

**Issues Note for the first sub-Saharan Africa HDR:
“Building State Capability in Africa: Institutional Reforms for Stability, Economic
Growth and Societal Transformation”**

**By
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1. Introduction

**Building State Capacity for Growth and Competitiveness in Multiple
Directions: The Central Argument of the first Africa HDR.**

1.1. Of all the regions of the developing world, Sub-Saharan Africa today shows the least promise—whether in GDP per capita growth rates, HDI over time, reduction in total poverty numbers, Africa’s share of global trade, etc. She is in danger of missing the MDGs except in a handful of states, if at all. However by some other indicators—democratization as measured by respect for civil liberties and political rights by Freedom House---the story is different; not only is Africa doing better than it has for decades but it is ahead of some other developing regions like the Middle East, and Central Asia. Africans are enjoying more democratic rights than at any time since 1989. And in the last five years, economic growth has picked up covering resource-based economies (like Nigeria, Angola, and Equatorial Guinea) but also non-mineral economies (like Kenya, Ghana, Mozambique, and Ethiopia). Despite the pessimism, therefore, Africa’s overall development performance is best described as mixed and varied. But whatever the country, the situation calls for radical reforms targeting the most critical development constraints in order to launch the continent on the path to sustained human development with individual freedom, which is what most Africans want. Leadership is the ultimate determinant. But the key driver of that change will be a higher state institutional capability grounded in new governance ideas at three levels:

- **Capacity to manage Africa’s ethnic diversity in a manner conducive to long-term political stability and democratic governance.**
- **Building state capacity to maintain security, and to provide public goods and services more efficiently than African countries do at present.**
- **Promoting Africa’s competitiveness in global markets in a pattern consistent with rapid, widely-shared growth.**

1.2 This report begins from the premise that the answer to Africa’s tragic lag behind other developing regions, as indicated by current trends in regional HDIs, will only be found in Africa, by Africans and that this trend has already begun in some parts of the continent if one cares to look.¹ This improvement is happening side by side with regress in HDIs (and loss of human lives, the opposite of human development) in other parts of the continent, again primarily for domestic reasons.

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By grouping states according to their long-term HDI performance, it should be possible to tease out the *institutional* factors behind rapid progress (in one set), decline in another, and stagnation (in yet another), the third group serving as test cases of the other two. In looking for explanations behind the variations in national performance, specific attention will be paid to the role played by leadership and the institutional capacity of the state (or lack thereof) first, to drive Human Development under political stable conditions; and second, to enable countries to take full advantage of growth under global competitiveness.

**2. The need for “Home Grown” Institutional Innovation
Proximate causes of institutional underdevelopment in Africa, and some counter-examples.**

2.1 As it is by now well-known, some (but not all) African states were at par with some of the most rapidly developing countries in last four decades—the first generation of East Asian NICs (South Korea, Taiwan) and South East Asian NICs (Malaysia, Thailand, Indonesia) in the 1960s, or thereabouts. But even in Africa itself, some of the poorest countries in the 1950s and 1960s (e.g., Botswana, Mauritius, Cape Verde) have sprung ahead of their African compatriots who were in more favorable condition at the time (Ghana, Uganda, Nigeria). Countries that did well at one time (Zimbabwe and Cote d’Ivoire) are now under stress. The fundamental question then is not just why Africa countries lagged behind their East (and now South) Asian comparators, but also why some African countries sprung from behind to ahead of the others. Some of this can be attributed to various reasons such as: Political instability and bad governance; Wrong-headed economic ideas and institutions: Pursuit of economic policies that undermine growth and competitiveness; Weak state institutional frameworks capable of responding to the two challenges simultaneously; and too much deference to policy solutions from without rather than from within.

2.2 Leading growth theorists like Paul Romer now focus on endogenous factors—in particular new *ideas* on how solve technological and social problems. The notion that Africa needs new ideas on products and production-lines has been easy to sell. That African states need institutional innovation (in national governance, the executive, economic management, internal security, etc) has been more difficult to sell; yet, changes in the latter probably matter more than in the former. For whether in Africa, (or in East Asia) countries that promote HDIs rapidly and on a sustained basis, do so because they generate novel *ideas* of doing so endogenously (on both the national governance and economic competitiveness plane) and then formulate the institutional frameworks for implementing those ideas. The adopted policies and institutions on both fronts are then adjusted with time in order to raise their efficiency and in response to national and global changes. As a result policy and institutional frameworks for countries

that develop rapidly never really resemble each other, even though their results might. Africa countries need to internalize this lesson.

3. Diversity in Promoting Human Development in Africa: The Need for Plurality in Responding to the Challenges.

3.1 There are a variety of priorities in institution-building that African countries face. It will start with the case of the worst performers who have been have been violence-prone, failing states (Sierra Leone, Liberia, DRC, Burundi, Cote d'Ivoire, Somalia) for obvious reasons—domestic political violence destroys whereas development is intended to build . [Again as Amartya Sen pointed out in 1993, militarization of politics and war is the major reason for “economic regress”]. Institution-building for peace and security on a long-term basis is the key solution here; post-conflict countries everywhere in African show rapid growth and recovery. Other cases of regress are accounted for not by war, rather by high HIV-related mortality thus suggesting a different solution. In other countries the decline in HD is due to political authoritarianism . Democracy and accountability are the priority here. Overall, although African countries dominate the last 30 positions in global HDI ratings, most of them now show an upward trend; we need to know the reasons so that we can build on them and thus accelerate the pace.

3.2. Build on countries, regions and sectors that show promise, without neglecting the rest, using gains in one to support the other. Something not often shown is that some regions within countries have done as well (if not better) than some of the star HDI performers in the world.

3.3 There is an urgent need for more country-specific constitutional innovation and deeper reforms in national governance systems to meet local conditions that must go beyond the formulaic demands for good governance, democracy and support for civil society:

- **Peace, security and stability:** With regional and international support, African states in distress have made remarkable progress in winding down political instability and wars that have dragged them and their neighbours down (e.g., Liberia, Sierra Leone, DRC, Burundi). What has been less emphasized are home-driven constitutional innovations that respond to cultural differences and social inequalities that are exploited by politicians to provoke internal conflicts in what are highly pluralistic societies in ethnic, linguistic and religious terms. By and large African societies have stuck too closely to the national governance and electoral systems of their formal colonial powers—Britain, France, Portugal, and Spain. But there is a tested menu of governance and electoral frameworks that suit culturally-pluralistic backgrounds like those of Africa: “consociational” government; grand coalitions; federalism; power-sharing with minority veto; proportional representations as an electoral system, etc. (See W.Arthur Lewis, *Politics in West Africa* (1965), Arend Lijphart, *Democracy in Plural Societies*, 1977).²

Each country will have to find the mix that suits it best. If economic strategy is one of “self-discovery” through constant improvisation, so too is national politics.

- **Effectiveness of the executive arm of government:** To think of supporting civil society” to check a supposedly overbearing state, in a situation where executive capability is either weak or random, has been a severe mistake. Yet this has happened all too often in Africa. The state needs to provide security, build infrastructure, staff public schools, control traffic, and punish wrong-doers. It is not in promoting democracy that the Asian NICs have excelled, rather in meeting such vital but mundane functions: providing property rights, individual safety, electric lighting day and night, good roads, and water when these were needed.

- **Leadership and the development policies pursued by incumbent governments:** National leadership and the policies it pursues count. Compare the effects of policies pursued by Cote d’Ivoire (under Houphouet-Boigny) before 1993 and after; Ethiopia before 1993 and after; Tanzania before 1995 and after; Zimbabwe before 2000 and after; and Kenya before 2002 and after. Economic growth in Africa has resumed in the last four years. Part of the reason is high resource-based income. Part of it is policy innovation brought about by leadership change; i.e., increased capacity to make policy and follow through. (Disaggregated data to back this up will be required).

- **Democratic institutions:** According to Ndulu and O’Connell, the more democratic (“more open”) countries in Africa have had a better economic performance better than the autocratic ones; but the causal relationship is not clear.³ In fact, globally speaking the relationship between democracy and HDI is problematic: Cuba, Qatar and UAE have better HDI ratings than many third world democracies. This applies to Africa too. Freedom House indices there are more fully democratic states in Africa (11) than at any time since the 1960s; more Africans enjoy civil liberties than ever before (cf Freedom House and Afro-Barometer data). In many cases Africa—as a region—is ahead of Middle East, and Central Asia on the state capacity and human liberties scale. Conclusion: democracy is a worthy goal in its own right, irrespective of its impact on HDR. This was Thandika Mkandawire’s eloquent verdict on the relationship between democracy and economic development in Africa, in a rejoinder to Anyang’ Nyong’o’s who had argued that there was a positive relationship between the two.⁴

- **Corruption features endlessly as the main cause of poor institutional performance in Africa.** The report will examine data between corruption perception (TI) and HDI performance, and also use some case studies. The embarrassing truth is that countries can grow with corruption (and aid too), but also regress with corruption (and aid). Still corruption should be fought, primarily because it is an affront to African economic rights (it is theft of funds that people are entitled to) and, more importantly, an abuse of due process which lowers the integrity of institutions in the eyes of the people. It is this loss of institutional legitimacy rather than growth that is lost to corruption that is a greater danger. If institutions lack popular legitimacy, they become easy to attack and destroy. One could provide institutional decay in Sierra Leone’s experience between 1981 and 1989 as an example.

4. The Quest for Developmental States in Africa.

4.1 Building effective state capacity and raising a country's global competitiveness are not incompatible objectives. The argument has been recently advanced by Benno Ndulu (*et.al*) and it is one that is found in the best literature on the East Asian miracle. States can partner with markets to match to global competitiveness. The prospects, past and present, have been shown best by Thandika Mkandawire, in a more nuanced manner.⁵ Here it is the executive capacity of the state that is at issue. In East Asia, as is well known, this was not the case; Asian developmental states (save Japan) tended to be authoritarian. In Africa Ndulu and O'Connell have shown, data tends to associate rapid growth with political democracy—but the causal relationship is not clear. If causal relationships are called in, world wide data is ambiguous about that relationship, and I am inclined to believe this actually the case in Africa too. The fastest growers in Africa today are resource economies (e.g. Equatorial Guinea, Sudan, Chad, Angola, etc). Ideally, most Africans want both democracy and development. But they get disillusioned with democratic governments when they bring in externally-designed austerity policies that would promote competitiveness (reduced consumer subsidies, competition in labor markets, etc). This much we can see from the Afro-Barometer survey.

4.2 But states can be developmental and democratic—e.g. India now, South Africa, Chile after 1988, Mauritius, Botswana, etc. The challenge facing African countries is one of reconciling rapid growth with the democratic aspirations of their people as data in chapter one demonstrates. India and other states cited here are evidence that this can be done. Indeed as Gerschenkron long demonstrated, late-comers do not have to repeat past mistakes. This argument needs to be developed further in the African case. Some countries in Africa had exceptionally high rates of growth under authoritarian rule (Cote d'Ivoire), others were democracies (Botswana). Some of the countries that had high growth rates since 1990 were democratically elected; others are autocratic. In a rapidly growing African country that is non-democratic, the priority shifts to promoting democracy, human rights and HD without jeopardizing growth. In a democracy without a rapidly rising HDI the emphasis turns to the later.

5. Rising to the challenge of institutional development in Africa: local and international policy agenda.

5.1 The report should place the greatest responsibility for building the institutional capacity to meet Africa's development challenges on Africans, emphasizing the most "binding constraint" in each case. This part should be forthright: there were multiple sources of problems that were essentially domestic in origin, aggravated by opportunistic external intervention (foreign aid included): destructive authoritarian governments; induced political instability; wrong-headed development policies; and ideologies that lead to regress, however well-meaning they may have been. These are "broad picture" issues grounded in social and political values,

espoused by the leadership, its local and external supporters. But at another level, there were also concrete management issues and institutional capacities to contend with: feeble executive capacity; lack of respect for rules and regulations; disparagement of merit-based appointments in favour of nepotism, political loyalty or ethnic affiliation. But, again, this must be tempered with data on cases where African states have succeeded. African leaders, intellectuals (these ones especially), civil society groups, African traditional leaders, and the press (now that it enjoys more freedom than ever) should join in the struggle for new home-grown strategies to improve higher institutional performance.

5.2 Aid and the international development community have a vital role to play in developing of institutional capacity of African states, but there have been monumental setbacks that now need to be addressed. Raising aid to Africa without addressing the tough questions of substantive goals, and institutional capacity will not do the job. Even before the 1993 UNDP report by Elliot Berg on the problems of technical assistance to Africa, it was known that external support for institution-building in Africa was not achieving the goals set for it; not only had it failed, it downright counterproductive in many cases.⁶ Africa has received more technical support for capacity-building than any other region in the world. And yet the results leave a lot to be desired. How much has changed since? The truth is very little and the situation could be even worse than prior to 1993. Huge amounts of funds have been channeled to “capacity building” (check data from OECD), a vague catch-all term includes any activity one can think of: research based on neo-classical economics, training, motivation workshops with like-minded people, introduction of ICT technology, recruitments of new staff, improved financial management and accounting systems, support to NGO-based lobbies, hiring of external experts, adult education, etc. What have been the results? Should this continue? What needs to be done to produce results?

¹ . Among African scholars, the argument that African intellectuals and policy-makers must “reassume responsibility for plotting the paths of development in their respective countries”, using a wider set of variables than those contained by standard recommendations by the donors was explicitly made in Thandika Mkandawire and Charles Soludo, *Our Continent: Our Future: African Perspectives on Structural Adjustment* (Dakar: Codesria, 1999).

² . W. Arthur Lewis, *Politics in West Africa* (London: Allen and Unwin, 1966); Arend Lijphart, *Democracy in Plural Societies* (New Haven, CT: Yale University Press, 1977)

³ . Stephen O’Connell and Benno Ndulu, “Governance and Growth”, *Journal of Economic Perspectives*, Vol.14, No.3, 2000.

⁴ See Thandika Mkandawire, “Comments on Democracy and Political Instability in Africa”, *African Development*, Vol.13, No.3, 1988, responding to Peter Anyang’ Nyong’o, “Political Instability and the Prospects for Democracy in Africa”, *African Development*, Vol.13. No.3, 1988.

⁵ . Thandika Mkandawire, “Thinking about Developmental States in Africa”, *Cambridge Journal of Economics*, 2001.

⁶ . Elliot Berg, *Rethinking Technical Cooperation: Reforms for Capacity Building in Africa*. (New York: UNDP, 1993)