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Africa: Is This the Turning Point?

Prepared by Stanley Fischer, Ernesto Hernández-Catá, and Mohsin S. Khan *

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Abstract

There has been a distinct improvement in economic performance in Sub-Saharan Africa (SSA) in recent years, resulting mainly from improved policies in many countries in the region. The basic question now is whether these developments are temporary or whether they augur a fundamental change in the economic fortunes of SSA. This paper argues that SSA is indeed at a turning point, because the external environment has changed. To meet the challenges of globalization and sustain the recent growth momentum, the countries in SSA will need to combine policies aimed at macroeconomic stability with enduring structural reforms to encourage private investment.

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Author's E-Mail Address: ehernandezcata@imf.org

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I. INTRODUCTION

After a long period of mediocre performance, the economic situation in Sub-Saharan Africa (SSA) has improved markedly in the last few years, resulting in renewed optimism about the economic future of the continent. This paper examines the recent experience of SSA to answer the question of whether the region is at a turning point in its economic fortunes. The paper then outlines the policies that Sub-Saharan African countries will have to implement to ensure that the recent gains translate into strong, sustained growth, and a lasting improvement in living standards.

The new optimism about sub-Saharan Africa, and the question about whether it is approaching a turning point stem from the significant improvement in performance during the last few years. For the region as a whole:

- **Real GDP growth** averaged 4¼ percent a year in 1995–97, up from 1½ percent in 1990–94 (Table 1). Per capita output rose at an average annual rate of almost 1½ percent in the past three years, compared with an average decline of 2 percent per year in the first half of the 1990s.
- After reaching a high of 44 percent in 1994, annual **inflation** dropped to 13 percent in 1997.
- The overall **fiscal deficit** (excluding grants) fell from a peak of 9 percent of GDP in 1992 to 4½ percent of GDP in 1997, reflecting a fall in the ratio of government spending to GDP.

- The region's **current account deficit** (excluding grants) widened to around 6 percent of GDP in the mid-1990s, but then fell to 4 percent of GDP in 1997.

These improvements in economic performance are encouraging because they cannot be explained by favorable exogenous developments, such as changes in the weather or terms of trade gains. In fact, the terms of trade of SSA declined at a moderate pace during both 1990–94 and 1995–97. Rather, the improved performance resulted mainly from improved policies in a number of SSA countries.

As should be expected, the regional averages conceal significant differences in performance among countries in the region. For example, the exclusion of South Africa and Nigeria (two countries that account for approximately one half of the region's GDP and almost a fourth of its population) reveals a stronger improvement in growth and investment performance in the rest of SSA (Table 2). Also, a group of ten strong performers has experienced average annual growth in per capita GDP of 7 percent in the period 1995-97.[1] In some of these countries, this outcome reflected in part special factors such as a recovery from armed conflicts (Angola, Ethiopia) or the exploitation of recently discovered, large oil reserves (Equatorial Guinea). But improved policies appear to have been the principal factor

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[1] The group consists of Angola, Benin, Botswana, Côte d'Ivoire, Equatorial Guinea, Ethiopia, Guinea Bissau, Lesotho, Mauritius, and Uganda. These countries have achieved real per capita GDP growth of more than 2 percent in each year from 1995 to 1997. Other SSA countries that have experienced per capita growth of more than 2 percent *on average* in that period, albeit not in every year, are Burkina Faso, Chad, Mali, Malawi, Rwanda, Senegal, and Togo.

in most members of this group. By contrast, 12 other countries experienced a *fall* in real per capita GDP in 1995–97, with particularly sharp declines in countries affected by armed conflicts (Burundi, the Central African Republic, Comoros, Congo, and the Democratic Republic of Congo).

Important structural reforms have been implemented in many African economies in this decade: domestic price controls have been abolished or at least liberalized in several countries; some inefficient public monopolies have been dismantled; and a large number of state enterprises have been privatized. In the external sector, nontariff barriers have been eliminated in most SSA countries and import duties have been lowered in some; exchange rates have been freed and unified in most countries (with Nigeria a major exception); and restrictions on payments and transfers for current international transactions have been eliminated in 31 out of 45 SSA countries. Most countries also have eliminated direct controls on bank credit and have established market-determined interest rates.

On the macroeconomic stabilization front, control over government spending has improved. This has been reflected in a fall in the ratio of government expenditure to GDP from a peak of 29 percent in 1992 to 26½ percent in 1997. Moreover, the ratio of total government revenue (excluding grants) to GDP in SSA averaged 20½ percent in the first half of the 1990s before rising to almost 22 percent in 1997.[2] As a result, fiscal deficits have been reduced, making it possible to lower money growth rates and inflation significantly (see Table 1). Another important policy action was the overdue devaluation of the CFA franc in 1994, which sharply improved the badly damaged competitive position of the thirteen countries then in the franc zone. Since the devaluation, those countries have experienced a strong increase in exports and a better-than-average investment and growth performance (see Table 3). After a surge in prices associated with the devaluation, inflation in the zone was reduced to about less than 4½ percent in 1997.

In spite of these improvements, the economic situation of SSA remains difficult: per capita incomes are still low, poverty is deep and widespread, and external imbalances are very large in many countries, reflecting a heavy dependence on foreign assistance. SSA's aggregate current account deficit (excluding grants) has narrowed in recent years to 4 percent of GDP in 1997, but for a few countries (including Mozambique, Rwanda, Sierra Leone, Somalia, Swaziland, and Sudan), it is above 20 percent of GDP. Most importantly, there has been no breakthrough to higher rates of capital formation, and the ratio of investment to GDP remains very low by the standards of other regions (Table 3). Moreover, compared with other

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[2]Some countries have begun to broaden their tax bases and raise the efficiency of their tax systems and have achieved very large increases in the ratio of revenue to GDP since the beginning of the 1990s (for example, Benin, Cape Verde, Ghana, Lesotho, and several oil exporting countries). At present, the level of these ratios ranges widely among countries—from more than 40 percent in some resource-rich countries such as Angola and Botswana to less than 10 percent in the Central African Republic, the Democratic Republic of Congo, Madagascar, and Sudan.

developing countries, SSA has not been very successful in attracting private foreign capital, although inflows have increased in recent years.[3]

II. Is This a Turning Point?

The question of the turning point can be divided into two parts. First, is this a turning point in the sense that the external environment facing policymakers in SSA has changed in a fundamental way? Second, is it a turning point in the sense the conditions have now been created that will allow the region to experience the kind of high and sustained growth that is required to reduce poverty and improve living standards? In other words, can the favorable performance of the past three years be sustained?

The answer to the first question is that, for good or ill, Africa is at a turning point for at least two reasons: first, because the level of official development assistance (ODA) on which the majority of the countries in the region have depended is on the way down; and second, because globalization is proceeding apace and SSA must decide whether to open up and compete, or to lag behind.

[3]See Bhattacharya, Montiel and Sharma (1997).

Flows of ODA to SSA have been on a declining trend, and this trend is likely to continue.[4] The decline in ODA is part of an ongoing global development that reflects both disappointment with foreign aid programs and budgetary pressures in the donor countries. It is a problem, but not necessarily an unmitigated problem. Indeed, some studies have concluded that foreign assistance has had no significant beneficial effects on growth in the recipient countries, except when it was associated with sound policies (Tsikata, 1998, Burnside and Dollar, 1997). Another study found that when long-term aid is provided with little or no effective conditionality, it does not significantly raise investment or benefit the poor, but it does increase consumption and the size of the government (Boone, 1996). Recent empirical evidence also indicates that SSA countries with relatively high levels of external grants tend to have significantly lower-than-average tax ratios (Ghura, 1997a), implying that aid has a tendency to work against fiscal discipline.

To be sure, the continuing fall in ODA that is in the cards will require far-reaching adjustments for many African countries. But it could also help to bring about a fundamental reorientation of economic policies aimed at increasing the role of the private sector and private capital inflows. The decline in ODA will make it clear that higher living standards in the future must be based on efforts to attract higher private investment, both domestic and foreign, and to increase the productivity of both capital and labor .

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[4]According to the Development Assistance Committee of the OECD, gross bilateral ODA disbursements to SSA fell from US$13.9 billion in 1990 to US$10.7 billion in 1996.

Globalization also is a major challenge for SSA. Collier (1997) has argued convincingly that SSA must endorse rather than resist globalization. In his view, Africa's policy environment is much worse than in other regions, and this has led to massive capital flight (estimated by Collier to be 70 percent of private wealth during the period 1970–92). Thus, in spite of capital controls, African capital *de facto* has already been globalized—albeit in the wrong direction. And so Collier argues that the region has very little to lose from globalization, and that it has much to gain, provided that globalization is accompanied by policy changes that address four major problems.

First, *transactions costs are very high in Africa*, for a variety of reasons, including: (a) transportation is expensive because of monopolistic, cartelized and/or subsidized sea, airline and rail links, and in some cases because of poor location; transportation also is unreliable, forcing firms to hold very large inventories in spite of the high cost of funds resulting from cartelized banking systems; (b) contract enforcement is difficult because the courts and legal systems function badly; (c) information costs are high because of the unreliability and low density of the telecommunications system; and (d) ancillary public services (e.g., health inspection and certification) are expensive and of poor quality. In most SSA countries globalization and the associated steep reduction in transactions costs will result in private capital inflows and a shift in comparative advantage toward manufacturing and higher growth.[5]

The second problem is that *the productivity of private capital in some SSA countries is affected by inadequate physical infrastructure* and an inadequate stock of human capital (Findlay, 1996). This is partly because fiscal policy in many of these countries favors government wages and social transfers rather than the provision of infrastructure, education and training. Globalization will induce local capital to move to other countries where the quality of physical infrastructure and human capital is higher, leaving the authorities no choice but to shift budgetary priorities toward infrastructure and education or accept capital flight and brain drain.

The third problem is that *barriers to foreign trade are still quite high in most SSA countries.*[6] By continuing to liberalize, these countries would stand to gain from both improved resource allocation and increased competition. The recently announced plan for a common external tariff in the countries of the West African Monetary and Economic Union is

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[5]In some economies, natural resource endowments are so large that a fall in transactions costs will not suffice to make manufacturing viable, but it will improve the productivity of the natural resource sector and therefore increase real income. Sachs and Warner (1997) have argued that abundant natural resources are associated with a poor policy environment and low growth. But there are notable exceptions in SSA, such as Botswana and Namibia. Moreover, Collier suggests that, to some extent, it is the bad policy environment that induces concentration in natural resources, a sector that is less vulnerable than manufacturing to high transactions costs.

[6]See, for example, Sachs and Warner, 1997.

a welcome step in this direction, as it will not only create trade among members of the Union, but also lead to a simpler and more liberal structure of external tariffs. SSA's partners among the advanced countries can also help by reducing their own trade restrictions. While the tariffs they impose on African products are low, the advanced countries could help to increase the growth of SSA's actual and potential exports, for example, by eliminating MFN-bound and applied tariffs on agricultural goods, accelerating the phase-out of the Multi-Fibre Agreement, reducing tariff escalation, exempting SSA countries from contingent protection measures, and reducing the restrictiveness of technical regulations and product standards.

Finally, in a number of SSA countries, there is the problem of *corruption* in the administration and the judiciary. It is well-recognized that corruption is a major obstacle to private sector activity, as it reduces government revenue (and therefore the base to improve infrastructure and education), tilts government investment towards large and wasteful projects, and increases transaction costs. This recognition is now supported by a growing body of empirical evidence suggesting that corruption has an adverse effect on growth by reducing private investment (Poirson, 1998). Corruption also worsens the composition of government expenditure. For example, Mauro (1997) found a negative and significant relation between corruption and public spending on education for a large group of developing countries—a finding that might be explained by the relative difficulty in collecting bribes on investment in education, as compared to other types of public expenditure such as government consumption of other goods and services.

III. Can Africa Sustain the Recent Rise in Growth?

The answer to the second turning point question depends on whether policymakers take the requisite actions to transform the recent increase in growth rates in SSA into a lasting process. The recent improvement in growth reflects in part a rise in the utilization of existing capacity. To be sustained, however, a high rate of growth will require an increase in investment rates and/or an increase in total factor **productivity**—i.e., an improvement in the technological, political, administrative and economic factors that raise the rate of return on both capital and labor. The empirical literature on growth in SSA confirms the importance of these factors, which increase growth directly for a given ratio of physical investment to GDP. For example, Ghura and Hadjimichael (1996), using a production function approach, find that growth is raised by policies aimed at macroeconomic stability (i.e., a low fiscal deficit and low inflation) and by structural reform.

An important factor in this area, already noted in the discussion of globalization, is Africa's relative lack of openness, which reduces efficiency and productivity growth by distorting resource allocation. In particular, restrictive trade policies have played a role in what Shiff and Valdés (1995) have called the "plundering of agriculture": in many developing countries, and in SSA in particular, policies often have been biased against agricultural production through measures that reduce the incentive to produce agricultural goods (e.g., price controls, export taxes or quotas, import subsidies) and those that provide protection to nonagricultural production (import duties, tax exemptions). However, important steps in the right direction have been taken by many African countries in this area, including the ongoing liberalization of the cocoa and coffee sectors in Côte d'Ivoire, an action that will have far-reaching beneficial effects on both efficiency and income distribution.

The close link between **investment** and growth in developing countries over the long run is evident in the empirical growth literature.[7] For developing countries in general, the elasticity of growth with respect to the investment/GDP ratio has been found to lie within the range of 0.3 to 0.5.[8] The estimates for Africa are similar; in general the coefficient of the investment-to-GDP ratio is found to be statistically significant and to range from 0.3 to 0.6, depending on the specification of the growth model, the countries included in the sample, and the period and method of estimation.[9] In view of these results, it is encouraging that the ratio of investment to GDP increased substantially from 1990 to 1997, both in the group of strong SSA performers and in the CFA franc zone—although in both regions the level at the beginning of the 1990s was quite low (Table 2). For SSA as a whole, unfortunately, the ratio of total investment to GDP has shown only a modest improvement, and in 1997 it was less than 17 percent, compared with 29 percent in the developing economies of Asia and about 21 percent in those of the Western Hemisphere (Table 3).

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[7]Indeed, investment is one of the few variables in growth regressions that holds up consistently across a vast range of specifications; see Sala-i-Martin (1997).

[8]See Khan and Kumar (1997) and Sala-i-Martin (1997).

[9]See Ndulu and Ndung'u (1997) and Khan and Kumar (1997).

In addition to underscoring the crucial role of investment in the growth process, the empirical literature stresses the particular importance of *private* investment. Ghura and Hadjimichael (1996) and Ghura (1997b) found that the effect of the private investment ratio on growth is significantly higher than that of the government investment ratio. Khan and Kumar (1997) estimate the rates of return to private and public investment for various developing-country groupings. For example, for African countries the rate of return is estimated to be 50 to 60 percent higher for private capital than for public capital. Yet, the ratio of private-to-total investment in SSA (73 percent in 1995–97) is lower than in the newly industrialized economies of Asia (79 percent) and Latin America (75 percent),[10] and much lower than in the advanced economies (82 percent).

IV. How Can Investment Rates be Raised in Africa?

Standard theoretical models of investment have not been applied very successfully in developing countries. These standard models have to be adapted for the structural features of those countries, and particularly African countries—the absence of well-functioning financial and capital markets, the relatively large size of governments, the distortions created by barriers to international trade and, in the past, by foreign exchange controls, and the

[10]International comparisons of data on private investment must be interpreted with caution because investment by public enterprises is included for some countries—e.g., including most countries in SSA—but excluded for others—e.g., in Latin America.

dependence on imported inputs and technology—and such modifications have not been easy to implement.[11]

Risk is an important determinant of investment. It is sometimes argued that the relatively high rates of return on investment in SSA reflect to a large extent the need to offset the higher perceived risks associated with investments in that region. These risks stem in particular from the absence of a well-established institutional and legal infrastructure to support market transactions. For example, property rights may not be adequately protected; periods of economic instability may be relatively more frequent; and there may be dramatic changes in political and economic regimes. To offset these risks, investors in these countries would need to be compensated by a significantly higher expected rate of return.[12]

What can African governments do to reduce the perceived high degree of risk in their economies? The experiences of other developing countries demonstrate that providing a stable financial and macroeconomic environment can go a long way toward reducing the degree of domestic uncertainty facing investors. Other things equal, economic performance has been better in those countries that were able to achieve low and stable inflation rates, to maintain

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[11]See for example Blejer and Khan (1984) and Serven and Solimano (1993).

[12]Until recently, evidence on the higher risk of investing in Africa was mostly anecdotal. However, Collier (1997) points out that on the basis of the *Institutional Investor* risk ratings, Africa in 1995 was the most risky region in the world. A recent empirical study for 53 developing countries suggests that the risk of expropriation, insufficient civil liberties and the low quality of bureaucracy tend to have a large and statistically significant, negative effect on private investment (Poirson, 1998).

fiscal discipline, and to avoid overvalued exchange rates. But beyond the macroeconomic fundamentals, legal and institutional changes are necessary to ensure that both domestic and foreign investors believe that they are protected against sudden and arbitrary changes in the rules of the game and capricious judiciary decisions.[13] Of course, the most serious kind of political risk—that of destruction of physical capital and disruption of social stability by armed conflicts—will remain in some African countries until long-term political solutions are reached.

Investment in African countries is also constrained by a shortage of capital. Domestic saving rates in Africa have been relatively low: in the period 1995–97, they averaged about 16 percent, compared to 18 percent for the developing countries in the Western Hemisphere and 33 percent for the newly industrialized economies of Asia (Table 3). Higher saving rates in SSA would support higher investment while helping to reduce a reliance on foreign saving that remains excessive in many countries of the region. This will not be easy, however, particularly in view of the low levels of income in most SSA countries.[14] The government will need to improve its fiscal position without squeezing spending on education, public health and infrastructure; in the case of private savings, the focus will have to be on financial sector reforms and interest rate policies.

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[13]See Khan and Haque (1985).

[14]It is therefore particularly encouraging that the 10 recent strong performers in SSA have succeeded in raising their aggregate domestic saving rate from a range of 11 to 12 percent in the early 1990s to an average of 18 percent in 1996–97.

Historically, the financial system in most countries in SSA was tightly controlled by the government, and ceilings were placed on nominal interest rates. With inflation, such controls often resulted in highly negative real rates of interest. Real financial savings, therefore, grew less rapidly than the real economy; and disintermediation, particularly through parallel or curb markets, became a serious problem. Such developments can sharply restrict the availability of credit through the financial system and thereby inhibit the level and efficiency of investment. Since available credit is often allocated first to large firms and state-owned enterprises, financing for small and medium-size firms can be severely rationed. As a result, uneconomic projects are often undertaken at the expense of more efficient ones.

In recent years many, many African countries have implemented financial reforms, including privatizing banks, promoting free entry into the banking system, and raising interest rates to market-clearing levels. While these reforms have not as yet yielded large increases in saving rates in the region as a whole, there is mounting evidence that these policies are working in the right direction. However, because the empirical evidence for developing countries indicates that the immediate effects of increases in real interest rates on savings are quite small, provided the real rate is positive, not too much should be expected from this channel in the short run. It is nevertheless important to maintain real interest rates at positive levels to generate private savings in the longer run.

Developing countries, being capital poor, are expected to supplement domestic savings by importing capital from the capital-rich countries. In SSA this need has been filled largely by

ODA, but greater reliance must now be placed on private markets to provide the necessary financing. In particular, African countries will have to attract foreign direct investment (FDI) for at least two reasons: first, to reduce their heavy external debt burden and rely increasingly on nondebt-creating inflows; and second, to benefit from the new technologies and the management expertise that often is embodied into FDI. Unfortunately, Africa's experience with FDI has been poor. For example, during the period 1991 to 1997, SSA's share of the \$470 billion cumulative flow of FDI to all developing countries was less than one half percent (\$23 billion). Why is this share so small and what can African countries do to change the picture?

Surveys of foreign investors show that FDI flows to countries with stable political and economic environments, transparent and minimal regulations, good infrastructure facilities, a skilled labor force, and low production costs—much the same set of factors that encourage domestic investors. In contrast, as noted by Bhattacharya, Montiel and Sharma (1997), many African countries have suffered from civil strife, macroeconomic instability, small domestic markets, inward trade orientation and burdensome regulations, slow progress in privatization, and poor infrastructure, all of which combine to make these countries a high-risk proposition for FDI flows.

Several African countries are taking steps to make their economies more attractive to foreign investors. An important task facing the authorities in these countries is to reduce the perceived risk of policy reversals by providing credible commitments and increasing the cost of reneging on these commitments. As Collier (1997) notes, a number of such "instruments of restraint" can be considered, including: membership in regional trading arrangements; establishing an independent central bank; participating in public insurance schemes for investment such as the Multilateral Investment Guarantee Agency (MIGA) of the World Bank; implementing capital account convertibility; and promulgating internationally acceptable investment charters. Such instruments would bind governments to investor-friendly policies and lock-in the basic reforms needed to attract FDI.

V. Conclusion

In the last two to three years there have been increasing reasons for optimism about the economic prospects of Africa. Growth has picked up substantially, as a number of countries have put in place policies conducive to macroeconomic stability and greater efficiency in production. In many countries, budget deficits have been reduced, inflation has been lowered, the process of privatization has intensified, and the financial sector has been liberalized. Moreover, in some countries, a serious effort of liberalization of external trade and agriculture is under way, and the need to improve the legal system is beginning to receive the attention it deserves. Because of globalization and the tendency for official development assistance to decline over time, sub-Saharan Africa is indeed at a turning point. What is needed now is the pursuit of policies that will enable African countries to consolidate the gains they have made and put the region on a permanently higher growth path.

In spite of the recent gains, the economic situation in SSA remains fragile. Almost half the population of Africa lives on less than $1 a day; political disruptions are commonplace, with many leading to armed conflicts; and social unrest and ethnic rivalries continue to constrain development in some countries. Moreover, output in many SSA countries is concentrated in a few primary products and thus these countries are vulnerable to climatic changes and exogenous shifts in their terms of trade. All in all, it would not take much to wipe out the progress made in recent years and push the region back to a low-level equilibrium, characterized by low growth rates and stagnant, or even falling, per capita incomes.

In the last three years a number of African countries have achieved exceptionally large increases in per capita income. This performance needs to be sustained and spread to other countries in the region. In particular, economic prospects for the region as a whole would look very different if growth in Nigeria and South Africa were to rise significantly, not only because of the very large share of these two countries in the GDP and the population of the continent, but also because of the considerable potential for favorable spillover effects in neighboring countries.

This paper has argued that an important condition for sustained high growth rates in Africa lies in raising **investment** rates, and in particular *private* investment rates. This will require the maintenance of a stable macroeconomic environment but also far-reaching improvements in **governance** to avoid capricious interference with private activity and to develop and maintain a transparent and stable legal and regulatory environment that reduces the risks that currently hinder private domestic and foreign investors. Higher domestic saving rates also will be required to sustain higher rates of capital formation while reducing reliance on external saving.

While increasing investment is crucial, action is also needed in many complementary areas in order to raise productivity and growth. The first is **trade liberalization**, an area where progress is being made but where considerable scope remains for African economies to take further advantage of the opportunities offered by globalization. The second is **privatization**. Compared with Latin America, for example, sub-Saharan Africa still has a long way to go in privatizing public sector agencies, thus making room for the private sector (domestic and foreign) and increasing efficiency while helping to improve the public finances and the loan portfolio of commercial banks. The third area is **civil service reform**. In many SSA countries, government employment must be reduced for both budgetary and efficiency reasons, and the salary structure must be rationalized to provide adequate pay and reward merit. The fourth area is **banking reform** through the modernization of regulation, the strengthening of supervision and, in some countries, increased domestic and foreign competition. The fifth area is **liberalization of agricultural sectors**, where the important progress made in some countries must now be extended throughout the region. The sixth area is the **labor market**, where flexibility and competitiveness must be improved in several countries to reduce structural unemployment. This is a long agenda, but it should be followed if Africa is to avoid being marginalized and is to develop its vast potential.

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Table 1. Sub-Saharan Africa: Key Economic Indicators

	1990	1991	1992	1993	1994	1995	1996	1997*	Averages 1990-94	Averages 1995-97
				Percentage change						
Real GDP	2.3	1.8	0.1	1.5	2.2	4.1	4.9	4.0	1.6	4.3
Real GDP per capita	-1.4	-1.5	-3.9	-2.4	-0.6	1.7	1.6	0.8	-2.0	1.4
				Percent of GDP						
Investment	16.0	16.8	16.3	15.8	17.0	17.3	17.0	16.4	16.4	16.9
(Government)	4.7	4.7	4.4	4.8	5.3	5.1	4.6	4.0	4.8	4.6
(Private sector)	11.3	12.1	11.9	11.0	11.7	12.2	12.4	12.4	11.6	12.3
Domestic saving	17.9	16.7	14.7	13.7	15.5	16.8	15.9	15.5	15.7	16.1
Current account balance 1/	-4.8	-4.7	-5.5	-6.0	-5.7	-6.1	-3.3	-4.0	-5.3	-4.5
Grants	1.7	1.8	2.1	2.0	1.9	1.7	1.5	1.4	1.9	1.5
Overall fiscal balance 1/	-6.0	-7.2	-9.1	-8.6	-7.8	-6.1	-5.8	-4.6	-7.7	-5.5
Primary fiscal balance 2/	-1.4	-2.3	-3.7	-3.2	-1.9	-0.8	-0.4	0.7	-2.5	-0.2
				Percentage change						
Broad money growth	21.1	30.1	32.6	27.3	44.1	28.2	30.3	17.8	31.0	25.4
Consumer price inflation	19.7	27.2	37.7	39.1	44.4	40.5	32.8	13.2	33.6	28.8

Sources: IMF African Department and World Economic Outlook databases.
*Data for 1997 are preliminary.
1/ Excluding grants.
2/ Overall balance, excluding interest payments.

Table 2. Sub-Saharan Africa: Selected Indicators by Groups of Countries

(In percent)

	1990	1991	1992	1993	1994	1995	1996	1997*	1990-94	1995-97
Real GDP growth										
Sub-Saharan Africa	2.3	1.8	0.1	1.5	2.2	4.1	4.9	4.0	1.6	4.3
Recent strong performers 1/	2.4	2.1	0.8	2.8	4.1	7.4	7.8	5.9	2.4	7.0
SSA Excl. South Africa & Nigeria	1.7	1.6	0.2	1.4	2.3	4.6	5.6	4.5	1.4	4.9
CFA countries 2/	-1.2	0.6	0.0	-2.0	1.9	4.6	5.3	5.5	-0.1	5.1
Non-CFA countries	3.0	2.1	0.1	2.2	2.2	4.0	4.9	3.8	1.9	4.2
Real per capita GDP growth										
Sub-Saharan Africa	-1.4	-1.5	-3.9	-2.4	-0.6	1.7	1.6	0.8	-2.0	1.4
Recent strong performers 1/	-1.2	1.6	-4.6	-4.1	0.0	4.4	4.6	3.0	-1.7	4.0
SSA Excl. South Africa & Nigeria	-1.2	-0.9	-3.7	-3.6	-1.1	2.2	2.2	1.6	-2.1	2.0
CFA countries 2/	-3.6	-2.0	-3.3	-4.4	-1.2	1.6	2.1	2.4	-2.9	2.0
Non-CFA countries	-0.9	-1.4	-4.0	-2.0	-0.5	1.7	1.4	0.5	-1.8	1.2
Investment/GDP										
Sub-Saharan Africa	16.0	16.8	16.3	15.8	17.0	17.3	17.0	16.4	16.4	16.9
Recent strong performers 1/	13.6	15.2	14.6	17.1	17.5	18.1	17.8	19.6	15.6	18.5
SSA Excl. South Africa & Nigeria	15.2	15.7	15.2	16.2	17.3	17.0	17.2	17.3	15.9	17.2
CFA countries 2/	13.8	14.1	12.5	13.9	16.3	16.1	17.6	17.0	14.1	16.9
Non-CFA countries	16.5	17.4	17.2	16.2	17.1	17.5	16.9	16.3	16.9	16.9
Private investment/GDP										
Sub-Saharan Africa	11.3	12.1	11.9	11.0	11.7	12.2	12.4	12.4	11.6	12.3
Recent strong performers 1/	7.1	9.8	9.8	10.2	11.8	12.5	13.7	15.0	9.7	13.7
SSA Excl. South Africa & Nigeria	9.1	10.0	9.6	10.1	10.6	10.9	11.7	11.9	9.9	11.5
CFA countries 2/	10.2	10.8	9.9	10.8	12.7	12.2	14.6	13.8	10.9	13.5
Non-CFA countries	11.5	12.4	12.3	11.0	11.5	12.2	12.1	12.2	11.7	12.2

Sources: IMF African Department and World Economic Outlook databases.
* Data for 1997 are preliminary.
1/ Angola, Benin, Botswana, Côte d'Ivoire, Equatorial Guinea, Ethiopia, Guinea-Bissau, Lesotho, Mauritius, and Uganda.
2/ Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Congo, Equatorial Guinea, Gabon, Mali, Niger, Senegal, and Togo. Guinea Bissau joined the CFA zone in 1997.

Table 3. International Comparisons of Saving and Investment

(In percent of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997*	1990-94	1995-97
Investment										
Sub-Saharan Africa	16.0	16.8	16.3	15.8	17.0	17.3	17.0	16.4	16.4	16.9
Western Hemisphere	20.2	19.7	20.5	20.3	20.4	19.9	20.1	21.6	20.2	20.5
Asia (excluding Japan)	27.0	27.2	27.1	27.2	27.7	28.9	28.8	28.4	27.2	28.7
NIAE	31.1	32.1	31.7	31.0	31.3	32.3	32.0	31.3	31.4	31.9
Advanced economies	22.1	21.4	20.7	20.0	20.5	20.6	20.7	20.8	20.9	20.7
Private investment										
Sub-Saharan Africa	11.3	12.1	11.9	11.0	11.7	12.2	12.4	12.4	11.6	12.3
Western Hemisphere	...	14.1	15.5	15.7	15.8	15.1	15.6	15.5	15.3	15.4
Asia (excluding Japan)	18.3	18.5	18.3	18.8	19.1	20.2	20.5	20.1	18.6	20.3
NIAE	24.1	24.8	24.5	23.9	24.5	25.6	25.3	24.8	24.4	25.2
Advanced economies	18.1	17.4	16.6	15.9	16.5	16.8	16.9	17.3	16.9	17.0
Domestic saving										
Sub-Saharan Africa	17.9	16.7	14.7	13.7	15.5	16.8	15.9	15.5	15.7	16.1
Western Hemisphere	20.1	18.5	17.8	16.9	17.5	18.0	18.6	18.0	18.2	18.2
Asia (excluding Japan)	29.2	30.0	30.0	31.9	33.3	32.8	33.9	32.9	30.9	33.2
NIAE	34.4	34.2	33.3	33.4	33.0	33.2	32.4	33.0	33.7	32.9
Advanced economies	21.5	21.2	20.1	19.8	20.3	20.8	21.0	21.4	20.6	21.1

Sources: IMF African Department and World Economic Outlook databases.
*Data for 1997 are preliminary.
NIAE: Newly industrialized economies of Asia.