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Lion cubs on a wire

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Some African economies are soaring, but from fragile foundations

ECONOMIC growth in Africa was dismal last year. At 3.2%, down from 4.3% in 2001, it barely kept pace with a swelling population. The culprits, according to a new report* by the United Nations, were a weaker global economy, drought and AIDS in southern and eastern Africa, fresh armed conflicts in the Central African Republic, Côte d'Ivoire and Madagascar, and yet more madness in Zimbabwe.



There were beacons in the gloom, however. Leaving aside countries that received oil windfalls, the best performers were Mozambique, Rwanda and Uganda, whose economies grew by 12%, 9.9% and 6.2% respectively. This was no one-off. In the past decade, Mozambican incomes have nearly doubled, and 4m Ugandans (22% of the population) have been lifted out of poverty. The average Rwandan, meanwhile, is two-thirds richer than in 1994. These three lion cubs are often paraded as proof that, even in Africa, sound economic policies and better governance can lead to rapid growth.

All three governments have indeed done many things right. All three are broadly business-friendly, and all have tried to strengthen property rights and the rule of law—both rare in the world's poorest continent. All three have also pursued sensible fiscal and monetary policies, liberalised their economies to varying degrees and welcomed foreign direct investment (FDI). Mozambique managed to attract an impressive \$518m in FDI in 2001, equivalent to a seventh of GDP.

Their success is precarious, however. For a start, they are all highly dependent on charity. Aid accounts for more than 50% of Uganda's national government budget, 60% of Rwanda's and 70% of Mozambique's. Economists differ as to whether aid tends to complement or to displace private investment, but one thing is certain: without donors' support, the cubs would stumble.

Ashes can be fertile

Another reason for caution is that the lion cubs' growth rates reflect recovery from wars. The Rwandan genocide of 1994 cut GDP in half. In the 1970s and 1980s, civil wars in Mozambique and Uganda were nearly as bloody and economically just as devastating. This makes them awkward models for the rest of Africa. One can hardly advocate burning a country to cinders in order to bring about a post-war construction boom, such as Rwanda's, accompanied by torrents of aid from foreigners moved by televised carnage. Despite a decade or more of peace, none of these countries has quite regained its pre-war level of prosperity.

A final worry—and it is a big one—is that in all three countries, high average growth rates disguise large pools of stagnation. In Uganda, growth has been concentrated in the cities and in the wet, fertile region around Lake Victoria, while the arid north of the country has struggled. Between 1992 and 2000, mean consumption per adult rose by an impressive 6.2% each year in Ugandan cities, but by a miserable 0.5% in northern rural areas. In Mozambique, the south (which includes the capital, Maputo) is far richer than the north. Maputo attracted 93% of the country's foreign direct investment in 2001; the most remote northern province, Niassa, attracted none at all. In Rwanda, the divide is ethnic. Some members of the Hutu tribe complain that the Tutsis, who dominate the government and the army, have grabbed too big a share of the fruits of peace. Lack of data makes this hard to confirm.

Regional disparities of wealth are common everywhere: contrast China's coastal cities with its hinterland, or New York with Mississippi. But such inequality may matter more in Africa than elsewhere, because the nations there are less stable. Many Africans feel more loyalty to their ethnic group than to the state. "Having one region lag far behind", says the UN of Uganda, "can engender bitterness and ultimately foster rebellion."

This has already happened. In northern Uganda, a longstanding revolt by a vicious, loose-knit outfit called the Lord's Resistance Army has proven impossible to suppress. Some young northerners have taken to pillaging because they see few other ways of making money. Worsening insecurity scares away investors and keeps the region poor. Ultimately, it could hurt the whole of Uganda. It is, for example, one reason why the government last year made a sudden, and huge, unbudgeted increase in military spending. This irks donors and may aggravate the country's debt problems.

Rwanda and Mozambique are more tranquil but cannot afford to be complacent. One survivor of Rwanda's genocide told Gérard Prunier, a historian, that "the people whose children had to walk barefoot to school killed the people who could buy shoes for theirs." Many in Mozambique's poor north support Renamo, a formerly atrocity-prone rebel group which has now turned into a peaceful opposition party.

Countries that have suffered one civil war are disproportionately likely to suffer another.

To their credit, all three governments are aware of the risk, and are trying to do something about it. Mozambique has introduced tax breaks for those who invest in marginalised areas; Uganda is considering transferring more public money to poor regions; and Rwanda has introduced checks to ensure that most of the money allocated to rural schools and clinics actually gets there. Such measures will doubtless help, but it will be hard to make up for the lack of rain and abundance of guns in northern Uganda, or for the fact that the few roads connecting northern Mozambique with the booming south are regularly blasted away by floods. Rwanda's ills will not heal fast, either.

* "[Economic Report on Africa 2003](#)", UN Economic Commission for Africa, July 2003

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