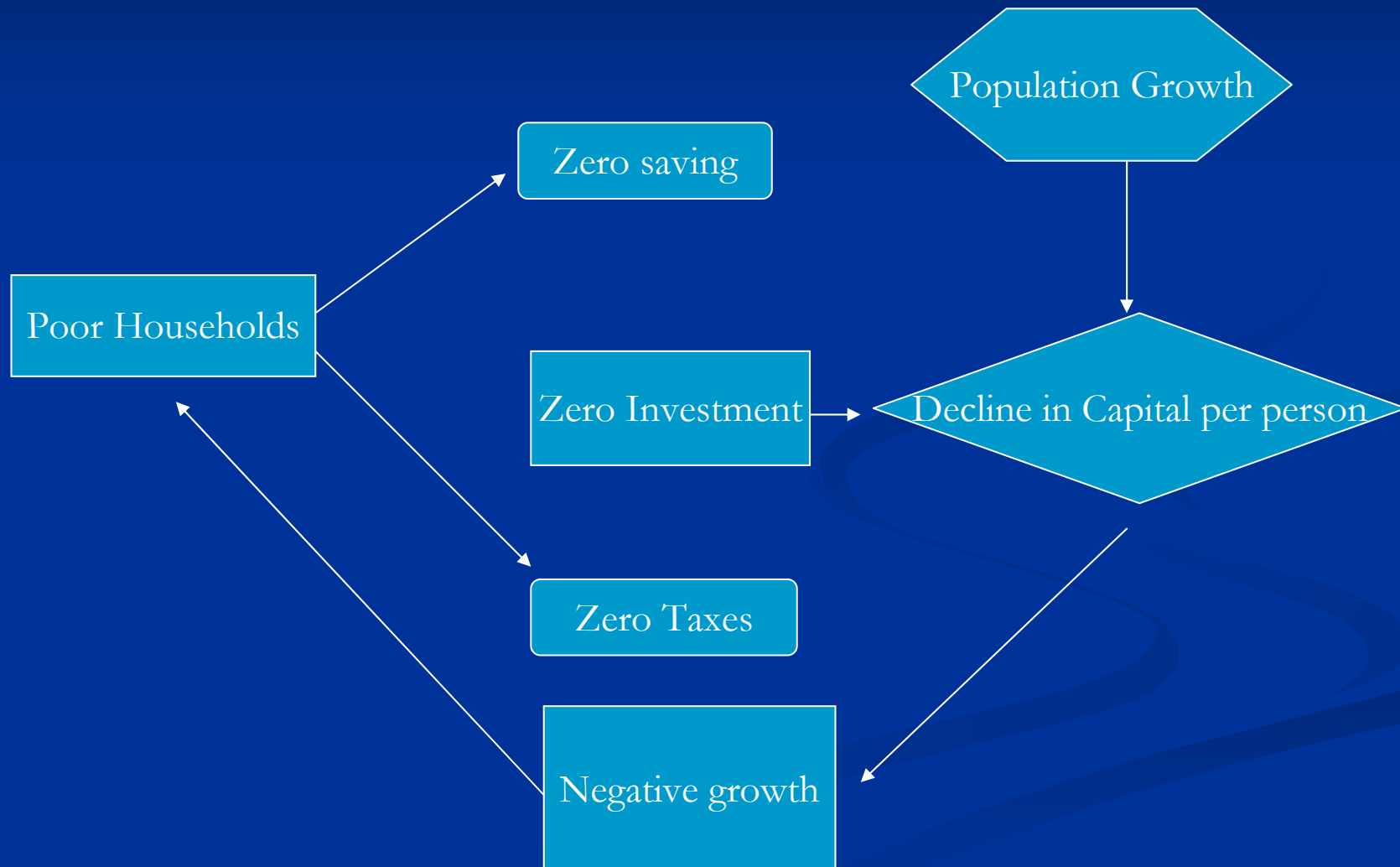
Why is Africa So Poor?

- Poverty Trap: Africa is so poor that its savings are very low: only 16% of GDP compared to over 50% for China
- Disease: It is ravaged by disease: 85% of 1.2m annual deaths from malaria and 75% of the 3.1m deaths from AIDS are in Africa
- Bad geography: less than a quarter of sub-Saharan Africans live within 100km of the coast
- Lack of Democracy: by 1990, half of African countries had military governments
- Violent Government: Of the 107 African leaders overthrown between 1960 and 2003, two-thirds were killed, jailed or driven into exile
- Corruption: African development has been crippled by corruption, says Kofi Annan, the UN's secretary-general
- War and Lawlessness: Africa's mineral wealth has proved to be a curse
- Famine and Hunger: Most of the world's famines occur in Africa: Ethiopia, Somalia, Sudan, Niger, Zimbabwe, Malawi

Basic Mechanism of Economic Growth



The Poverty Trap



Types of Capital

- Business Capital (Plant, Machinery, Transport)
- Human Capital (Health, Education, Nutrition)
- Knowledge Capital (new products and technology)
- Infrastructure (Roads, Rail, Power, Water, Sanitation)
- Public Institutions (well-run public administration, judicial system, law and order, property rights)

Investments Need Scale

- Green Revolution
- Eradication of River Blindness, Small Pox, Polio
- Spread of Family Planning
- Export Processing Zones

State Failure

- States that have lost control over most of their territory and stopped providing even the most basic services to their people
- World Bank calls these “low-income countries under stress” (LICUS)
- Most of these failed states are in Africa
- Failure is contagious
 - ❖ Liberia's civil war infected all three of its neighbours and destabilised
 - ❖ Congo's civil war destabilised Central Africa

Candidates for failure

Selected "Low-income countries under stress", as defined by the World Bank

	Population m	GDP per person 2002, \$	Average annual GDP, % change, per person, 1990-2002	Conflict since 1990
Afghanistan	29	*	*	✓
Angola	14	710	-0.1	✓
Burundi	7	100	-3.9	✓
Cambodia	13	300	4.1	✓
Central African Republic	4	250	-0.2	✓
Congo, Democratic Republic	53	100	*	✓
Congo-Brazzaville	4	610	-1.6	✓
Guinea-Bissau	2	130	-2.2	✓
Haiti	8	440	-3.0	✓
Laos	6	310	3.8	X
Liberia	3	140	*	✓
Myanmar	49	*	5.7	✓
Nigeria	136	300	-0.3	✓
Papua New Guinea	6	530	0.5	X
Somalia	10	*	*	✓
Sudan	34	370	3.1	✓
Tajikistan	6	180	-8.1	✓
Togo	5	270	-0.7	X
Uzbekistan	26	310	-0.9	X
Zimbabwe	13	480	-0.8	X

Source: World Bank

*Data not available

A nice job, but not a safe one

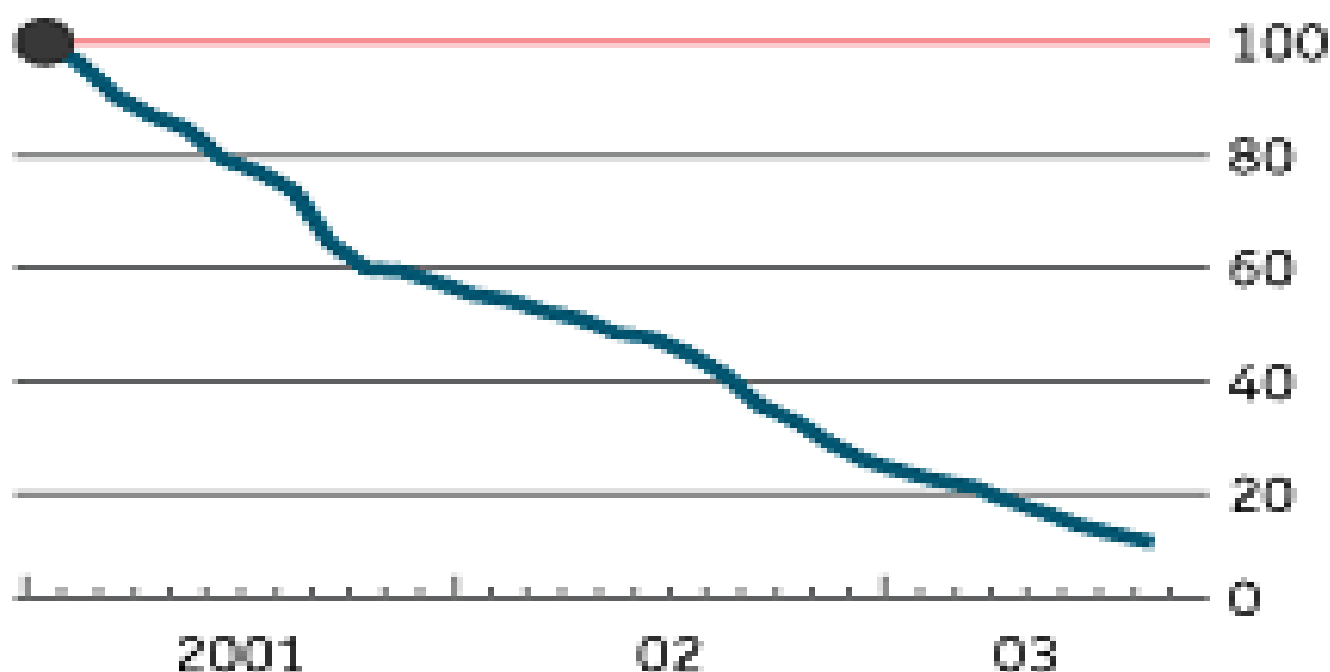
How African leaders left office

	1960 -69	1970 -79	1980 -89	1990 -99	2000 -03	Total
Overthrown in coup, war or invasion	27	30	22	22	6	107
Died of natural or accidental causes	2	3	4	3	0	12
Assassination (not part of coup)	1	1	1	2	0	5
Retired	1	2	5	9	2	19
Lost election	0	0	1	12	6	19
Other (interim or caretaker regime)	6	8	4	14	1	33

Sources: "Risk, Rule and Reason in Africa" by Arthur Goldsmith, Harvard University; *The Economist*

And it's compulsory*

Real value of money invested in Zimbabwean government bonds, January 2001=100



* Financial institutions are obliged to put a large proportion of their assets into government paper

Source: Robertson Economic Information Services

Millennium Development Goals

- Reduce by half the proportion of people living on less than a dollar a day
 - Reduce by half the proportion of people who suffer from hunger
 - Ensure that all boys and girls complete a full course of primary schooling
 - Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
 - Ensure that all boys and girls complete a full course of primary schooling
 - Reduce by three quarters the maternal mortality ratio
 - Halt and begin to reverse the spread of HIV/AIDS
 - Halt and begin to reverse the incidence of malaria and other major diseases
 - Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources
 - Reduce by half the proportion of people without sustainable access to safe drinking water
 - Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020
- (<http://www.un.org/millenniumgoals/>)

Aid to Africa

- Africa will meet none of the MDG without assistance
- So a “big push” in terms doubling of aid to Africa is needed (Jeffery Sachs)
- Commission for Africa asks for another \$25bn in aid to Africa

Pricing hope

Foreign aid required to meet the millennium development goals, \$ per person per year
2005-15

	Ghana	Tanzania	Uganda
Hunger	3.3	6.2	2.4
Education	11.8	7.8	6.7
Gender equality	1.5	1.6	1.4
Health	17.8	24.3	20.0
Water supply and sanitation	2.4	1.5	0.7
Energy	5.7	5.2	4.1
Roads	6.6	13.6	11.4
Total	49.1	60.2	46.7

Source: UN Millennium Project

Does Aid Work?

- Many of today's fast growing economies (China, India, Vietnam) are growing without aid
- Africa has received \$450bn in aid over the past 40 years
- On the basis of aid received, Zambian incomes should have been \$20,000 per person. It is \$500
- Aid reduces incentive of governments to tax

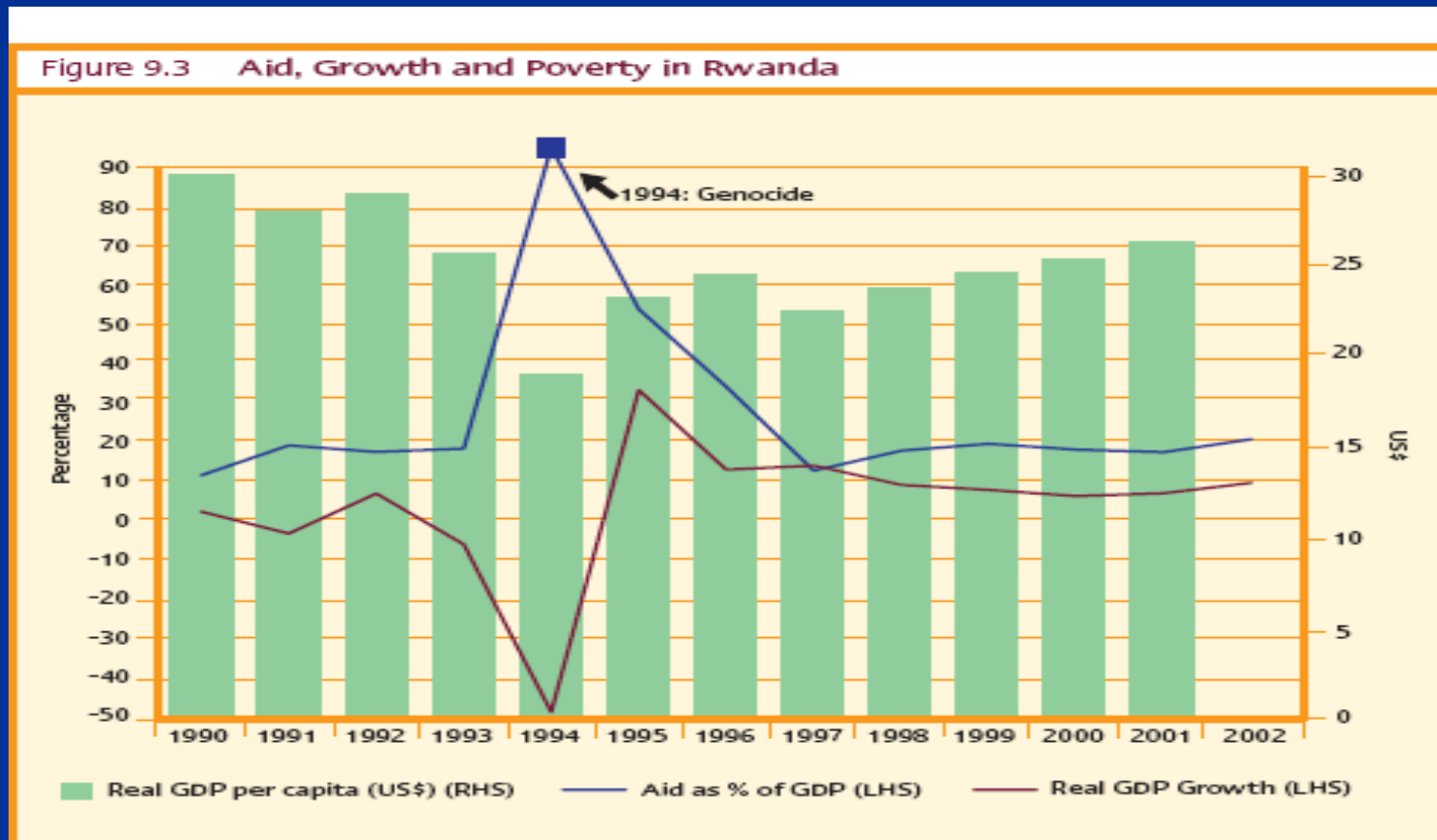
Mosquito Nets

- Mosquito nets impregnated with insecticide cost \$4 to make
- Sleeping under them can cut infant deaths by 14%-63%
- Production costs are low, distribution costs high
- Domestic makers of nets go out of business
- Less than a fifth of nets are re-treated regularly
- Nets are used for clothing: wedding dresses

So even simple policies can fail!!

Success Stories

■ Rwanda and Mozambique



Sources: World Bank, 2004c

Property Rights

- Ownership will be upheld and enforced by the law
- Property rights give security and make people willing to undertake long-term investments
- In Africa, property rights are missing because people cannot prove they own their assets
- Less than 10% of land is formally owned and only 10% of houses have title deeds
- People can also be arbitrarily deprived of their assets
- So assets cannot be used as collateral to borrow from banks

Dead Capital

- The Peruvian economist Hernando de Soto calls this “dead capital”
- He estimates Africa’s dead capital to be \$1 trillion (\$1,000bn) – 70 times the amount of aid Africa receives every year (\$14bn)
- If this capital could be “released” then Africa’s wealth would multiply
- But this needs, at a minimum, “good governance”: elected government and rule of law

Improving the Quality of Aid

- If the quality of aid to Africa rose by 24%, per-capita growth would rise by 2%
- Aid should be in the form of grants, not loans
- Loans become a future debt, grants do not
- Grants can be given for a wider range of projects
- Aid should be conditional on good policies being followed
- Aid should be targeted

Where Should Aid Go?

Table 9.2a: Costings of the Commission's Recommendations Taking No Account of Constraints of Absorptive Capacity

Additional annual public expenditure needed to implement each item of the Commission's package in full (US\$ billion)	75.0
Composition of Commission's Expenditure Recommendations	(per cent)
Governance (Chapter 4)	4.0
Peace and Security (Chapter 5)	2.0
HIV and AIDS (Chapter 6)	13.0
Education (Chapter 6)	10.0
Health (Chapter 6)	26.0
Social Inclusion (Chapter 6)	5.0
Growth, Infrastructure and Trade (Chapter 7, 8)	27.0
Mitigation of Shocks (Chapter 9)	5.0
Contingencies	7.0
Commission's Package of Recommendations (US\$75 billion):	100.0

AIDS

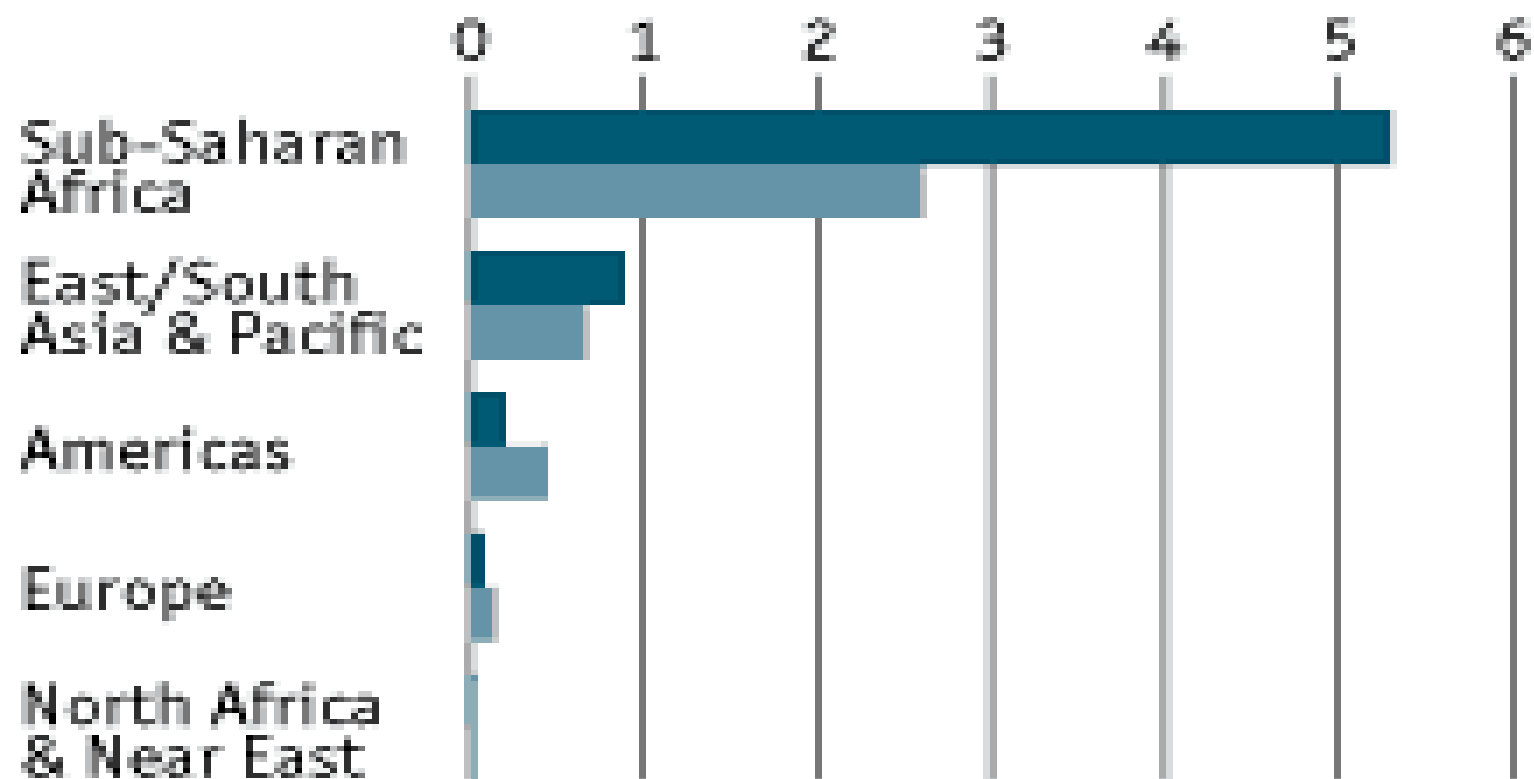
- Aids is not just an African problem – it is a growing problem in both India and China
- But 75% of the Aids-related 3.1m deaths per year are in Africa
- The best governed country, Botswana, has the highest rate of adult prevalence: 38.5%
- Aids has resulted in dramatic drop in life expectancy: Botswana's will drop from 64 in 1998 to 42 in 2010

Africa's stricken women

Young people* living with HIV/AIDS, end 1999
m

■ Young women

■ Young men

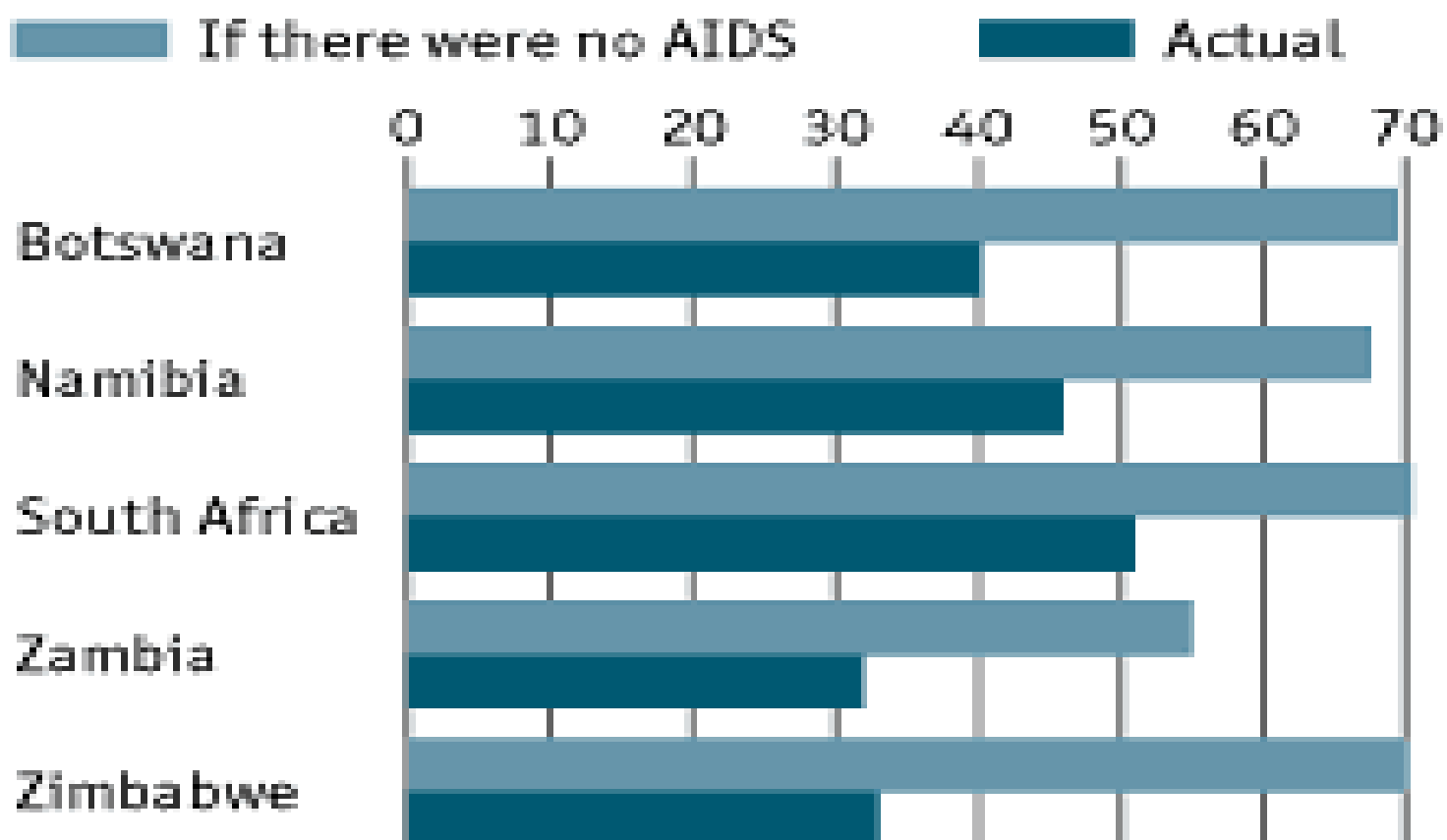


Source: Unicef

*Ages 15-24

Live fast, die young

Female life expectancy at birth
2000-05 forecast, years



Source: United Nations

Causes of AIDS in Africa?

- Migrant Workers and all-male Hostels
- Prostitution
- War: Refugees and Soldiers
- Sexism: women find it difficult to insist on condoms
- Different sexual mores in Africa than in other countries
 - Sex between older men and younger women
 - Acceptability of sex outside marriage: “grazing”

How to Fight Aids

- Two Countries have been successful against Aids: Senegal and Uganda
 - In Uganda HIV prevalence has fallen from 30% to 5%
 - In Senegal, Aids was never allowed to appear
 - In Uganda, the emphasis has been to talk and inform people about relationships: Straight Talk Foundation
 - In Senegal, the emphasis has been on regulation of brothels, screening of blood supply

Famine in Africa

- Famine has Multiple Causes
 - War (Ethiopia, Somalia, Sudan)
 - Misrule (Malawi, Zambia, Zimbabwe)
 - Drought (Ethiopia, Lesotho, Swaziland, Zambia, Zimbabwe)
 - Pestilence (Niger)
- Famine has an ally in AIDS: AIDS makes people too weak to cope with hunger
- Famine may occur even when there is no general scarcity of food

What to Do About Africa? The Bad Governance School

- Africa's poverty is not due to the legacy of colonialism
- Africa's poverty is not due to the global trading system
- It is due to misrule and corruption
- Well-governed states (Botswana) prosper; badly governed states (Zimbabwe) decline
- Countries like Kenya, which have not known war or famine, stagnate because of corruption
- Aid to Africa has to be closely tied to accountability and, preferably, bypass government

Is Corruption the Problem?

		Corruption Rank	Average annual per-capita GDP growth, 1980-2000
Africa	Ghana	70	0.3
	Senegal	76	0.5
	Mali	78	-0.5
	Malawi	83	0.2
Asia	India	83	3.5
	Pakistan	92	2.4
	Indonesia	122	2.0
	Bangladesh	133	2.0

What to Do about Africa? The Big Push School

- Africa needs increased resources through aid and loan forgiveness
- These increased resources must represent a doubling of present aid to Africa (around £14bn per year)
- Even then, aid to Africa will represent a fraction of the national income of Western countries: EU spends \$55bn every year on the Common Agricultural Policy
- Aid should shift from loans to grants
- ❖ Health should be a major area of investment: AIDS and malaria are killing millions of Africans every year
- ❖ Another major area of investment should be infrastructure
- ❖ A third is education
- ❖ A fourth is peacekeeping