Policymaking for economic transformation in African states: what ought to be done

A simple case for embracing sound principles of economics and politics to improve policy design, implementation, and sustainability in the region

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*Thank you for being a regular reader of **An Africanist Perspective**. If you haven't done so yet, please hit subscribe in order to receive timely updates.*

I: Who knew so many people cared about policy research?

Based on the sheer volume of correspondence I received following the last post (sorry I can't respond to every single one!), I thought it might be useful to write a follow-up. In particular, I'd like to double down on the idea that policy research ought to be as close to the implementation context as possible. Furthermore, I'd like to reiterate that my focus here is not on what happens in academia — we should be free to do whatever kinds of research we want (including RCTs). Rather, it is about what actual policymakers in low-income countries ought to do.

I believe it is perfectly fine for official aid organizations, philanthropies, or think tanks in high-income countries to subsidize academic research and derive status from being associated with award-winning academics and highly ranked universities. However, this should be accompanied with a healthy understanding that academic research is

If the objective is to advance good/transformative policymaking in low-income countries, then certainly the bulk of resources should be channeled towards training and retaining policy expertise in those contexts — within government bureaucracies, think tanks, and universities. Otherwise, the ability to leverage considerable financial and ideational influence and foist context-free off-the-shelf quick fixes onto desperate low-income countries will always remain suspect. Everyone would be better off if strong norms existed against this sort of thing.

Let's be clear. We are not going to achieve structural economic transformation and end poverty in low-income countries by proliferating ever bigger and more expensive development research institutes and/or labs everywhere except in the very places that are supposed to be the target beneficiaries of their outputs. We can't simply wish away the politics and sociality of knowledge production.

Good policy research is contextual and embedded in local political economies; principally focused on *how to do* questions; done as close to the point of implementation as possible; and designed to incorporate continuous long-term learning as opposed to being subordinated to the publishing goals of academics. It goes without saying that policy research can benefit from academic research and, where appropriate, should deploy cutting edge tools and methods used by academics. However, the two are completely different endeavors with different incentive structures.

As usual, the point here is to keep the discussion very boring and focused on *how to rapidly improve human welfare across the Continent through mass job creation in well-ordered societies*. This isn't an expedition in search of heroes and villains. I raise this point because in their correspondence several academics and grant managers from donor organizations were rather defensive (the vast majority raised reasonable points). Which is odd because, while what I proposed might redistribute status away from some academics/organizations and towards policy researchers in African government departments, think tanks, or research institutes, the net effect of my proposal would be the strengthening of policymaking processes in low-income states *regardless of what everyone else does*.

In any case, academics/organizations interested in boosting their status through policy research and helping the poor would be free to relocate, fund, or gain affiliation with think tanks or research universities in low-income countries (and support locally-directed policy agendas).

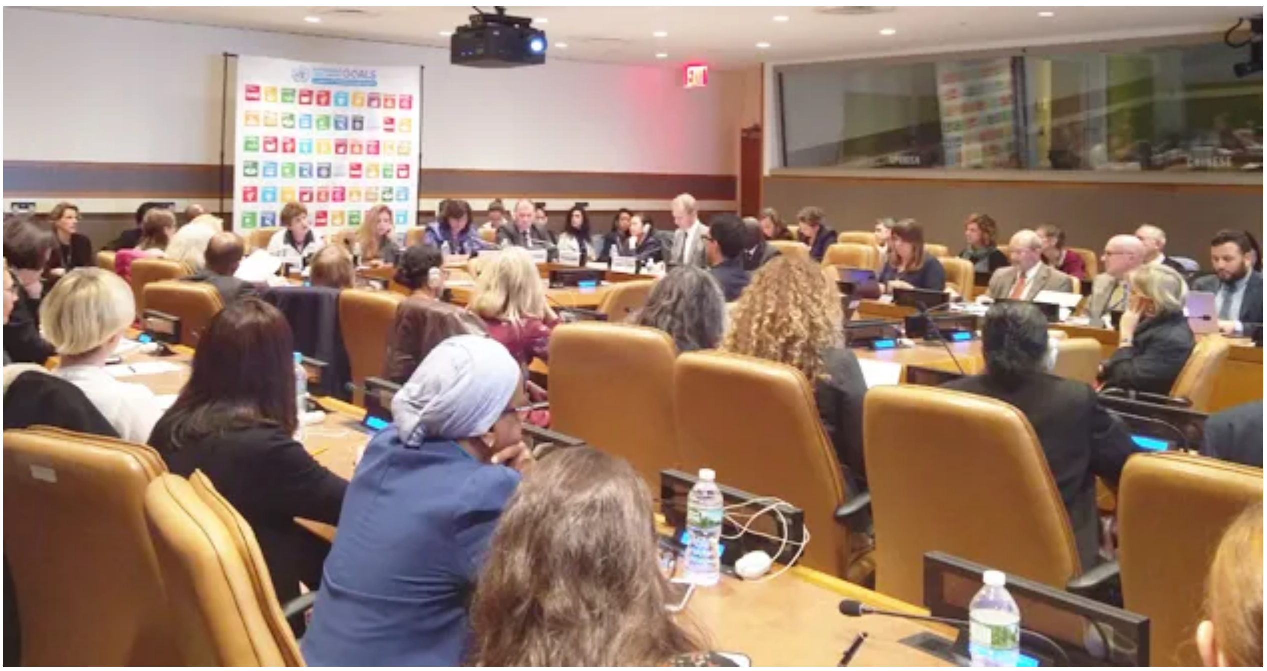
The only class of actors that I think must change how they go about their work are government policymakers in low-income states. Understandably, change among them would result in a cascade of incentive realignment (and sorting) throughout the international development industrial complex. However, those concerns shouldn't constrain the quest for better policy making for development. Relatedly, for academics/organizations who are already doing good policy research that is locally embedded and focused on contextualized problem solving, keep up the good work (and reach out if you need help on strategies for getting more funding).

Overall, I remain optimistic about the Continent's economic prospects and cannot wait for policymaking in the region to rise to the occasion and address its pressing structural challenges. While the region's countries face many similar challenges, the current upheavals in a select group of countries (see here, here, and here) are mostly symptomatic of internal idiosyncratic historical challenges rather than a generalized regional trend towards political disorder (though risks of spatial spillovers abound). It is true that African economies have experienced a slowdown since 2014. However, the effects on human welfare have been nowhere near the horrendous outcomes witnessed the last time this happened in the 1980s. This time is different, with the rebound already underway. Even Nigeria and South Africa, the two perennial "sick men of Africa," are beginning to produce some good news.

With this in mind, African policymakers should avoid succumbing to the anti-progress cynicism that traps many otherwise smart people into majoring on minor things and the addictive tendency to catastrophize about the region. Instead, focus should be on the three imperatives of long-term state-building, achieving economic take-off, and entrenching accountable and responsive self-government. Importantly, and to channel Morten Jerven here, they should understand that what they hope to achieve has been done before; and that all they have to do is learn the right lessons from those who came before them.

II: Embracing sound principles of economics and politics is actually good for crafting & implementing public policy

While there are exceptions to the rule, a good heuristic for knowing whether policymakers in low-income countries lack ambition is the frequency with which they mention the MDGs/SDGs. I choose this example advisedly. On the one hand, compacts like MDGs/SDGs outline easily verifiable policy goals that focuses minds and, in some cases, have produced real improvements in human welfare — especially in sectors like health, education, and water access. On the other hand, the goals are an example of *the lowest common denominator* approach to global policy entrepreneurship that is at once overly ambitious but also lacking in specificity; and which can easily fool unimaginative bean counters into missing the forest for the trees.



An expert panel discussing connections between the SDGs and Human Rights. Source: WHO

In most countries on the Continent, the incidence of *policy extraversion* — i.e., the adoption of policies that mainly reflect priorities and metrics concocted elsewhere — extends well beyond MDGs/SDGs. You see it in ministerial calendars and policy documents (and poor project performance under high cabinet volatility); the discourse on governance and democratization; infrastructure, climate, and energy; policy postures in all the social sectors — especially education, health, and social protection; and general economic policymaking which prizes report cards from Washington, Paris, or Brussels while ignoring/stiffing domestic firms and workers. Importantly, extraversion is ingrained and exists at different levels of government even without direct foreign involvement.

Policy extraversion comes with high costs (see here for a quick primer). Many of these costs arise from the fact that it dis-embeds policymaking from local economic and political contexts. With this in mind, reorienting domestic policy research and design to better pay attention to context would come with the following advantages:

- **Matching policies with domestic fiscal and implementation capacities:** At a fundamental level, poor public services in many African countries can partially be explained by the size of their economies. There just isn't enough money for all the things that need to be paid for. However, this is not a reason to ignore the need to tie public goods provision to local fiscal and implementation capacities. To a large extent, policymakers' extraversion dissociates policy design from fiscal/ administrative capacity, thereby undermining both implementation and overall macroeconomic stability. Why think carefully about the fiscal and diurnal operational implications of expanding school access when outsiders set targets and erratically throw money at different bits of the education system?
- **Ensuring that public policies and spending patterns support private sector growth and job creation**: Well-paying jobs are the best anti-poverty program. And to create jobs an economy needs lots of firms of all sizes. Yet African firms remain fewer than optimal, inexplicably small, and stagnant. For example, in 2022 the combined market cap of the region's largest 250 firms was 41% smaller than in 2015. Not a single manufacturing company was in the top 250, a list dominated by finance, consumer goods, mining, and telecoms. African firms tend to stay small — in part to avoid the attention of government. The typical firm is 20-24% smaller than firms elsewhere; while observables only account for 40% of this difference. What explains the other 60%? There is reason to believe that poor policymaking and elites' inability to protect their own property rights have something to do with it. In particular, policymakers' extraversion has left most viewing the region's economies through the prism of aid, permanent crises, and constant firefighting with no time to craft long-term industrial policies or tend to job-creating local firms. This has to change.
- **Benefitting from the informational and learning advantages of politicking over**

policy: In most instances in the region policymaking takes a top-down approach. In short, the president or minister decides with little input from technical policy staff. Sometimes this happens for nefarious reasons. But other times it happens for supposedly "good" reasons (e.g., to avoid complicated politics or bureaucratic subterfuge). Yet regardless of the motivation, circumventing politics is always bad for policymaking.

Politicking over policy has the potential to (1) facilitate mass political education about policy in order to boost their client power and efficacy; (2) coordinate and empower interest groups that stand to benefit from specific policies (or losers who need to be compensated) — thereby anchoring demand for proper implantation; (3) reveal information that leads to policy improvement for context; and (4) provide procedural legitimacy (regardless of regime type). All this is lost when policymakers, whether they are well-meaning or not, take shortcuts.

- **Leveraging intra-elite distributive politics for policy success:** There is no getting around oversize elite influence over policy. However, in most African countries the default posture tends to be to protect policy from elite politics. The justification tends to be that African elites are (uniquely?) corrupt or uninterested in policy. This is a grave misunderstanding. Like all politicians everywhere, African leaders are cross-pressured and care about policy, electoral success, ideology, and their personal enrichment. The tendency to shield policy from elite influence blocks the emergence of a *modus vivendi* whereby elites' material incentives align with policy success (see good examples here, here, here, and here). The net result is that legitimate policymaking in the region operates in a paradigm of first-best-options ("best practices"), which elites tolerate with the knowledge that they can insert their interests at implementation. For the sake of efficiency and to improve the odds of policy success, everyone would be better off if elite interests were accounted for at the point of policy design. This can be best achieved by localizing policy research, design, and implementation.

  Economic transformation on the Continent will remain elusive as long as elites keep playing cat and mouse games with donors, international financial institutions, and their publics; while failing to invest in their own property rights and domestic wealth accumulation. Everyone involved should internalize the fact that since elite influence on policy implementation is unavoidable, failure to account for their interests and incentives will keep foiling the best laid plans borne of policy

> extraversion. Blaming "lack of political will" is lazy copium when one fails to account for elites' incentives and interests. Everyone would be better off if policymaking was brought down to the real world of distributive politics, conflicting material interests, ideology, and electoral concerns.

Drastically reducing policy extraversion would boost the quality of developmentalist policymaking in the region. Rather than exist in a schizophrenic world of committing to global "best practices" which are then (poorly) altered at implementation, the region's countries would approach policymaking with full local ownership. For example, the people making education policy would have a sound understanding of the philosophical and sociopolitical goals animating education policy (it's not always just about literacy and numeracy!); incorporate household capabilities and constraints; know how to work within normal public finance management mechanisms (including the role of the legislature); and have a healthy appreciation of the interests of various players in the sector — from religious organizations, to book publishers, to teachers' unions, to donors and other global policy entrepreneurs.

III: Conclusion

Policymaking is hard work. There are no shortcuts. Everything takes time. Which is why economic takeoff will remain elusive to developing countries that operate as (weak and barely functional) implementation arms of external policy entrepreneurs, while being happy to operate as exporters of commodities at the margins of the global economy. To escape this trap, such countries must reinvest in their homegrown policymaking capacity. That means putting money and high-quality human capital into local policy research within governments, local think tanks, and universities. It also means embracing sound economic and political principles (which includes what others may view as unorthodox), and avoiding the anti-progress cynicism of those who refuse to imagine the possibility of real economic transformation in certain parts of the world.

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7 Comments

Jeremiah Mitoko Apr 26

Seems to be me you have taken more concrete steps on your "proposal". Where can I find it?

Mike Moschos Mike's Substack Mar 25

In my view the way to make "elites' material incentives align with policy success" would be to for Africa to run connected but still segmented development states that each sought to produce at least somewhat diversified economies and for a long period of time from the start engaged in infrastructure development and import substitution, this would give "elites" and their families the ability to be personally materially invested in the ground floor of an economic elevator that could rise for a long time before it began to have a new set of large problems, and by then they would be rich and big shots in glittering places. However, this would require countries around the continent to all, around the same time, default on Western debt so as to free up the massive resources lost to that capital flight each year, while also placing stringent capital controls on profits and other sources of capital flight.

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