

Overview

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WHY STUDY AFRICAN SUCCESSES?

Over the past decade Sub-Saharan Africa has seen a remarkable turnaround in economic performance. After years of stagnation, economic growth has spurted—gross domestic product (GDP) grew from an annual average rate of less than 2 percent in 1978–95 to nearly 6 percent over 2003–08. Inflation is half its level of the mid-1990s. Private capital flows have risen to \$50 billion, exceeding foreign aid. Exports are growing, as is private sector activity. The number of democratic regimes has risen and the security situation has improved. The poverty rate is falling by 1 percentage point a year. Countries such as Ethiopia, Ghana, Mauritania, and Rwanda are on track to reach many of the Millennium Development Goals. Nine African countries have achieved or are on track to achieve the target for extreme poverty (World Bank and IMF 2011). Among other encouraging trends are more fair and effective leadership, an improving business climate, increasing innovation, a more involved citizenry, and growing reliance on home-grown solutions. More and more, Africans are driving African development.

This increased dynamism in Sub-Saharan Africa is evident across a broad swath of countries. It has created optimism that Africa's favorable development performance will be long lasting and that it could dramatically transform countries in the region. Along the way, the prevailing

discourse on Africa's economic development has shifted from *whether* the region will develop to *how* the region is developing.

Yet, there are still causes for concern. For one thing, performance across countries varies substantially. Also worrying is that, historically, Africa's performance has been volatile—with short periods of acceleration followed by long periods of deceleration and decline brought on by recurrent crises (Arbache and Page 2007). Moreover, the pattern of progress underscores serious shortfalls in some areas, notably, in the economic diversification of many countries and in the integration of African economies into the global economy (UNIDO 2009). African countries also need to correct large infrastructure deficits, dramatically expand the skills base of their labor forces, and improve their ability to absorb technical knowledge in the private sector to improve their global standing in the years ahead.

With the lingering specter of past failures, continued economic development challenges in Sub-Saharan Africa have led to questions of whether improved performance in recent years is sustainable. This book attempts to answer these questions by documenting and better understanding some of the impressive achievements that have occurred in recent years. By systematically identifying and assessing positive outcomes, it is possible to draw out lessons regarding what has worked in practice and why. These lessons will in

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turn inform our judgment about whether Africa's growth is sustainable.

After a review of the major recent economic developments in Africa, this overview describes the approach and methodology used in the study of African successes. We then present a framework for understanding the 26 case studies, a framework that is based on the balance between overcoming market failures and overcoming government failures. We conclude that the way in which African governments have been increasingly addressing government failures—with impressive results—bodes well for the sustainability of Africa's decade-long growth.

A CHANGING ECONOMIC LANDSCAPE

After lackluster economic performance for decades, during which the gap between Sub-Saharan Africa and the rest of the developing world widened, the region's economies have seen a visible turnaround that began in the mid-1990s. The most visible evidence is the acceleration in output growth from under 2 percent in 1978–95 to nearly 6 percent in 2003–08.¹ Oil exporters have seen an especially steep rise, but growth has been widespread (figure 1). Indeed, 21 non-oil countries, home to over 40 percent of the region's population and accounting for nearly a quarter of the region's GDP, have posted annual economic growth of more than 4 percent during 1995–2008. Many of these 21 countries face the additional challenge of being landlocked. Within this overall improvement in the growth trend, some countries are lagging, but their numbers are small and declining.

In a remarkable break from historical performance, not only has growth accelerated, but the acceleration has been sustained for a longer period than in the past. For example, Mozambique, Tanzania, and Uganda have experienced growth rates above 5 percent in every year during 2001–08. Arbache et al. (2008) find that growth accelerations were more frequent in 1995–2005, whereas growth decelerations were more common in the preceding two decades: the likelihood of a growth acceleration was 0.42 in 1995–2005 but 0.21 in 1985–94.

Strong output growth has lifted per capita incomes as well. Per capita incomes fell in 1975–84 at an average annual rate of 0.88 percent, and at an even faster pace (1.13 percent) in 1985–94. By contrast, per capita income expanded at nearly 2 percent a year in 1995–2008, in step with growth rates in other developing regions (figure 2).

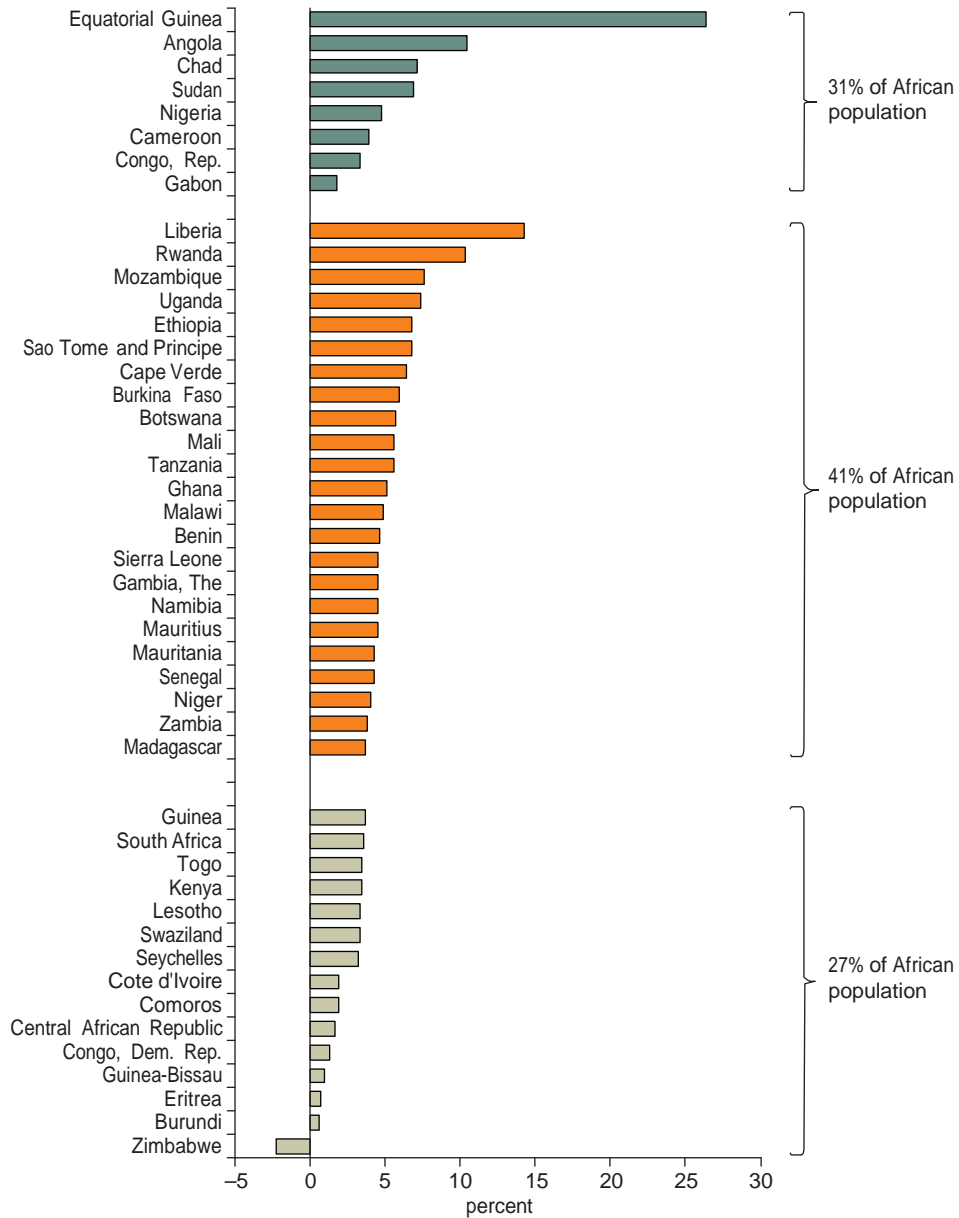
African exports are growing as well but remain highly concentrated (figure 3). After stagnating in volume and

value terms in the 1980s, exports doubled in volume and rose fivefold in value in the period 1994–2008. Nevertheless, exports of goods (excluding oil) account for less than 20 percent of GDP (reflecting little change over the previous decades), and Africa's share of world exports remains low, after falling for more than half a century. Export growth has been led by extractive resource exports, fueled by a commodity boom (figure 4). Africa's exports continue to be dominated by extractive and agricultural commodities. In many cases, commodity dependence seems to have intensified. Manufacturing exports have grown slowly, and much of the region has yet to break into the global industrial market (UNIDO 2009). The diversity and sophistication of exports has changed very little. Whereas the mostly upward trend in extractive commodity prices has provided revenues to finance much needed infrastructure and social spending, it also presents challenges of avoiding the “resource curse” and converting the revenues into sustained development.

Improving economic prospects have attracted foreign direct investment (FDI) to the region (figure 5). FDI grew by more than 17 percent a year between 1995 and 2008. Although extractive industries account for the bulk of the FDI inflows, significant amounts—especially greenfield investments—are being recorded in the construction, communications, and banking sectors. Emerging market countries such as China and India are becoming important sources of FDI.

A notable feature of the transformation under way in Africa is the upsurge in agricultural output and productivity. Agricultural GDP growth averaged nearly 3 percent a year over 1980–2004, but growth per capita averaged only 0.9 percent, between one-third and half that of other developing regions (World Bank 2008). This average hides considerable variation across countries and over time. For example, per capita growth in agricultural output was negative in the 1980s and early 1990s, before turning positive. A recent study (Fuglie 2010) finds that the pickup in agricultural growth in the 1990s and 2000s resulted from expansion of land under agriculture. Block (2010) finds that agricultural total factor productivity growth declined in 1960s and 1970s, but productivity picked up over the last two decades. Signs of change in African agriculture are evident in the successes documented in this book, such as the expansion in maize production in Kenya that was driven by liberalization of the local fertilizer market, in cotton in West Africa, and in cassava and rice production in many countries, boosted by improved varieties. In a region where two-thirds of the population is rural and 70 percent of the poor derive their livelihood from agriculture, the favorable trend in agriculture is encouraging. Robust growth in agriculture

Figure 1 Average Real GDP Growth Rates in Sub-Saharan Africa: 1995–2008



Source: World Development indicators, World Bank.

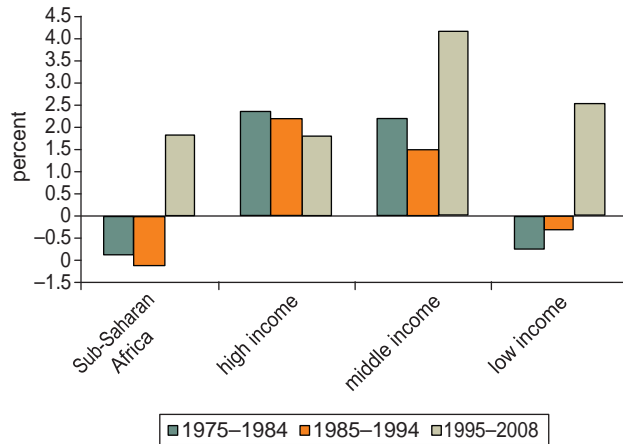
holds the promise of enhancing food security and facilitating broad-based economic growth and poverty reduction.

As stagnation in African economies has given way to growth, poverty has begun to decline. The incidence of extreme poverty—the share of people living on less than \$1.25 a day—fell from 59 percent in 1995 to nearly 50 percent in 2005, a decline of 1 percentage point a year in the

poverty rate. Several African countries are likely to achieve the MDG of halving income poverty by 2015 (Goal 1). Overall, however, the region lags other regions in attaining Goal 1 of the MDGs.

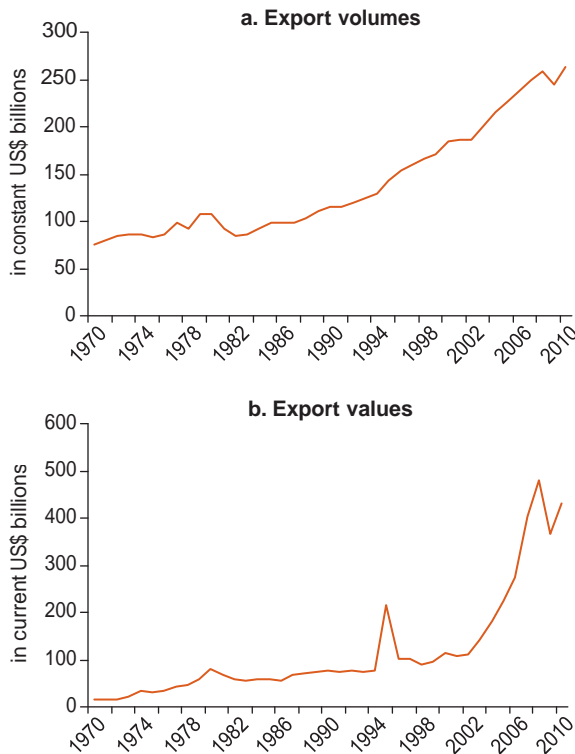
Education and health indicators have also improved (figure 6). For example, primary school enrollment has jumped 14 percentage points, from about 59 percent in

Figure 2 Average per capita income growth by country groups: 1975–2008



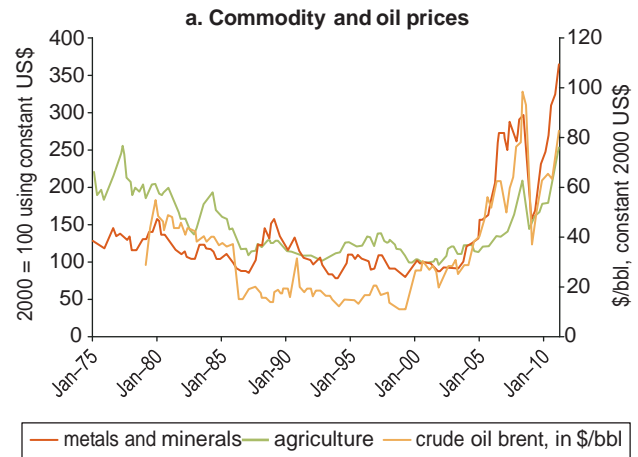
Source: World Development indicators, World Bank.
 Note: Middle and low income includes Sub-Saharan Africa.

Figure 3 Trends in Export Volumes and Values, Sub-Saharan Africa, 1970–2010



Source: World Development indicators, World Bank.

Figure 4 Trends in Commodity Prices and Terms of Trade in Sub-Saharan Africa

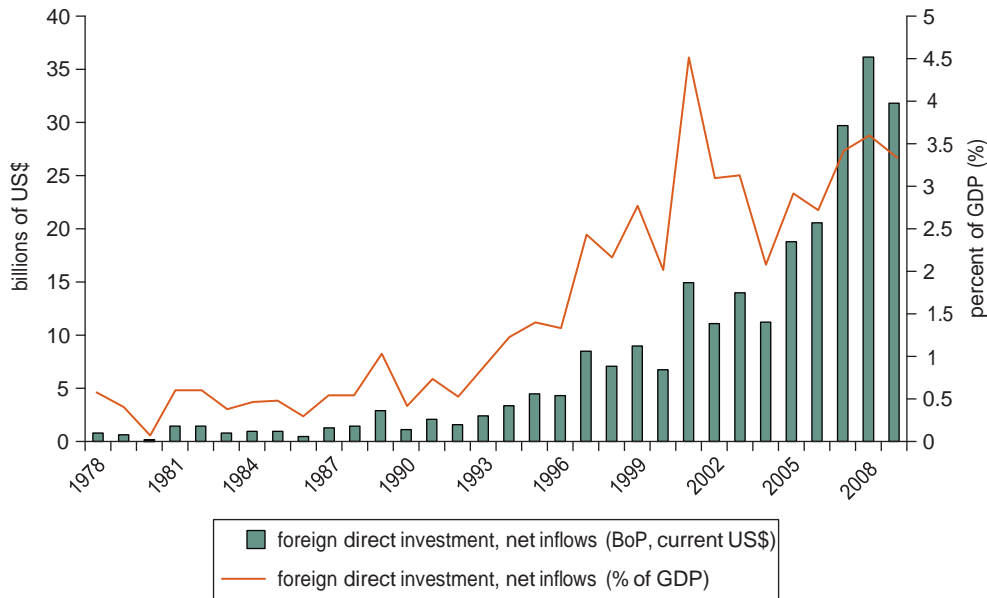


Source: World Development indicators, World Bank.

2000 to 73 percent in 2008—the fastest improvement of any region. More girls are attending school. Some significant gains have also been made in the area of health, where progress has admittedly been mixed. For example, child deaths (under-five mortality rates) have declined from 181 per 1,000 births in 1990 to 132 per 1,000 in 2009, with some of the poorest countries, such as Eritrea and Malawi, showing remarkable progress. Maternal mortality rates are also trending down, though not fast enough, and the region is beginning to make inroads in halting the spread of communicable diseases.

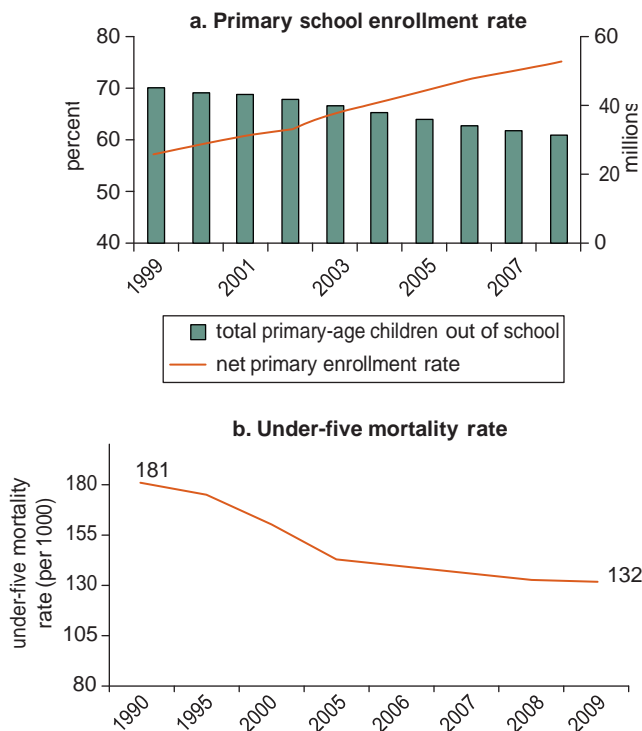
Since the mid-1990s African countries have made strides in the area of economic management and structural policies. Combined with debt relief, these reforms have helped to redress external and fiscal imbalances and rein in inflation. Median inflation has fallen from double-digit levels in the 1970s and 1980s to well below 10 percent in 1996–2007. In 1995 nearly a third of countries had inflation rates above 20 percent; in 2008 this figure had dropped to one-tenth

Figure 5 Foreign Direct Investment in Sub-Saharan Africa



Source: World Development indicators, World Bank.

Figure 6 Progress in Human Development in Sub-Saharan Africa



Source: World Development indicators, World Bank.

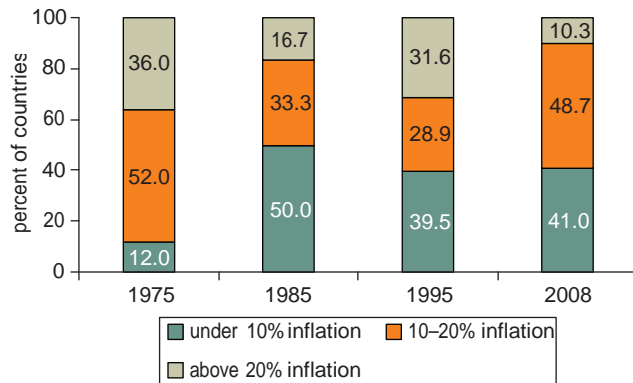
(figure 7). Exchange rates have also been maintained at competitive levels, including the one-time devaluation of the CFA franc in 1994.

Over the past several years, many African countries have moved to liberalize trade, and reforms have brought down tariff rates. Average most-favored-nation (MFN) applied tariff rates more than halved from 1981 to 2009 and are comparable to those of developing countries in other regions (figure 8). But improvements in trade facilitation have lagged. In a bid to enhance competitiveness, African countries have also made progress in recent years in implementing reforms to support the investment climate. Because of reforms, Rwanda is now one of the fastest places in the world to start a business (11th overall according to the World Bank's 2010 *Doing Business* report). There are also indications that the quality of governance is improving in some countries (figure 9). But, overall, weak governance remains a problem in Africa, especially in fragile states and resource-rich countries, and exerts a drag on long-term development.

APPROACH AND METHODOLOGY

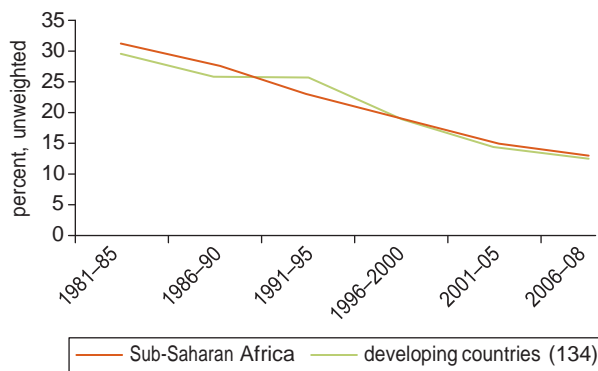
A number of major academic and policy studies published in recent years have examined trends related to

Figure 7 Inflation Patterns in Sub-Saharan Africa



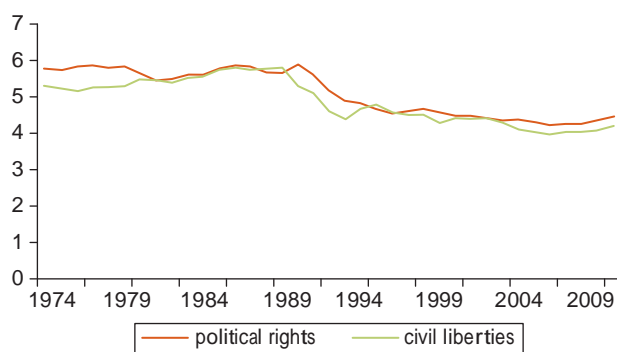
Source: World Development indicators, World Bank.
 Note: The figure shows the share of countries in each inflation range.

Figure 8 Trends in Average MFN Applied Tariff Rates, Sub-Saharan Africa, 1981–2008



Source: World Development indicators, World Bank.

Figure 9 Trends in Political Rights and Civil Liberties in Sub-Saharan Africa



Source: Freedom House.
 Notes: Political rights and civil liberties are measured on a one-to-seven scale, with one representing the highest degree of freedom and seven the lowest.

economic development in Sub-Saharan African countries. In *Can Africa Claim the 21st Century?*, released in 2000, authors from four multilateral institutions conclude that the emergence of three favorable trends—greater political participation (the basis for more accountable governments), a changing view of Africa in the wake of the end of the cold war, and the increasing presence of globalization and information technology—hold the promise of accelerating development and moving Africa out of poverty. At the same time, the book indicates that strengthening governance, investing in people, increasing competitiveness, and reducing aid dependence are crucial to development paths in African economies.

Ten years later, Radelet, in his book *Emerging Africa: How 17 Countries Are Leading the Way*, finds that an improving governance environment, stronger economic policies, a changed relationship with the international donor community, the increased accountability provided through new technologies, and a new generation of business leaders and policy makers have been indispensable in bringing about progress in the 17 African countries where a turnaround has been most evident.

Drawing on the existing knowledge of African development presented in these and other publications,² *Yes Africa Can: Success Stories from a Dynamic Continent* takes an in-depth look at 26 economic and social development successes in Sub-Saharan African countries—20 from individual countries and 6 that occurred regionwide.³ The successes manifest at the project, provincial, subnational, national, or regional level and cut across themes, programs, and sectors. The overall goal of the research is to address how Sub-Saharan African countries have overcome major development challenges. The approach straddles the development debate that Cohen and Easterly explore in *What Works In Development?: Thinking Big and Thinking Small*. That is, should one adopt a big-picture approach that focuses on the role of the quality of institutions and macroeconomic and structural policies or an approach that focuses on micro-economic interventions such as conditional cash transfers and bed nets, whose impact can be measured through impact evaluations?

The case studies were chosen through a stocktaking exercise that included consultation with experts inside and outside the World Bank. To qualify for selection, each case study had to meet several criteria. First, the achievement identified in the case study had to be observable and measurable. Second, the achievement had to represent an outcome perceived as desirable in the literature on development. Third, there must have been existing analytical work—impact

evaluations, assessments (including against relevant regional or sectoral benchmarks), and reports—regarding the achievement. And fourth, the achievement must have been sustained over time. In light of the above criteria, and because of the potential lessons that can be learned, there was a focus on critically evaluating well-recognized success stories in addition to those that are less well known. Where possible, the case studies attempt to identify achievements that have the potential to be scaled up or that have elements of transferability.

The coverage of development successes is selective rather than comprehensive. Indeed, some achievements were not examined because of resource constraints and timely availability of experts who could undertake the studies. A notable example that was not studied in detail is the success of Kenya's horticulture industry in becoming a major supplier of cut flowers to the European Union.

The 26 case studies presented in *Yes Africa Can: Success Stories for a Dynamic Continent* cover six broad topical areas:

Successful growth experiences. Both a high rate of growth and the quality of growth are central to achieving poverty reduction.

- *Sustaining strong economic growth.* High and sustained economic growth is needed if countries are to substantially reduce poverty and achieve the MDGs. A few African countries have grown at a brisk pace over many years. What explains these long periods of growth accelerations? What has been the role of a strong business environment in unleashing growth? Has growth been inclusive?
- *Quality of growth—industrial development.* Empirical evidence shows that countries with more diversified production and more sophisticated production sectors have stronger growth. Africa's industrial development has been disappointing. Yet, there are glimmers of progress. How have some African countries achieved more broad-based production?

Postconflict situations: building institutions and Governance. Institutions and governance are central to the development process anywhere, but they are particularly vital in postconflict situations. How have some postconflict countries established better governance and transparency?

Expanding exports. Increasing competitiveness and diversifying exports is important if a country is to integrate in the global economy and benefit from globalization. How have some countries managed to diversify exports away from

traditional goods? How have some countries been able to build capacity so as to respond to quantity and quality needs of the global market, including compliance with international standards?

Boosting agricultural efficiency and output through targeted interventions and reforms. The vast majority of Africa's poor are concentrated in rural areas and are heavily dependent upon agriculture for their livelihoods. Spurring agricultural development will be vital for achieving the MDGs in Africa. Raising agricultural productivity is important for stimulating growth in other sectors as well. What are some of the ways in which countries have succeeded in boosting agricultural production, commercial agriculture, and productivity?

Engaging the private sector to upgrade infrastructure. Africa has large unmet infrastructure needs: the latest estimates point to a financing gap of more than \$30 billion a year (World Bank 2010). Closing the infrastructure gap will require more private investment and operation. But the region has been slow to mobilize private resources, partly because of governance, institutional, and regulatory issues. How have some countries managed to attract private participation in delivering infrastructure services? One important area where African countries have seen rapid progress is in the mobile telecommunications segment of the information and communications technology (ICT) sector. Deployment of this technology holds the potential for large benefits—for example, connecting people and firms to formal financial markets and linking farmers to output markets. The African private sector has responded to competition in this market in unprecedented ways. What is behind the vibrancy of this market and what is the scope for scaling up innovative uses of ICT in African countries?

Improving human development outcomes with innovative Policies. Sub-Saharan Africa lags on all the health and education MDGs. Yet, some countries have made significant progress in improving health and education outcomes. How have these countries achieved rapid progress? What policies and approaches have worked and why? What has been the role of public and private donors in improving service delivery?

Each case study includes: a description of the achievement and the elements that qualify the outcome as successful; an assessment of the main policies, interventions, actions, and other factors that contributed to the positive outcome; a presentation of the lessons learned and the contribution to the

discourse on African development; and, where, possible insights on the transferability of the achievement and potential for scaling up the interventions and actions. Individual case studies also examine the role of the key stakeholders—the government, donors, or private investors—in facilitating and promoting the achievement.

In examining government contributions to successful outcomes, the focus is on the quality of economic policies and actions—that is, whether public action relieved constraints to growth—whether they provided macroeconomic stability, improved the investment climate, enhanced competitiveness or eased access to markets, promoted human development, or leveraged the global economy. How well strategies and policies adjusted in response to changes in the local and external economic environment is also addressed in many of the case studies. The narrative avoids being prescriptive because there are several policy combinations for achieving desirable goals.

MAIN FINDINGS OF THE CASE STUDIES

There has been no shortage of narratives about Africa's many failures, giving rise to academic titles such as *Africa's Growth Tragedy*, or *The Bottom Billion*, not to mention relentless media coverage of poverty, conflict, disease, and famine on the continent. While the proximate causes of African countries' failure to thrive are quite different—hyperinflation in Zimbabwe, civil war in Sierra Leone, desertification in the Sahel, and HIV/AIDS in South Africa, to name a few—they can be boiled down to two main sources: market failures, such as the common-property externalities associated with desertification, and government failures, often created by state intervention to correct market failures. For instance, governments throughout the world have central banks to manage monetary policy because markets alone cannot do that; but Zimbabwe's central bank started issuing so much money to finance the fiscal deficit that the currency became worthless, resulting in hyperinflation and many years of hardship.

Market failures can be corrected by implementing a tax or subsidy or by generating a public good, such as improved infrastructure or a better public health care system, for which the government can take credit. Overcoming government failures is more difficult, because the source of the problem is usually powerful people who are benefiting from the intervention. Correcting the problem involves undermining these people's rents. In some cases, governments fail to correct a market failure—another form of government failure—because vested interests are benefiting from the distortion (think of politically connected monopolists).

The 26 case studies in this book—all policy success stories from Sub-Saharan African countries—illustrate the many ways Africa has avoided or overcome market and government failures. That these countries have surmounted failures and generated economic and social progress benefiting millions of poor people is testament to the innovation, dynamism, and spirit of the African people. But the case studies do more than inspire: they teach us about the nature of government and market failures, and how they can be prevented or corrected.

To learn from the studies, it is useful to classify them into four categories: overcoming or avoiding massive government failure, rebuilding or creating a government, rationalizing government involvement in markets, and listening to the people (table 1). Regardless of which category each of the case studies falls into, as a group, they demonstrate that the African landscape is dotted with success stories. The sectoral and geographical diversity of the case studies illustrates that there are many ways to overcome Africa's challenges. To paraphrase Tolstoy, African failures are all alike; but each success is successful in its own way.

Overcoming massive government failure or bad policies

In all the case studies in this group, existing policies were standing in the way of growth, either at the sectoral or economywide level. In Ghana's cocoa sector, Rwanda's coffee sector, Kenya's agricultural sector, Burkina Faso's cotton sector, and Tanzania's wider economy, the willingness of the government to allow liberalization has paid off. In Uganda and Mozambique, postconflict reforms have paved the way for impressive improvements in economic performance. Across Sub-Sahara Africa, governments are grappling with opening up the power sector to private sector participation. Finally, the case study on Botswana proves that the resource curse can successfully be avoided even in an economy that is highly dependent on diamond mining. All of these cases show that the timing and nature of reforms is key to their success. But the specifics of each case offer important lessons.

Long an integral part of Ghana's economy, the cocoa industry faced near collapse in the early 1980s, battered by several forces. For one, Ghana was experiencing hyperinflation and an overvalued exchange rate (the market exchange rate was approximately 44 times the official rate in 1983), making selling its cocoa at official rates almost worthless. As much as 20 percent of Ghana's cocoa harvest was smuggled into Côte d'Ivoire for export. At the same time, an aging tree

Table 1 Categorizing Successes: Overcoming Government and Market Failure

Overcoming or avoiding massive government failure	Liberalization of the exchange rate and other reforms to revive the cocoa sector in Ghana Removing barriers to trade and creating incentives for entrepreneurship in the coffee sector in Rwanda Liberalization of the fertilizer market in Kenya Liberalization of the cotton sector in Burkina Faso Facilitating private partnerships in the power sector across Sub-Saharan Africa through independent power producers Wide-ranging economic liberalization in Tanzania Reforming the economy in a postconflict environment in Uganda and Mozambique Good timing and good luck for diamond mining in Botswana
Rebuilding a government or creating a government where none existed	Rebuilding government following civil wars in Liberia and Sierra Leone Using traditional systems for collective action in Somaliland
Rationalizing government involvement in markets	Development of a system of air, rail, and road transport and cold storage to support mango exports in Mali Provision of textile and apparel industry infrastructure in Lesotho Catalytic government role in private sector development in Mauritius Using input subsidies to improve agricultural output in Malawi Provision of gorilla reserves to boost tourism revenues in Rwanda Shifting the government role in the ICT sector from monopoly provider to regulator across Sub-Saharan Africa Success in malaria control across Sub-Saharan Africa
Listening to the people	Performance-based financing in the health sector in Rwanda Abolishment of fees to achieve free universal primary education in Uganda Training and deploying extension workers to improve access to health care in Ethiopia Lowering fertility through family planning programs Developing new varieties of rice, NERICA , to increase yields and decrease food insecurity Using Moneymaker pumps to support innovation and diffusion of technology in the agricultural sector Using mobile phones to improve financial access in Kenya via M-PESA

stock and the spread of plant diseases made Ghana's cocoa crop increasingly unproductive and investment in the cocoa sector unattractive. Ghana's proportion of global cocoa production fell by half between the mid-1960s and the early 1980s, from 36 percent to 17 percent. Starting in 1983, within the context of a wider economic recovery agenda that devalued the Ghanaian cedi and increased the farm gate prices paid to farmers for commodities (thus decreasing the incentive to smuggle cocoa out of the country), the government undertook a specialized program intended to revive the cocoa sector. Among other reforms, the program compensated farmers for replacing ailing cocoa trees (often with better-performing hybrid varieties), shifted responsibility for cocoa procurement to privately licensed companies, and provided subsidies to increase the usage of fertilizer on cocoa crops. Cocoa production and exports boomed. The amount of cocoa produced per hectare doubled between 1983 and 2006 as a result of increased fertilizer application and better production practices. A greater share of cocoa sales is now passed on to the 700,000-plus cocoa farmers, reducing poverty and improving prospects for cocoa-producing households.

In Rwanda, where the vast majority of people depend on agriculture for their livelihoods, major transformation of the coffee sector came about more quickly than it did in Ghana's cocoa sector. As of the late 1990s farmers were producing a small amount of mediocre-quality coffee that attracted little attention from discriminating importers and consumers, while the economic destruction of the country during the genocide in 1994 remained a serious impediment to markets. The first wave of reforms was introduced in the late 1990s—several barriers to trade were removed, a network of coffee-washing stations that allowed producers to shift from semiwashed to fully washed (higher-value) coffee was implemented, and incentives to foster entrepreneurship in the coffee industry were introduced. As a result, both the quality and quantity of coffee produced in Rwanda increased, allowing the government to launch, in subsequent years, a successful strategy to boost Rwandan producers' participation in the international specialty-coffee market. Between 2003 and 2008, the average export price of green coffee originating in Rwanda nearly doubled, from \$1.60 to \$3.10 a kilogram, leading to important improvements at the household level. The coffee washing

stations, which had created 4,000 jobs as of 2006, also appear to have led to improved economic cooperation among people using them.

Like cocoa in Ghana, cotton has long been integral to the economy of Burkina Faso. Cotton accounted for 60 percent of the country's exports between 1994 and 2004 and contributed to Burkina Faso's good economic performance. A series of institutional reforms implemented in the cotton sector during the 1990s and 2000s—including the formation of a national cotton union and the partial privatization of the national cotton parastatal, SOFITEX—have succeeded in opening the sector. The Burkinabe reform model is unique among Sub-Saharan African countries, because it addressed government failures and local realities within the existing institutional framework, adopted reforms using a cautious, piecemeal approach, and built the capacity of producers and upgraded institutions within the commodity chain while the government withdrew from most of its activities. But it is also clear that Burkina Faso's dependence on cotton makes economic growth and performance in the country quite volatile, because cotton earnings are dependent on international markets. In the years ahead, the country will need to seek avenues by which to diversify the economy.

In Kenya, as in Sub-Saharan Africa as a whole, fertilizer use traditionally has been quite low, meaning that overall productivity in the agricultural sector is also quite low. Combined with the price volatility brought about by unpredictable weather and poor infrastructure, this low productivity has contributed to food insecurity in Kenya. For decades, the Kenyan government addressed this food insecurity through direct, monopolistic involvement in the markets for a wide array of agricultural products. This changed in the 1980s, when the government began relaxing its hold on agricultural markets, allowing the private sector to compete with state agencies and easing trade restrictions on fertilizer and maize. A more complete liberalization of the fertilizer market occurred in 1993. This change in policy, coupled with liberalization of the foreign exchange regime in 1992, encouraged the entry of a significant number of private sector firms in importing, wholesaling, distribution, and retailing of fertilizer. Government price controls and import licensing quotas were ultimately eliminated, and fertilizer donations by donor agencies were phased out. Kenya now stands as a notable departure from the Sub-Saharan African average in terms of fertilizer usage, which almost doubled between 1992 and 2007. Much of the increased use has been among smallholder farmers. Largely as a result of the increase in fertilizer usage, maize yields in Kenya increased 18 percent over 1997–2007.

Efforts to overcome bad policies in the power sector have been effective in some Sub-Saharan African countries. The case study on independent power producers (IPPs) focuses on the seven countries that have had the most experience with IPPs. As of the early 1990s, virtually all major power producers in Sub-Saharan Africa were publicly owned. They had been performing poorly for decades, and public financing for new projects (from both domestic and international sources) was drying up. Governments needed to develop a new tactic. Starting in Côte d'Ivoire in 1994, they experimented with opening power generation to the private sector. Ghana, Kenya, Nigeria, Senegal, Tanzania, and Uganda, among other countries, followed suit shortly thereafter. While the presence of IPPs has not solved the electricity deficit on the continent—only 25 percent of the population has access to electricity—IPPs have added several gigawatts of capacity to Sub-Saharan Africa's electric grid, complementing incumbent state-owned facilities. It is also clear that a sound policy framework (namely, adequate legislation), a good investment climate, and local availability of cost-competitive fuel can all contribute to the success of IPPs. When these elements are not in place, IPPs are much more likely to be untenable.

The case study on Tanzania addresses long-term market reforms that have gone far beyond a single sector. Following independence, the country's economy languished for more than two decades, held back by loss-making public enterprises, deteriorating infrastructure, and mismanagement of terms of trade and weather shocks, among other things, while poverty increased. Starting in 1986, a series of structural reforms focusing on liberalization was implemented, many of which were similar to the reforms put in place by Uganda in the same time period (see below). Trade and exchange rate regimes were liberalized; marketing boards for agricultural products were dismantled; and parastatals, the financial sector, and the civil service began to be reformed. The reform cycle continued into the 1990s, supported by a significant amount of debt relief from international donors, which freed budgetary resources for other purposes. By the mid-1990s Tanzania was on the cusp of a decade-long growth take-off, with real GDP growth averaging around 6 percent from 1996 to 2008. Despite a difficult external environment, Tanzania has maintained economic stability in recent years. Aside from the fact that fiscal and monetary authorities have succeeded in putting the economy on much better footing than existed decades ago, two other factors—low reliance on exports for growth and low levels of foreign exposure within the banking sector—allowed Tanzania to weather the global financial crisis

relatively unscathed. And while poverty among Tanzania's population remains high, the country is on track to meet several of the targets laid out under the Millennium Development Goals.

In Uganda sustained, carefully sequenced macroeconomic reforms in a postconflict environment have produced remarkable outcomes. At the end of decades of political instability and civil war in 1986, Uganda's economy was in disarray and its population was struggling with a very high incidence of poverty. The reform agenda, begun in 1987 and implemented in stages, focused on stabilization, liberalization, and structural reforms: prices controls were loosened, a floating exchange rate regime was adopted, marketing boards were abolished, parastatals were abolished or privatized, the civil service was reformed, and efforts were made to stimulate private investment. These steps were followed by a wide-ranging poverty reduction plan that started in 1997. The performance of Uganda's economy in the 1990s and 2000s suggests that the reform policies worked. Growth averaged 7.7 percent a year over 1997–2007. Increased international confidence in the economy spurred substantial aid and foreign direct investment inflows and reversed capital flight. Poverty figures have also improved dramatically, so much so that Uganda will be one of the few Sub-Saharan African countries to achieve the first Millennium Development Goal of halving extreme poverty by 2015. At the same time, the Uganda case strikes a cautionary note: despite strong growth, income inequality has increased and the formal sector employment rates are very low, particularly among youth.

Having emerged from 16 years of devastating civil war in 1992 as one of the poorest countries in the world and with the second-lowest Human Development Index score, the economic situation in Mozambique was bleak. As in Uganda, Mozambique implemented a series of macroeconomic and structural policy reforms shortly after the war ended, in addition to encouraging support from the international donor community. The turnaround in Mozambique between 1993 and 2009 was profound: growth averaged more than 8 percent a year (compared to 0 percent from 1981 to 1992), the poverty rate dropped dramatically, and social indicators improved. Double-digit growth has been observed in mining, manufacturing, construction, electricity, gas, and water. Sound macroeconomic management allowed Mozambique to attract an increasing amount of foreign direct investment, which increased from an average of 1.5 percent of GDP in 1993–98 to 5.2 percent of GDP in 1999–2010. While progress has been impressive, in the years ahead, Mozambique will need to determine how to create

more jobs (particularly outside the agricultural sector, where most people are still employed) and widen the productive base in order to create an economy in which wealth is more broadly shared.

Policy choices in Botswana, like those in Tanzania, have been key to long-term economic progress. At the time of independence in 1966, Botswana's per capita income was among the lowest in the world. Many of its human development indicators were equally abysmal: life expectancy was 37 years, and the primary school completion rate was less than 2 percent. The country's outlook was not encouraging. But Botswana's economic performance in the years since has proven those expectations wrong: per capita income growth, for example, averaged 7 percent a year between 1966 and 1999. Without a doubt, Botswana met with a good bit of luck along the way—the discovery of large deposits of diamonds just after independence. In the decades since, diamonds have fueled solid economic growth and a rapid increase in per capita annual income. But effective, transparent governance and good economic management have been crucial to Botswana's success; they helped Botswana avoid the resource curse experienced by other Sub-Saharan African countries. In addition, the policies Botswana did *not* adopt also appear to have contributed to its economic success. Botswana did not follow an import substitution policy, and it did not expand state-owned enterprises, which employ only a small percentage of the workforce. In the ensuing decades, economic and social indicators in Botswana outperformed those of Sub-Saharan Africa as a whole by a wide margin. Life expectancy in Botswana was 60 years as of 1990, 10 years above the African average, while the under-five mortality rate had fallen to about 45 per 1,000, compared with 180 for Africa as a whole.⁴

Creating or repairing government

The second set of case studies details how countries have recovered from what is arguably the biggest government failure of all—civil conflict. In Liberia and Sierra Leone, governments have been successfully rebuilt from the rubble of devastating wars. In Somalia, on the other hand, which has existed without an internationally recognized central government since 1991, traditional power structures have been used in the breakaway region of Somaliland to strengthen infrastructure.

A long, violent conflict that ended in 2003 left Liberia in a state of collapse. Corruption was rampant, external debt was approximately 800 percent of GDP, the government's

ability to manage public finances had essentially disintegrated, and the Liberian people received among the lowest amounts of per capita public spending in the world—approximately \$25 a year. In the years since, the country's reform agenda has vastly improved the governance and economic environment. Liberia's situation took a solid turn for the better at the beginning of 2006. Under the direction of the newly elected president, Ellen Johnson Sirleaf, and in conjunction with a host of international donors, Liberia embarked upon a broad-ranging recovery and reform plan. Improving revenue collection and establishing an effective national expenditure process were the initial areas of focus. A unique feature of the program was its cosignatory arrangement, under which no major public financial transactions could take place without first being scrutinized by both a Liberian manager and an international advisor. This element of balance was fundamental to the functioning of the overall reform program. While the outcomes have been generally positive—revenue collection and expenditure management has improved dramatically—a final lesson is that a lot of capacity building still has to be done in the area of economic governance in Liberia.

Neighboring Sierra Leone was in a situation similar to that in Liberia. More than a decade of civil war in Sierra Leone came to a close in 2002, leaving the little infrastructure the country had in shambles, measures of human development among the worst in the world, and capacity for economic and political governance virtually nonexistent. The process of restoring (and indeed, improving) the system of political governance in Sierra Leone was a crucial part of the country's postconflict reform program, because marginalization of people living outside the capital, Freetown, was a main cause of the conflict. A national reform program, begun in 2004, focused on devolving political, fiscal, and administrative power to local governments. In some respects, the reform process has been quite successful—access to quality health services has improved dramatically, for one, and previously marginalized groups, such as women and ethnic minorities, have benefited from the new space for political participation. But in other areas positive results are less clear. In addition, recent developments within the central government indicate there may be increasing pressure to pull back from the decentralization, potentially reducing the future successes of the initiative.

Finally, the case study on Somaliland is an illustration of traditional structures playing the role of government where no formal system of government existed. Following the collapse of the central government of Somalia in 1991, much of the country fell into the domain of bandits and warlords,

making transporting goods through and out of the country a risky ordeal. But Somaliland, which unilaterally declared its secession from Somalia the same year the central government collapsed, has made admirable progress in improving its infrastructure to foster trade—namely, in expanding the port of Berbera, on the Gulf of Aden, and in ensuring the usability and security of the highway that leads to the port. Travel on the road is now reliable enough that Ethiopia transports a large portion of its exports along it before shipping them from Berbera. Somaliland's success in building up its infrastructure stands in sharp contrast to the situation in the rest of Somalia, which remains tense and dangerous. Factors contributing to Somaliland's success were twofold: use of the traditional social structures to control violence, and successful political cooperation in order to instill the level of security needed to allow development and operation of the port. While Somaliland is an extreme case, it is undoubtedly representative of scores of cases across Sub-Saharan Africa in which local communities succeed in providing leadership the official government is unable or unwilling to provide.

Rationalizing government involvement in markets

The third set of case studies illustrates how governments have successfully intervened to correct market failures—and no more. In the cases of mangoes in Mali, gorilla tourism in Rwanda, and apparel production in Lesotho, the respective governments stepped in to provide the elements necessary for the private sector to thrive. Responding to the possibility of profits, private entrepreneurs took on the bulk of the work to develop the sectors in question. In Malawi measured government involvement in agriculture has produced positive outcomes, while in Mauritius strategic government involvement in several sectors over the course of three decades played a catalytic role in the country's private sector development. Across Sub-Saharan Africa, the government's pullback from the power and information and communication technology sectors has allowed more people to take advantage of those services. The ICT sector, especially, has experienced a dramatic take-off. In all of these cases, the governments provided services essential for private sector success and then stepped back to allow private sector actors to carry out sectoral development. Even in difficult sectors such as health, initiatives that balance private and public sector involvement have produced truly impressive results, as discussed in the case study on malaria control.

In the 1970s Mali, where the vast majority of the population works in agriculture, began to explore opportunities to

export its fresh mangoes. Malian mangoes quickly found a market in specialty stores in France and elsewhere in Europe. But Mali is landlocked, so traditionally, it either depended on neighboring countries for road, rail, and port infrastructure for export purposes or shipped goods from within its own borders via expensive air freight. By the early 1990s, with demand for mangoes in Europe increasing and countries such as Brazil (where shipping costs were lower because of good ocean transport options) becoming bigger producers, Mali grew increasingly uncompetitive in the global market for mangoes. Less expensive, more efficient methods of transportation were needed. Starting in 1995 the government in partnership with the private sector—farmers, farmer groups, and other businesses—launched an innovative response: a multimodal supply chain overhaul that used temperature-controlled containers to transport mangoes and improved road, rail, and sea links with neighboring countries. The level of government involvement in the mango sector turned out to be ideal, and the efficiency improvements have led to a host of positive outcomes: a 150 percent increase in the price mango producers receive for their products, a 1,000 percent increase in the tonnage of mangoes exported between 1993 and 2008, and a reduction in the average transit time for mangoes between Mali and Europe, from 25 to 12 days.

Another landlocked country in Sub-Saharan Africa, Lesotho, was also struggling to export in the 1990s, thanks to its limited transportation infrastructure, underdeveloped factor markets, and inadequate backward and forward industrial linkages and technical expertise. The solution came in the form of an international mandate, the U.S. African Growth and Opportunity Act (AGOA). In the early 2000s Lesotho launched a series of aggressive investment and export promotion strategies that positioned it to capitalize on the apparel industry benefits of AGOA. One notable aspect of Lesotho's experience is the government's decision to combine an apparel industry competitiveness initiative with a series of early-stage incentives for investors (they were offered publicly owned factory shells at subsidized rents). The tactic has yielded positive results—namely, that Lesotho's apparel exports to the United States, at \$177 per capita in 2009, are higher than in any other apparel-producing country in Sub-Saharan Africa.

In Malawi a government initiative in the agricultural sector has had positive results within just a few years. Launched by the Malawian government in 2005 in response to severe food security difficulties in the early 2000s, the agricultural input subsidy program was intended to reverse the low productivity and high price of maize, a staple food for the

country and an important source of jobs. While intervention in the maize market, including input subsidies, has been a longstanding—though often contentious—feature of government and international donor strategies to promote agricultural productivity and food security in Malawi, the 2005 program went further than past efforts in its scale and scope. Vouchers for maize fertilizers were provided to more than half of Malawi's farm households. Additional vouchers were distributed for improved maize seeds and tobacco fertilizers. The core objective of the program was twofold: improving farmers' ability to achieve food self-sufficiency, and boosting farmers' incomes through increased crop production. Without a doubt, Malawi's input subsidy program has had positive impacts: maize production is estimated to have increased by 26–60 percent under the program, while food availability has improved and real wages in the agricultural sector have increased. But doubts about the effectiveness and appropriateness of the program have also been raised—namely, that the fiscal costs of the program are high, as are its opportunity costs (in terms of crowding out other needed public investments), and that it may be impeding the development of sustainable commercial agricultural input markets.

With the specter of the genocide still looming in the background in 1994, the Rwandan government embarked upon a national recovery strategy that included the redevelopment of the tourism sector. The goal was to focus on attracting high-end, conservation-oriented tourists interested in viewing Rwanda's gorilla population. The strategy also included an international marketing campaign intended to improve Rwanda's image in the world. Importantly, it also called for near-complete privatization of the hotel and leisure sector. The results have been impressive. Tourism has emerged as Rwanda's top foreign currency earner, ahead of the coffee and tea sectors. The number of visitors to Rwanda's national parks has increased exponentially—from 417 in 1999 to 43,000 in 2008. Moreover, it is clear in the case of Rwanda that initial actions by the government to revive the tourism sector have encouraged active involvement of the private sector: 86 percent of all new tourism-related projects in the country are locally owned.

The case study on Mauritius discusses government involvement in markets not over several years but several decades. Much has been made of the Mauritian “miracle,” whereby the island transformed itself from a poor, sugar-dependent economy at independence in 1968 into what it is today: a fast-growing, much more diversified economy with one of the highest per capita income levels in Africa. Along the way, human development indicators such as life

expectancy (73 years in 2008, compared to 62 years in 1970) have registered impressive improvements. And unlike in many other fast-growing economies, income inequality in Mauritius has declined solidly over the past 40 years. Aside from prudent fiscal, monetary, and exchange rate policies, Mauritius' economy has benefited from vibrant partnership between the public and private sectors. Among the most visible of the results of these partnership efforts has been the establishment of export processing zones (EPZs) to push along development of the light manufacturing sector in the 1980s and policies supporting growth in the financial services and ICT sectors in recent decades. Another important key to success in Mauritius has been the country's ongoing efforts to forge consensus between the Franco-Mauritian business elite and the Indo-Mauritian political elite.

In the health sector, too, an appropriate level of government participation in markets has produced positive outcomes in Sub-Saharan Africa. One example is in the battle against malaria. Governments, communities, donors, and individuals are increasingly coordinating their responses to the disease, reducing duplicative efforts, increasing the capacity to mobilize resources, raising awareness of the problem, and creating a network of technical and implementation experts. Efforts under the umbrella of the Roll Back Malaria Partnership, for example, have been a key in reducing the incidence of malaria in numerous Sub-Saharan African countries, such as Eritrea, Ethiopia, Rwanda, and Zambia by promoting the use of insecticide-treated bed nets, managing malaria vector breeding sites, and providing widespread diagnostic and treatment services. In Eritrea, for example, malaria morbidity dropped from about 100,000 cases in 2000 to about 8,000 in 2008. In Zambia the percentage of under-five children with malaria parasite prevalence fell from 22 percent in 2006 to 10.2 percent in 2008; the number of deaths caused by malaria declined 47 percent over the same years. These emerging successes notwithstanding, more remains to be done to control malaria in Sub-Saharan Africa.

Finally, the information and communication technology revolution that has occurred across Sub-Saharan Africa since the late 1990s is the result of government moving out of the way of the private sector. With demand for mobile phones increasing, most governments in Africa switched from being the monopoly provider (as they were for landlines) to being only the regulator in the mobile phone industry. As a result, the private sector was able to move in, increasing competition and reducing costs. The number of mobile phone subscribers grew exponentially, from 4 million in 1998 to 259 million in 2008, dramatically improving

the ability of people across Sub-Saharan Africa to communicate. Phone services are now affordable to the majority of Africans rather than a privileged few. Private sector involvement in the ICT sector has also allowed innovative, mobile-based services in the banking, agricultural, and health sectors to take hold quickly.

Listening to the people

The final category of case studies examines policies and innovations that were successful in part because end users were consulted in the process of developing them. Two of the case studies in this section discuss how the provision of tangible products—human-powered water pumps and new varieties of high-performing hybrid rice—have contributed to a reduction in food insecurity across Sub-Saharan Africa. Four other cases studies detail important successes at the country level: abolishing school fees to achieve universal primary education in Uganda; providing health services in underserved rural areas in Ethiopia; implementing a performance-based financing system to improve health coverage in Rwanda; and reducing the cost of transferring money in Kenya through M-PESA, a mobile-phone-based electronic payments system. In some cases, similar innovations had been previously attempted but failed. The difference this time around was the way governments went about policy making. Rather than assuming they understood what worked well for their people and implementing policy from the top down, governments elicited feedback from the public in the course of formulating and implementing the policy. They adopted bottom-up approaches. As a result of being included in the policy-making process, people were much more likely to benefit from the final product or service. Finally, the case study on family planning programs illustrates that the responsiveness to users of family planning services is a prerequisite to reducing fertility.

Founded in Kenya in 1991, KickStart International's mission is to promote economic growth and employment creation in Sub-Saharan Africa by developing and promoting technologies that can be used to establish and operate profitable small-scale businesses, including its range of low-cost, human-powered pumps that allow farmers to irrigate their land. In turn, pump users are able to increase their yields (providing more food for their families), earn additional income, and create agricultural jobs. An important part of KickStart's model is the participatory fashion in which products are developed, with farmers advising on marketing and, in the case of the SuperMoneyMaker pump, the design

itself. This element has been key in attracting pump customers and, as a result, improving agricultural returns.

That participatory spirit also contributed to the successful uptake of the New Rice for Africa (NERICA) hybrid varieties in the 1990s. The rationale behind developing the hybrids was quite clear. Though rice is the third-highest source of caloric intake and the fastest-growing food staple in Africa, up to 40 percent of rice is imported. From the start, the developers of NERICA, the Africa Rice Center and a consortium of partners, intended for it to increase food security and farmers' incomes. Importantly, the team consulted extensively with farmers in the course of developing the new varieties. That extra step ensured active adoption of the new varieties in a relatively short time frame. Initial empirical evidence from five Sub-Saharan African countries indicates that NERICA has had positive impacts on yields—especially in Benin and The Gambia—and on household income. Female farmers, in particular, have profited from cultivating NERICA varieties.

In Uganda free primary education was abandoned in the 1980s because the government's money was not reaching schoolchildren. Budgetary leakages were ubiquitous, and teacher performance abysmal. But after more than a decade, it was clear that charging school fees was not working either. When Uganda reintroduced free primary education in the 1997, it not only provided an incentive for parents to send their children to school but also publicized the amount of money each school district was receiving as a way for the citizens to hold the government accountable for the program. By quantitative measures, the universal primary education initiative in Uganda has been a resounding success. Net primary enrollment rose from 57 percent to 85 percent in a single year, from 1996 and 1997, and to 90 percent in 1999. Importantly, poor children, girls, and rural residents have benefited disproportionately from the increase in access. Over time, the quality of primary education in Uganda has also improved: between 2003 and 2010, for example, the numeracy rate among students at the Primary 3 level rose from 42 to 72 percent, while the literacy rate increased from 36 to 58 percent. That said, there is still considerable space for improvement in Uganda's education sector, particularly in reducing overcrowding in schools, ensuring adequate supply of teachers and materials, and reducing the number of over-age students in primary schools.

Cases in which governments acted with sensitivity to the people have also brought dramatic improvements in the health sector. In Ethiopia, a country of 80 million people, mostly in rural areas, more than half lived more than 10 kilometers from a health services facility as of 2005. Yet the

rural poor in Ethiopia, where maternal and child mortality ratios were among the highest in the world and the number of trained health workers was inadequate, desperately needed better health services. Seeking innovative ways to respond to this challenge, policy makers came upon the idea of creating a national network of health extension workers who could address the basic health needs of the rural population. The program, launched in 2003, involved training and deploying more than 34,000 (predominantly female) community health workers who provide essential services covering hygiene, disease control and prevention, family planning, and health education. Although full implementation of the program was completed only in 2010, the outcomes thus far have been extremely promising. Childhood vaccination coverage has increased dramatically: 62 percent of children were fully immunized as of 2010, representing an average annual increase of 15 percent since 2006. Prenatal and postnatal maternal health coverage has improved. Women who previously desired family planning services but were unable to find them now have access to those services. Use of insecticide-treated bed nets increased 15-fold between 2004/05 and 2009/10, so that 68 percent of households in malaria-affected areas are now protected by at least one bed net or indoor residual spray; the reduction in malaria incidence in recent years is attributable to expanded coverage of these malaria interventions.

In Rwanda, too, listening to what people need has worked in the health sector. In addition to broad health sector reform and fiscal decentralization, Rwanda made use of two innovative policy tools—community-based health insurance and performance-based financing—to increase access to health services. The first policy made health services more available in rural areas and available at a lower cost. Under the second policy, Rwanda pays doctors a bonus depending on the number of children immunized or the number of pregnant mothers examined, more closely linking rewards with performance. Rwanda's innovative policy tools have contributed to the profound improvements in health indicators in recent years. Under-five mortality, for example, dropped from 196 to 103 per 1,000 live births between 2000 and 2007, and the maternal mortality ratio fell by more than 12 percent each year from 2000 to 2008. Rwanda is on track to reach the maternal health Millennium Development Goal by 2015. Improvements among the most vulnerable segments of the population have been particularly evident.

In crafting family planning programs, being responsive to the needs of users is a prerequisite to reducing fertility. Sub-Saharan Africa has the highest total fertility rate in the

world, but some countries in the region are undergoing dynamic and unprecedented fertility transitions. In countries in which the greatest progress has been made, some of the key ingredients of success have been a high level of political commitment, strong country-level institutions, and effective family planning service delivery strategies. Family planning programs that have delivery points throughout the country; provide a range of contraceptive methods; ensure easy availability of contraceptives; adopt a reproductive health approach; and reach adolescents, men, and unmarried people are most likely to accelerate progress toward fertility decline in Africa. Many countries in Africa have tried community-based distribution of contraceptives to extend family planning to hard-to-reach populations, particularly in rural areas. Community depots, mobile clinics, women's groups, and both paid and volunteer village health workers are some modes of service delivery utilized by such programs.

The phenomenal success of M-PESA's mobile payments system is the quintessential example of (the private sector, in this case) providing a service that poor people in Kenya sorely needed—the ability to transfer small sums of money to people in remote areas at a low cost. Built on a mobile phone platform, M-PESA filled that niche, enabling customers to send money and store money through a simple interface. The service has been wildly successful. Launched in 2007, the number of subscribers surpassed 9 million in late 2009. Recent figures indicate that M-PESA handles \$320 million in person-to-person transfers a month, or roughly 10 percent of Kenya's GDP on an annualized basis.

WHY DID REFORM HAPPEN AND WHY WAS IT EFFECTIVE?

The above findings beg two important questions: what prompts change in policies, and why did policy reforms work? In all but one of the cases of correcting massive government failure, existing policies were standing in the way of growth. How then did change come about? How were the obstacles to correcting government failure overcome? To address these issues one needs to understand why failed policies were present to begin with. Central to this issue is political context—that is, the political economy factors that induced the prior bad policies. There is a vast literature examining the political economy of poor policies, and studying it could help countries recognize when reforms could work and how to design reforms. Although an assessment of the political economy dimension is outside the scope of this study, some observations can be made based on the findings.

From a political economy perspective, poor policies persist because the preferences of those in power are not aligned with those of the public, and the former use bad or inefficient policies for political purposes or financial gain, or both (either politicians are beholden to interest groups or politicians create interest groups that are beholden to them). Individuals and groups who expect to lose economic rent from policy correction are likely to resist change or weaken its effects. Accountability mechanisms—checks and balances—on policy makers are designed to reduce incentives for opportunistic behavior and distortionary policies. But coordination and collective action problems prevent the establishment of strong accountability mechanisms. The weaker the constraints on politicians, the less likely reforms are to occur. Conversely, where political constraints are strong, bad policies will not persist, so the scope for reform to have a major improvement is low (Acemoglu et al. 2008).

However, policy change can occur in an environment of weak political constraints when there is a big change in political power.⁵ Such a change disrupts the existing status quo and shifts power from existing interest groups to new ones and possibly to a broader group of people. That is what seems to have happened in the case of several countries is the study.

For example, in Ghana there was a shift from military rule to democracy. Under military rule the government had an incentive to keep agricultural and import prices low because its power base was the urban elite, including the army. But when democracy came, politicians needed the rural vote, so it was in their interest to liberalize the exchange rate and allow agricultural prices to rise. In Rwanda the situation was different. The liberalization of the coffee sector was part of the postgenocide government's attempt at restoring growth and rebuilding trust in government among all the people.

Likewise, in Uganda and Mozambique, both of which had been devastated by decades of political instability and civil war, major political reforms occurred in a postconflict environment. In both cases the new stability allowed new governments to adopt broad-based reforms to reverse economic decline and boost economic development.

Botswana, on the other hand, represents a case where the country was able to avoid bad policies after independence, despite the discovery of resource riches. One reason why the elite did not capture resource rents was the presence of traditional institutions—the Tswana tribal tradition of consultation, known as *kgotla*—which emphasized that the government exists to serve the people and promote development and is not the instrument of one group or individuals

for the purpose of getting hold of the wealth. Tswana tradition also respected private property; the fact that many of the tribal leaders who helped usher in modern government were also large cattle owners may have reinforced this respect. These traditional institutions promoted respect for property rights and the rule of law, reducing incentives for distortionary policies.

Although transformation or creation of functioning institutions takes time, Radelet (2010) finds strong evidence of improved governance and more accountable governments in African countries that have achieved steady economic growth and lower poverty rates since the mid-1990s. As noted above, stronger constraints on politicians reduce incentives for inefficient policies.⁶ It would thus appear that strengthening institutions can be extremely effective in bringing about change. Many of these countries are also identified in our study as experiencing successful growth episodes (table 2).

The range of reforms—exchange rate liberalization, opening up of trade, reduction of barriers to market entry, and liberalization of input and output markets—are not new. But why do these reforms work in some cases and fail in many other instances? Country context is one reason: it is central to understanding what works. A few insights are provided by the case studies. One possible factor could be that the reform was part of a broader set of reforms. This meant that successful policy reform in one area was not being largely offset or negated by reforms elsewhere—what Acemoglu et al. (2008) call a “seesaw” effect. The seesaw occurs when successful policy reform in one area is largely

offset by reforms elsewhere as powerful interest groups opposed to the reforms attempt to thwart their effect. Simultaneous reforms that were complementary meant that the effect of any one reform was likely to be enhanced.

Another factor is the level of commitment to reform. Here, it is important to consider what prevents the reform from being reversed. The case studies on growth find that policy makers were generally able to commit to appropriate reforms—especially macroeconomic stabilization. One could reasonably argue that a benign global environment of strong growth, rising commodity prices, and low interest rates provided an enabling environment for sensible macroeconomic and structural reforms.

CONCLUDING REMARKS

Whether viewed through aggregate indicators or the case studies in this book, Africa’s growth and development over the past decade has been impressive. The question on everyone’s mind is: Will it be sustained? By showing that progress has come about through a combination of policy reform and active government interventions—balancing market failure and government failure—the 26 case studies included here give cause for optimism. If, as seems to be the case, African governments are reforming large, distortionary policies, and replacing them with selective interventions where there is genuine market failure and, more important, intervening with the feedback of the ultimate beneficiary to avoid government failure, then there is a good chance that the continent’s strong economic performance of the last decade will be sustained.

NOTES

1. Several studies find a shift in trend beginning in the mid-1990s.
2. World Bank 2005; Growth Commission 2008; IFPRI 2009; Center for Global Development 2007.
3. The National Bureau for Economic Research Africa Project, which is ongoing, identifies and analyzes a large number of economic development successes in the region—35 cases have been already selected for in-depth study and 40 are anticipated—to better understand the factors behind the positive experiences and to evaluate the sustainability of the successes and their transferability to other African countries. The study covers four broad topics: macroeconomic dimensions of growth; microeconomic aspects of growth; the intersection of health and growth; and cross-regional comparisons. The full findings of the 4.5 year project (2007–12), which is being supported by the Gates Foundation, will be available in a few years.

Table 2 Countries with Strong Economic Performance Saw an Improving Trend in Institutions

Country	Freedom House 1.0 = best score 7.0 = worst score		Polity IV Score 10 = best score -10 = worst score	
	1989	2008	1989	2008
Botswana	1.5	2.0	7	8
Burkina Faso	5.5	4.0	-7	0
Liberia	5.5	3.5	-6	6
Mozambique	6.5	3.0	-7	6
Rwanda	6.0	5.5	-7	-3
Sierra Leone	5.5	3.0	-7	7
Tanzania	6.0	3.5	-6	-1
Uganda	5.0	4.5	-7	-1

Source: Radelet 2010.

Note: Polity IV measures qualities of executive recruitment constraints on executive authority, and political competition. Freedom House measures political rights and civil liberties.

4. Life expectancy and health indicators have deteriorated in the face of the HIV/AIDS epidemic.
5. Politicians can also adopt reforms when their earlier policies prove to be utterly ruinous to the economy and changing course seems to be the only viable option to avoid political change. Jones and Olken (2007) find empirical evidence that assassination of autocrats affects institutional change—specifically, a move toward democracy.
6. Where there is competition, inefficient institutions will be eliminated (Kingston and Gonzalo Caballero 2008).

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