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GLOBALISATION, GROWTH AND INCOME INEQUALITY: THE AFRICAN EXPERIENCE

by

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TABLE OF CONTENTS

ACKNOWLEDGEMENTS....... 5

PREFACE 6

RÉSUMÉ....... 8

SUMMARY 8

I. INTRODUCTION....... 9

II. SUB-SAHARAN AFRICA AND THE GLOBAL ECONOMY: 1965-2000 12

III. GLOBALISATION, POVERTY AND INEQUALITY IN SUB-SAHARAN AFRICA....... 18

IV. CONCLUSION 25

APPENDIX 27

NOTES....... 30

BIBLIOGRAPHY 32

OTHER TITLES IN THE SERIES/ AUTRES TITRES DANS LA SÉRIE....... 34

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PREFACE

Over the 1980s many developing countries recorded disappointing performances in terms of growth, development and, especially, poverty reduction. The 1990s has been the decade of globalisation — defined as both external opening and an increased role of markets domestically. Globalisation in developing countries has occurred largely as a consequence of moves towards external liberalisation, part of broader shift to more market-oriented, export-led development strategies, often in the framework of stabilisation and structural adjustment programmes with the IMF and World Bank. This simultaneous emphasis on globalisation with the unsatisfactory performance of developing countries in lowering inequality and poverty levels, has led to an intense debate over whether globalisation, and the development strategies associated with it, are part of the problem, or part of the solution. The debate has been largely about perceptions, rather than about well-defined propositions, in part because of lack of data, inadequate analysis, and insufficient attention paid to cultural differences.

In the light of this debate, on 30 November and1 December 2000 the Development Centre organised a policy dialogue to assess the impact of globalisation on poverty and income inequality in developing countries. What policies should developing countries pursue to achieve "inclusive globalisation", supported by pro-poor growth? What policies should OECD member countries adopt to help them through, for example, bilateral development assistance and influencing international institutions? In the Development Centre's tradition of frank policy dialogue between experts, policy makers and stakeholders, this particular event gave a voice to those countries and people in the world economy who do not normally participate in the meetings of international institutions.

This series of papers* consists of regional surveys of the impact of globalisation that the Centre commissioned as input and background for the dialogue. For each of three regions — Latin America, Southeast Asia and Sub-Saharan Africa, two contributions were commissioned. The first focused on the economic impact of globalisation, especially the effect on poverty and inequality. The second looked at the political economy of countries in the context of policy formulation in response to globalisation.

The results presented here and in the rest of the series show that globalisation is not the major cause of income inequality and poverty in developing countries, but has none the less contributed to the poor performance of a number of developing countries. What has differentiated winners from losers has been that globalisation has worked by amplifying the effects of pre-existing inequalities in the distribution of assets, especially human capital, and of access to infrastructure and other productive resources. In

countries where inequalities were high, globalisation tended to make inequality worse; similarly globalisation has tended to increase inequalities across countries.

This analysis implies two key, development policy lessons. First, for globalisation to be pro-poor, it needs to be combined with policies which create a more equal distribution of, or access to, productive assets and resources, particularly for vulnerable groups facing the increased competition which comes with globalisation. Second, the speed and sequencing of external and domestic liberalisation must be tailored to the particular circumstances of individual countries, based on their institutional capacity to transform the economy.

Jorge Braga de Macedo
President
OECD Development Centre
5 December 2001

* *Globalisation, Poverty and Inequality in Sub-Saharan Africa: A Political Economy Appraisal*, by Yvonne M. Tsikata.

Distribution and Growth in Latin America in an Era of Structural Reform: The Impact of Globalisation, by Samuel A. Morley.

Globalisation, Liberalisation, Poverty and Income Inequality in Southeast Asia, by K.S. Jomo.

Globalisation, Growth and Income Inequality: The African Experience, by Steve Kayizzi-Mugerwa.

The Social Impact of Globalisation in Southeast Asia, by Mari Pangestu.

Where Does Inequality Come From? Ideas and Implications for Latin America, by James A. Robinson.

RÉSUMÉ

Les efforts pour réintégrer l'Afrique subsaharienne au sein de l'économie mondiale à l'aide de réformes bénéficiant d'un appui international n'ont pas donné les résultats escomptés : les lacunes des institutions, l'absence de conditions locales favorables ou d'une capacité à négocier l'aide étrangère d'une manière efficace sont largement responsables de cet échec. Des intérêts privés puissants ou des communautés en position dominante ont parfois détourné les réformes. La globalisation a bien fonctionné lorsqu'elle a été associée à une relance du développement social et qu'elle a favorisé l'investissement et la croissance, permettant ainsi aux gouvernements de commencer à lutter contre la pauvreté. Elle a également réussi lorsque l'état de chaos de l'économie avait anéanti toute opposition. Des gouvernements démocratiques n'auraient probablement pas été en mesure d'imposer des mesures aussi drastiques. Mais la globalisation n'est pas seule responsable de l'extension de la pauvreté et des inégalités. Les problèmes économiques et sociaux, les maladies, les guerres civiles, les famines et les chocs extérieurs ont joué un rôle certain et, dans les pays ainsi affaiblis, la globalisation s'est révélée incapable de renverser la tendance régressive.

SUMMARY

Efforts to get Sub-Saharan Africa back into the world economy through internationally-backed reforms have largely failed due to lack of institutions, suitable local conditions or ability to negotiate effectively for foreign aid. Powerful interests or dominant communities distorted attempts at reform in some places. Success came when globalisation was made part of boosting social development and where it revived investment and growth, helping governments to start tackling poverty. It also worked best where economic chaos had decimated potential opposition. Democratic governments could probably not have got away with such drastic measures. But globalisation was not entirely to blame for increased poverty and inequality. Social and economic problems, disease, civil war, famine and external shocks played their part and in countries thus weakened, globalisation could not reverse the decline.

I. INTRODUCTION

Since the Second World War, Sub-Saharan Africa (SSA) has been strongly integrated in the world economy, with high trade/GDP ratios. If more openness stimulates growth, as globalisation advocates claim, such integration should have led to greater sustained growth than in Latin America, Asia and the OECD countries, which had much smaller trade shares in total production. But apart from brief growth spurts in recent decades, it does not seem to have led to sustained development. Other poor regions of the world have managed to lift their populations out of abject poverty, sometimes even reducing income inequality, but Africa has not to any large extent.

This has been blamed on lack of institutions, poor assets distribution, persistence of civil strife and disease, even bad weather. All tend to make SSA unattractive to both foreign and domestic investors. Part of the problem may be Africa's uneven integration into the world economy, sometimes involving capital flight and brain drain rather than resource inflows. Despite rapid changes in world trade in the past few decades, Africa is stuck in a rut of low valued added exports, notably agricultural commodities and minerals, which it exchanges for manufactures. The enclave nature of mineral production, apart from exposure to international price fluctuations, means financial and technological inflows have few backward linkages to the rest of the economy. High shares of agriculture in total production expose African economies to frequent climatic and price shocks. But structural impediments or initial conditions do not fully explain African performance, since some 'hopeless' cases have made spectacular recoveries, while more 'promising' ones have sunk into chaos.

The stated goal of the economic reforms since the 1980s has been to reduce Africa's structural vulnerability to external factors by integrating it, in terms of trade and capital flows, into the world economy and so ensure sustained growth and poverty reduction. African countries began economic reforms much later than the more developed Latin American and East Asian countries. Their efforts were sometimes quite considerable and a sharp break with the controlled economies of the 1970s. The first generation of adjustment policies focused on macroeconomic stabilisation, emphasising exchange rate adjustment and fiscal consolidation of government expenditure. Later reforms involved more structural matters such as market deregulation, trade liberalisation and public sector restructuring, including civil service retrenchment and privatisation.

During the first half of the 1990s, the economic reforms of the previous decade seemed to be paying off. The extent and quality of implementation varied widely but many countries, from most parts of the continent, showed positive growth rates and fairly low or declining inflation. More important, investment rates were picking up. African countries seemed on the verge of sustainable reform-generated growth. The so-called 'Washington consensus' seemed to be vindicated[1].

The optimism did not last, however. By the end of the 1990s, domestic and external developments, including poor weather, continuing civil strife and the Asian crisis, led to a sharp reversal in performance. Of more than 30 countries that posted positive per capita growth in the early 1990s only a few, including Ghana, Mozambique, Uganda and Tanzania, still had high growth levels by the end of the decade. The reforms seem to have resulted in little real structural transformation. In many countries, the impressive growth spurts earlier in the decade stemmed from one-off effects of liberalising commodity marketing, which brought peasants back into formal markets buttressed by good world prices and the sizeable aid inflows that accompanied the reforms. There was also a 'peace dividend' as South Africa moved to majority rule, affecting all of Southern Africa, as peace returned to Mozambique and Ethiopia and as other 'trouble spots' calmed down. The fleeting nature of the growth was further seen when serious disagreements with donors arose as reforms faltered (Kenya, Zambia and Malawi), often ending in aid embargoes.

Exports and imports expanded in most African countries after liberalisation but diversification into manufactured exports did not happen. The East Asian and Latin American experience shows that to get into export manufactures in a competitive way requires a critical supply of skilled labour[2]. However, African educational systems were slow responding to the private sector's need for better human resources and more skills. Public sector retrenchment has in fact meant a fall in the number of modern jobs in many countries.

It is hard to distinguish the role of domestic factors and external shocks from that of globalisation in the extent of poverty and inequality. A major aspect of inequality in Africa is the huge rural-urban gap, which stems from colonial rule rather than globalisation. Post-independence efforts to tackle it with rural development programmes and direct policy interventions were not very successful. During the long social and economic crisis, urban economies deteriorated and, in some cities, pockets of poverty emerged that were worse than anything in the countryside. But poverty remains concentrated in rural areas and inequality in Africa is one of the highest in the world[3].

Ironically, in some countries the crisis had an equalising effect, in that it hit the richer people in towns more than it did the rural population, especially because country people could always resort to subsistence. Trade liberalisation, by boosting export crops, actually reversed rural decline in some countries. Where they were grown on small peasant holdings, the impact on rural welfare was clearly positive. In the coffee- and cocoa- growing regions of Uganda and Ghana respectively, peasants were able to reclaim their trees, which had gone to bush, as farm-gate prices improved. With urban areas recovering slowly from the shock of the contracting public sector, rural-urban inequalities in Africa did not increase dramatically.

Many countries embarked on reforms in the 1980s only after the situation was already very desperate. Civil service wages were only a fraction of what they were in the 1970s, government services had deteriorated and external debt had increased. Many economies were clearly in a downward spiral. Did globalisation aggravate this or were the outcomes merely the continuation of this downward spiral? Would a reform plan incorporating domestic political considerations have done a better job?

It is hard to say exactly how countries would have performed in the absence of globalisation. Its advocates argue that many, such as Kenya, Zimbabwe and Nigeria, failed to benefit from its economic reforms because they only applied them half-heartedly. Fairly successful cases, such as Ghana, Uganda, Mozambique and Ethiopia (before the recent war), did however manage to reverse decades of economic decline by sustained reforms, thanks to higher levels of reform ownership.

The 'successes' and 'failures' show some interesting features. The 'successes' embarked on reforms when were on the brink of economic ruin as a result of civil war or prolonged mismanagement, so it was easier to take the 'bitter medicine.' The successes also had charismatic leaders able to trigger a sympathetic reaction from donors, partly because their neighbours were doing much worse in policy terms. They were able to loosen up the strict conditions of the standard model by pointing to their 'special' circumstances. Uganda even managed to argue successfully that, given the country's history, military expenditure was socially on a par with health and education expenditure. Successful governments especially had enough political clout to resist backsliding in the difficult first years before the reforms bore enough fruit to compensate politically powerful losers.

II. SUB-SAHARAN AFRICA AND THE GLOBAL ECONOMY: 1965-2000

The initial conditions left behind by colonialism, followed by state-led development strategy after independence, worsened economic performances and produced growing structural problems in the 1970s, culminating in a debt crisis in the early 1980s. This was often exacerbated by political and civil strife and natural disasters. In response, many countries, with the support of external donors, began stabilisation programmes and market-oriented reforms, aiming ultimately to change the nature of Africa's integration into the world economy and generate sustained growth. These efforts, begun in the mid-1980s, became fairly widespread by the early 1990s.

II.1 Initial conditions

At independence, African economies tended to be highly dualistic. The degree varied greatly from country to country, depending on factor endowments and the legacy of colonialism for their economic and political structures, and was connected with inherited differences in levels of inequality. SSA countries are richly endowed with land and labour, making both subsistence and export crop farming major sources of income. Those with white settler communities, such as Kenya and Zimbabwe, tended to be much more 'dualistic,' with greater inequality in land distribution and capital-intensiveness in the shape of large, intensive white-owned farms operating alongside small, backward peasant ones. Zambia and Democratic Congo (DRC) developed huge mining enclaves with high wages, creating wage dualism as they often became urban centres, making mineral economies among the most urbanised in Africa. Where maintenance of racial inequality was an important part of political and economic life, these divisions were even wider.

SSA countries inherited low levels of social and economic attainment. In 1960, average life expectancy was little more than 35 years (Table A2 in Appendix) and infant mortality (per 1,000 live births) nearly 150 (and over 200 in Angola, Mali, Malawi and Sierra Leone). Incomes were very low. Social services were seriously hampered by a very acute shortage of skilled personnel[4], aggravated by the small population of many large countries, few of which enjoyed scale economies in providing government services or sustaining large private sector projects.

Poor initial conditions were made worse by the development strategy adopted by these countries in the 1960s based on state control of the economy. This failed to create incentives to develop their resource-rich economies and led to serious economic decline in the 1970s and 1980s. Fearful of disrupting delicate political balances, many countries put off reforms until the civil services and parastatal sectors had begun to deteriorate, with serious effects on the rest of the economy.

II.2 Economic Developments since Independence

Since independence, Africa's economic growth has seen four phases: rapid growth from the mid-1960s to the early 1970s; growing foreign debt and deteriorating performance from the 1973 oil shock to the debt crisis of the early 1980s; first attempts at stabilisation and reform in the 1980s; and more widespread market-oriented reforms in the 1990s.

In the first period, most countries had rapid economic growth because of good commodity prices. Per capita GDP grew by an average three per cent annually (Table 1), led by agricultural output growth of 3.9 per cent. Inflation was moderate and the current account deficit of nearly seven per cent of GDP was financed comfortably by foreign capital inflows. Commodity booms helped maintain reasonable investment ratios (Table 2)[5] in oil (Nigeria) and in coffee and cocoa (Kenya and Côte d'Ivoire). Financial sectors operated under tight controls and investment was often directed into state-owned enterprises or parastatals in 'strategic' sectors, so the efficiency of investments is doubtful[6]. The state's growing role in the economy was boosted by a big expansion of social services as post-colonial governments focused on narrowing the rural-urban income gap inherited from colonial times.

Table 1. **Sub-Saharan Africa: Macroeconomic Indicators, 1965-97**
(ratios, averages, percentage)

Indicator	1965-74	1975-84	1985-89	1990-97
GDP growth	5.8	2.2	2.6	1.9
Per capita growth	3.1	-0.4	-0.1	-0.8
Agriculture growth	3.9	0.6	3.4	4.0
Services growth	-	3.7	3.0	2.0
Industry growth	-	2.5	1.8	1.1
Investment/GDP	20.2	23.0	17.5	18.1
Saving/GDP	19.9	20.1	16.8	11.5
Fiscal deficit/GDP	-	5.4	5.9	6.7
Inflation	5.8	13.8	15.8	16.3
CA deficit/GDP*	6.7	4.6	3.2	3.9

Note: * current account deficit excludes grants.

Source: African Development Bank, *African Development Report* (various years).

Table 2. **Gross Domestic Investment as a percentage of GDP in SSA Countries, 1965-98**

Country	1965	1970	1975	1980	1985	1990	1995	1998
SSA	16	17	23	20	14	14	19	18
Côte d'Ivoire	22	22	22	27	13	7	14	18
Kenya	14	24	18	25	22	20	18	14
Nigeria	15	15	25	21	9	15	16	20
South Africa	22	23	25	23	15	12	18	16
Uganda	11	14	8	6	9	13	16	15

Source: African Development Bank, *African Development Report* (various years).

In the second phase, the external shocks of the 1970s exposed SSA's structural weaknesses and the rigidity of the state-dominated political and economic systems. The *dirigiste* policies of the post-colonial leaders failed to cope with this situation. The sharp deterioration in terms of trade made it hard for governments to keep on supporting large-scale import substitution and declining revenues reduced their ability to intervene extensively in social sectors and also their capacity for political patronage. To preserve the gains in social service provision since independence, many countries borrowed heavily at home and abroad. Large fiscal deficits and inflation became the rule, along with efforts to protect urban workers from income erosion, in the form of price controls on food and other essential commodities[7].

Many countries registered negative per capita growth during this period. Agricultural output declined, partly because of the Sahel drought of the 1980s. The poorest performers found themselves in various stages of economic collapse. Uganda, Chad, Ghana and the DRC fell under military dictatorships or into civil and economic disorder. As things continued to deteriorate, some countries began stabilisation efforts.

In the second half of the 1980s, many African governments made further economic reforms, introducing belt-tightening policies such as devaluation, reducing budget deficits (sometimes by sharp cuts in social spending) and abolishing food, utilities and transport subsidies. The political limits to reform also became evident. Many countries tried for quick results, only to slow down sharply in the face of growing domestic opposition, including food riots. Those who had benefited from the stabilisation and liberalisation efforts, such as coffee farmers in Uganda and Kenya, were often not powerful or vocal enough to offset the protests of the losers, usually urban-based groups, such as civil servants and industrial workers

During this period, the 'adjustment with a human face' critique of the Bretton Woods institutions began to be heard, arguing that the multilateral agencies' stabilisation programmes leading to social sector retrenchment and worsening inequality and poverty were ultimately unsustainable and caused more harm than good. This criticism was the basis of the reform strategies of the 1990s, which stressed complementary reforms in social services and supply-side policies targeting vulnerable parts of the population.

In the early 1990s, reforms became deeper and more widespread, often preceded or accompanied by major political changes. Several countries, earlier embroiled in civil war and other conflicts, such as Ethiopia, Uganda and Mozambique, managed to terminate or suspend them. Multiparty democracies emerged in some countries, though this sometimes did not help economic reform, as implementation became slower and more politicised. Macroeconomic stabilisation continued. Devaluation became important, notably of the CFA franc in 1994, which boosted exports in French-speaking West African countries. An index of SSA's average real effective exchange rate indicates currency undervaluation for much of the 1990s (Table 3)[8]. Fiscal restraint was a big part of most programmes, especially in the form of further cuts in the public sector. In marked contrast to the 1980s reforms however, social services and poverty reduction were emphasised, often in direct reaction to the social costs associated with those reforms.

Table 3. **Ratio of Parallel Market to Official Exchange Rate for SSA Countries, 1980-97**

Country	1980	1990	1991	1992	1993	1994	1995	1996	1997
Botswana	1.03	1.02	1.19	1.19	1.16	1.08	1.01	1.02	1.01
Côte d'Ivoire	0.99	1.04	1.02	1.02	1.02	1.06	1.00	1.01	1.02
Ethiopia	1.35	2.90	3.24	3.39	2.66	2.20	1.74	1.61	1.12
Ghana	5.78	1.11	1.04	1.03	1.03	1.02	1.02	1.02	1.01
Kenya	1.11	1.02	1.09	1.38	1.58	1.19	1.04	1.04	1.08
Mauritius	-	1.06	1.09	1.08	1.04	1.02	1.05	1.08	1.04
Nigeria	1.65	1.16	0.68	1.27	2.57	3.26	3.58	3.74	3.87
South Africa	1.16	1.04	1.05	1.05	1.07	1.07	1.02	1.05	1.02
Tanzania	2.56	1.50	1.59	1.36	1.09	1.03	1.02	1.04	1.07
Uganda	1020	1.60	1.17	1.20	1.27	1.32	1.11	1.09	1.09
SSA Real effective exchange rate	113	100	96.5	94.7	93.4	84.6	83.5	81.1	82.6

Source: World Bank, African Development Indicators Data Base.

Many SSA economies returned to growth in the early 1990s, some having halved their per capita incomes during the 1980s. Returns on investment improved strongly, attracting domestic and foreign investors as well as more donor aid. But larger countries such as the DRC, Nigeria and even South Africa continued to register poor growth.

Even in the more successful countries, growth rates were falling by the second half of the 1990s, casting doubt on the viability of the pro-market reform strategies emphasising increasing integration into the world economy, the so-called Washington consensus.

II.3 Changes in Africa's Integration into the World Economy

How did the integration of Africa into the world economy fare during this period of crisis and more recent reform? Table 4 shows that the oil crisis in the early 1970s sharply reduced Africa's trade openness, measured by the sum of exports and imports divided by total GDP. This seems largely a result of policies of further restricting trade and more widespread use of foreign exchange controls[9]. Openness continued to decline during the 1980s crises and earlier phases of economic adjustment as the effects on trade of poor economic growth and collapsing urban economies and infrastructure discouraged a response to policy reforms or macroeconomic measures to stimulate trade. Openness fell by nearly 20 percentage points in SSA between 1965 and 1990. But with an average trade to GDP ratio of almost 50 per cent, African economies remained quite open by international standards, especially given their limited transport infrastructure and the high cost of doing business.

Table 4. **Sub-Saharan Africa: Measure of Market Integration (X+M)/GDP**
(percentage)

Year	SSA	Kenya	Côte d'Ivoire	Nigeria	Uganda	S. Africa
1965	62.3	127	79	78	-	58
1970	60.5	147	90	91	-	54
1975	56	90	70	130	-	48
1980	56	81	100	189	-	42
1985	51	53	90	132	30	35.5
1990	50.2	66	86	80	30	37
1995	58.7	84	88	87	36	49
1998	62.3	72	89	91	38	54

Source: African Development Bank, *African Development Report*, 1999.

Openness recovered a little in the 1990s due to liberalisation, a more buoyant global economy and the overall economic revival in many African countries. But despite nearly 15 years of economic liberalisation, these countries have not been able to diversify their exports away from raw materials. For SSA as a whole, the share of the three most important items in total exports has changed very little in the past 20 years (Table A1 in Appendix). Africa's capacity to export manufactures, even those requiring fairly simple technology such as textiles, is still very low. So the continent remains highly integrated into the world economy, but the kind of integration has not changed much after 30 years of crisis and reform.

SSA's integration into world capital markets has not changed much either. Private capital flows, including FDI, have lagged rather than led growth rates. FDI accounted for about one per cent of GDP for the period 1987-97, quite low compared with middle-income countries (UNCTAD, 2000), where rates were 10 per cent of GDP. FDI flows tend to focus on a few successful reformers, creating a stable investment climate, or where there is great mineral wealth. So Nigeria and its oil wealth were able to attract

large amounts of FDI (up to five per cent of GDP on average during the period). Uganda has been able to attract close to 3.5 per cent of GDP in FDI annually in the past decade, including letting Indian businessmen expelled from the country in the early 1970s recuperate their property. Other success stories, such as Ghana, attracted much less. South Africa has not drawn very much, though it has risen sharply in recent years. Returns on African FDI are relatively high, but the continent's reputation as a high-risk environment demands even higher returns before serious investors return or expand activities.

II.4 Other Factors Affecting Performance

Africa's poor performance in the 1990s could be blamed on the failure of globalisation to deliver the goods, or on reforms that have not gone far enough in removing structural blocks to success. HIV/AIDS has had a devastating impact on life expectancy and decimated the working population in many countries. The disease has strained already limited social budgets, with more than half of health spending in some countries being absorbed in treatment of HIV/AIDS and related ailments. Civil wars and other military conflicts re-emerged in many parts of Africa in the 1990s, most recently in the Great Lakes Region, where six countries are embroiled in the Congo conflict.

III. GLOBALISATION, POVERTY AND INEQUALITY IN SUB-SAHARAN AFRICA

III.1 Introduction

Since the late 1980s, poverty in SSA, defined as those living on less than $1 per day, increased by 70 million to 290 million in 1998 – over 46 per cent of total population (Table 5) – and Africa's share of the world's poor rose from just below 20 per cent to close to a quarter. But Africa has also substantially liberalised over the past decade and trade has recovered. Are the two processes linked or are other causes of poverty responsible, such as civil conflict, natural disasters and the HIV/AIDS pandemic?

Table 5. **Sub-Saharan African Poverty in Global Context, 1987-98**

	1987	1990	1993	1996	1998
SSA poor population (millions) living on less than $1 per day (% of world total in brackets)	217.2 (18.4)	242.3 (19)	273.3 (21)	289 (24)	290.0 (24.3)
SSA headcount (%)	46.6	47.7	49.7	48.5	46.3
South Asia headcount (%)	44.9	44	42.4	42.3	40.0
World headcount (%)	28.3	29.0	28.1	24.5	24.0

Source: The World Bank's Poverty Data Base.

Two pairs of countries – the Côte d'Ivoire and Nigeria in West Africa, and Kenya and Uganda in East Africa – plus South Africa represent a fairly diverse set of outcomes from globalisation and liberalisation since the mid-1980s, ranging from Uganda's success in restarting growth and reducing poverty to Nigeria's poor performance, with South Africa, Kenya and Côte d'Ivoire in between.

Each of the country pairs had the same type of economic structure at the beginning of the 1960s. Côte d'Ivoire and Nigeria had quite large and vibrant private sectors and were agricultural economies, exporting palm oil, cocoa and coffee. Both Kenya and Uganda exported coffee and tea. Kenya was initially a fairly market-oriented economy. All four countries started in the 1960s with well-functioning economies that were soon faced by mounting domestic demands for jobs and services as well as pressures from deficit expenditure. By contrast, South Africa's economy was much more dependent on its mineral wealth. Budgetary and political pressures there in the 1970s came more from its emphasis on self-sufficiency – which meant curtailing imports – and later the economic sanctions during the last years of apartheid that restricted exports,

than from external market shocks, since it was much less integrated into the world economy.

Despite these similarities, there were important differences in land ownership and tenure patterns and, by the late 1960s, in political structure. Côte d'Ivoire had a more developed plantation sector, worked increasingly by migrant labour, while peasant holdings were more the norm in Nigeria. Peasant farmers were the backbone of the Ugandan economy, while Kenya's agricultural sector was more sophisticated, exporting to the region and beyond. Kenya managed to develop a fairly diversified economy, not unlike Côte d'Ivoire, with forward linkages to a large agro-industry and with exports of manufactures (Table A1 in Appendix). In South Africa, agricultural holdings were heavily concentrated in the form of large, relatively capital-intensive white-owned farms. Politically there were differences too. Prior to the 1990s, Nigeria had gone through a bloody civil war, while Uganda had slid into anarchy, from which it did not emerge for two decades. The Kenyan leadership had reacted to post-independence demands by making the country an unofficial one-party state. In South Africa, the apartheid system was strongly entrenched. Only Côte d'Ivoire managed to maintain a semblance of social harmony.

III.2 Liberalisation and Openness

In both country pairs, economic reforms were only started in the 1980s when the economies were already seriously disrupted by external shocks and domestic problems. Civil war had disrupted economic reform in Uganda in the early 1980s (as it had destroyed national cohesion in Nigeria in the 1960s) while civil strife and famine reversed performance in Kenya in the mid-1980s. Nigeria's efforts at reform revolved around the oil price cycle[10].

Table 6 shows policies of Côte d'Ivoire, Kenya, Nigeria and Uganda since the early 1970s and how they contributed to internal and external liberalisation. The extent and consistency of reform has varied substantially between countries. For much of the 1990s, Kenya had an on-off relationship with multilateral institutions. Reforms were initially postponed for fear they would be politically disruptive and were only applied under urgent pressure from a seriously impaired economy. Côte d'Ivoire took a slow reform path, speeding up only after the death of President Félix Houphouët-Boigny. The pace of Nigerian reforms, however, was dictated by the oil sector, with the government unwilling to make reforms while oil revenues were good. Uganda followed a more consistent reform programme once it begun, partly because it had exhausted all options during the long period of economic and political chaos.

Table 6. **Overview of Internal and External Liberalisation Measures in Four SSA Countries**

Côte d'Ivoire	
1948	The CFA franc created and pegged to the French franc at 1FF to 50 CFA francs.
1960-75	Large commodity trading corporations (for cocoa and coffee) created or extended, with powers to regulate the market, set prices and provide credit.
1976-80	Commodity boom leads to appreciation of the exchange rate. No attempts at sterilisation made and the government embarks instead on huge infrastructure projects. Commodity price declines lead to financial crisis and the government resorts to foreign borrowing.
1981-90	Further decline in terms of trade, but government can do little to improve external competitiveness since it has no control over the exchange rate. It adopts a structural adjustment programme in 1987, as it was halting payments on foreign debt.
1991-95	Difficult period of succession to Houphouët-Boigny who dies in 1993. The CFA franc is devalued by 50 per cent vis-à-vis the French franc (now 1 to 100) in early 1994. In September 1995 the government presents its development strategy cum election manifesto 'l'Eléphant d'Afrique' with the goal of making the country industrialised by 2020. An ESAF is reached with the government. Privatisation of utilities undertaken. Country put on fast track for HIPC programme.
1995-2000	Difficulties with donors over governance of economy. Coup d'Etat in December 1999. ESAF suspended. Hope for achieving HIPC relief lost for the moment.
Kenya	
1965-80	Avoids implementing 'African Socialism' as in neighbouring Tanzania (and to some extent Uganda). The East African Community is weakened by creation of parallel institutions in each member country as well as separate currencies. Oil shocks are quickly surpassed by a coffee boom that lasts two years.
1986	Sessional Paper No.1, 1986, meant to liberalise the economy by reducing tariffs, deregulating prices and interest rates and improving prices paid to cash crop farmers is presented to Parliament.
1981-93	The Kenya shilling is pegged to the SDR, 1981-93.
1991-95	Aid embargo for lack of 'governance' in early 1990s. Foreign exchange control suspended in February 1993. Price controls on petroleum products lifted in October 1994. Foreigners allowed to invest directly on Nairobi Stock Exchange. ESAF reached with the IMF.
June 1994-June 1997	Number of customs duty bands reduced from 8 to 4, with maximum rate falling from 45 to 25 per cent.
July 1997	ESAF suspended – again for poor governance (restored 2000)
1998-2000	East African Community Treaty signed, with goal of removing internal trade barriers by 2003. New regulatory agencies created – Electricity Regulation Board, Communications Commission, Anti-Corruption Authority. By 1998, the government had privatised 165 enterprises (mostly small).

Table 6. (contd.)

Nigeria	
1965-75	A legacy of sectional friction, which at the end of the 1960s, leads to a long civil war. Post-war problems partly assuaged by oil boom. Government expenditure rises to unprecedented levels, causing 'Dutch disease.' The Udoji commission raises civil service wages to unprecedented levels.
1975-85	Oil distorts economic policy and income fluctuations cause discontent and lead to many military takeovers (in 40 years of independence, the military has been in power for 28). In 1982, a wage freeze is declared by government, which lasts until 1989, while salary cuts are made in 1985. In a 'war against indiscipline', austerity measures are introduced in 1984, including closure of borders to 'identify aliens'.
1986-88	A structural adjustment programme is begun in 1986. In September 1986 a second-tier foreign exchange market is introduced, leading to 66 per cent devaluation of the naira. Also trade liberalisation: import licensing removed and exporters allowed to retain foreign earnings.
1993-95	Abacha takes power and embarks on 'guided deregulation'. Government reopens the autonomous foreign exchange market, loosens controls on foreign investment, reduces tariffs and promises privatisation. Government begins releasing money from a 'Petroleum Trust Fund'. Corruption, capital flight and inefficiency harm performances.
1999-2000	29 May 1999: democracy is restored and in December 1999, EU aid. Oil prices boom again in 2000.
Uganda	
1965-70	Move towards more centralised government control in all areas, including trade. A new central bank is opened and a new currency introduced. The importance of East African co-operation is reduced even as a treaty for it is signed.
1971-85	Military take power in 1971. Indian business families expelled in 1972. Economic disarray worsened by the oil shock. Coffee boom mainly benefits smugglers as the government cannot provide incentives for trade in the formal market. Years of chaos and quick switches of governments follow. In the early 1980s, Obote II starts economic reforms, which are derailed by events.
1987	Museveni's government introduces Economic Recovery Programme supported by World Bank, IMF and donor community. The main planks are reviving domestic competitiveness and improving public sector efficiency in service delivery.
1988-95	Foreign exchange bureaux are introduced, with transactions on a 'no questions asked' basis. Marketing monopoly of the Coffee Marketing Board is removed, as are taxes on coffee. Taxes switched to fuel. The Uganda Revenue Authority and other autonomous agencies set up to improve public services. Bank of Uganda achieves 'independence.' Government reduces tariffs, privatises many firms and returns major companies to previous owners.
1996-2000	Tax tribunal set up. Country qualifies for HIPC1. A second national telecommunications carrier to compete with state firm designated. Uganda qualifies for HIPC2. Involvement in war in the DRC causes donor and investor consternation.

Trade and foreign exchange reforms were handled in various ways. In Côte d'Ivoire, which belongs to the CFA franc zone, such matters have been co-ordinated among member countries since the 1950s. Although the country has a fairly large economy, it has not been able to have its own trade policy, apart from improving domestic production and lowering costs. The economy returned to strong growth only after the 50 per cent devaluation of the CFA franc in 1994. Though Kenya collided with the donor community on many occasions in the past decade, it has also carried out far-

reaching trade reforms. Between 1994 and 1997, the number of customs duty bands was reduced from eight to four and the maximum duty rate reduced to 25 per cent. The re-establishment of the East African economic community meant further regional trade liberalisation, with a zero tariff on internal trade, and the government eventually abandoned all exchange rate controls. Uganda made one of the most dramatic changes when it freed foreign exchange transactions in the early 1990s.

The effects of liberalisation on openness have varied too. With economic difficulties locally and regionally, Kenya saw its level of openness fall from 147 per cent in 1970 to 53 in 1985, since when it has slowly risen as policy has opened up. Uganda is working its way up from a very low base. Export concentration remains high, with most of them deriving from agriculture (Table A1 in Appendix). As an oil exporter, Nigeria's degree of integration has moved counter-cyclically to that of its neighbours[11]. Its dependence on oil exports is very high, making it difficult to pinpoint the separate impact of globalisation (Table A1 in Appendix). Côte d'Ivoire, one of the more diversified economies in SSA, with large quantities of manufactured exports, has managed to preserve a high level of global market integration. Despite its big manufacturing sector, South Africa's market integration has been much lower than many SSA countries but it has increased in recent years (Nattrass and Seekings, 2000).

III.3 The Impact on Poverty and Inequality

Changes in inequality in Côte d'Ivoire, Kenya, Nigeria and Uganda can be related to changes in global market integration over the past few decades[12].

During the 1960s and 1970s, *Côte d'Ivoire* had unprecedented growth of about seven per cent a year, during which inequality increased sharply. In the first decade of independence, Côte d'Ivoire's Gini coefficient rose from 0.46 to 0.53, a jump of 15 per cent. Inequality rose even faster during the 1970s after the extraordinary increase in cocoa and coffee prices in 1976-77. The Gini for 1979 was 0.61. Yet inequality fell with economic crisis of the early 1980s. By 1985, the Gini had fallen to 0.39, where it has roughly stayed since (in 1995, it was 0.37).

The changes in inequality before the reform efforts of the 1970s and 1980s reflect the interaction of external conditions – coffee and cocoa prices – with internal inequalities in land ownership and wages for civil servants, a legacy of the colonial period when civil servants were largely French. During the boom years, inequality widened, reflecting the underlying dualism that pervades Ivorian society. Despite rapid growth and affluence, the country had one of Africa's lowest literacy rates and life expectancies and one of its highest infant and under-five mortality rates. During the 1980s crisis, the government had to cut civil service wages and salaries and export prices put plantations under pressure.

To see the impact of economic reforms on poverty, the situation before and after the 1994 devaluation of the CFA franc can be compared (Table 3A in Appendix). Poverty in Abidjan, the capital, rose fourfold, from five to 20 per cent of the population, between 1993 and 1995, with the devaluation halving the value of incomes in foreign currency terms (wages and profits). In the countryside, poverty rose by 40 per cent in West Forest, a key coffee and cocoa-producing region that would have benefited directly from the devaluation, showing the gap between theory and reality. The increase was partly

because West Forest depends on migrant workers and most returned home when their real wages were halved by the devaluation.

Like other settler colonies, *Kenya* had a legacy of inequality of income and land ownership. Like Côte d'Ivoire, which also did not follow a 'socialist path,' it went from exceptionally high growth rates in the 1960s and 1970s to economic crisis and adjustment in the 1980s to fitful and ultimately failed attempts at reform in the early 1990s. The Gini increased by 10 per cent between 1976 and 1995 – from 0.52 to 0.575.

Despite the turbulent economic changes over the 18-year period, inequality increased only slightly, probably because the 1980s crisis had more impact on the relatively well-off in urban areas, causing inequality to fall. But in the countryside, inequality increased sharply, with the Gini at 0.40 in 1982 and at 0.49 a decade later. The increase is probably partly due to the civil strife and famine in much of rural Kenya during this period.

The differential impact of economic turbulence on rural areas is shown in the poverty figures. During adjustment, poverty rose substantially in rural Kenya. By the early 1990s, except for public sector employees, only 16 per cent of whom were classified as poor, all other groups had poverty rates of over 30 per cent, including cash crop farmers who could have been expected to benefit from liberalisation. The differences in poverty between town and country are directly tied to the impact of external shocks and the kind of policy response. The reforms and associated flow of foreign money during adjustment created more income-generating opportunities for the poor in towns, especially the informal sector, than in the countryside. In rural areas, only commodity-producing farmers benefited directly, as marketing channels improved, while food farmers, especially subsistence ones, benefited less because of their poor links to world markets.

Nigeria's political economy is more complex than that of other African countries. Despite its oil income, inequality is no worse than in Côte d'Ivoire and lower than in Kenya. The pattern of inequality has been similar to elsewhere, rising in the 1960s and 1970s, partly as urban, especially civil service wages were pushed up. Inequality in Nigeria declined with the crisis in the 1980s, as oil prices and then government revenues fell, putting pressure on civil service salaries[13]. Between 1986 and 1988, the Babangida government agreed to an IMF and World Bank structural adjustment programme but implemented it slowly and reluctantly.

The state of the oil sector, and not the government's response to pressure from multilateral institutions, was ultimately the main determinant of economic outcomes. In the early 1990s, the world oil market was depressed and poverty in Nigeria grew by 53 per cent between 1992 and 1996. Reflecting the urban sector's increasing dependence on oil-related activities, urban poverty almost doubled, from 29.6 per cent to 57.5. Rural poverty grew less quickly but still rose by half. Data on inequality is not available for the same period but the Gini was 0.37 in 1986, rising to 0.416 in 1992. Because of the rent seeking and corruption that went along with oil extraction in Nigeria, the decline in social welfare and increase in inequality in the 1990s cannot be entirely blamed on structural adjustment. For example, while most oil is produced in the Delta region, a poor system of rent and income sharing with the central government means the region lags behind in social development compared to those with fewer resources.

Uganda has moved from the brink of economic disaster to sustained growth. Before the military took power in the early 1970s, the Gini (1970) was 0.266, low compared with many African countries at the time. It was a good mirror of the economy, which largely rested on peasant farmers, some dependent on subsistence while others grew cash crops. No survey was made during the two decades of chaos that lasted until the mid-1980s. The Gini for 1989 was 0.33. The fairly small change may be because, as in Kenya, the rural poor's main assets continue to be land and their own labour, which is still devoted to subsistence. By wiping out the budding middle class in the towns, with most heads of household forced to moonlight to make ends meet, the crisis had an equalising effect.

Globalisation in Uganda seems to have increased inequality very little, while reducing poverty. The country has applied economic reforms, with World Bank and IMF support, since an economic recovery programme was introduced in 1987. But the reforms did not start producing growth and lower inflation until the early 1990s. The Ginis available to illustrate the period are for 1992 and 1996, both of them 0.38. Poverty fell by 18 per cent between 1992 and 1996, with significant declines in both town and country. But only 13 per cent of the decline is thought to have resulted from changes in income distribution, with the rest due to growth in average incomes.

Uganda's reforms were successful because they seem to have raised incomes in urban and especially rural areas at the same time. Civil service wages were increased from a low level. Reforms provided incentives for production, especially in the coffee sector, through greater use of the market, removal of export taxes and related exchange rate reforms and resulted in higher coffee and food production in the southern parts of the country, raising incomes[14]. At the same time, world coffee prices improved.

Table 7. **Changes in Inequality in Côte d'Ivoire, Kenya, Nigeria and Uganda, 1959-96**

Country	Sample Year	Gini Coefficient
Côte d'Ivoire	1959	0.46
	1970	0.53
	1979	0.61
	1985	0.39
	1995	0.37
Kenya Rural	1982	0.40
Rural	1992	0.49
All	1976	0.52
All	1994	0.575
Nigeria	1986	0.37
	1992	0.416
Uganda	1970	0.266
	1989	0.33
	1992	0.38
	1996	0.379

Sources: UNU/WIDER-UNDP, World Income Inequality Data Base; World Bank (1997); World Bank (1995); Bigsten and Kayizzi-Mugerwa (1999); Uganda, Ministry of Finance and Economic Planning (1998).

IV. CONCLUSION

Reintegration of Sub-Saharan Africa into the global economy was a major goal of the mid-1980s reforms backed by multilateral agencies and donor countries. They were expected to reduce economic distortions and bureaucratic waste, increase FDI and technology flows and raise efficiency through increased domestic and international competition. Growth rates would rise and poverty would fall (Demery and Squire, 1996).

Three major factors have governed globalisation’s impact on performance. The first is the policy response of governments. The erratic response by many African countries was not so much for lack of trying to implement the main elements of the Washington consensus, but because these policies either could not be fully integrated, often because of missing institutions, or because they were unsuitable to the local situation. The second determinant of successful reform was the flow of resources from foreign donors. This depended on whether countries could negotiate with the donor community. Successful negotiations released enough goods to the population and elite groups to make further reform possible. Globalisation at its best used aid to rehabilitate social infrastructure – crucially roads in landlocked Uganda – and increase the general supply of goods and services. Reforms accompanied by inflow of funds were far less painful than the chaos the countries had gone through earlier. Donor money often proceeded FDI flows.

The third factor concerns the structure of the economies, including their initial conditions and the nature of the power structure. In Côte d’Ivoire, for example, reforms did not start until after the death of President Houphouët-Boigny in 1993. Until then, criticism of government policy was taken as criticism of the president, the architect of earlier prosperity. Corruption came to pervade the economic system, which was only briefly disrupted by switches in military regimes. In Kenya, local capitalists could veto important parts of the programmes while in Zambia the leadership’s wish for rapid globalisation clashed with the pace its supporters were willing to accept. In Nigeria, oil wealth distorted policies. Oil revenues not only boosted the government’s patronage powers, but rent-seeking activities also emerged around control of external trade, domestic commerce and issuing of contracts and licences.

But there are lessons to be drawn from the few successes. In Uganda and Ghana, globalisation worked quite well because it was seen as part of a political effort to recreate conditions for social development. This followed years of decline and civil war in Uganda and negative growth and bad governance in Ghana and both governments had run out of easy options using their own resources. Implementing reforms seems to have been easier there because economic chaos had decimated potential opposition such as trade unions and traders, yet other previously chaotic countries have not returned to growth.

The ability to improve things quickly for a large part of the population, such as farmers, was a key to success. A degree of benevolent dictatorship was at play in both Ghana and Uganda, at least during the critical initial phase of globalisation, so the quality of political leadership was decisive, but this is hard to replicate. It is also doubtful that a democratically-elected African government could have taken such drastic measures and stayed in power. Democracy may be desirable, but it is clearly not necessary, and sometimes even an obstacle, to mobilising enough political support for sustained reform.

Globalisation cannot be entirely blamed for increased poverty and inequality in Africa in the 1990s. Social and economic afflictions and diseases, including HIV/AIDS, civil war, famine and external shocks, also bear some of the blame for Africa's low level of social achievement. But countries that are stagnant or in decline are more vulnerable to such exogenous shocks and globalisation was for many countries not enough to reverse the negative social trends. In the 'success stories,' such as Ghana, Uganda and Mozambique, globalisation revived investment and growth, helping governments to start tackling poverty.

It is hard to say which way African economies would have gone in the absence of globalisation. But the fact that many countries applied the standard model of it without success is sobering. Is the model flawed or its implementation? In the few successful cases, strong political leadership was clearly crucial early on in the process, with top leadership directly involved in the debate. There was also willingness, perhaps because policy-making capacity had been decimated during the chaos of previous decades, to rehabilitate and reform government institutions. The successful countries also benefited from a kind of 'sympathy' premium from donor agencies, which did not impose their conditions too strictly.

APPENDIX

Table A1. **Three Most Important Items as percentage of Merchant Exports, 1983-98**

Year	SSA	S. Africa	Kenya	Uganda	Nigeria	Côte d'Ivoire
1983	68	67	-	-	99	25
1985	74	66	68	90	99	38
1987	66	62	56	95	98	35
1989	66	55	54	98	97	36
1991	68	53	49	80	98	33
1993	66	52	49	71	98	36
1995	61	45	37	79	98	33
1997	65	51	42	60	98	37
1998	62	49	45	69	100	36

Source: World Bank Tables.

Table A2. **Socio-Economic Indicators for Africa**

	Life expectancy at birth (years)		Infant mortality (per 1 000 live births)	
Country	1960	1995	1960	1996
Angola	33	47.4	207.5	170
Benin	36.9	54.3	179	84
Botswana	46.5	52	115.5	40
Burkina Faso	36	46	186	82
Burundi	41	44.5	152	106
Cameroon	39.2	55	163	63
Central Africa Rep.	38.5	48.4	174.4	103
Chad	34.8	47	194.7	92
Côte d'Ivoire	39.2	52	165	90
DRC	41	52	153	128
Ethiopia	35	48.7	186	113
Kenya	44.7	53.8	124	61
Gambia	32	46	213	78
Guinea-Bissau	34	43.4	200	132
Madagascar	40.7	57.6	178.25	100
Malawi	37.8	41	206	137
Mali	34.8	47	209	134
Mauritania	38.5	52.5	176.5	124
Mozambique	37	46	190	133
Niger	35	47	186	82
Nigeria	39.5	51.4	189.3	114
Senegal	37.2	50.3	172	74
Sierra Leone	31.5	35	218.8	164
South Africa	48.9	64	88.9	50
Sudan	39.2	52.2	160	73
Swaziland	40	59	156	68
Tanzania	40.5	50.6	146.5	93
Togo	39	50.5	181	78
Uganda	43	40.5	132	88
Zambia	41.5	43	135	112
Zimbabwe	45.2	48.9	109	49
Memo item: Least developed countries	39	51.2	170	109

Source: UNDP: Trends in Human Development.

Table A3. **Poverty in Côte d'Ivoire, 1993-95**
(percentage)

Sample Area	1993	1995
Abidjan	4.8	20.2
Other towns	31.3	28.6
East Forest	37.3	41.0
Savannah	48.5	49.4
West Forest	35.6	50.1
Côte d'Ivoire	32.3	36.8

Source: World Bank (1997).

Table A4. **Poverty in Uganda, 1992-96**
(percentage)

	1992	1996
Rural	59.4	45.6
Urban	29.4	49.7
Central	44.7	28
Northern	71.4	65.1
Food crop farmer	64.1	58.3
Cash crop farmer	59.6	40.5
Uganda	55.6	45.6

Source: Appleton (1998).

NOTES

1. The optimism was also shared by the African Development Bank (1995).
2. Some (Wood, 1998) argue that Africa's comparative advantage is in raw material production, which would provide the resources for human development. Manufacturing would be a derivative stage.
3. See Deininger and Squire (1996).
4. For example, at Independence in 1964, Zambia had less than 100 university graduates.
5. The 'tiger economies' of East Asia had investment ratios of nearly 30 per cent.
6. In the 1960s and 1970s, African governments had more confidence in their ability to 'pick winners' than those of East Asia, which had early on taken steps to make access to public resources more competitive for state-owned firms, by auctioning operating licences, for example.
7. Côte d'Ivoire is a classic case. The robust performance of the post-independence years made policymakers unable or less willing to accept that resources had diminished after the collapse of cocoa and coffee prices in the 1980s (den Tuinder, 1978). The resource gap was bridged by foreign commercial and some multilateral official loans, but the government did not want to change policy. Declining industrial activity, increasing underemployment and deteriorating infrastructure became features of urban life while many rural initiatives, notably village electrification, were abandoned (Gozo, 1983).
8. Table 4 indicates a very low level of overvaluation for the CFA franc used by Côte d'Ivoire and other members of the French-speaking African Monetary Union. This was perhaps the price SSA had to pay for earlier laxity with foreign exchange markets.
9. Some countries, notably Nigeria, did benefit from the oil boom however, while a double frost in Brazil led to unprecedented increases in beverage prices.
10. During the oil booms, the country went its own way. The expansion of the oil economy disrupted performance in other sectors, such as agriculture, for example via the appreciation of the real exchange rate, and also led to growth of corruption, capital flight and public sector inefficiency. Reforms were only tried when the oil funds and the authorities were forced to accept conditions to gain access to multilateral donors. In South Africa, liberalisation was delayed until the collapse of apartheid in the early 1990s.
11. During the booms of the 1970s and early 1980s, Nigeria was highly integrated into the world economy. This also shows a weakness in the openness measure, since it does not indicate the country's ability to sustain that level of openness or the extent that exports derive from a few sectors only.
12. The primary source is the UNU-WIDER/UNDP Data Base on World Income Inequality. This was supplemented for Côte d'Ivoire and Kenya by data from recent World Bank Poverty Assessments of the countries and for Uganda by estimates sponsored by the Ministry of Finance and Economic Planning.
13. Some civil servants were laid off in efforts at cost effectiveness and others had their allowances abolished. At the same time, wages of low-skilled workers were increased.

14. Even in Uganda's apparently successful experience, there were significant sectoral and regional variations. Food producers fared less well in the north and east, which have been politically destabilised, and many peasant households have been displaced. Their areas are suitable for growing export crops but they have not been able to do so. Poverty, already very high there, fell much slower during the reform period. However this also implies inequality fell in more peaceful areas of the country, notably the coffee-growing regions.

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