1

EMERGING **AFRICA**

Opposite:
Cotonou, Benin

There's good news out of Africa. Not all of Africa. But from a large part of Africa that quietly, with little fanfare, is on the move.

Seventeen emerging African countries are putting behind them the conflict, stagnation, and dictatorships of the past. Since the mid-1990s—*for fifteen years*—they have achieved steady economic growth, deepening democracy, stronger leadership, and falling poverty. Six additional African countries are showing signs of following their lead. The old negative stereotypes of sub-Saharan Africa don't apply to these countries. Not anymore.

Consider Ghana, where over the past 15 years the economy has grown by a robust 5 percent per year, translating into annual growth in income per person of 2.6 percent per year, well above the global average of 1.9 percent. As a result, the income of the average Ghanaian has increased by more than 40 percent. Investment has doubled, and so have exports. Primary school enrollment has increased by one-third, life expectancy has reached 60 years, and the population growth rate has dropped from 3.5 percent to 2 percent. The share of the population living below the poverty line has plummeted from 50 percent to less than 30 percent.[1] And Ghana has become a vibrant democracy, with competitive elections, a vocal press, better protection of basic rights, and stronger governance. Ghana is far from perfect, but it is much stronger politically, economically, and institutionally than it was just 15 years ago.

1 Poverty rates, based on a poverty line of US$1.25 in purchasing power per day (US$450 per year), are drawn from the World Bank's PovcalNet database online. See also Shaohua Chen and Martin Ravallion, "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty," World Bank Policy Research Working Paper no. 4703 (August 2008), http://go.worldbank.org/KMTYCLRA30. Unless otherwise stated, all other data are drawn from the World Bank's World Development Indicators online.

Or Mozambique, where GDP has grown a remarkable 7.5 percent per year for 15 years, one of the fastest growth rates in the world. Average real income has more than doubled. Primary school enrollment has jumped from 42 percent to over 70 percent, the debt-to-GDP ratio has dropped from 330 percent to 40 percent, and poverty has fallen from 84 percent to 64 percent. Financial returns on investment have increased sharply, and foreign investment has jumped from 1 percent to 5 percent of a much larger GDP. Multiple peaceful elections have gone hand in hand with improvements in a wide range of governance and democracy indicators.

Then there is Mali, which despite being a landlocked desert country has quietly achieved GDP growth of 5.5 percent per year since the mid-1990s. Infant mortality is down 25 percent, the primary school completion rate has doubled, and poverty has fallen by about one-third. Mali, too, has established a thriving multiparty democracy with competitive elections, a free press, better protection of civil liberties and political rights, less corruption, and stronger governance.

In Tanzania, economic growth has averaged a robust 5.7 percent since the mid-1990s, leading to an increase in average incomes of 46 percent since 1996. Exports were just 11 percent of GDP in 1991; today they are more than 20 percent of a larger GDP. Meanwhile, external debt has been cut from 160 percent of GDP to just 30 percent. Infant mortality has declined by 25 percent, and the population growth rate has dropped from 3.3 percent to 2.4 percent. Tanzania, like the other countries, has shifted toward democratic governance, with multiple peaceful elections, stronger adherence to political and civil rights, and stronger governance.

In Cape Verde, GDP has grown 6 percent per year since 1993, leading to a welcome 66 percent increase in average income. Exports have doubled from 10 percent to 20 percent of GDP. In 1990, just 54 percent of children completed primary school; today it is nearly 90 percent. Infant mortality rates have been nearly cut in half, from 45 to 24 per 1,000 since 1990. Poverty rates have halved from 40 percent to less than 20 percent in just 15 years. Multiple peaceful and fair elections have transformed the country into a thriving democracy.

The really good news is that Ghana, Mozambique, Mali, Tanzania, and Cape Verde are not alone. They are part of a growing and dynamic group of emerging African countries that are breaking away from the dismal histories of economic decline and political decay commonly associated with Africa. They are defying the usual pessimistic African storylines of war, famine, stagnant economies, deepening poverty, destructive political leadership, and poor governance. Largely unnoticed by the outside world, these countries are quietly setting themselves apart from the old norms, with more accountable and democratic governments, rising incomes, from those facing Mali. And the major issues confronting the DRC bear little resemblance to those of vibrant Mozambique. This is not to say that what happens in one country does not affect others in the region, or that there are not common issues that affect all countries across the region. But it is to say that broad analyses and simple generalizations make little sense when economic performance and political systems have diverged so much in the last 15 years.

The world has understood this about Asia for some time. When analysts discuss the spectacular economic performance in "Asia" during the last 40 years, they do not mean Asia as a whole. They do not lump together North Korea with South Korea, Myanmar with Thailand, Papua New Guinea with Indonesia, or Laos with China. They have long understood that while some countries in the region share important trends and achievements, not all countries do, and that it makes little sense to put them all together in one analytic pot of stew. They know that the remarkable democratic progress in Indonesia during the last 10 years is not made suspect by its absence in Cambodia, and that the economic dynamism of Malaysia is not somehow cheapened by the stagnation in Nepal. It is time to begin to make similar distinctions in Africa.

The Emerging Countries of Africa

This book—which builds on an earlier paper coauthored with President Ellen Johnson Sirleaf of Liberia[3]—is about a group of 17 emerging African countries comprising more than 300 million people that since the mid-1990s have begun to undergo dramatic changes in economic growth, poverty reduction, and political accountability. Another six countries have seen promising but less dramatic or less sustained change, a group I refer to as the threshold countries. Together these 23 countries account for nearly half of SSA's 48 countries.

These countries, listed in Table 1.1, are spread across western, eastern, central, and southern Africa. Most are coastal, but several are landlocked. Their colonial histories differ widely. Importantly, none of them are oil exporters. I purposely exclude oil exporters from the group even though several have grown rapidly in recent years because the underlying dynamics in oil-exporting countries are very different and the foundations for sustained progress are far more open to question. The emerging countries are not defined by commodity booms. While prices for many exports have

3 Ellen Johnson Sirleaf and Steven Radelet, "The Good News out of Africa: Democracy, Stability, and the Renewal of Growth and Development," Center for Global Development Essay (2008), http://www.cgdev.org/content/publications/detail/15416/.

TABLE 1.1 Income Growth in the Emerging African Countries

	Annual Income Growth per Capita 1996–2008		Cumulative Increase in Average Real Income, 1996–2008
Emerging Countries			
Botswana	4.1%		68%
Burkina Faso	2.8%		43%
Cape Verde	4.0%		67%
Ethiopia	4.1%		65%
Ghana	2.6%		40%
Lesotho	2.3%		33%
Mali	2.5%		37%
Mauritius	3.7%		61%
Mozambique	5.3%		96%
Namibia	2.4%		36%
Rwanda	3.7%		60%
São Tomé and Príncipe	5.0%		40%
Seychelles	2.5%		37%
South Africa	2.0%		29%
Tanzania	3.0%		46%
Uganda	3.8%		61%
Zambia	1.8%*		25%
Average	**3.2%**		**50%**
Threshold Countries			
Benin	1.3%		18%
Liberia	3.1%	2005–2008	13%
Kenya	2.4%	2003–2008	15%
Malawi	1.2%		15%
Senegal	1.4%		20%
Sierra Leone	3.7%	2003–2008	24%

* Zambia is included even though its 13-year growth rate is slightly lower than 2 percent because its annual average growth rate for the 10-year period 1999–2008 was 2.3 percent.

Source: World Bank, World Development Indicators; data for South Africa are from the South African Reserve Bank.

risen rapidly in recent years, on the whole commodity prices have moved *against* these countries since the mid-1990s. Some of the emerging countries are small, but with 300 million people, collectively they are not small; they are roughly equivalent to France, Germany, Italy, Spain, and the United Kingdom combined. Together they number about 1 out of 20 people in the world.

What they share is a clear break from the past and the beginnings of a wide-ranging economic, political, and development turnaround dating back to the mid-1990s. Consider some of the key changes in these countries, which are described in more detail in chapter 2:

- Economic growth rates in each country have been *at least* 2 percent per capita since 1996, and have averaged 3.2 percent per capita, equivalent to overall GDP growth of *more than 5 percent per year.*

- The share of people living below the poverty line (income of US$1.25/day) dropped from 59 percent in 1993 to 48 percent by 2005—a huge drop for a 12-year period.
- Trade and investment have more than doubled, and financial returns on investment are much higher.
- School enrollment, school completion, and literacy rates are all increasing. Education levels for girls, in particular, are rising from their once abysmally low levels.
- Health indicators are generally improving, with the exceptions of countries badly affected by the HIV/AIDS pandemic. For example, child mortality (deaths under five years old) averaged 134 per 1,000 in 1985 in these 17 countries; today it averages less than 102, meaning that 32 more children out of every 1,000 are living to see their fifth birthday.
- Both population growth and fertility rates have begun to decline.

Consider the economic turnaround in the emerging countries: for two decades between 1975 and 1995, they recorded economic growth per capita of essentially zero. But between 1996 and 2008, they achieved growth per capita averaging 3.2 percent per year, powering a full 50 percent increase in average incomes in just 13 years. Think of that change for a moment: from 20 years of no growth in income to 13 years during which average incomes increased by half. This is a huge turnaround. Something has changed.

Critically, there are equally significant changes in political systems and governance. Across Africa, democracies are replacing dictatorships. The era of the prototypical African "big man" is not quite over, but it is drawing to a close. According to widely used international indicators of political rights, civil liberties, and political institutions, the number of countries meeting basic standards of democracy in Africa has grown from just 3 in 1989 to more than 20 today, including 13 of the 17 emerging countries. And this is *not* just about holding elections; the changes are deeper, with greater adherence to basic standards of political rights and civil liberties, more freedom of the press, a much more vibrant civil society, greater transparency, and stronger checks and balances. And there has been marked improvement in the quality of governance as measured by several different independent indicators, reflecting less conflict and political violence, stronger adherence to the rule of law, and lower levels of corruption.

To be sure, these countries are far from perfect. They face many tough challenges, and their continued success is far from certain. It is not as if they can just sit back and relax and assume that compound economic growth will work its magic and automatically propel them to prosperity. The political and economic turnaround remains fragile. Although poverty rates are falling, large numbers of people continue to live in dire poverty. Education and health systems, while clearly improving, remain substandard. The business environment is better, but remains weak. Corruption is lower and the rule of law stronger, but there is a long way to go. And the movement toward democracy and better governance has had many shortcomings, some reversals, and very uneven progress. It clearly has not gone far enough.

But the transformation since the mid-1990s is clear. Something deep is at work. These countries are on a different path from the one they were on in the past, and on a much different path from the one other countries in the region have followed.

Five Fundamental Changes

What ignited the turnaround in the emerging countries? Can the promising trends over the last 15 years be continued? Is the revival simply the result of changes in commodity prices or the business cycle that are likely to be reversed? Or is it the beginning of a new era for these countries?
The turnaround is neither cyclical nor temporary. It is not just a blip on the screen, nor just a result of commodity prices. The revival is now 15 years in the making. It persisted through a global recession and falling commodity prices in the late 1990s. It has continued even though import prices have risen faster than export prices for these countries. And these countries appear to have weathered the 2009 global economic crisis better than most developing countries. All of these facts—and more—suggest that much more than the business cycle is at work.

Rather, this book shows that the turnaround reflects much more fundamental changes taking place in the political, economic, and social spheres of these countries. These changes are the beginnings of a transformation—fraught with risks and with no guarantee of ultimate success—that provides a stronger foundation for continued economic growth, political evolution, and poverty reduction in the future.

At least five fundamental changes are at work. The first two—the rise of more democratic and accountable governments and the introduction of more sensible economic policies—together ignited the turnaround in the 1990s and have helped sustain it over time. The next three—the end of the debt crisis and changing relationships with the international community, the spread of new technologies, and the emergence of a new generation of public and private leaders—began to kick in after the recovery had begun, but they have been critical to continuing it over time. Looking forward, it is the *combination of all five* that provides the promise that emerging Africa's initial success can be sustained and expanded into the future. Let's take a brief look at these five key changes.

1. **The rise of more democratic and accountable governments.** Africa's growth and development tragedy has been, in large part, a failure of leadership. Too many African leaders have ruled by intimidation, violence, and brute force. But in the 1980s, as the economic crisis deepened, many authoritarian governments lost both the last shards of their legitimacy and the economic and financial resources they needed to maintain control. Protestors began to call for economic and political change, and governments lost the backing of key supporters. With the end of the Cold War and apartheid in the early 1990s, authoritarian leaders increasingly were forced to give way to democratically elected governments. The number of democracies in SSA jumped from just 3 in 1989 to 23 in 2008, including most of the emerging countries.

   Crucially, democracy has not just meant elections but greater adherence to basic political and civil rights, more freedom of the press, and stronger political institutions. And in the emerging countries, the shift toward democracy has gone hand in hand with improvements in the quality of governance more broadly. The movement toward democracy and better governance has been uneven and remains incomplete. But it is real. It has been at the core of the renaissance in these countries, and it is fundamental to continued progress in the future.

2. **The implementation of more sensible economic policies.** Twenty years ago, nearly all African economies were effectively bankrupt, with large budget deficits, double-digit inflation, growing debt burdens, thriving black markets, shortages of basic commodities, and rising poverty. Economic mismanagement and the heavy hand of the state scared off investors, generated capital flight, and led to stagnation and rising poverty.

   But in the late 1980s, economic policies began to change in the emerging countries, and they have continued to gradually change over time. Today they bear little resemblance to the past. Black markets are but a distant memory. Budget and trade deficits are more sustainable. The business environment is friendlier, and trade and investment barriers have been reduced. Marketing boards have largely disappeared, and there is a better balance between the state and the private sector. As with governance, the changes in economic policy are far from perfect, but they are vastly improved from 20 years ago and are central to sustaining growth and development in the future.

It was the interplay between economic reform and political change that ignited the turnaround. The economic crisis itself contained the seeds of political change. As the crisis deepened in the 1980s, the failures of past approaches became starkly evident, and borrowing and other financing options disappeared. The old approaches could no longer be financed. Governments were forced to adopt economic reforms and austerity measures to close their budget and trade deficits. The austerity measures accelerated protests and calls for change. Whereas in the past, authoritarian governments had been able to minimize the impact of protests by using budget resources and other measures to placate civil servants, favored businesses, the military, and other supporters, by the late 1980s many no longer had the financial or political resources to do so. The winds of global change gave the final push: as the Cold War and apartheid ended, strong forms of socialism and authoritarian control fell into disrepute. People across Africa were fed up with the old systems. Forced to hold elections, most governments were replaced by more pluralistic and democratic regimes.

The economic policy reforms initially had little effect on economic growth, in large part because political instability grew sharply in the early 1990s with the uncertainty around the new elections. But as the political changes began to stabilize—especially following the election of Nelson Mandela as the president of South Africa in 1994—confidence began to grow and economies began to respond. The revitalization of emerging Africa had begun.

A succinct version of the key changes in the early 1990s in the emerging countries is shown in Figure 1.1. The top panel shows the broad pattern of changes in economic policy, encapsulated by changes in the prevalence of so-called antigrowth syndromes, a term coined by the landmark *Economic Growth in Africa* research project undertaken by the African Economic Research Consortium (heretofore the AERC growth project).[4] The research team identified four syndromes that were at the core of Africa's poor economic performance (described in more detail in chapter 4). Three were directly related to economic policy: heavy-handed control regimes, redistribution systems that rewarded political allies and ethnic groups at the expense of economic growth, and heavy borrowing and asset stripping that sacrificed future income for present gain. (The fourth syndrome was state breakdown and political instability.) Notice the sharp reduction in syndromes in the emerging countries beginning in the mid-1980s—a clear indication

4 Benno Ndulu, et al., *The Political Economy of Economic Growth in Africa, 1960–2000*, vols. 1 and 2 (Cambridge: Cambridge University Press, 2007).

of the introduction of strong economic policy reforms. Remarkably, by 1995 the emerging countries were essentially syndrome-free.

The middle chart depicts the changes in political systems in the emerging countries, as captured by the improvements in Freedom House's indices of political rights and civil liberties. Political change began in force in 1989 and 1990, slightly after the initiation of economic changes, and accelerated rapidly throughout the early 1990s.

The bottom panel shows the economic renaissance in the emerging countries, as indicated by the rapid increase in income per capita. As the antigrowth syndromes were removed and the political changes stabilized in the mid-1990s, economic growth began to accelerate, and corresponding improvements in a wide variety of other economic, social, and poverty indicators came in to play. By 2008, incomes per capita had increased by an average of 50 percent.

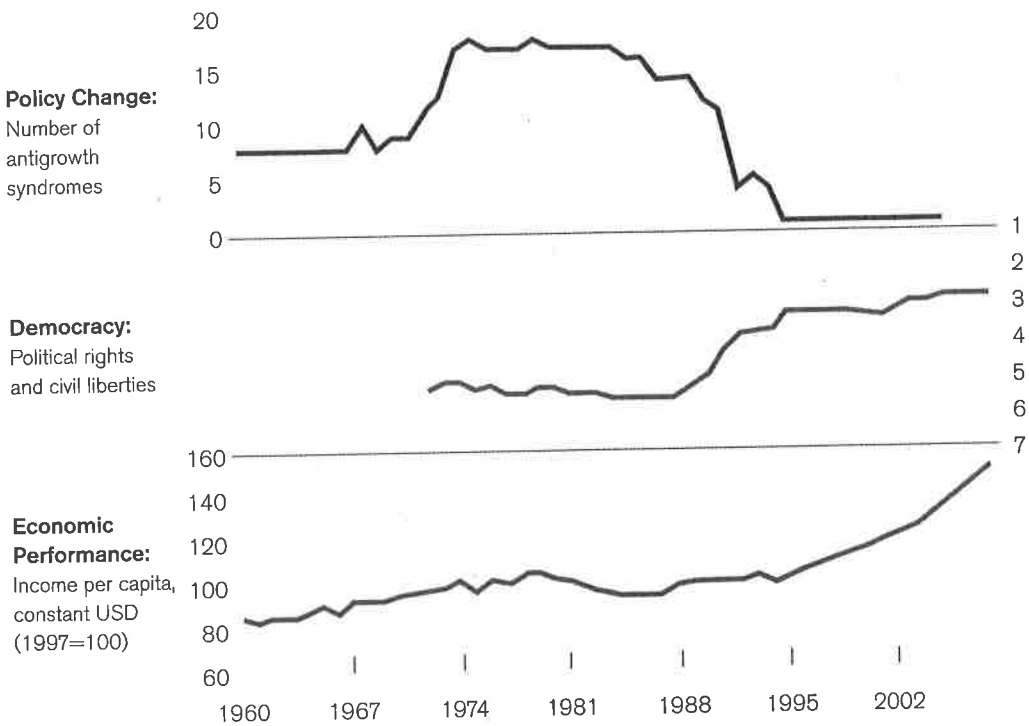
This chart hints at one of the core messages of this book: the strong and positive relationship between democratic governance and economic performance in Africa. Globally, there has been an animated debate about whether authoritarian or democratic governments have been associated with stronger economic performance in developing countries over the last several decades.[5] The overall relationship is mixed, but in Africa the relationship is crystal clear: democratic governments (starting with Botswana and Mauritius in the 1970s) have been successful, while authoritarian governments have by and large been failures.

- **The end of the decades-long debt crisis, and with it major changes in Africa's relationship with the international community.** The 1980s debt crisis hit Africa particularly hard. Stagnant economies and heavy borrowing—a result of both poor economic management by the borrowers and aggressive lending by some of the creditors—created huge debt burdens by the late 1980s that weighed down these economies and made the challenge of recovery even greater. As the crisis deepened, the International Monetary Fund (IMF) took on a much more prominent role in Africa, and IMF–World Bank "stabilization and structural adjustment" programs became the centerpiece of both economic policymaking and the relationship between African countries and the donor community.

Today, nearly 25 years after its onset, the debt crisis is finally winding down for most African countries. Debt burdens are significantly

5 For a recent contribution that provides strong evidence in favor of democracies over nondemocracies, see Morton Halperin, Joseph Siegle, and Michal Weinstein, *The Democracy Advantage: How Democracies Promote Prosperity and Peace* (New York: Routledge, 2010).

FIGURE 1.1 Major Changes in the Emerging Countries: Economic Policy Reform, Political Change, and Income per Capita



Sources: Antigrowth syndromes are from the AERC Africa growth project, political rights and civil liberties are from Freedom House, and income per capita is from the World Bank's World Development Indicators.

lower than they were just 10 years ago, freeing up financial resources and relieving the time burden on senior policymakers who no longer need to constantly reschedule huge debts.

But just as important, as debt burdens have fallen, relationships between these countries and the donor community have fundamentally changed. Country-led poverty reduction strategies have replaced the heavy conditionality of IMF and World Bank stabilization and structural adjustment programs as the centerpiece of economic policymaking and of donor programs. The IMF's role is less dominant than it once was, and donor conditions are, imperfectly, more in line with country priorities. As debt burdens have fallen and economic policies have improved, relationships with donors have become much healthier and less adversarial, providing a stronger basis for donor support to bolster future development in the emerging countries.

4. **The spread of new technologies that are creating new opportunities for business and political accountability.** Cell phones are becoming ubiquitous across Africa, and internet access is growing quickly. It seems as though there is a cell phone in every hand and an internet café on every street corner, and they have an enormously wide range of applications. In the most remote corners of the countryside, they are being used to relay information on prices and shipments in real time and to facilitate the transfer of funds and banking services with simple text messages. Cell phones are enabling health-care workers to provide early warnings of disease outbreaks and transmit and maintain reliable health information for better case management. At the same time, the internet is shrinking distances, facilitating the flow of information, and helping overcome geographical boundaries. Although so far the internet has had less impact than cell phones, it is opening up new economic opportunities and creating jobs that did not exist before, such as data entry and other services. And both are widening political involvement by enabling the debate and the flow of information that are the backbone of political accountability and transparency.

   These new technologies are raising economic productivity, increasing incomes, helping to deliver basic services, and facilitating transparency and accountability, all of which strengthen the prospects for continued growth and development in these countries. And their influence will only grow in the years to come.

5. **The emergence of a new generation of policymakers, activists, and business leaders.** A new generation of political, social, and economic leaders is emerging across Africa. They are Africans to the core, but with a globalized outlook that comes through the age of the internet and easy air travel that has allowed many to live and attend school abroad and exposed them to international ideas. They are savvy, sharp, and entrepreneurial, capable of combining the best of both worlds. They can be found rising through the ranks of government, starting up businesses, working as local representatives of multinational corporations, leading local NGOs and activist groups, and taking an increasing role in political leadership. They are fed up with the unaccountable governments and economic stagnation of the past and are bringing new ideas and new vision.

   Africa's future lies with them, and at the moment that future looks increasingly bright.

Collectively, these five changes provide the promise for the future. They provide the cornerstones for the emerging countries to sustain and build on their initial success, further deepen democracy, strengthen accountability and good governance, create more—and more broad-based—economic opportunities, fight disease and illiteracy, and reduce poverty.

Readers who have been around Africa for a long time are saying right about now: Wait a minute . . . haven't we been here before? Didn't many countries in Africa record rapid growth in the 1960s only to see it all collapse? Yes they did. Côte d'Ivoire, Kenya, and several other countries experienced robust economic growth for over a decade. SSA as a whole generated growth per capita of just over 1 percent per year between 1960 and 1977. But today's emerging countries differ in several key ways. They are more numerous, they are growing faster, and they already have been growing longer than those of the earlier period. Moreover, they have a stronger foundation on which to sustain their progress, starting with more accountable and democratic governance. Their politics and economics are not caught in the great schism of the Cold War or weighted down by the primacy of the break from colonialism. Instead, their economic policies are much closer to the kinds of approaches that have been successful in other developing countries. And perhaps most important, there is a new generation of government and business leaders who have learned from the mistakes of the past and are determined not to repeat them. The experience of the 1960s should temper our optimism, but should not nullify it. Something deeper is going on in these countries.

Breaking Out of Traps?

One way to think about the emerging countries is through the lens of development traps. The notion of a "poverty trap" in which low income traps individuals and countries in perpetual poverty is an old idea and has some appeal. After all, as the saying goes, the rich get richer and the poor get left behind. Or, if you like, it takes money to make money. But as a general proposition, a pure poverty trap focused on income alone doesn't hold up very well. If it were true, since the whole world was poor 300 years ago, we would all still be poor, and countries like China and Indonesia could not have made the phenomenal progress that they have made in recent years. Instead, most of the world is much better off than it was even 50 or 100 years ago.[6]

But in recent years the idea of traps has been advanced and refined by economists Jeffrey Sachs, Paul Collier, and others who go beyond a pure

6 Paul Collier makes this same point in *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (New York: Oxford University Press, 2007), 5.

poverty trap and suggest that certain low-income countries face particular constraints and circumstances other than just low incomes that make it much more difficult to fight poverty. Sachs's work has emphasized health and geography traps.[7] Endemic disease, such as malaria and AIDS, reduces worker productivity and scares away investors, keeping people poor and even more vulnerable to disease. And since people are poor, the potential vaccine market is not substantial enough for pharmaceutical companies to invest significantly in new products. So countries with endemic disease can get stuck in poverty. Breaking away is not impossible, but it is not easy. Similarly, adverse geography, such as inaccessible terrain or poor climate, also preserves poverty. Poor countries with adverse geography don't have sufficient income to invest in the additional infrastructure (such as roads) they need to connect to markets, and since they remain isolated they remain poor. Sachs has also focused attention on the resource curse: poor countries have few economic options other than exporting natural resources, but reliance on natural resources tends to undermine incentives for economic diversification and breed corruption and conflict over control of the resources.[8]

Paul Collier built on the earlier work of Sachs to expand further the idea of traps in his landmark book *The Bottom Billion*. Collier picked up on the geography trap (modifying it slightly as "being landlocked with bad neighbors") and the resource trap and added two more: conflict and bad governance. Low incomes and slow growth make countries more vulnerable to conflict, and conflict keeps countries mired in poverty in a vicious negative cycle. Bad governance keeps countries poor because leaders steal resources and undermine economic opportunities, and poverty itself makes it harder to build the legal, government, and political institutions necessary to improve governance. Collier argues that while it is not impossible for a country to escape these traps, it is tough, and the deck is stacked against them.

In many ways the emerging African countries are beginning to break out of these traps. Two African countries, Botswana and Mauritius, began to emerge in the 1970s, and have continued apace for several decades. For the others, the process began in the late 1980s and early 1990s. The economic policy reforms and political changes initially were followed by a spike in political conflict, but ultimately led to greater stability by the mid-1990s as the changes took hold. From the perspective

7 See Jeffrey Sachs et al., "Ending Africa's Poverty Trap," *Brookings Papers on Economic Activity* 1: 117–240; and Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Times* (New York: Penguin, 2006).

8 Jeffrey Sachs and Andrew Warner, "Natural Resource Abundance and Economic Growth," National Bureau of Economic Research Working Paper No. W5398 (December 1995). For an earlier exposition of this idea, see Alan Gelb, *Oil Windfalls: Blessing or Curse?* (New York: Oxford University Press, 1988).

of Collier's framework, these political and economic changes began to weaken the grip of the conflict trap, which declined sharply in the late 1990s. With democracy came better leadership and greater accountability, pushed by the new generation of smart activists and entrepreneurs. At the same time, these forces combined to help countries climb out of the bad governance trap. The bankruptcy of past economic approaches and the end of the Cold War discredited extreme forms of socialism, leading to more sensible economic policies. Better economic policies, shrinking debt, and new technologies have helped reduce the reliance on a narrow range of commodity exports and begun to ease the natural resource trap.

South Africa has been an important part of the turnaround. The end of apartheid opened the door for democracy and greater political openness not just in South Africa, but in its neighbors as well. It signaled that democracy and political pluralism could work in Africa, bolstering the confidence of others across the region. And it unleashed an economic engine in which investment and trade were welcomed rather than shunned. Private capital from South Africa has surged into commerce, banking, brewing, and mining in the region. Collier pointed out the perils of having bad neighbors, and South Africa shows what can happen when a neighbor shifts from bad to good. It's no accident that several of South Africa's immediate neighbors are among the emerging countries—

Victoria and Alfred waterfront, Cape Town, South Africa

Botswana, Lesotho, Mozambique, and Namibia—all benefiting from South Africa's revival. Being near South Africa has not guaranteed success—Zimbabwe and Swaziland are two clear exceptions—but the nearby countries that have introduced good economic policies and more democratic governments have leveraged South Africa's turnaround and have thrived since the mid-1990s.

In effect, the five fundamental changes we described above are allowing the emerging countries to begin to break out of these development traps. They have taken the first steps to build the foundation for sustained economic growth, poverty reduction, and improved governance. The early signs are encouraging. Hope for the future has returned in these countries.

But although these fundamental changes are providing countries the opportunity to succeed, there is no guarantee they will do so. These countries are not home free and have not yet permanently broken the bonds of poverty. Far from it. Unfortunately, it is possible that some will slip backward and return to stagnation, or worse.

They face several key risks and challenges, as discussed in the final chapter. Economic management is more complex following the 2008–09 global financial crisis, and as these countries become more integrated in the global economy, they must manage volatility that is beyond their control. But the emerging countries are much better positioned to manage external shocks than they were 30 years ago. They passed a major test during the most recent crisis, in which the downturn was less severe in Africa's emerging countries than in other countries. But their ability to ride out future storms completely is no sure bet; it will require astute economic management and a bit of good luck.

Some countries face the risk of internal political instability. Although the incidence of coups, civil wars, purges, and other conflicts has diminished in these countries, conflict has not completely disappeared, and it could rear its ugly head in response to declining economic prospects or poor policy choices. And while most of the emerging countries have moved far along the path to democracy, several have not come as far and are at more risk of reversal.

Many countries continue to face the ravages of the HIV/AIDS pandemic. And global warming and climate change could destroy nascent economic progress, curtail economic opportunities, and generate political and social tensions that are hard to predict.

And in some countries, it is possible that the early economic progress could simply stall once the earliest and easiest gains are achieved. Sachs, Collier, and others have argued that it was much easier for countries like Mauritius to take advantage of the opportunities afforded by globalization in the 1970s and 1980s when they could diversify into manufacturing with little competition. Today it is much harder, as firms from many more countries compete in global markets, not the least from China and India. But of course there are two sides to that coin. China and India are obviously exporting more, creating competition for potential African exporters. But they are also investing and importing more—a lot more—which creates new opportunities for entrepreneurial African firms to take advantage of Chinese and Indian markets.

There is no denying the risks. They may be too much for some of these countries to overcome. But I believe that there are good reasons to be optimistic that most of the emerging countries will continue their progress and sustain solid economic growth, poverty reduction, and stronger governance.

Doing so surely matters to the 300 million people who live in these countries. It also matters to their neighbors: having economically dynamic and politically stable neighbors is pretty important for any country. And in an increasingly interconnected world, what happens in these countries affects the rest of the world. Strengthening these countries enhances their ability to fight disease, control drug trafficking and other international criminal activity, improve local and regional security, promote economic opportunities, and fight problems that can spread to the rest of the world. And just as important, these countries provide examples for people living in failed and fragile states around the world that there is hope for digging out of poverty and conflict and making progress toward a brighter future.