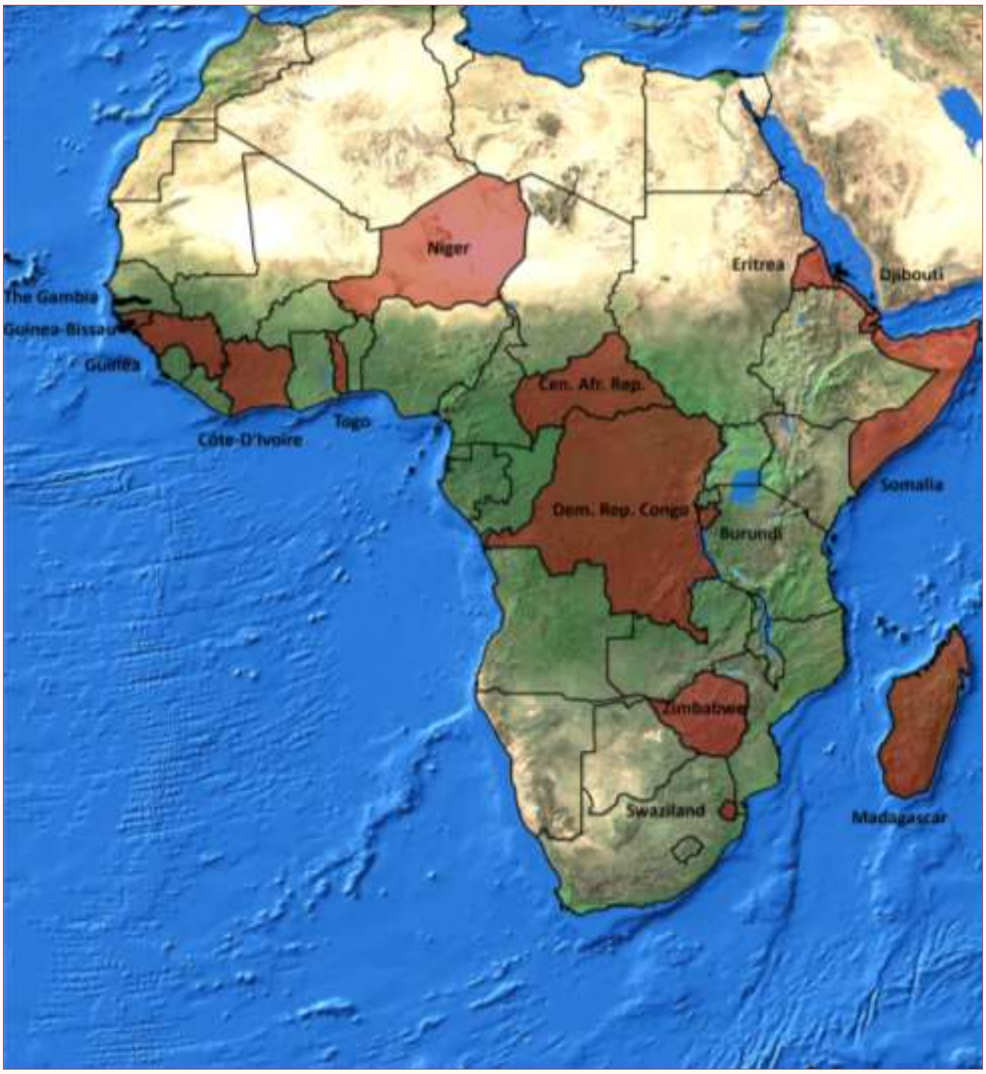
Africa's Take-Off

A Long and Winding Road

Dirk Bol



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Source of the map on cover page: *ESRI, 2009, New York, adapted by Renée Zijlstra*

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'Man developed in Africa.
He has not continued to do so there'[1]

Introduction

Even though one swallow does not yet make a summer, the good news about Africa can no longer be ignored. It is the same with development: after a certain repetition or accumulation of positive phenomena, matters continue to improve by themselves. Vicious circles of poverty gradually become virtuous ones of development. The phase in which poor countries then enter has been labelled 'take-off' by Rostow many years ago[2], and even though the idea of distinct stages of development has always been criticised, the term rightly seems to capture the mood in present Sub-Saharan Africa (hereafter called Africa, unless otherwise specified). It seems that a period of self-sustained growth has finally arrived, after more than 30 years of efforts to create its pre-conditions. The continent suffered remarkably little from the financial and economic crisis in 2008/09.

In this paper I will review the good news about Africa's economic development during the last decades, with respect to economic growth, social development and poverty reduction. I then take a closer look at the quality of the underlying data (sources) and its mutual comparability, followed by an effort to explain the causes of the positive changes in fortune in Africa and present some ideas about the way forward, including new foreign aid. A special Annex presents the outline of a new approach to rural aid, in relation to present changes and challenges.

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1 O'Rourke, P.J (1987), Republican Party Reptile; London, p.3.

2 Rostow, W. (1960), The Stages of Economic Growth.

Economic Growth

Average incomes in Africa increased by 20% only since 1970, but by 30% since 1990[3]. An actual decline during the 1980s was reversed after 1990. Africa's growth rate accelerated in this century, with average (real) GDP growth reaching almost 6%, whereas this had been 2.4% during the period 1980-2000. While the continent was also hurt by the economic crisis in 2008/2009, positive growth was maintained even then and is now back on track. Prospects look bright for the next decade, when Africa will be catching up with Asian growth rates for the first time [4].
Six of the ten fastest growing economies (since 2000) are now in Africa: Angola (11% average), Nigeria (9%), Ethiopia, Mozambique and Chad (8% each), and Rwanda (7%). And real p.c. income growth has been 3% since the year 2000, twice as fast as the world average[5]. A slowly declining population growth rate (from 2.8% before and 2.4% after 2000) was helpful in this respect.

Obviously, these averages hide huge differences between countries.
At the top are the ten oil exporting countries, with annual growth exceeding 10%, and at the bottom the ten 'failed states' where more than 200 million people have to survive without any perceptible income growth. While resource rich countries generally did better than resource poor ones, as a result of high demand (and prices) mainly from Asia, it is now becoming clear that an increasing number of different types of African countries is reaching a stage of self-sustained growth.
Radelet distinguishes a group of 17 'emerging economies', excluding oil exporters, but with coastal and land-locked countries, and with those relying much or little on commodity exports, all having shown increases of over 2% in p.c. incomes during the last 13 years (1996-2008)[6]. None had any serious income increases during the two preceding decades. Botswana, Cape Verde, Sao Tomé, Mozambique and Ethiopia averaged more than 4% growth (p.c.) annually since 1996, and Ghana, Lesotho, Mali, Namibia, Seychelles, South Africa and Zambia a little more than 2%. In the middle were Uganda, Tanzania, Rwanda, Mauritius and Burkina Faso.

Six other economies, non-oil exporters too, are gradually reaching that stage too, so that means that apart from nine oil exporters – Ghana is the 10th - only 16 economies out of 48 Sub-Saharan ones remain in dismal poverty, with no way out yet, with declining real incomes as a result of internal conflicts. Some, like DRC, do have oil and minerals, but its revenues have not yet been mobilised for genuine economic development. In the other ten oil exporters some efforts are at least underway to promote serious development and avoid the pitfalls of too many resources too rapidly (resource curse), although not in all (e.g. Equatorial Guinea). At least money is not their problem, nor funds for development.
The 16 hopeless cases thus far are the *dark ones on the cover page*, mentioned with name (except Comoros), including failed states and other economies in trouble, with a quarter to a third of Africa's 800 million people. With a few exceptions, like DRC, Zimbabwe and Ivory Coast, these are fairly under-populated countries.

Young confirms the good growth record for Africa since 1990, deriving an annual growth of (real) household consumption of over 3% during the last two decades from the Demographic and Health surveys[7]. His figure is based on physical changes in ownership of (durable) consumer goods and quality of housing, and is higher than the international monetary data suggest.

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[3] Figures based on World Development Indicators from the World Bank unless stated otherwise.
[4] IMF (2010), Regional Economic Outlook: Sub-Saharan Africa.
[5] The Economist 8-1-2011.
[6] Radelet ,S. (2010), Emerging Africa, How 17 countries are leading the way; CGD, Washington.
[7] Young, A. (2009), The African Growth Miracle; LSE, London.

It seems that economic fortunes finally changed for many African countries after 1990, with most of them hardly having any real growth at all during the preceding two decades. Structural adjustments in most economies, which started to take place from 1985 onwards in response to various crises, i.e. oil, balance of payments, debt and budgetary ones, finally seemed to pay off. The end of the Cold War and of Apartheid (Mandela president 1994!) also changed the economic climate in Africa, with an active role all over the continent by South-African entrepreneurs, who increasingly had to compete with Asian ones, Chinese, Indian, Korean and Singaporean. The end of war in a number of countries, like Sudan, Sierra Leone and Liberia, contributed to a better economic environment.
Although resource rich countries did better than non-resource ones, on average, other economic sectors also contributed to Africa's growth: telecommunications, banking, retail trade and construction. Even manufacturing and agriculture were responsible for about 10% of the GDP growth[8].

Trade and investment more than doubled on average, with much South-South trade, and at last investments became more productive as well. In the 17 'emerging economies' investment increased from 18 to 25% of GDP in 20 years, with foreign investment quadrupling (to 5% of GDP), and total factor productivity (TFP, measuring changes in all factors of production) growing by 2% annually since 1995, against zero growth before (since 1975) (Radelet). But labour productivity also increased in other African economies lately, and also in agriculture[9]. Labour productivity growth now contributes about 1/3 to overall economic growth, with 2/3 still coming from a higher labour force.
International debt has become much more manageable now, thanks to heavy debt relief by donors, and 22 countries had completed the whole process of debt restructuring by 2010.

Despite this positive growth, South-Asia now has caught up with Sub-Saharan Africa, with a p.c. income of around $ 1,000, as a result of an income growth in that poor region of 120% since 1990. It almost seems unbelievable that (real) average income in Africa still was four times as high as the Chinese in 1980, and now only a third. An increasing number of Chinese entrepreneurs in Africa may try to introduce lessons learnt at home.

Before looking more specifically at poverty reduction as a result of all this economic growth, it should not be forgotten that growth of p.c. GDP is not similar to increase of (disposable) personal income or consumption, as government spending (consumption) and public and private investment cause a gap between the two. Although public spending on health and education may be good for poverty reduction, and investment will cause private consumption to rise eventually, a temporary decline of personal consumption as share of GDP may happen with a growing GDP, as happened in some African countries, like Tanzania, since 2000.But on average household final consumption expenditure increased by 3% annually during the 1990s and by 5% since 2000, leading to a p.c. growth of consumption of 0.4 and 2.7% respectively. An increase of real wages of 16% during the last ten years confirms this point[10].

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8 IMF (2010); Easterly, W. and A. Reshef (2010). African Export Successes: Surprises, Stylized Facts, and Explanations; National Bureau of Economic Research (NBER), Working Paper No. 16597, Mass, USA; revised February 2011; The Economist 8-1-2011; Mc Kinsey Quarterly June (2010), What's Driving Africa's Growth.

9 IMF (2010); S. Block (2010), The Decline and Rise of Agricultural Productivity in Sub-Saharan Africa Since 1961; NBER Working Paper 16481; Mc Kinsey (2010); Dietz, T. (2010), Africa in de Lift, oratie ASC, Leiden.

10 World Bank (2010), World Development Indicators for consumption data; ILO (2011), World Wage Report 2010/11 gives wage data for 25 African countries.

But even an annual growth of personal consumption of 3% may take a long time to be felt subjectively, as it will only double after more than 20 years, with $ 2 p.p.p.d. still not being very comforting. Therefore, even the best performance may still be ridiculed by a political opposition, as in the case of Uganda, the fastest growing economy in Africa after Botswana for the last two decades. Rising fuel (transport) and food prices – often hand in hand – may add to the confusion.

Finally, a good indicator about relative deprivation in Africa is reflected in a recent Gallup poll, suggesting that on average 16% of the world's citizens wants to leave for 'greener pastures' elsewhere: only 10% of Asians, compared to more than one third of African adults[11].

[11] The Economist, December 2009.

Poverty

Whereas most observers would now agree that there is a reasonable degree of economic growth on the continent, information on poverty generally remained pessimistic. Only minor declines were reported in the poverty rate in Africa, with more stagnation than progress. It was silently assumed that as growth was very much resource based, from agriculture, oil and minerals, its distribution could not be equitable and therefore poverty would hardly change.
Yet, new research suggests that this is not true and that poverty declined hand in hand with the re-emergence of economic growth in the 1990s[12]. It seems that economic growth was much more equal than had been assumed thus far, and again, much less a matter of resources only. A more or less constant poverty rate of about 40%, i.e. the share of population surviving on less than $ 1.25 a day per person, started to decline after 1995 and reached 30% ten years later. And again this applied to different types of economies, mineral rich or not, landlocked or not, favourable agricultural environment or not. Only the effect of devastating wars and subsequent peace still mattered. If peace could be achieved in DRC soon, then Africa might still reach the first MDG, that is halving poverty by 2015, assuming positive trends to continue; otherwise a bit later. That does not yet mean that absolute numbers of poor Africans declined, in view of ongoing population increases.
Other data sources are still more careful about declining poverty trends, such as the World Bank's development indicators, and recent poverty reports still assume 40 to 50% of Africa's people to be poor, whilst recognising a decline[13]. Poverty rates in the 17 emerging economies also declined, according to Radelet, but according to his data source (World Development Indicators) only from 59% in 1993 to 48% in 2005.
We shall return to this question later when data sources are compared.

A major reason for optimism seems to be the surprising decline in inequality during the growth process. According to Sala-I-Martin et al, the Gini coefficient for Africa[14] climbed from a high 0.63 to 0.66 during the 1970s and 80s, up to 1995, and only then declining again to the earlier value of 0.63. So the recent growth process has been remarkably equal, even though inequality in Africa still remains very high[15]. Overall inequality in Africa seems as much due to inequality between different countries as to that within countries, with striking differences between countries like Namibia (Gini 0.74) and Tanzania (Gini 0.35).
Even Radelet, using more modest World Bank data, shows a decline in the average Gini coefficient for its 17 emerging economies from 0.51 in 1993 to 0.48 in 2005. Young's analysis of the Demographic and Health surveys confirms the declining trend in inequality in (Sub-Saharan) Africa.

Irrespective of the number of poor people, most of these are sometimes poor, not always. About half of the poor are always poor, chronically, and the other half may regularly move below and above the poverty line (IFAD). Upward and downward mobility are quite high, also in Africa. This depends on good or bad luck, diseases, droughts or floods, and makes the poor a rather diffuse category. Certainly, poverty is still largely a rural phenomenon in Africa, closely linked to agriculture. Poor households tend to be larger than non-poor, with more dependents, and less education. Female-headed households are generally not poorer than

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[12] Sala-i-Martin, X. and M. Pinkovsky (2010), African Poverty is Falling…. Much Faster than you Think; NBER, working paper 15775.

[13] IFAD (2011), Rural Poverty Report; this uses World Development Indicators African Development Bank (ADB) (2011), The Middle of the Pyramid, Dynamics of the middle class in Africa; this uses special World Bank indicators, from PovCalNet; the latter like many other studies ignore remittances, which may shift quite a few rural poor households above the poverty line.

[14] The Gini coefficient measures the equality of the income distribution: the lowest value of 0 means total equality, and the highest value of 1 means total inequality. Its value in the Netherlands is 0.3, in China 0.47.

[15] According to ADB (2011) 100,000 households in the whole of Africa, including the North, have a net worth of $ 800 billion, i.e. 60% of Africa's GDP or 80% of that of Sub-Saharan Africa.

male ones, whereby it obviously matters if women are widows or have a husband (or son) in town.

Education and health obviously matter much to the poor, apart from income, and public social expenditure therefore is an almost necessary complement to private incomes. Poor countries like Sri Lanka and Costa Rica demonstrated many years ago that people's health and education could be reasonable even at low income levels. While absolute levels of income correlate reasonably well to absolute levels of health and education, changes in the respective indicators do less so.
Present efforts by UNDP to develop and measure 'human development', a combination of p.c. income, health (life expectancy) and education (mean and expected years of schooling) indicators confirm this and also the positive news for Africa[16]. Global trends in human development since 1970 have been generally positive throughout Africa: an increase of 50%, of which 20% since 1990. Four African countries are amongst the best performers in human development in the world: Ethiopia, Botswana, Benin and Burkina Faso, mainly because of rapid educational achievements. Unfortunately, the only countries with a lower HDI in 2010 than in 1970 are also in Africa: DRC, Zimbabwe and Zambia, as a result of internal conflicts and HIV/AIDS. The remarkable growth in North-Africa – not included before - once again demonstrates how good development may often stimulate social protests more than bad one, as a result of rising expectations and frustrations.

Life expectancy in Africa has been tremendously depressed since the 1980s by war and by the HIV/AIDS pandemic. What good does economic growth do in one of the most successful economies in the world, Botswana, when its life expectancy (at birth) dropped to 32 years during the 1990s? Fortunately, a doubling re-occurred recently as a result of available antiretroviral drugs (and more prevention), which are now utilised by more than 2 million Africans throughout the continent. But for this reason, trends in infant and child mortality rates offer a more nuanced picture of achievements in health (care) than life expectancy. While life expectancy (at birth) in Africa only increased by 20% since 1970, and now averages 52 years, only eight years more, infant and child mortality rates in many countries declined by roughly 20% since 1990. Despite a general decline in public expenditure, from 26% of GDP in 1990 to 21% in 2008, health expenditure increased even as a share of the growing GDP. Literacy in Africa increased by 200% since 1970 and gross enrolment by 100%. In the well performing African economies primary school enrolment is now 80%, with more children (70%) now also completing that level, but with lower shares in the rest (55%) (Radelet).

This compares well with educational progress in other regions, like South-Asia. In general, poor countries do catch up with the rich in terms of human development. A gender gap in education is rapidly declining in primary school, as more girls than boys enter, but in secondary education female students are only 50% of male. Contrary to this, the health of young girls quite often is better than that of young boys, as in nutrition and mortality, and even in Africa female life expectancy now exceeds male (53 by 51). Of course, maternal health still is a serious problem in Africa, with high levels of maternal death across the board.
And while human development indicators are generally lower in rural than urban areas, this is not so for female-headed households. Even in many poor countries women now report a higher overall life satisfaction than men, though the difference is much less than in rich countries and not everywhere. And this despite the fact that new challenges for women are being discovered all the time[17].

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[16] UNDP (2010). Human Development Report 2010.

[17] See HD-report, 2010, table 9, for life satisfaction scores; and see UNECA 's 2009 Gender report for the latest discovery that 'women suffer from multiple challenges of time poverty', which means that they have more than one thing to do at the same time.

Higher human development in towns reflects not only the much better social infrastructure there, schools and clinics, but also that much of economic development seems concentrated in urban areas. It is not for nothing that much of a country's GDP is earned in its capital, like the 60% of Kenya's GDP in Nairobi, with only 10% of the national population. And while Lagos' GDP ($ 43 billion) is only 20% of that of Nigeria, that alone would still make it the fifth largest economy of Sub-Saharan Africa.

A close analysis of the regular demographic and health surveys all over Africa confirms the positive trends in economic and social development. Overall health and mortality of children is improving, their school attendance is rising and family consumption of a variety of material goods is growing at a higher rate than official data suggest. While levels of living are still much lower than elsewhere, with a higher inequality too, positive changes are finally occurring in Africa, also below the Sahara. Inequality was declining in all countries surveyed, more so outside Africa, but also within. Still, even in some successful African countries, like Mozambique, Rwanda and Tanzania, more than 60% of the people have to survive below the official poverty line. In countries like Senegal, Cameroon, Ghana and Kenya less than a third still earns less than $ 1.25 a day[18].

[18] Note that this is based on official data sources like WDI and WPT, which are more pessimistic than other more recent ones compared hereafter.

Data

Poor data obscure a good picture of changes in Africa. As long as national accounts are weak throughout the continent, so are the international data based on them and used by World Bank, IMF, FAO, UNDP, etc. Some add their own surveys, like World Bank's Living Standards Measurement or Poverty Monitoring, but one still has to be careful in interpreting observed trends.
Most reports use either World Development Indicators (WDI), or the slightly more optimistic Penn World Tables (PWT), but both have to interpolate a lot, as no fresh data are collected annually for every indicator. Estimates of rural subsistence production (crops, housing) and the informal urban sector may vary a lot, and international trade data are usually quite unreliable as well[19]. In half of the African countries there never was a benchmark survey of prices, making national account data not so comparable as suggested, and complicating the very popular purchasing power parity (PPP) comparisons as well. Consumption estimates are usually a residual from production side assessments.

Human development indicators suffer from the same limitations as the purely economic ones, and mortality rates and life expectancy are certainly not measured every year. Moreover, the HD Index is a simple addition of three different indicators, for income, health and education, each with a weight of one third, and as such, it is open to criticism, like questions about what it really measures and why. Moreover, the composite index seems quite sensitive to small statistical margins or errors, although less so after recent refinements[20].

The good news about Africa's economy is largely based on WDI (Radelet) and PWT (Sala-i-Martin et al.). While the latter use national accounts PPP adjusted GDP data from PWT, they also play with WDI for comparisons with PWT. But their novelty lies in their widespread use of data on income distribution from the WIDER-DS data set, started by Deiniger and Squire in 1996 and maintained by the UN University. They use 118 surveys for the 48 African countries, more from the 1990s than recent ones, and have to adjust earlier data on income with more recent (and more equal) ones on consumption. As with the other data sets, they do have to interpolate for the years (and countries) for which there were no distribution surveys available. Their main assumption is that the distribution of income in each country and every year has the same functional form, with changes in GDP and inequality manifesting themselves through changes in the parameters of this form only. Changes in poverty and income levels are then derived from observed changes in the income distribution over time since 1970, with a lot of sensitivity analyses to verify the robustness of its (remarkable) outcome.

Such an approach obviously also invites criticism, and Ravallion – the World Bank's poverty expert – doubts the positive claims about rapidly falling poverty in Africa[21]. The World Bank's own data – national household surveys for 38 of 48 countries since 1995 - also saw a decline in poverty in recent years, but not as much. Apart from noting that poverty rates (shares of people below poverty line) were falling, not absolute numbers, he blamed the optimism on too few income distribution surveys, mainly from the 1990s, and too much assumed income equality on the basis of the more recent and always more equal consumption surveys.

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19 Villoria, N. (2008), Estimation of Missing Intra-African Trade. Recorded imports from Africa (in a European country) often do not fully correspond to recorded exports from that African country; Yeats A.J. (1990), On the Accuracy of Economic Observations: Do Sub-Saharan Trade Statistics Mean Anything?; World Bank Economic Review.

20 Wolff, H. and M. Aufhammer and H. Chong (2010), Consequences of Data Error in Aggregate Indicators: Evidence from the Human Development Index. (website)

21 www.tradediversion.net/archives/2010; see also Sala-I-Martin's website for this and his reply.

Sala-i-Martin admitted that the relatively few distribution surveys, especially since 2000, required some interpolation, just as Ravallion and others needed for their own analyses, but defended the (adjusted) comparison of income and consumption surveys, and quite rightly pointed out that inequality tends to change very continuously and relatively slowly over time. The best covered period (the 1990s) clearly showed the crucial improvement of income equality in Africa, a remarkable change from the 1970s and 80s, and there is no indication that inequality suddenly worsened again after the year 2000.
Their approach to get the shape of the income distribution (function) right, and not so much income levels as such, deriving the latter from tying the distribution data to national accounts, is probably not bad in view of the poor data available for everybody, and certainly not worse than what others do with different data sets.
In any case, some care remains in interpreting whatever data set on Africa, especially since small changes in the data, e.g. about income distribution, have large consequences for poverty reduction.

The strongest indication of positive changes on the continent probably comes from the Demographic and Health Surveys (DHS) analysed by Young (see note 7). These DHS started in the 1970s, supported by USAID, and since 1990 135 surveys took place covering 56 poor countries of which 29 in Africa (Sub-Saharan as usually meant), most of which were covered by three surveys since 1990. The sample consists of about half a million households in Africa, and 1.1m elsewhere, and data are collected for 26 measures of real consumption: ownership of durables (radio, TV, refrigerator, bicycle, motorcycle, telephone etc.), housing conditions (constructed floor, roof type, flush toilet, tap water, electricity etc.), children's nutrition and health and household time and family economics, such as female work outside the home.
A major advantage of this data set is that direct physical measures are used, thereby avoiding monetisation and some other problems (prices etc.).

Using raw data and correcting for obvious mistakes, Young concluded that for the past 20 years real consumption in Africa had grown by an annual 3.3%, three times as much compared to other international data sources (like PWT). And no matter what statistical trick he applied, he could not reconcile these two data sets. Moreover, inequality was declining in all countries surveyed, more so outside Africa but also there, and he was confident about the robustness of his results.

One not sufficiently explored reason for discrepancies between poverty surveys may be the neglect of high unrecorded international and domestic income transfers from rich to poor country and from town to village. This usually means a transfer from rich(er) to poor(er) members of a family, thereby correcting the official and highly unequal income distribution in Africa. The success of mobile transfers in Kenya (see M-PESA hereafter) proves the magnitude of these transfers. And whereas surveys like the DHS implicitly take such transfers into account, by measuring changes in physical goods, others may capture such movements less.

Reasons for Change

Apart from more peace, very important, a major reason for the positive changes since the mid-1990s must have lied in the (structural) adjustments forced upon many African governments by IMF and World Bank. These institutions derived a lot of leverage from the debt crisis that started in the late 1970's. Despite much criticism, about the exaggeration of fiscal restrictions, the withdrawal of government interference in rural areas and the cut in social expenditure, the general liberalisations seem to have restored some sense in totally disrupted and mismanaged markets and re-created some efficiency in (reduced) government services. The process took about ten years, as the first easy reforms, like restore real foreign exchange rate and cut import duties to reduce protection, were followed by more difficult and slow ones on macroeconomic stability, inflation reduction and lower budget deficit, and privatisation of state enterprises, amelioration of investment climate and civil service reform.

Some improvements in the political environment must have helped the economic reforms, although Radelet and others seem to exaggerate the true extent of democracy in present Africa. If one compares a country like Kenya with Rwanda, one wonders if enlightened dictatorship may not be better for economic development than formal democracy. Rwanda is the least corrupt country in Eastern Africa, on Transparency International's Index, with a graft prevalence rate of 7% compared to 32% in Kenya. People's opinions about governance in their own country are also remarkably high in Rwanda, with a lot more confidence in police, army, judiciary, parliament and civil service than elsewhere[22].
Kenya's freely elected MPs gave themselves a salary of about $ 10,000 a month, including all sorts of allowances (housing, transport, entertainment, sitting), comparable to that in rich countries. And while a lot of dubious self-enrichment takes place, no politician has ever been brought to trial in Kenya successfully.

Elsewhere, politicians and civil servants also benefited irresponsibly from reforms, not in the least through the privatisation of state enterprises, with little effective control by a correctly elected parliament. Government expenditure was still unnecessarily high as a result of the creation of ever new districts, each with its own administration, or ever more (assistant-) ministers (94 in Kenya, 80 in Uganda, 21 in Rwanda), or the fulfilment of other empty election promises or anticipation of new elections.
Democratic decentralisation in Africa also seems much less of a success than originally anticipated, and many donor efforts at democracy and governance may suffer from too much focus on formal structures and an individualistic approach, and too little on informal African networks based on family, kinship, community and religion[23].

But in general it may be correct to assume that more political transparency and accountability throughout Africa contributed to the breakdown of earlier identified anti-growth syndromes: too much public control of the economy, too much nepotism, too much borrowing, too much sacrificing of future for present gains through high unsustainable public spending, debts and looting of public assets[24]. The conscious decline of government interference in the economy may have been the key variable, coupled with macroeconomic stability, in addition to more competence in reduced government affairs and in private business.
Socialism has been described as a complicated detour towards capitalism, and this was certainly the case in many African countries where an overburdened weak state did more harm than good to the economy, stifling any economic initiative despite good intentions initially, and often creating a combination of the worst of the two systems. But whereas this

[22] World Survey 2009; the East-African, August 2010. A fear factor may play a role in Rwanda's response.
[23] See research by David Booth and others at ODI, London, the Africa Power and Politics Programme; also Kelsall, T. (2008), Going with the Grain in African Development?; in Development Policy Review 26 (6); and Collier, P. (2009), Wars, Guns and Votes: Democracy in Dangerous Places.
[24] Ndulu, B. et al (2007), The Political Economy of Economic Growth in Africa, 1960-2000; Cambridge.

long and winding road towards economic take-off took about 30 years in most African countries, this is not bad compared to Japan's 40 years and 20 years in the Asian tigers, also in view of the different colonial past in the two continents and the later independence of most African countries.

Throughout Africa economic agents responded positively to the restoration of market forces. Farmers responded positively to the declining urban bias: a deregulation of prices, a proper foreign exchange rate, reduction in import and export taxes, reduced government interference in rural areas through marketing boards and co-operatives. Agriculture and food production started to grow more than population since the late 1980s and almost doubled in 20 years[25]. But part of this was also due to the later restoration of some subsidy on fertiliser in a number of countries (Malawi, Kenya, Uganda, Tanzania), though this was immediately accompanied by some corruption as well.

Entrepreneurs also responded favourably to an improved business climate, with less government interference, more borrowing opportunities, lower cost of starting and doing business almost everywhere. Investments in the 17 emerging economies increased from 18 to 25% of a much higher GDP within 20 years, more than double in real terms. And even the productivity of investment, both in agriculture and industry, started to increase again after 1995, for the first time in 20 years[26]. While foreign investment grew rapidly since 2000, the bulk of new investment almost everywhere was domestic.

The fact that labour productivity started to increase again at last may be the best sign of economic success in Africa. While more economic growth on the continent is still due to an increased labour force rather than a more productive one, that trend is changing, which is a structural change for the better, even though it may cause short-term problems for employment generation[27]. A higher productivity – amidst less protection - is reflected in a more competitive role in the world economy, with an improved export position both quantitatively and qualitatively[28]. During the last 14 years exports grew by 13% annually, with a growing share within the region and to Asia, and with some movement up the quality ladder. The fact that industrial exports, like processed fuels and foods, chemicals, textiles and cosmetics, are now also increasing, mainly from diversifying economies like Ghana, Senegal and Kenya to other African countries, also proves that recent economic growth is more than the mere result of a commodity boom.

Favourable commodity prices and high demand from China and other Asian countries of course helped producers of oil, gold, copper, coffee, timber and foods. But economic growth already started in the 1990s when a number of export prices fell, while after 2000 some import prices (oil, food) rose faster than export prices. Therefore, the commodity boom cannot explain much more than a third of the recent African economic growth, and certainly not that of net food or oil importers[29].
Other growing sectors were trade, transport, telecommunications, banking and construction. This reasonably widespread growth of various sectors probably helps to explain the relatively equal nature of the economic growth, much more so than what would result from commodities alone. It is safe to assume that the other sectors are generally more labour

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25 According to Radelet the bias against agriculture in the 17 emerging economies which had been 17% of output prices in 1988 had more or less disappeared in 2004.

26 See Radelet for a 2% growth in total factor productivity in the 17 emerging economies; and for similar trends elsewhere in Africa see IMF (2010), Mc Kinsey (2010), Africa Progress Panel (2010), UK; and S. Block (2010); the latter discusses complications in measuring productivity, e.g. in physical versus monetary terms.

27 According to Mc Kinsey (2010) 2/3 of the GDP growth in the whole of Africa during the last 20 years was due to more labour and 1/3 to more productive ones.

28 Easterly, W. and A. Reshef (2010); see also IMF (2010) and Mc Kinsey (2010).

29 IMF (2010), Mc Kinsey (2010), the Economist (8-1-2011).

intensive than the production of commodities. Moreover, a country like Botswana demonstrated that resources are not necessarily a curse, as some new oil exporters are now also trying to prove, like Angola and Chad, while even oil-rich Nigeria is finally shaping up.

Other factors that contributed to this remarkable achievement, apart from macroeconomic stability and a vastly improved incentive structure, were an increased efficiency of public expenditure, high investment in health and education, the reforming (and partly privatisation) of public utilities, the mobilisation of domestic resources, a rapid rise in highly profitable foreign investment, heavy debt relief coupled with economic reforms, and the amazing technological revolution of mobile phones. Nowhere in the world is this growth so fast, 40% p.a., and there are now over 500 million Africans who for the first time in their life have access to a telephone. This together with growing access to the internet highly facilitates business, agriculture and social life.

The fact that a simple service like M-Pesa in Kenya, sending money by phone, is now used by more than 12 million people, or half of Kenyan adults, proves the point. In 2010 alone around $ 7 billion was transferred via mobile phones in Kenya, or close to 20% of GDP, much of this from towns to rural relatives. This shows how many unrecorded informal transfers must have taken place before, thereby correcting the official income distribution by spreading the benefits from economic growth to the relatively poor in rural areas. No wonder the system is now spreading to other countries too, already used by 5 million Tanzanians, and supported by donors like the World Bank and the Gates foundation. By reducing the cost of (formal) financial transactions it may boost savings and investment[30].

Rapid urbanisation throughout Africa has both been a cause and effect of the economic boom.
About 40% of Africans now live in towns and it is expected that this will be a majority after 2030. This contributes to a growing middle-class and more domestic demand for a variety of local produce, incl. processed foods[31]. It also boosts productivity as more workers shift from agriculture to industry and services. Almost by itself urbanisation seems to make people less poor and more mobile, and as such it is also a reasonable indicator for development, as it is correlated with many other ones, not in the least with income and education[32]. Indirectly, it helps rural areas too, by absorbing people from the poorest regions – more so than the poor from better-off rural areas - and remitting funds to those remaining behind. Depending on the areas, 20 to 80% of rural households in poor countries everywhere receive private transfers from relatives in towns or abroad[33]. This helps to spread the benefits of growth processes that are often concentrated in urban areas.

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[30] One of the better papers on M-PESA (available on the Web) is F. Eijkman, J. Kendall and I. Mass (2010), Bridges to Cash: the retail end of M-Pesa.

[31] According to ADB (2011) with figures for the whole of Africa, including the North: the middle class (p.c. expenditure above $ 2 a day) tripled in 30 years and is now over 300 million people, 34% of the population, although 20% is in a 'floating' category in between $ 2 and $ 4.

[32] UNDP (2010).

[33] IFAD (2011).

The Way Forward

Africa's resilience during the financial crisis of 2008/2009 confirmed the strength of its ongoing growth process. In the absence of major catastrophes, like a worsening financial crisis in the world, new wars in the region or a breakdown in important foreign engines of this growth (South Africa and China), a large majority of African countries (32 out of 48) now seems ready for economic take-off. If DRC were to shape up its act, with peace in the East, then the first MDG – halving poverty - could still be reached for Africa soon after 2015[34]. Peace and major improvements in governance will be necessary in the remaining 16 slow or non-developing countries, to start improving the lot of the quarter of Africans residing there.

High commodity prices may disturb developments in some countries, oil and food importers, and worsen poverty there in the short term. But it will benefit others exporting this, and attracting more investments in the relevant sectors (oil, minerals and cereals). By promoting import substitution it may also stimulate some desirable diversification in food importers.
The global food price index (FAO) reached a historic peak of 237 points in February 2011, well above the peak of 213.5 reached in 2008, but dropped slightly in March to 230, after falls in the price of oils and sugar in particular. But this may be temporarily[35].

Few additional reforms will be necessary to continue the ongoing economic growth in the successful countries, although the supporting institutional and infrastructural framework still needs strengthening. Governance should still improve there too, as the rule of law still leaves much to be desired, as well as an effective tax system that promotes discipline, transparency and accountability. In that sense resources and foreign aid may be a curse, although not necessarily as Botswana has proved, with other oil-rich countries also not completely imitating the bad example of Nigeria, which is finally shaping up as well.

Macroeconomic stability can still be complemented more by sector- and micro-reforms, the shape of which will be influenced by country specifics, such as landlocked or coastal, resource-rich or not and agricultural potential or not.
In general the incentive structure for entrepreneurs and farmers still needs strengthening. If one can formalise a business in Rwanda in one day, against 45 on average in Africa, without capital requirements in that country and cost of starting a business about 1/10th of the African average, there is still a lot to do in this respect in many countries[36].
Wages are still relatively high in the successful African countries, compared to Asia, although these rise much faster in most Asian countries, e.g. an average doubling in the last ten years against an increase of 16% only in Africa[37]. But it will take some time before the China-effect will be felt in Africa, as Chinese firms still prefer to locate in other Asian countries, like Bangladesh with wages only 30-40% of coastal China, rather than in Nigeria, Kenya or South-Africa. But eventually Africa will also benefit from the Chinese switch from labour-intensive manufactured exports to capital-intensive ones and services for domestic consumers.

Other factors also matter obviously, such as location and accessibility, and now that labour productivity is finally growing again in many African countries, further gains in competitiveness may have to come from less regulation and more and better infrastructure.
It is the underdeveloped state of the latter that mainly keeps transaction cost so high in Africa, especially in rural areas. But the relative cheapening of labour cost, in view of its

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[34] DRC's latest growth figure (2009) already exceeded 10%.

[35] A sudden decline in oil and other commodity prices (silver, copper, zinc) in May also dampens the recent dramatic rise, and may be related to the Japanese earthquake and higher interest rates in Asia.

[36] World Bank (2010), Doing Business Report.

[37] ILO (2011), World Wage Report 2010/2011.

higher productivity, will stimulate the much-needed diversification of the African economy. The share of manufacturing exports is growing already in transforming economies like Senegal, Ghana, Kenya and Tanzania, including processed foods and fuels, but re-industrialisation is slow elsewhere. Much more raw material needs to be processed before exported, as this will create the required jobs and reduce poverty, especially in rural areas.
More intra-regional market integration, e.g. through the East-African Community, helps to create markets (and scale) for agro-processing industries, already reflected in increasing intra-African trade. Agribusiness is growing and attracting more foreign investment, especially in East-Africa, e.g. in cotton, meat and leather. In the whole of (Sub-Saharan) Africa agribusiness now represents half of the value added in manufacturing and 40% in services[38].
A construction boom creates many jobs in towns in successful countries, and there are growing prospects for services like banking, telecommunication and retail trade.

More rural infrastructure (roads) should also facilitate the ongoing Green revolution, with a mix of food and export crops: maize, rice, fruits, vegetables, beef and dairy[39]. Drought-resistant crops like sorghum and millet may become more important as the climate continues to change, although the outlook for wet crops like rice seems better than that for maize too. While much more irrigation will be required, smarter adaptations in rain-fed agriculture may be more cost-effective for the time being, coupled with other climate-smart improvements and a search for alternative energies to reduce carbon growth[40].

Such investments will also help to sustain the recent increases in agricultural productivity. Although land productivity doubled in the last 25 years (from $/Ha 9 to 18), this is still less than half of levels in Asia and Latin America. Yield increases of 80% for cereals during the last 50 years, 60% for roots and tuber crops and 90% for fruits are not so impressive compared to changes elsewhere, nor with a tripling population, although changes in official statistics (FAO) often do not tell the full story[41].
Total factor productivity in agriculture is now growing with more than 1% p.a., four times as fast as 25 years ago, and 30 to 40% of production growth is now due to a more productive use of land and labour rather than increasing the area under cultivation or employing more labour.

Kenya's success story in horticulture is now being repeated in other countries, like Senegal, Mali, Rwanda and Tanzania, whereas a re-introduction of some subsidies on agricultural inputs, like fertiliser, is boosting (cereal) production in countries like Malawi, Kenya and Tanzania, though at a price. Agricultural subsidies may go at the expense of social expenditure and stimulate corruption, even though justified on other grounds, like environmental improvements (tree planting, forest protection).
Yet, high investment in agriculture and rural areas may rapidly translate into higher growth and commercialisation of food and other agricultural output, as the example of Rwanda clearly demonstrates. An increase in public investment in agriculture of 30% from 2007 to 2009 contributed to food and agricultural growth surpassing 10% since 2008. The country is well on its way to fully commercialise agriculture by the year 2020.
A further reduction of discrimination against agriculture at the macro level is still needed in a number of countries, even though at the local level taxes on trades and industries (markets) may discourage farmers to step out of poverty through diversification into non-agricultural activities. Yet, increased agricultural incomes induce extra income off-farm, by a factor 0.3 to

38 UNECA (2011), Economic Report on Africa; Africa Progress Panel (2010).
39 UNECA (2011)
40 World Bank (2010), World Development Report 2010 about Climate Change.
41 Dietz, T. (2010) uses FAO statistics; Block (2010) looks deeper into productivity changes within agriculture; see also recent FAAP/NEPAD reports and Africa Progress Panel (2010) for different figures.

0.8, as a result of higher demand, and rural growth outside agriculture always depends much on the performance within.

Much more rural job creation is necessary to reduce poverty, by further improving rural incentives and infrastructure (roads, electricity), as the majority of Africans will still be living in rural areas until 2030, despite rapid urbanisation. The typical African youth is still a rural girl of 18.5 years, literate but no longer attending school. While helping at home or on the land, she may be formally unemployed, as three out of five unemployed people are youth from 18 to 25 years, and still 70% of African youth is rural[42]. Better roads will reduce high transaction cost of agricultural output and enable farmers to better respond to growing urban demand for foods and compete with more sophisticated, imported products.

Better skills for rural youth may stimulate their participation in non-agricultural activities, although also their migration to towns. Successful rural experiments do attract local youth, however, as public works schemes in Ethiopia and elsewhere show, as well as pilots in crop insurance, social cash transfers, warehouse receipt schemes, group credit, etc., aiming at improved risk management and resilience against shocks. A higher organisation level is required to make farmers participate more in the respective value chains, although their voluntary group formation is not an easy matter.

Foreign investment in agriculture is welcome to support the ongoing rural transformation, the long awaited Green revolution, especially since foreign aid to the sector declined dramatically during the last decades. But this does not mean that excessive land grabbing for export crops and/or biofuels going on in several countries right now should be encouraged. Not much is known of the many secretive deals that now puts 50 million hectares in Africa in the hands of foreigners, mainly Chinese and Arabs, over 60% of all official land transactions in the world during the period 2001-2011. But what is known of the more transparent deals points towards disappointing benefits for host countries, in terms of job creation, infrastructure, tax revenues and technology transfer, and high corruption (costs)[43].

Southern Sudan is already leasing 10% of its farmland to foreigners, before it is even formally established, while Saudis may take control of 70% of Senegal's rice growing area, with an even more grandiose scheme in Madagascar halted for the time being. A surprising number of known projects seems to fail as well, as documented in the case of Mozambique and Ethiopia.
However, this does not mean that small farmers should be idealised, as there are signs that medium size farms (up to 40 ha) may be more efficient than small ones (below 2 Ha)[44]. Similarly, opposition against genetically modified crops may turn out to be shortsighted, denying African agriculture major advantages.

Specific efforts in health and education matter a lot to reduce poverty in Africa as well and do not depend much on income levels. Economic take-off in Asia was preceded by heavy social investments for 20 to 40 years and the relative success in education also increased social mobility in Africa. Education and consumption levels are often correlated, with an important causal role for urbanisation[45].

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42 IFAD (2011); World Bank (2008), Youth and Unemployment in Africa.

43 The Economist May 7-13-2011 refers to a conference on the topic at IDS-Sussex, with papers available through website Future-Agricultures.org/index.php.

44 See website Future-Agricultures for debate between P. Collier and S. Wiggins; for more on this and other aspects of agricultural and rural development, see also D. Bol (2008), Dwarf meets Giant, African Farmers in a globalising world; CDP.

45 Young (2009); UNDP (2010); Bossuroy T. and D. Cogneau (2008), Social Mobility and Colonial Legacy in Five African Countries; IRD, Paris.

A clear policy and increased spending in health and/or education can be successful within a few years, as the examples of Rwanda, Tanzania and other countries show[46]. An increase in health care funding in Rwanda from $ 3 p.c. to $ 33 during the last ten years (until 2008) contributed (much) to a decline in infant mortality from 130 to 75 (per 1,000 live births), of maternal mortality from 1,100 to 750 (per 100,000 life births) and of malaria incidence by 2/3.
A positive role must have been played by an overall health insurance scheme, covering 90% of the population for an amount equal to $ 2 per person per year, though with much subsidy from the government and foreign donors.
Uganda showed the continent from the early 1990s onwards how early prevention could make a huge difference in HIV/AIDS prevalence.

In Tanzania free primary education and a supportive policy since 2000 led to an increase in primary school enrolment from 50 to 90% (in 2008), with 85% completing that level compared to 50% before, and with 60% rather than 20% passing final examinations.
Other countries also saw good results after making primary education free, e.g. Kenya, Uganda, and do point the way towards a beneficial interaction between social and economic development. It is therefore that public spending on health and education (per person) should be added to private incomes for a complete picture of development levels.

Finally, Africa is in need of a clear population policy, for if present fertility rates continue it will be hard to cater for all people in a sustainable way. With present population growth unchanged Nigeria will be the third most populous country in the world in the year 2100, with 730 million people, and Tanzania the fifth with 316 million people[47]. .

46 Radelet (2010); UNDP (2010).

47 According to UN Population Division forecasts in the Economist 14-5-2011. India will then lead the way with 1.5 billion people and China will have dropped to 2nd place with a remarkable reduction of its population to 914 million people; but note that population growth in Africa is already declining, from 2.8 to 2.4% during the last decade.

Foreign Aid

The playing field for foreign aid in Africa has drastically changed too during the last decades. As a result of successful interventions in the debt crisis by multilateral and bilateral donors and of structural efforts to stimulate the economy, many African countries are now less dependent on donors than before. Moreover, the rapid growth of foreign private investment, now exceeding foreign aid, the growth of domestic investments and of public revenue, the importance of remittances by migrants, and the arrival of new players like South Africa, China, India, Brazil and others, now makes foreign aid (from the West) only one of several options for African governments. It still has an important role to play, but Western donors should now adopt a more modest and realistic role with respect to the aid they provide. Moreover, they also have to compete with private billionaires who follow the footsteps of Gates and Buffett[48].

Almost half of the present foreign aid to Africa of $ 45 billion still goes to the social sectors, only 15% to economic infrastructure and the rest to a mix of humanitarian causes, debt relief and some productive sectors. And while the importance of health and education has been shown before, hardly possible without all the aid, it is about time that aid supports the ongoing economic growth process more directly. Rural aid in particular can promote the pro-poor element in growth, a missing link, even though present growth seems to be more equal than was believed until recently, albeit with a clear urban bias. Therefore, some earlier ideas on how to provide more and better foreign assistance to rural areas, are repeated in the Annex to this paper, including employment creation for the youth.

While foreign aid was not much focused on economic sectors in recent decades, leaving those in principle to the private sector, it should not be forgotten that foreign donors successfully forced African governments to return to macroeconomic stability and an investment friendly environment that was totally absent before. Therefore, indirectly its support to economic growth was certainly there. Directly, the support to economic growth came mainly from support to economic activities and infrastructure. That this was not so successful was partly due to the poor economic and governance environment in which it had to operate, just like (foreign) investment that was also not very productive. Combining more focus on economic aid with more attention for (narrow) economic donor interests, as some donors intend, does not seem a fruitful way forward, however. Within the context of a better economic environment, aid can now be more productive than ever, but not if it moves away too much from poverty reduction. A litmus test for foreign companies seems to be their net contribution to (youth) employment.

In general Collier estimated that foreign aid contributed about 1% p.a. to the growth rate of the bottom billion during the last 30 years, even though he was also critical of negative effects of aid, e.g. on an effective tax system that would tie governments to its own citizens in a healthy and productive way [49]. Summarising the ongoing debate about foreign aid and combining opinions from present gurus like Collier, Sachs and Easterly, one might conclude that *aid can work, if it is focused on taking away crucial bottlenecks for market development, learns from its mistakes and is willing to allow for a fair degree of trial and error.*

When discussing foreign aid it is worth stressing that its ‘without’ case is also changing as a result of the new dynamics in Africa. Examples from other continents show what poor people can do themselves, especially in dynamic urban settings, without any external assistance.

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[48] 69 American billionaires have signed the ‘Giving Pledge ‘initiative by Bill Gates and Warren Buffett, to give away at least half of their fortunes, partly in foreign assistance.

[49] Collier, P. (2007), The Bottom Billion: Why the poorest countries are failing and what can be done about it.

Even in very poor urban areas in the world, like the shantytowns (favelas) in Rio de Janeiro in Brazil, there is a chance to escape from poverty, as Perlman' s research showed[50]. Revisiting almost half of the 700 families interviewed in the 1960s in the year 2000, she found that over 50% had climbed out of poverty, largely as a result of education, but also of hard work and good luck.
Again, in another part of the world, China, Chang showed what moving to town can mean to rural girls. In the midst of a highly dynamic job market, young women managed to improve their economic situation systematically through rapid job-hopping, short courses and smart operations derived from an increased confidence, despite discrimination against rural people and women[51]. Not a penny of foreign aid was used in both instances, let alone poverty or gender experts.

Although the situation in most African cities may not yet be compared to those in Brazil or China, there is hope for the future. Even though urbanites tend to become better off than rural people, their proximity to much more wealth may also stimulate their frustrations and efforts to improve their life. In that sense, economic growth may make people unhappier at first, almost a paradox.
In any case, young urban people are no longer the 'happy peasants' that often surprise outsiders in Africa: poor people who have very little to spend, but are not unhappy under normal circumstances, excluding wars, floods and droughts, as a result of satisfactory social arrangements, aspirations and adaptability[52]. In the midst of sufficient and sustained progress, like in North Africa, young urbanites may even rebel and demand their rights forcefully, especially when food and fuel (transport) prices are on the rise[53].
Urban youth below the Sahara is not there yet, even though their access to the internet is also increasing. But their high unemployment rate makes them vulnerable to unorthodox economic activities, like mafia-type extortion schemes, gangs, fake unions, prostitution and petty crime, and be easily mobilised for unproductive political adventures, like in violent riots after Kenya's fraudulent elections in 2008. It is therefore in their interest and in that of their nations that productive employment for them receives the interest it deserves, also in foreign aid.

Finally, two structural elements in the global economy also need mentioning as belonging to the changing 'without' case for foreign aid. The destructive role of agricultural subsidies in the rich nations - still much higher than all the foreign aid they provide – and of its trade barriers for African farmers and exports is losing some of its importance as a result of the rapidly increasing South-South trade, especially between Africa and Asia, with China emerging as Africa's largest trade (and investment) partner.
Secondly, a reversal of the ongoing capital flight from Africa might also result from the present take-off, thereby reducing the importance of foreign aid once more. Rough estimates indicate that up to now an amount of at least $ 100 billion leaves Africa annually, twice its foreign assistance, especially from oil and mineral rich nations like Nigeria, DRC, Angola and South-Africa, and often through under-pricing of exports and overpricing of imports[54]. And while there are no indications of a reversal yet, with one third of its wealth still kept abroad, this is bound to happen once economic opportunities in Africa continue to rise and reach a certain threshold.

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[50] Perlman, J. (2010), Favela: Four Decades of living on the edge in Brazil.
[51] Chang, L. (2009), Factory Girls.
[52] See also UNDP (2010).
[53] According to ADB (2011) 80 to 90% of the population in Tunisia, Morocco and Egypt belongs to the middle class, i.e. with daily p.c. expenditure above $ 2, be it with a high percentage still in between $ 2 and $ 4.
[54] Global Financial Integrity Report (2010) on Illicit Financial Flows from Africa.

Conclusion

Whether one wants to call the emerging African nations and new leaders lions, cheetahs or (crossed) crocodiles, in comparison to earlier Asian tigers or dragons, a fact is that large parts of the continent are finally moving in the right direction. A real economic take-off seems to take place in more than 20 countries already, with another 10 gradually arriving there too through sensible policies, with another ten growing rapidly from oil-money. Some of the fastest growing economies in the world are now in Africa too. Only 16 out of 48 African countries, below the Sahara, are still in dire straits, harbouring more than 200 million people, at least a quarter of the total population.

After a period of more than 15 years, including a global financial crisis, it seems fair to conclude that the economic recovery in large parts of Africa is now self-sustaining. Growth of real income (consumption) of more than 2% (p.a.) has become the rule rather than the exception.

The new growth process goes beyond commodities, although high prices helped, for not all successful economies benefited from high prices for oil, minerals and cereals, some being net importers, while those that did also had a more even spread of growth over other sectors like telecommunications, banking, retail trade and construction. Even manufacturing and agriculture contributed its share to GDP growth. Trade and investment more than doubled on average, with much of this to and from Asia, and labour productivity started to improve again at last. Growth was widely spread across the continent, also in landlocked and resource poor countries. Only the absence or presence of (civil) war seemed to make a huge difference.

As a result of this, poverty also declined during the last decade, and probably more so than originally anticipated, although different data sources are more or less optimistic about this decline and all of these suffer from quality problems. According to new data, 30% of the population is now officially poor on average, with (daily p.c.) incomes below $ 1.25, a remarkable decline from the earlier and very stubborn 40%. This positive outcome is linked to an improving income distribution resulting from the new growth process, a big surprise in comparison to earlier superficial indications, and probably due to a more widespread growth than commodities alone. Other data sources still stick to 40% poor people, whilst recognising significant improvements lately.

Still, absolute numbers of poor Africans are not yet declining, and 30% still means at least 250 million people living in extreme poverty. And even in some successful countries more than half of the population is officially poor, be it often only part of the time with an increasing mobility as a result of education and urbanisation. Africa’s middle class is rising rapidly, with now over 200 million people with incomes above $ 2 p.p.p.d., also a quarter of the total population.

Social developments also have been positive during the last decades, especially in education.

Literacy and primary school enrolment more than doubled in 20 years, with reasonable improvements in infant, child and maternal mortality unfortunately neutralised by the HIV/AIDS pandemic. Still, four African countries are amongst the best performers in human development (UNDP’s index) in the world: Ethiopia, Botswana, Benin and Burkina Faso, mainly because of rapid educational achievements and good economic growth. Unfortunately, the only countries with a lower Human Development Index in 2010 than in 1970 are also in Africa: DRC, Zimbabwe and Zambia, with a devastating impact of (civil) war and conflict in the former two.

Meeting (part of) the MDGs not long after 2015 now seems within reach for at least 20 African countries, although the poor quality of data calls for some caution in this and other respects (poverty) as well.

The painful liberalisations that swept the continent during the 1980s finally seemed to pay off, accompanied by some political and governance improvements. Macroeconomic stability was the key to success, often forced upon desperate governments by (multilateral) donors with a lot of leverage derived from a rampant debt crisis. Even though mistakes were made, such as exaggerated demands for fiscal discipline and too much state withdrawal in some (rural) markets), with some players (political, civil service) benefiting much more from the reforms than others, the restoration of economic sense and incentives in the economy was followed by a good response from farmers and entrepreneurs after some delays. Rising domestic investments were followed by foreign ones, with an increasing productivity and profitability, and this contributed to more exports as well.

Rapid urbanisation accompanied the growth process and seemed to have been both a cause and effect of change, with much improvements concentrated in urban areas, but with increasing demand for domestic agricultural commodities too and remittances from migrants back home.

The way forward seems to lie in a deepening of sectoral reforms through institutional strengthening and more infrastructure, especially linking rural areas to cities. This may promote further pro-poor growth and reduce the high unemployment amongst Africa's youth.
Well focused public investment in agriculture, health and education can make a difference, as successful countries demonstrate. Of course more private domestic and foreign investment – responding to a better incentive structure – will do the same, although foreign investment in agriculture does not yet seem to bear fruits.
Foreign aid can assist the ongoing recovery process in a subtle way, by focusing more directly on economic growth than on social sectors, and on rural areas, relying less on old modes of operation in a more level playing field. Just like private investment, foreign aid can now be much more productive than before within a healthy economic environment. But new economic dynamics largely resulting from private investment now also offer poor people other ways out of poverty than through external assistance.

It looks like Rourke will be forced to re-write his brief summary of human history, reproduced at the opening of this paper. It appears that man is now continuing to develop in Africa, after a long and winding road.

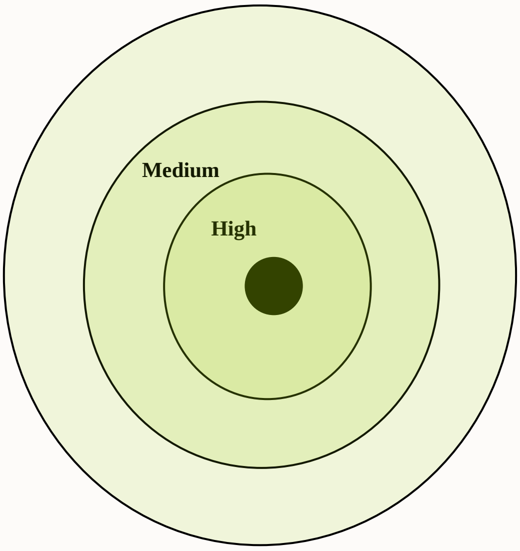
ANNEX: Rural Aid[55]

In general rural aid still needs a better focus, going beyond PRSPs, hereafter translated into a Two-pronged approach: Area Approach (AA) and a Target (group) Triangle (TT).
Much more public aid has to be directed at rural infrastructure, roads in particular, but also electrification, waterworks etc., to open up rural areas, connect them to the world and allow them to realize their dormant potential. Much is to be gained if this is done in a concentrated and systematic way, in particular areas, to overcome fragmentation and critical thresholds.
Much more private aid should be directed at small rural producers, farmers and entrepreneurs, processors and traders, with an effort to include unemployed youth as well. Connecting these three target groups is an uneasy marriage, therefore, a tricky triangle, to be handled mainly by NGOs.

Area Approach

Distance is a powerful variable in explaining area development, as the German economist *von Thunen* identified in the early 19^{th} century. He therefore created concentric circles around development centers, cities or other growth poles, explaining land use and agricultural development in relation to distance to the market.
The following figure is derived from that, be it in a slightly different and more general way.

Figure 1 Potential Zones of Development



High potential zones are those nearest to towns, medium ones a bit more distant and low ones far away. This is schematic of course, not always applicable, and says little about factors like soil fertility, variation in topography, price influences and differences in kind of transport (sea, river, road, rail). And it is largely based on agriculture, not taking into account non-agricultural activities or corrective government policy.

[55] Reprinted from D. Bol (2008). Dwarf meets Giant; African Farmers in a Globalising World; CDP.

But it does indicate a potential of products in terms of transport intensity, relative to production elsewhere, distance to markets. And it helps to explain why certain areas specialise in particular types of production, like zones near towns in very labour-intensive agriculture, horticulture and dairy, and medium ones in more extensive crops, like grains, or timber and firewood, not perishable but maybe heavy and expensive to transport. The low potential zones survive on poor subsistence agriculture and ranching, having only a limited economic future.

Spatial patterns in the economic developments of successful countries elsewhere do reflect this general pattern. Because of high transport cost in landlocked countries in Africa, over 50% beyond that elsewhere, trade volumes are choked off and so is development. But industrialisation, service development and government policies do interfere in this classic pattern, which therefore should be no more than a guiding principle for Area Approach (AA). Yet, the Industrial Revolution in the Western world during the 19th century was preceded by a transport revolution too, an exceptional reduction in transport cost as a result of railways, steamships and improved road networks.

Specific areas need to be selected for more effective rural aid, and huge investment in infrastructure will have to be derived from SWOTs (Strength-Weakness-Opportunity-Threat) analyses, many of which may already be on the shelf (under some dust). The economic strength of a particular area depends on distance, transport intensity of produce, but also on other resources, like land, and relative factor intensity of goods in terms of land, labour and capital, in relation to other produce in other areas. Specific sub-sectors in agriculture and industry also may make use of such SWOTs to identify their comparative advantage in the specific location. And UNCTAD's 'blue books' may be used to derive a good strategy for specific sub-sectoral support, like in Tanzania.

The area approach is reminiscent of the now vilified Integrated Rural Development Programmes (IRDPs) of the 1970s and 80s, but differs in a few important aspects. This AA focuses on 'grey 'zones, the medium ones where the state and aid must assist the proper development of the market, and not on the poorest (low) areas as IRDPs tried in vain.
Needles to say that the high potential zones do not require any specific assistance as their main actors are taking care of themselves. The low potential ones will have to depend on social safety nets in cash and/or kind – including remittances – to complement their poor economic prospects, with a higher labour mobility and more structured migration of its youth to better-of locations.

Moreover, this AA is much more focused on a few activities and sectors, taking away major bottlenecks, and not trying to do everything like the IRDPs did in a too fragmented and therefore ineffective way. The focus is on infrastructure and investment climate for productive sectors, in a big way to overcome critical thresholds and induce large spillover effects. The whole investment rates should increase drastically, especially in rural areas, as little will be achieved with levels below 25% of GDP. Public investments must pave the way for private ones, in infrastructure and public services like water, power and security, the cost of which are presently far too high to make rural business profitable enough for much expansion. Without much better and more rural roads, depressing transport costs to more normal levels, rural producers will never become competitive. And without rural electrification there is little rural industrialisation either.

Finally, this AA allows large cities and rural towns the central role they have to play in rural development, as the markets and demand are there, and not be so fundamentalistically rural that towns were ignored, which happened in many IRDPs. Just as linking rural sectors is important, for growth and diversification, so is linking rural towns with their hinterland essential for change.

Much infrastructural investment can be labour intensive: Feeder roads, irrigation schemes, land reclamation, erosion control, dams, reforestation, etc. And this may be the only way in the near future to do something about the dangerously high levels of youth unemployment: 20 to 40%. If idle youth starts to rebel, as Kenya showed early 2008, total chaos is nearby.
Asian countries showed the way with their Rural Works Programmes from the 1960s onwards, which worked reasonably well in upgrading rural infrastructure and providing rural people with much needed complementary income during the slack season. The ILO proved that this could be done too in Africa, with its programme of feeder roads in Eastern Africa in the 1970s, recently followed up by others in Mozambique. Governments in Rwanda and Ethiopia have also re-started their own RWPs.
It is clear that such labour must be subsidised by the government, otherwise it will not come forward. Old ideas to force people to contribute 50 or more days annually to rural works, as some kind of tax, do nor work anymore. On the contrary, it might be some kind of social insurance to guarantee rural people such a number of days, annually and rewarded. This would also create sizeable indirect effects through expenditure of that extra income on local goods.

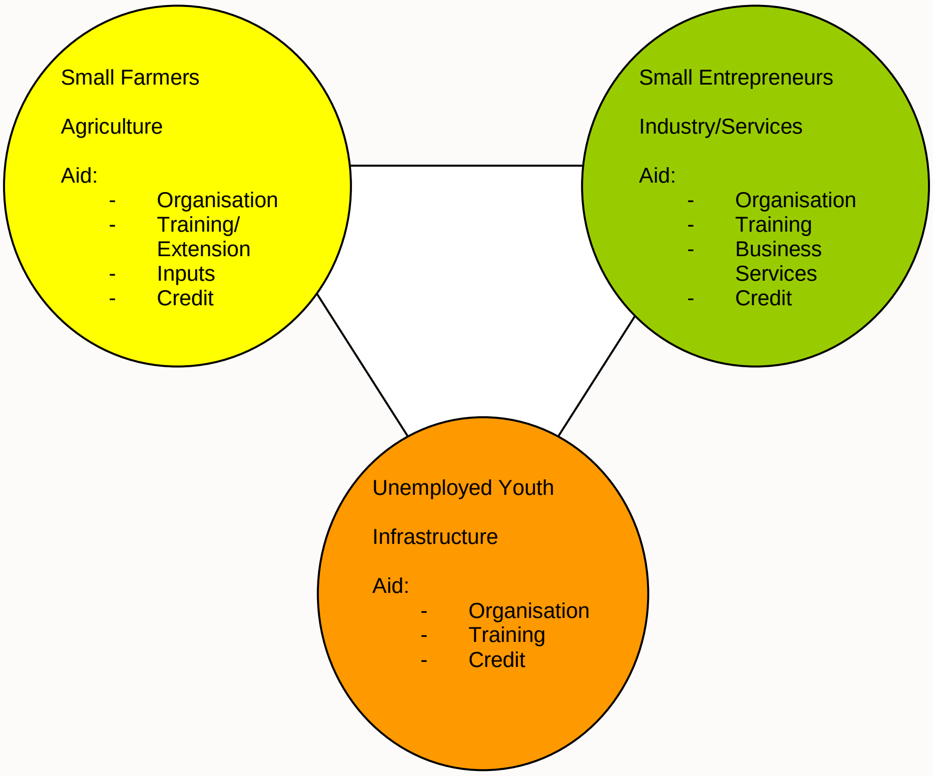
Of course, a sizeable amount of aid already goes to infrastructure, like road programmes by the World Bank, Japan and the EU. But more could be done rurally, and more systematically, selectively and labour-intensive. Bilateral donors also have a larger role to play here. And more creative efforts should be undertaken, through Public-Private Partnerships (PPPs), to bring aboard the private sector with much needed additional funds, just as was done in the history of Western European countries and the USA. Globalising banks from South Africa and Nigeria can play a useful role here, strengthening Africa's banking sectors and capital markets. And there have been useful donor initiatives to identify private investment in rural infrastructure, including feasibility studies, with some credit guarantees to reduce private risks, with an eye on poverty reduction as well.

Target Triangle

A careful and subtle approach towards small producers should be followed, in connection with an area approach. Within areas and sub-sectors an effort should be made to support small producers in particular, as large ones can take care of themselves. Supporting small farmers means linking them to markets and that means connecting them to preferably small traders, transporters and processors or to medium Asian or Western firms. New infrastructure will open new avenues for these relationships, which historically have been characterized by mistrust and antagonism. Therefore, the following figure is expressed as a target (group) triangle, not easy to achieve or work with, especially since unemployed urban and rural youth is also brought into the equation.

Three target groups ought to receive the attention within areas to promote infrastructure, sectoral growth, intersectoral relationships, innovation and pro-poor growth. Within each box desired types of aid activities are summarised.

Figure 2 Three Target Groups



The hard core of rural inhabitants in SSA, 70 million small farmers with usually less than a hectare of land and a food deficit, face a number of bottlenecks preventing them to take full advantage of the new opportunities and high commodity prices. They lack resources for complementary investments, with little access to credit or agricultural inputs, with high transaction cost and an absence of economies of scale.
Small farmers still have an advantage over large ones, in view of lower labour cost (family), but this is diminishing and it requires improved access to assets, technology, markets and services. And as a result of globalisation small African farmers face an increasingly tilted playing field, which was not there for Asian farmers.

Only if organised and properly educated can African dwarfs survive and compete in this new world. There are no more chances for atomistic individuals, despite the claims of theories of perfect competition. Farmers' organisations can bring some bargaining power and a reduction of transaction costs with respect to access to inputs, credit and markets. Support to these organisations can bring about the technological revolution in African agriculture that is needed, and complementary rural infrastructure will connect farmers to markets and benefit from the demand-pull.
With enough focus and concentration this can be done, as more than half of all African farmers live in areas with good potential but poor market access, mainly due to poor roads. These are the 'grey' medium zones on which aid should focus. Only a small minority inhabits really unpromising agricultural environments.

The SWOTs per area will indicate which groups of small farmers are or can be connected to promising crops or sub-sectors, and therefore deserve main focus. Through infrastructure and better investment climate in general their incentive structure is and will be improved, generating more on-farm investments and investment by private entrepreneurs. Reduced transport and logistics costs will induce supply responses, if these are backed up by sufficient public and private research, extension and financial services. Creative efforts at reducing huge risks are also warranted, certainly in view of expected climate change consequences.

Selected sub-sectors will indicate which supply or value chains need particular emphasis in linking farmers to traders and processors. To some extent the market will take care of this, as improved roads have always led to more trade and interaction. But for these linkages to be productive and sustainable, external support is needed too.
In principle, small (and medium) African entrepreneurs suffer from the same problems as small farmers: lack of credit, market access, management skills, planning, raw materials and procurement For them to react properly, they should get organised as well and then get the same aid as farmers do. That will also reduce the mutual suspicion between the various groups, and allow entrepreneurs also to take advantage of the heavily reduced transport cost as a result of infrastructure, with increased chances for agro-processing and rural diversification.
Some Asian and European firms already show what can be done with proper access to finance and markets, applying formal contracts with farmers as well as informal arrangements. Regional integration also offers more chances for domestic producers, allowing for some economies of scale and specialisation in a larger market. And even producers for the local market should benefit from opening up areas and increasing the size and integration of markets. But all are in dire need of appropriate business services.

Horticultural and dairy successes in some countries show that all this can be done, especially when processing is involved. Ethiopia gives a good example too of what can be done if macroeconomic conditions are favorable and the right incentive structure is there. After investing heavily in roads and electricity average economic growth has been 12% for the last five years, with much agricultural and rural development, a rapid diversification into higher value and more labour intensive goods, and booming exports of flowers and leather goods, soon to be followed by textile and garments. It will reach the MDGs in 2015, thanks also to its high investments in education and health.
Agribusiness is the way forward towards rural transformation, one way of connecting farmers with markets and the global world. Processing of food must also be done if urban demand is to be met domestically.

The third party in the triangle has thus far been the missing link: unemployed youth. Far too little efforts have been undertaken at labour-intensive rural works, creating at least part-time employment for the local population, including small farmers and their underemployed children. Most of these have left to towns in the meantime, but their rural connection remains, through remittances and new ideas and technology. For some farmers this is the only way to get improved seeds and learn about the outside world. These linkages ought to be exploited, actually those between unemployed youth and farmers more broadly.
There is no reason in planning for off-season rural works that migrated youth should not be included. Improved infrastructure will increase labour mobility anyway, blurring the differences between local and non-local. Extra income for local farmers could go hand in hand with extra jobs and income for unemployed youth if properly planned.

Once in the picture, unemployed youth could qualify for the same aid as small farmers and entrepreneurs: organisation, training and credit. Labour groups or gangs in search of work are well known in many parts of Asia and this could happen in Africa too with enough attractive rural infrastructural jobs and some encouragement. Obviously, deals or contracts with contractors ought to be made to make this worthwhile, a linkage between unemployed youth and entrepreneurs.
Some efforts at organising informal sector workers, like what the ILO is doing in West Africa, could be aimed at unemployed youth too. These groups could receive some skill training for infrastructural jobs at least. Credit should also be a possibility, with labour contracts in the

pocket, to acquire some necessary tools for road works etc. This should make such work more attractive even to urban youth, which has few alternatives anyhow.

The art of connecting people belongs mainly to civil society, a growing sector in Africa and an important intermediary between state and market, both of which also have their parts to play of course, with the market doing everything automatically.