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## Why Is Africa Poor?

by Greg Mills

### *Executive Summary*

Sub-Saharan African countries have not fulfilled their potential since independence. While other developing countries and regions have grown over the past 50 years, much of Africa has stagnated. African leaders have become adept at externalizing blame, holding others responsible for Africa's failings. Yet African leaders—not a lack of capital, access to world markets, or technical expertise—are to blame for the continent's underdevelopment.

As Asian countries have shown, African countries must liberalize their economies to grow. Africa must embrace

globalization and trade with the rest of the world. African countries must also make their business environment much friendlier to domestic and foreign investors. The political elite, which benefits from the status quo, is the main obstacle to reform. The spread of democracy on the continent—haphazard though it is—will make African governments more responsive to the needs of the populace, but Western governments must also help—by ending or reducing foreign aid to African regimes. That move could help establish a better link between governments and citizens and reduce disincentives to necessary reforms.

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## **Insufficient Reasons for African Poverty**

With a per capita income 50 percent less than that of the next poorest region (South Asia), sub-Saharan Africa's growth has lagged since independence some 50 years ago. Many reasons have been put forward for the region's slow development—a lack of human and government capacity, poor infrastructure and trade access, the effects of too little (or too much) foreign aid, the legacy of arbitrary colonial boundaries, low productivity, the Cold War, climate, and geography. Many African leaders blame the rest of the world for African poverty, implying that solutions to underdevelopment are out of their hands.

But the world has not denied Africa the markets and financial means to compete. Far from it. The contemporary era of globalization has afforded unprecedented opportunities to billions of people in emerging markets. Globalization may have suffered a setback recently, but the current recession does not alter the fact that global wealth has tripled since 1990.<sup>1</sup> It is the varying abilities of governments to translate such opportunities into development and prosperity that has accounted, in large measure, for the widening inequalities within and between countries.

Africa is poor not because of aid per se, although large inflows of foreign aid have almost certainly been a disincentive to reform for many African governments. Nor is African poverty solely a consequence of poor African infrastructure or trade access. Africa has enjoyed preferential access to international markets, yet the continent has slipped behind other, less favored, competitors. True, much of Africa's infrastructure has deteriorated and fallen behind that found elsewhere in the world. But there have often been vested interests—like local monopolies—that had no interest in making infrastructure more efficient. Similarly, many African countries have avoided putting in place policies and procedures that would facilitate more exports. Those policies and procedures could have been put in

place quickly and for far less money than improvements to infrastructure.

Africa's poverty has not been caused by the lack of necessary technical and development expertise. Those can be bought on the international market—as many Asian countries have chosen to do. Such expertise could even have been accessed for free via donors. Africa has, however, been highly possessive about the direction and control of its development. That is partly due to an innately skeptical view of outsiders, but also because Africa has been able to get away with pursuing bad economic policies through subsidies from rich countries.

Africa is not poor because its people do not work hard but because their productivity is too low. For example, subsistence agriculture, from which many Africans derive their livelihoods, creates very little value added. Unfortunately, without institutional and policy changes, there can be only a limited expansion of large-scale farming and of the industrial and service sectors of the economy.

Nor is Africa poor because it lacks natural resources. Compared with Asia, it is a treasure-trove of natural resources from agricultural land and precious metals to wildlife and hydropower. Yet, with few exceptions (Botswana is one), those resources have been used only to enrich elites, spread corrupt practices, and divert development energy and focus. And Africa's people are poverty stricken not because the private sector does not exist or has been unable to cope with difficult conditions. The problem is that the private sector is often not "private" at all. Rather, it is an elite-linked system of rent-seeking. Even where there is a degree of private-sector independence, government attitudes toward truly private businesses range from suspicion to outright hostility—not least since politicians in some African countries fear that economic autonomy will be followed by political autonomy.

## **African Rulers Deserve Most of the Blame**

The main reason for African poverty is the

bad choices made by African rulers. The record shows that countries can grow their economies and develop faster if leaders take sound decisions in the national interest. That is as true of the Vietnamese leaders before and after the failure and reform of Vietnam's command economy as it is of African reformers from Ghana to Botswana.

Africa's positive economic growth record in the 2000s illustrates that better choices can be made. True, African growth has traditionally mirrored the ups and downs of natural resource prices, but Africa's growth in the 2000s has also reflected better governance and more widespread democracy on the continent.<sup>2</sup>

The economic success of countries in other regions offers many good examples that Africans can learn from. In assigning blame for not seizing the opportunities of globalization to African leaders, it is important to recognize that those leaders have often taken decisions under difficult circumstances. No one disputes that African politicians face big challenges. Yet in other parts of the world, those challenges are usually regarded as obstacles to be overcome, not as permanent excuses for failure.

For in a half century of independence, Africa has not realized its potential. Instead, its greatest natural assets have undermined its prosperity. Africa's youth, for example, is not being regarded as a huge source of talent and energy to be harnessed. Rather, this group is regarded as a destabilizing force because it is largely unemployed and uneducated. This is not only a threat to Africa's security. By 2025, one in four young people worldwide will be from sub-Saharan Africa.<sup>3</sup> Most of those young people will be living in Africa's cities where, by then, the majority of the continent's citizens will be located. And if they do not find employment on the continent, they will seek it elsewhere.

Far from being the font for development, Africa's oil wealth has served instead to enrich elites. For example, Nigeria has received an estimated \$400 billion in oil revenues over the last 40 years. Oil revenues per capita rose from

\$33 to \$325 between 1965 and 2000. Yet the number of Nigerians living on less than one dollar per day rose from 19 million in 1970 (of a population of 70 million) to 90 million (of a population of some 120 million).<sup>4</sup> Instead of fueling development, oil has tainted governance and accountability across Africa.

Africa's agriculture potential has similarly been squandered. Many African states possess agricultural land in abundance. Yet, 35 out of 48 sub-Saharan African economies were net food importers at the end of the 2000s.<sup>5</sup> Africa's share of world agricultural exports halved since 1970, to under 4 percent.<sup>6</sup> Though agriculture was responsible for only one-fifth of the continent's economic output in the late 2000s, two-thirds of Africans (the majority of them women) lived in rural areas and were dependent on farming for their survival.<sup>7</sup> It doesn't take much to work out why productivity in that sector is so low. The agricultural sector was ruined through taxation that was meant to fuel Africa's centrally planned industrialization drive. Today, Africa is neither industrialized nor self-sufficient in food production. Instead, the continent relies mainly on export of natural products.

## Enabling Bad Leadership

If Africa's dismal economic performance can be put down to bad choices by African leaders, then we have to ask: Why have those leaders made those choices? The key reason is that Africans and the international community have enabled them to do so. The former have typically believed that they lacked the means to change the status quo, whereas the latter have been too ready to "help" Africa for reasons ranging from self-interest to altruism and pity.

African leaders have successfully managed, with the help of donors, to externalize their problems, making them the responsibility and fault of others.

Donors have typically lacked the tools or political will to manage their relationship with African leaders and the flow of money to

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Africa according to the democratic, economic-reform, and public-goods-delivery record of the recipients. Nowhere has this been more the case than with the many so-called “fragile” or “failed” states. Governments in those countries have frequently abrogated the responsibility, but not the authority, for rebuilding their countries to others. Too often, donors have taken up the challenge of rebuilding failing states, thus weakening the already tenuous link of accountability between the government and its people.

The fact that African leaders were permitted to get away with ruinous, self-interested decisions must be attributed, in large part, to a relative lack of democracy (or to single-party dominance) in Africa. There has been little bottom-up pressure on leadership to make better choices, although there has been encouraging growth of civil society in parts of the continent over the last decade. This apparent passivity of the populace in the face of bad leadership must, at least in part, be attributed to a neo-patrimonial culture. In that culture, the “big man” rules and dispenses favors. He uses all manner of tools to bolster his rule—from traditional governance structures and kinship ties to witchcraft and the church.

The system that many African leaders have preferred thrives on corruption and nepotism. Corruption is not particular to Africa, of course. But leaders from other societies where corruption is also a problem—Asia in particular—have displayed a commitment to popular welfare that is lacking in African leadership.

African societies, in contrast, have overwhelmingly been run along the lines of the “politics of the belly”—a primordial lust for wealth and power along crude racial, tribal, party, and familial lines. In this system, government officials and politically connected business elite use their positions and influence to enrich themselves and their families or kinsmen. Personal wealth, Jean-François Bayart of the Centre for International Studies and Research in Paris writes, “is one of the chief political virtues rather than being an object of disapproval.”<sup>8</sup> Similarly, Patrick Chabal of King’s College London and Jean-Pascal Daloz of the

University of Oslo argue that “in most African countries, the state is no more than a decor, a pseudo-Western facade masking the realities of deeply personalised political relations [where] legitimacy is firmly embedded in the patrimonial practices of patrons and their networks.”<sup>9</sup>

Africa’s traditional land holding structures have also been an impediment to entrepreneurship. Communal land holding has impeded the collateralization of land value through individual ownership and mortgage schemes. There has been little interest among the leadership of many African countries to reform the system. At the same time, a disastrous “reform” took place in Zimbabwe, where land was seized and redistributed on the basis of political allegiances.

The top-down imposition of states and borders on Africa’s rich ethnic and sectarian tapestry by colonial powers has institutionalized weak governance structures. African states were both formed and maintained not by raising taxes and ensuring public goods, as was the case in Europe, but by colonial fiat. Over the past 50 years, however, the Organization of African Unity and the African Union have been adamantly opposed to changing Africa’s colonial boundaries.

Finally, and perhaps most importantly, bad choices have been made because better choices in the broad public interest were in very many cases not in the leaders’ personal and often financial self-interest.<sup>10</sup>

## **The Sad Case of Zambia**

Zambia is an example of a country that has suffered from this sort of policy malaise. There is probably no country as studied by development consultants as Zambia. A darling of donors since independence in 1964, countless World Bank and other reports have been written on every conceivable topic—from transport and tourism, to regulatory reform and mining.

Thus, it’s not as if Zambians shouldn’t know what to do when thinking about how to

deal with economic and other development problems. For nearly half a century they have debated how to diversify their economy away from mining into agriculture, tourism, and manufacturing—so far with marginal effect. In fact, most of the reports have been languishing on dusty shelves in government offices—their often replicate proposals seldom read and virtually never acted on.

In some ways, Zambia's economy has done well during the 2000s. Privatization of its principal export asset, the copper mines, has resulted in more than \$4 billion in inward investment.<sup>11</sup> Annual national copper production has climbed threefold in 15 years. It is now nearly back to its peak of 720,000 tons in the mid-1970s.<sup>12</sup> The economy has grown at an average rate of more than 5 percent per year during the 2000s.<sup>13</sup> Lusaka's traffic is one illustration of the rise in living standards and the emergence of a middle class in Zambia.

But Zambia needs to do even better. High unemployment, especially among young people, is no recipe for long-term stability. "Their army of numbers will, one day, make Zambia unviable," Hakainde Hichilema, a leading opposition figure, told me.<sup>14</sup> Zambian infrastructure is rickety and costly to business. It takes a week to get exports out via road to South Africa and at least four times longer by rail. A power shortage looms even though the country has abundant hydroelectric potential. Despite the quality and quantity of its natural endowments, the mining sector is undeveloped compared with other copper producers, such as Chile. Tourism facilities remain clustered around Victoria Falls, in spite of extraordinary offerings elsewhere from the Lower Zambezi to Lake Tanganyika.

Overall, the country has not performed to its considerable potential. There is little urgency in government to execute sound plans. And, at times, the government has made this more difficult for itself through ill-considered actions, such as the hurried adoption of farmland rent and windfall taxes on mining companies. Those measures threatened to bankrupt producers in both agriculture and mining before they were repealed.

The government says that it is constrained by politics and needs to move slowly on reforms out of a risk of appearing too "reactionary." Government officials claim that democracy has made economic choices politically risky. Others point to the deleterious effect of aid, which comprises one-third of government expenditures. Aid blunts the risks associated with policy inertia. Zambian politicians know that the donors will be around to pick up the pieces. Aid also provides a source of rent-seeking income and removes the incentive to expand the domestic productive sector and tax base.

But some observers highlight deeper underlying causes, though similarly political and cultural. Hichilema says that lack of reform should be attributed to the country's having been ruled for 27 years between 1964 and 1991 by a socialist-inclined leader, Kenneth Kaunda. During that time, the state became the largest employer, the regulator of first and last resort, and, as a result, it became corrupt.

Kaunda's socialism has created a civil service geared to protectionism and regulation at all costs, and a private sector attuned to working within a system that rewards insiders and discourages independent entrepreneurship. (We should not underestimate the fact that this system, a feature of most African countries, works just fine for the elite).

## **Africans Must Liberalize**

Yet this is a very good moment for African leadership to push ahead with reforms. Commodity prices are high, allowing a fresh range of policy choices. Investors have an appetite for high-growth emerging markets. And many tough macroeconomic reforms have been carried out across the continent.

But to take matters to the next level, Africa will have to carry out sweeping regulatory reforms. For example, Zambian tourism investors should not require 33 different licenses to operate.<sup>15</sup> Such reforms will have to be matched by attractive tax regimes across the continent. To achieve those goals, the elites

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must be willing to prioritize economic growth over political power. They have to stop seeing foreign investors as predators snatching away their birthright. To do better, Africa has to signal that “business as usual,” in which politics presides over economics, is truly over.

I spent much of 2008 in Rwanda as President Paul Kagame’s strategy adviser. Frank, our driver there, had a great idea for a taxi business, but he was not able to get financing for it. He lacked not only a financial system that could cater to his needs, but also demand for his business. Rwanda’s tourism industry has been stunted by the cost and difficulty in accessing that beautiful country, and also by the lack of tourist attractions—apart from Rwanda’s world-famous gorillas. While the government has rhetorically been open to increasing the number of visitors, it has been less open to investors, including those in the tourism business. There is a clear tension between African governments’ desire to control their societies and the understanding that stability and growth ultimately depend on liberalization.

Tourism is one of the underutilized advantages that Africa possesses. Global tourism is a business that caters to nearly one billion people. Yet Africa has just a 4 percent share of that market. To increase its share of the tourism business, Africa will have to liberalize air flight and visa regimes. In the formerly communist country of Georgia, for example, it is not necessary to acquire a visa for visitors who come from countries with a GDP per capita of \$10,000 or more. Compare the Georgian system to the difficulty of entering many African countries or, for that matter, the difficulty of leaving African countries like the Democratic Republic of Congo, where one has to run a gauntlet of security and other checks—informal and formal.

I wonder how many visitors from rich countries to Africa have been put off by the challenge of just getting to the continent or getting a visa. Yet I suspect that few, if any, overstay their welcome. The number of tourists to Georgia has nearly quintupled from 2003 to 2009—a war with Russia notwithstanding.<sup>16</sup>

(I should add that Georgia had also adopted a policy that did away with work permits for foreigners.)

Getting to Africa is difficult. Moving around in Africa is similarly onerous. My team and I have conducted a number of route diagnostics—essentially sitting on a truck and doing time and motion studies. We spent one third of the duration of our journeys at borders and police checkpoints. The other two thirds we spent traveling, resting, and eating. Africans often bemoan the state of the infrastructure on the continent. Yet it would take no donor money to keep borders open around the clock, thus making the best use of existing resources—if the idea is to improve openness and trade, of course.

Or, take another example. It takes an average of eight minutes to clear each of the 30 million containers that move through the city-state of Singapore annually. The minimum average time in Mombasa is 72 hours per container. Yet, this main East African port handles only 600,000 containers annually.<sup>17</sup>

The answer to the question of African poverty lies in the difference between success and failure in worldwide trade. This difference can be found in policy choices—the distinction, to take another example, between Vietnam before and after its own reforms. And the explanation behind the choices that African governments make lies in politics. Indeed, the principal challenge to African economies is political. To succeed, African governments must, like the governments of Southeast Asia, put people and ideas rather than narrow-minded political interests at the heart of development.

## Notes

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2. For an assessment of the spread of democracy in Africa, see Tony Leon, “The State of Liberal Democracy in Africa: Resurgence or Retreat?” Cato Institute Development Policy Analysis no. 12, April 26, 2010, <http://www.cato.org/pubs/dpa/dpa12.pdf>.

3. Based on analysis conducted by Genesis Analytics on behalf of the Brenthurst Foundation, 2008.
4. Nicholas Shaxson, *Poisoned Wells: The Dirty Politics of African Oil* (London: Palgrave, 2008), p. 4.
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6. Ibid.
7. Brenthurst Foundation.
8. Jean-François Bayart, *The State in Africa: The Politics of the Belly* (London: Longman, 1993), p. 238.
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10. For a discussion of how predatory political elites keep Africans poor, see Moeletsi Mbeki, "Underdevelopment in Sub-Saharan Africa: The Role of the Private Sector and Political Elites," Cato Institute Foreign Policy Briefing Paper no. 85, April 15, 2005.
11. Interview with First Quantum Minerals officials, conducted in Ndola, Zambia, in December 2009.
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14. Interview with the Zambian opposition leader Hakainde Hichilema, Lusaka, Zambia, March 2010.
15. Ibid.
16. Department of Tourism and Resorts, Republic of Georgia, "Arrivals of Non-resident Visitors at National Borders of Georgia by Country of Residence," November 18, 2010, [http://www.dotr.gov.ge/files/files/Statistics/2000\\_2009vzitorebiing.pdf](http://www.dotr.gov.ge/files/files/Statistics/2000_2009vzitorebiing.pdf).
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