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PRELIMINARY ASSESSMENT OF THE PERFORMANCE OF THE AFRICAN ECONOMY IN 1994 AND PROSPECTS FOR 1995

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Beginning with today's assessment of the state of the African economy, the Commission closes one time series and opens a new one. Until now, our series did not cover the Republic of South Africa, one of our founding members, which was excluded from the Commission in 1965 because of its racist policies of "separate development". With the demise of apartheid, the adoption of a non-racial interim constitution, and the installation of the first government elected democratically, I am greatly honoured to welcome the new Republic of South Africa back into the fold of the Commission's member States. Today's new time series of socio-economic statistics will cover the whole continent of Africa from Algiers to Cape Town, from Cape Verde to the Seychelles.

I. Economic and Social Situation in 1994.

Preliminary data available at the United Nations Economic Commission for Africa on the state of African national economies in 1994 point to a modest increase in the regional economic growth rate. We estimate that during 1994, African economic output has grown by 2.8 per cent, up from 1.1 per cent in 1993 and -0.3 per cent in 1992. This notwithstanding, income per head is still declining and the region is continuing to lose ground both in absolute and relative terms. Over the period 1990-1994, GDP has in fact declined at a rate of 1.5 per cent per annum. Over this period, the proportion of the population living under conditions of poverty has increased at an even faster rate. This applies to both the rural areas where the economy continued to decline and the cities where efforts at fostering growth and job creation in the industrial and service sectors have yielded poor results.

The global economic situation continued to improve in 1994, led by robust growth in the United States, Canada, United Kingdom and Australia. Output from the OECD economies as a whole was expected to grow by 2.6 per cent this year. What have been termed the transitional economies of Eastern Europe, the Baltic states, Russia and the other CIS states as a group were expected to shrink by about 6 per cent this year. On their part, the developing economies as a whole are expected to expand at an annual rate of 5.0-6.0 per cent in 1994. Most of this growth, however, has taken place in China which is expected to post about 10 per cent, the newly industrialising economies of South-East Asia and, to a lesser extent, India and Latin America. World economic output is expected to grow by about 3 per cent during the year, up from 2 per cent in 1993.

Even though the region has posted its fastest growth rate in five years, Africa's share of aggregate world economic output has continued to shrink, in spite of the fact that its population growth rate is roughly twice that of the world. Africa has also continued to fall behind the other developing regions which are now accepted as important engines of world economic growth.

On the demand side, we estimate African domestic consumption, the aggregate of public and private consumption, to have grown by 0.9 per cent, compared to 1.7 per cent last year (Table 4). Fixed capital formation, including changes in stocks (fixed investments) is tentatively expected to have grown by 5.2 per cent, up from 1 per cent in 1993.

The negative factors, which to differing degrees in the African countries, explain the region's very poor economic performance over the years, can be described as follows:

- convertible currency resource constraints arising from the escalating debt burden, inadequate flow of foreign assistance and the deterioration in the terms of trade;

- economic mismanagement at the micro and macro levels, including economic policies not conducive to saving, investment, and sustainable development;

- deficits and misappropriation of scarce national resources stemming from lack of transparency and accountability;

- structural deficiencies in African economies which also tend to accentuate the impacts of external shocks, such as sudden price changes, natural disasters, etc.

- political instability and conflict situations; and

- inadequate support for the role of women in development.

The modest gain in the regional economic growth during 1994 must be attributed to improvements in some of these areas. The weather was more favourable to agriculture in most parts of the continent than in 1993, though a number of countries were afflicted by drought during at least a part of the year with consequent reduction in agricultural output. Regional agricultural output has grown by a modest 2.1 per cent in 1994 compared to 3.7 per cent in 1993. The food sub-sector however failed to match its 4 per cent growth in 1993 having increased by only 2.5 per cent this year. Moreover, in view of Africa's population growth rate, per capita food production has declined by about 0.5 per cent, taking the continent still further from its goal of food self-sufficiency. A failed rainy season in the third quarter of 1993 and first quarter of 1994 precipitated famine conditions over a wide area covering about 22 million people and spread over some ten countries in the Horn of Africa in the first half of the year. In the most affected countries, notably Eritrea, Ethiopia and Kenya, death and massive population displacements were averted through timely distribution of increased food imports and food assistance. However, the situation was brighter in the other subregions. In North Africa, Morocco and Egypt enjoyed bumper harvests of wheat and coarse grains in 1994 largely due to adequate rains in the growing season. In the Sahel belt and in the coastal countries of West Africa above-average harvests were expected. South Africa and Zimbabwe had bumper harvests of wheat and maize. Even areas in the Horn of Africa expect a good harvest, thanks to a respectable rainy season in mid-1994. Compared to aggregate food imports and food assistance of 8.6 million tonnes in 1993/94, import requirements in 1994/95 are likely to be somewhat lower, in the order of 5.2 million tonnes.

The peaceful constitutional transition from *apartheid* to a new democratic and non-racial dispensation in the Republic of South Africa under the leadership of President Nelson Mandela kindled domestic and international confidence in that country's future. A number of other countries also made the transition from long-established one-party rule to multi-party governance under remarkably peaceful conditions. The majority of African countries continued to implement economic reforms, but at considerable social costs.

On the other hand, while no new conflicts emerged in 1994, the chronic flashpoints continued to be of much cause for concern both for Africa and for the international community. Indeed, the conflict in Rwanda which, latent in 1993, was still avoidable with a negotiated power-sharing solution, suddenly erupted in April 1994 into a horrible genocidal cataclysm for which neither Africa nor the international community were adequately prepared. Nearby, Burundi teetered on the brink; while hostilities continued in Angola and southern Sudan. Tensions persisted in different countries, among them Egypt, Algeria and Zaire, while Nigeria, one of the three most important economies in Africa, endured a period of political tension and labour unrest. The stalemate in Somalia continued. Inevitably, these situations had a negative impact on Africa's economic growth rate in 1994.

With the conflict-affected countries excluded (Angola, Liberia, Rwanda and Somalia) the remaining countries have posted a growth rate of 2.9 per cent against 1.2 per cent last year (Table 1). However, to the extent that they have reinforced the misconception that all African countries without exception are "conflict-prone" and "unstable", these situations, quite likely served to discourage investment inflows to Africa, reducing economic growth prospects over the medium term.

All that went to show that Africa's modest growth in 1994 was accompanied by significant variations in performance by subregion and country. Economic output of the six countries in North Africa has grown at an annual rate of 2.5 per cent this year, compared to 0.8 per cent in 1993. The sixteen countries of the West African subregion have posted a growth rate of about 2.6 per cent, against 3.2 per cent last year. The 21 countries of East and Southern Africa, including the Indian Ocean Island States, have had a growth rate of 3.7 per cent, against 1.5 per cent last year. The seven countries of the Southern African subregion, including the Republic of South Africa, were expected to grow by 3.8 per cent, compared to 1.2 per cent in 1993. However, output from the ten countries of the Central African subregion is expected to have shrunk by 0.2 per cent during 1994, following the 4.8 per cent decline in 1993. The 32 African least developed countries (LDCs) are expected to post a growth rate of 1.7 per cent, as compared to 1.6 per cent last year. And Africa's oil-exporting countries are expected to grow by only 2 per cent compared to 1.7 per cent in 1993.

At the country level, 11 African countries have recorded negative growth rates this year compared to 17 last year, while 12 are expected to exceed five per cent; the same number of countries as last year, which explain the slight improvement of economic performance at the regional level. (Table 2).

Africa's export revenues in 1994 are expected to rise to $ 95.2 billion from $ 91.3 billion in 1993, a nominal rise of 4.26 per cent, attributable to the impressive surges in the prices of almost all primary commodities, especially coffee, cocoa, tea, cotton and minerals. On the other hand, the weakening of oil prices by about 7.6 per cent has however dampened export growth. The volume increase was by a mere 2.2 per cent as compared to 1.1 per cent in 1993 (Table 1).

Imports, on the other hand, are estimated to have risen from $ 95.5 billion in 1993 to $ 101.7 billion in 1994 in value terms, a nominal increase of roughly 6.5 per cent (Table 4). The widening trade deficit on the merchandise account, combined with a reduced surplus on transfer payments and an increased deficit on the services account are expected to result in a current account deficit of about $ 7.8 billion, somewhat larger than last year.

Based on preliminary data, the comprehensive African Export Price Index compiled by UNECA has increased by 2.1 per cent, with petroleum included. However, when it is excluded, the export commodity price index rises by 18.7 per cent. The price index of beverage commodities as a group enjoyed a spectacular surge of almost 60 per cent, mostly due to buying and speculative pressures in the coffee market provoked by news of frost and drought in the coffee-growing areas of Brazil and due to low stocks of cocoa. Food prices have increased by 5 per cent. Mineral and metal prices have risen by about 6 per cent, spurred by recovery in industrialised economies. On the other hand, as noted earlier, prices of crude petroleum have declined sharply, due to OPEC's decision to maintain its world market share. This was, no doubt, a boon to the African oil-importing countries, but a significant loss of revenue to the oil exporters. On the side of imports, Africa benefitted from the continued moderate inflation in the industrially advanced economies. Thus, world prices of manufactured goods have risen by only 0.7 per cent after falling by 2.2 per cent in 1993. In spite of the positive performance of commodity markets in 1994, Africa's terms of trade improved only slightly by 0.6 per cent during 1994, after falling by 4.9 per cent last year (Table 5). However, there was a wide gap between oil-exporting and other countries, with the former suffering a large decline in their terms of trade (up to 9 per cent) while the latter enjoyed a significant improvement (up to 17 per cent).

Growth prospects in the world economy, particularly in the industrialised economies, have provoked fears of renewed inflationary pressures. The world financial markets have tended to see recovery in commodity prices as an early sign of future higher inflation rates. An additional factor in the medium-term perspective of the financial markets is, no doubt, the expectation of strong world-wide demand for capital – for the transformation of the former centrally-planned economies; for the continuing expansion of the newly-industrialising economies; covering the structural fiscal deficits of the leading industrialised economies as well as the financing requirements of their enterprises to strengthen their position in a more competitive global economy. Consequently, long-term bond yields (i.e., interest rates on long-term debt) have risen significantly in the latter half of 1994. Bond markets have weakened, and both the long-standing and the emerging stock markets alike have suffered considerable volatility while retreating from the peaks attained earlier in the year.

Developing countries, including African countries, have been adversely affected by developments in the world financial markets in several ways, in view of the globally integrated nature of the post-Cold War and post-Uruguay Round world economy. They have been affected in the first instance because their currencies, convertible at best only to a limited extent, are usually pegged to the US dollar or some other major currency; so they are forced to bear the macro-economic consequences of exchange rate of fluctuations. Secondly, since commodity prices (and export revenues) tend to be quoted in US dollars while developing countries' expenditures on imports and debt servicing are spread over various major currencies, the depreciation of the dollar must have amounted to a significant terms-of-trade loss for some countries. Thirdly, the rising interest rates increased the debt servicing obligations of countries with debt contracted at variable interest rates, and raised the cost of capital for all and curtailed access to the financial markets by countries with weak credit ratings.

Certainly the most important economic international event in 1994 was the signing of the Final Act of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) by the leaders of more than 120 countries assembled at Marrakech, Kingdom of Morocco in April 1994. It mandates sweeping liberalisation of international trade through a reduction of tariff rates by more than one-third and by lowering, if not eliminating, non-tariff barriers. It brings trade in agriculture and services under the umbrella of the GATT for the first time. Though not enough progress was made during this round of negotiations in the direction of reducing tariffs, producer and export subsidies and other non-tariff barriers erected predominantly by the richest economies against agricultural exports of the developing countries, these issues will be on the agenda of future rounds of negotiations. Similarly, little actual progress was made on trade in services, partly due to concerns voiced by the developing countries about their fear of domination by advanced countries' better capitalised service enterprises, and partly due to the reluctance of the United States to open its services sector without firm guarantees of reciprocity. These, again, are issues on which progress can be expected to be made, however painstakingly, in continuing and future rounds of negotiations.

The Final Act provides for the establishment of an institutional successor to the GATT, the **World Trade Organisation** (WTO), which will implement international trade agreements and oversee future negotiations to extend the scope of global trade liberalisation.

In view of the importance that developing and developed countries alike increasingly attach to international trade, and considering the asymmetrical distribution of bargaining power, the WTO is destined to wield enormous influence over the economic policies of the developing countries. What will be critical, therefore, is what coordination will emerge between this new organisation and the Bretton Woods institutions on the issues involved in macro-economic policy advice to the developing countries. This, in turn, will be determined to a great extent by how much say the developing countries will be able to exercise in the formulation and supervision of global trade policy. The WTO is expected to take over from the GATT on January 1, 1995 when the Uruguay Round agreement enters into force.

The GATT secretariat recently revised their assessment of the benefits expected to accrue from the implementation of the Uruguay Round agreements. It raised its estimate of the expected boost to global output from over $ 200 billion to over $ 500 billion per annum. The lion's share of benefits, however, will flow to countries with a diversified industrial base backed by a well developed skills base, nimble enterprises, reliable and efficient physical infrastructures, adequate domestic savings and a sound macro-economic environment. This means the industrially-advanced market economies of the OECD and the dynamic newly-industrialising economies, particularly China, the South-East Asian and Latin American economies. Africa, on the other hand, stands to gain the least from the Uruguay Round agreement. Indeed, some influential earlier studies before the recent GATT study estimated that Africa could lose as much as $ 2.6 billion annually as a consequence of lost preferences under mandatory revisions to the GSP and Lomé Convention as well as increased food import bills. For Africa to play a meaningful role in the emerging international trading systems, massive investments are required for the rapid diversification of the African economies and building up their competitiveness in areas of comparative advantage to them. A policy shift should also take place in the agricultural sector so as to boost production and lessen Africa's increasing dependency.

On the social scene, 1994 witnessed a further exacerbation of some of Africa's perennial problems. Today, the number of refugees in Africa is in excess of 7 million (Rwanda and Burundi alone having 24 million) or approximately one third of the world total. The number of the internally displaced in various parts of the continent has reached an appalling 20 million, with a devastating impact on the population as a whole especially on the vulnerable groups. Today's refugees and displaced persons in Africa are mostly the product of internal conflicts, ethnic tensions, political violence and natural disasters, whose return home is complicated by problems of poverty, social inequity and the ever-present fear of ethnic reprisals.

Africa's population continues to grow rapidly. At 3 per cent per annum, it outstrips average annual rates of economic growth and food production, which were respectively 2.8% and 2.1%. Rapid population growth has made rational natural resource management more urgent than ever, as population pressures contribute to unsustainable use of such resources and environmental degradation which, in turn, accentuates poverty. At the centre of the population problem is admittedly the slow pace of economic and social development.

Cost-cutting dictated by dwindling resources and emphasis on cost-recovery and cost-sharing continue to affect adversely the education sector, evidenced in falling gross enrolment ratios, haphazard attendance, high attrition and repetition rates, low morale and exodus of teachers from the profession. In some cases, pay disputes between governments and teachers' associations as well as political tension or strife have contributed to the closure of many educational institutions. As with the educational sector, so with the health sector. Cost recovery programmes as well as pay disputes have interrupted the demand for and supply of quality health care in many countries.

Let me observe that this year witnessed many important events that will have a salutary effect in advancing social development in Africa. This year the International Conference on Population and

Development was held in Cairo, Egypt from 5-15 September, 1994. The Cairo Conference adopted a Programme of Action on population and development. The Programme underlined, among other things, the goals of promoting education especially for girls, gender equity and equality; and the reduction of infant, child and maternal mortality. The objectives and goals of the Programme of Action are consistent with those of the 1993 Dakar/Ngor declaration on population, family and sustainable development, which was Africa's input to the Cairo Conference.

The Conference of African Ministers Responsible for Human Development held its first meeting in January this year to adopt an African Common Position on Human and Social Development in Africa as the region's input to the World Summit for Social Development to be held in Copenhagen, Denmark in March, 1995. The Common Position has outlined several recommendations in the areas of poverty reduction, social integration, and employment – the main issues to be discussed at the Social Summit.

The Fifth African Regional Conference on Women met in Dakar, Senegal in November to articulate an African Platform for Action which will be submitted to the Fourth World Conference on Women to be held in Beijing, China in September, 1995. The African Platform for Action underlined the need to empower African women politically, socially and economically, increase their access to education, vocational training, science and technology, support their vital role in society and the family, and protect their legal and human rights.

Social policy in African countries will benefit from these major events, in as much as African countries initiated or joined other nations in making commitments for universal social progress through these meetings.

II. Economic Policy Developments in Africa in 1994

As in previous years, African countries continued to face serious macro-economic imbalances in 1994. At the same time, however, a large majority strove to restore balance and stability by implementing reform programmes. The fact that they all did not succeed in achieving their budgetary targets is not so much because of a lack of resolve or conviction but, rather because of rigidities in expenditure and due to unforeseen circumstances, such as drought or instabilities, which blew initial economic projections off course. Economic reforms in African countries necessarily comprise a broad agenda all of which cannot indeed be tackled at the same time. There is room, therefore, for individual countries to select their own priorities and sequencing among the structural problems they would like to correct in order to move their economies towards price, interest and currency exchange rate stability, efficiency and higher productivity, genuine economic recovery and sustained growth with social equity and constant poverty reduction.

In a number of countries, fiscal reforms were undertaken aimed at enhancing public revenues and restraining public spending with the objective of reducing the fiscal deficit in proportion to GDP. They took a two-pronged approach towards enhancing public revenues : through institutional reforms, e.g., strengthening revenue agencies, to increase the collection rate; and through the broadening of the tax base by increasing the scope of indirect taxation, e.g., by introducing value-added tax and user charges on some public services. In a number of countries, members of the business community viewed taxes as a counter-productive to investment. Some countries have taken steps to redress this situation. At the same time, several governments took steps to reduce spending by reducing the public sector payroll, by cutting or eliminating subsidies and by holding down the growth rate of public consumption. This also involved public sector restructuring and expenditure rationalisation in some countries, and public enterprise reforms in some others.

In spite of all these efforts, the fiscal gap continued to widen due to unforeseeable factors. In Malawi, for example, the prolonged severe drought has drastically reduced agricultural tax revenues while it has increased expenditures on food imports. In Morocco, on the other hand, which had a better than average harvest in 1994, the Government had to buy surplus grain from the farmers at guaranteed floor prices. In countries making the transition from conflict to peace, for example Mozambique, the substantial costs of demobilisation consumed some of the savings from military spending. Also, in many countries, loopholes which distort the fairness of taxation have yet to be closed and efficient revenue collection systems were yet to be put in place to minimise corruptive tendencies. Consequently, fiscal deficits are expected to average about 6 per cent of GDP, up from about 5 per cent last year. However, in order to contain monetary expansion, some African countries have financed the bulk of their fiscal deficits by issuing treasury securities rather than directly resorting to borrowing from their Central Banks.

In addition to efforts to check excessive money supply growth, in different African countries, monetary and financial reforms were in the direction of freeing interest rates, restructuring financial institutions and introducing a measure of deregulation in the operations of the financial sector while strengthening the prudential supervisory role of the Central Bank over other financial institutions. The aim clearly was to establish the basis for the development of a sound financial sector for increased mobilisation of domestic savings and improved allocation of investments through more efficient intermediation. Some countries, such as Morocco, prepared to expand the scope of private participation in the financial sector, either through whole or partial privatisation of state-owned financial institutions. In Ethiopia, the first private banking and insurance share companies since 1974 were established wholly on private initiative, following the promulgation of a comprehensive new law governing the registration of financial enterprises. It is still too early to judge the success of these initiatives in raising the gross domestic savings rate or improving the quality of investments; however, they are steps in the right direction.

A number of countries have embarked upon currency reforms. The devaluation of the CFA franc in January 1994 was the most notable case of exchange rate adjustment in Africa during the year. This was because of the number of countries that were involved – 14 countries in two regions, West and Central Africa, plus the Comoros. It was also due to the 100 per cent scale of devaluation, from 50 CFA F to 1.00 FF to 100 CFA F to 1.00 FF, which initially caused deep concern in various segments of society in the CFA zone countries. The CFA franc devaluation was negotiated as an overall package including the cancellation of some of the public debt owed to France plus new resources from the IMF, the World Bank and other development partners in support of a range of macro-economic reforms.

The impact of the devaluation during the first year has been rather mixed. It appears, as would be expected, to have shifted the domestic terms of trade in favour of tradeables *vis à vis* non-tradeables as well as in favour of industries which utilize local inputs versus those heavily dependent on imports. But, while exports have revived in some countries, this has not yet attained the level that would be expected from the quantum leap in world market competitiveness conferred to CFA zone producers by the devaluation. On the other hand, domestic demand, by and large, appears to have been curbed. While this will have helped to reduce imports, it has also repressed economic growth somewhat. At the same time, devaluation triggered a significant jump in prices during the year. It is to be expected that these initial negative impacts of the devaluation shock will attenuate with the passage of time. Clearly, however, other important determinant factors of competitiveness must also be addressed seriously – transport, telecommunications and energy infrastructures; productive skills in the labour force and labour market reforms; more vibrant enterprises that are aggressive in search of export markets; policy incentives; etc. These factors should be given at least as much attention as macro-economic stabilisation in the structural adjustment programmes of the CFA zone countries.

However, the impression should not be given that the only development on the African currency scene in 1994 was devaluation and depreciation. In some countries where reforms have already reached an advanced stage, notably in Uganda and Kenya, in fact, currencies appreciated against a weaker US dollar ($). But, more importantly, this reflected increased supply of foreign exchange from export revenues, modest increase in remittances, and budgetary assistance from partners in support of agreed reform programmes. Similarly, while interest rates have generally risen with the implementation of monetary and financial reforms, in countries where inflationary expectations have been curbed, such as in Uganda, rates have begun to decline.

Privatisation is another area targeted by economic reforms. Here, progress is thwarted by the paucity of domestic savings within African countries, the fact that there are not enough aggressive entrepreneurs and that stock markets are weak or lacking altogether. There is understandable reluctance on the part of the countries to dispose of public enterprises entirely to foreign investors often at give-away prices. Thus, countries are searching for an approach that would ensure that nationals retain significant equity in privatised assets, for example, through joint ventures with foreign investors. To the extent possible, they would also like to have a wide dispersal of shareholding in major privatised enterprises. Thus, before the government of Ghana floated on the London Stock Exchange its remaining shares in the Ashanti Goldfields Company early this year, it reserved almost 2 per cent of the shares for the workers. In Ethiopia, the government has chosen to break up the assets of the state-owned transport corporation into three shareholding companies to be wholly transferred to the workers in the form of a loan equal to the value of the transferred assets. Indeed, privatisation, properly conceived, should be a strategy to accelerate economic growth and development with equity, rather than worsening disparities in society by increasing the concentration of economic power.

Progress was also made in other areas of reform notably, as regards market and tax reforms geared towards the improvement of the investment climate for domestic and foreign investors.

Thus, the African countries are living up to the commitment they made in the UN-NADAF to implement reforms to make their economies more efficient. The same is true also in the case of democratisation. Unfortunately, while Africa's external partners have continued to provide development assistance, they have not been able to live up fully to their commitments under UN-NADAF. The level of net resource transfers to Africa over 1990-1994 has fallen far short of the $ 30 billion advocated for 1992 alone and with an expected growth rate of at least 4 per cent per annum. In 1994, for instance, net external financing to all African countries, including South Africa, is not expected to exceed $ 14 billion, only a small improvement on 1993. In the other developing regions with greater dynamism, foreign direct investment has become the dominant vehicle for the transfer of resources from the rich to the poorer countries. Africa, however, is not yet in a position to attract FDI and portfolio funds on a scale that would make a sizeable impact, because of the relatively uncompetitive position of its countries. Africa therefore will continue to need substantial official development assistance from its partners for along time to come.

A second commitment of Africa's partners was to take meaningful steps to lighten African countries' crushing external debt burden which Secretary-General Boutros Boutros-Ghali has likened to a "millstone around the neck of Africa". And yet, almost mid-way in the implementation of UN-NADAF, with Egypt excepted, no meaningful steps have been taken collectively by the creditors to substantially reduce the stock of debt of any African country. Thus, in spite of the repeated backing of the "**Enhanced Toronto Terms**" by the leaders of the Group of Seven richest industrialised states (the G7), from 1991 to 1994, 21 African countries have negotiated rescheduling agreements amounting to only $ 7.14 billion of their debt. The very limited scope of such attempts to tackle the African debt problem is obvious, considering that at the end of 1994, the aggregate external debt owed by the African continent, including

South Africa, was $ 317.8 billion. Excluding South Africa, the debt to GDP ratio of the rest of Africa had risen to 95 per cent, while it was more than three times the value of exports.

III. Prospects for 1995

Prospects for Africa's economic performance in 1995 obviously depend on the out turn in a number of domestic as well as external factors that traditionally have a bearing on Africa's growth and development.

Weather conditions, availability of vital agricultural inputs, the situation regarding locusts and other agricultural pests, all continue to be very important determinants of agricultural and food output. Another crucial factor is the level of world market prices for export crops such as coffee, cocoa and tea. If all these factors are favourable in 1995, and if policy emphasis is placed on the development of rural infrastructure, improvement of producer incentives, and more efficient marketing arrangements, the rate of growth of agricultural output could increase to 4-5 per cent, well above the rate of population growth.

African countries' earnings from agricultural and mineral exports may retain their current positive trends if the dynamics of the recovery in the OECD countries are maintained. But, on the other hand, the surges in commodity prices this year may well encourage producers in other competing countries to step up production and increase supplies on the world market – which could reduce prices from the levels attained this year. Chances for an improvement in the petroleum market are rather slim for 1995.

Progress towards the restoration of peace would launch countries previously embroiled in conflict on the path to recovery and sustainable development. The recent successful elections in Mozambique, held under the auspices of the United Nations, should create conditions for the restoration of peace throughout the country, opening up opportunities for the exploitation of its rich natural resource potential and its strategic importance in the transport infrastructure of the Southern African subregion. The recently concluded peace agreement in Angola will also, hopefully,

IV. Facilitating Africa's Transition To Accelerated Growth And Development

The picture that emerges from the preceding review of the economic and social situation in Africa is one of modest improvement in performance. Even so, the urge and impetus for progress is widely felt in virtually every African country. This has found expression in the economic restructuring embarked upon by some; in the political reforms to improve governance taking place in many; and in the renewed emphasis on social justice that is emerging, exemplified in the various announced policy commitments to empower women, protect children and settle conflicts that seriously handicap some countries. Africa, indeed, is in the midst of change. We would submit that Africa should be seen as a region in transition, slow and uneven though that transition might be and with every domestic and external implication that this entails.

The transitions in Africa at the domestic level are matched by equally important changes at the international level. The end of the Cold War, early this decade, set the stage for sweeping changes in the geopolitical structure. But, arguably, it is the changes in the international economy that will exert influence on the pace of Africa's transformation and to which, in turn, African countries must respond. There is certainly the danger of extrapolating current trends into the future. Nonetheless, some key features of the evolving international economy are evident:

- the formation of regional trading blocs, with the *novel* feature of industrialized countries joining together with developing countries in some cases;

- a strengthened framework for international trade resulting from the Uruguay Round agreement which has given further impetus to trade liberalisation, expanded the range of products brought under negotiated international trade rules, and created the

World Trade Organization that will oversee the conduct of global trade;

- intensified competition in the production and marketing of goods and services, but also in access to markets, finance and investment;

- globalization of production processes and finance, both in the sense that financial impulses in one country are rapidly transmitted to another but also in the sense that transnational corporations – major agents of economic globalization – can rapidly relocate production facilities in response to perceived risks or rewards;

- increased speed with which international markets and key players reward sound national economic decisions and penalize imprudent actions.

Against this backdrop, and with only five years away from the dawn of a new millennium, obviously, Africa has no option but to come to terms with the highly competitive global economic environment of the future. This environment has been created by leaps of technological progress especially in transport information and telecommunications, the waning of monopoly over skilled human resources by the industrially-advanced economies, the end of the post-Cold War era and the revolution in economic relations which it ushered in throughout the world. The Uruguay Round agreement has merely codified these fundamental forces which ultimately underlie the ongoing sweeping liberalisation of the global economic system. The challenge facing Africa therefore is to embark without delay upon an equally sweeping overhaul of its political systems, basing them on national consensus, and of its economic structure, building in a resilience for withstanding increased competition.

Since the reforms referred to earlier are important elements in grappling with the challenges of a new era; it must be made clear that there is a political as well as economic dimension to this task. Competing effectively in the new international environment requires that the economic reforms must induce structural transformation and, in that context, African countries must inject efficiency and dynamism into their economies by eliminating distortions, empowering the private sector to seek competitive solutions to socio-economic problems and attract domestic and external savings to be invested in sustainable development. The political reforms, on the other hand, should, in addition to promoting popular participation in the political process, provide a framework for a peaceful, stable environment in which political disagreements and differences as well as contractual disputes are resolved through judicial arbitration. In other words, Africa should build states which respect the role of law as a basis for addressing effectively the entire spectrum of its political, economic, social and cultural activities and relationships.

It remains clear that the critical capacities needed to underpin the various reforms are lacking. This argues for building and utilising the human, institutional and infrastructural capacities for managing a modern economy and polity. It is also imperative that African countries promote collective policy actions to cope with the new and emerging trends in the world economy and in the organization of international civil society.

The African Economic Community, whose founding document came into force last May is an example of collective concerted action that should reinforce Africa's capacity as a potentially major player in the international arena. The word potential needs to be underlined. The AEC puts Africa on the eve of a new era. As such, the commitments made in the Abuja Treaty need to be matched by requisite actions for its promise to be realized. The African Economic Community must be perceived and conceived not only as a vehicle for expanded regional cooperation, but as a strategic response to a world economy evolving around powerful and competing trading blocs.

Now that the Abuja Treaty has entered into force, the first of the six stages towards the establishment of the African Community should be accelerated. According to the Treaty, this requires the strengthening of the Regional Economic Communities, notably, Maghreb Arab Union (UMA), the Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the Common Market of Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC). Through their Joint Secretariat, the Organisation for African Unity (OAU), UNECA and the African Development Bank (ADB), will continue to make a decisive contribution towards the implementation of the Abuja Treaty, as mandated by our Heads of State and Government. The UNECA-sponsored institutions, are a vital resource in the building of critical capacities for Africa's sustainable development; and they are an indispensable instrument in strengthening regional economic cooperation and making the AEC an early reality. It is within this context that I appeal to our member States and particularly to our development partners to consider the work of these regional organizations among the highest development priorities of the continent.

Need it be noted that neither the efforts in undertaking reforms nor at building critical capacities nor even at regional integration will succeed without significant infusion of financial resources. African countries simply do not possess the amount of resources needed to underwrite these efforts. The estimates of the order of magnitude of resources needed for Africa's development in the next 15-20 years made by various international organizations, including UNECA, confirm this. It is thus beyond doubt that Africa needs more technical, financial and economic assistance. However, current trends in the flow of external financial resources point towards contraction in resource flows.

Assistance to Africa is alternately portrayed as charity or contribution to a bottomless pit! But while aid to redress many natural disasters and other emergencies in Africa, as elsewhere, has been inspired by humanitarian considerations and while, there have clearly been instances of inefficient disbursement and use of resources in Africa, the fact is that much of what passed for aid during the Cold War did not go to promote development. Rather, aid was driven by considerations of ideology with the military component which was mostly responsible for indebtedness, accounting for a large part. It is now when – African countries are embarked on market-friendly reforms, establishing democratic polity, and showing commitment to promoting social justice – that aid is most needed to buttress these positive developments. If this first opportunity for the coordinated use aid to address the multisectoral issues of African development is not seized, nothing will be achieved and Africa will remain marginalized. With proper national subregional, regional and international management of its transition, Africa should become a full-fledged development partner in its own right.

It should be noted that international cooperation – in the sense of consensus or agreements on a wide range of issues – is growing. There is consensus to promote environmental sustainability, to eliminate trafficking in illicit drugs, to curb population explosion, to empower women, to protect children, fight AIDS, to reduce poverty, and to promote social integration and cohesion without which national and international peace and security are impossible. There is also broad consensus on the five pillars of development articulated in the Secretary-General's Agenda for Development.

South-South cooperation should be an important instrument for pursuing the goals of African recovery and development. By drawing, in particular, on the experience of economic development and transformation in Asia and promoting economic and technical cooperation with them, Africa can apply and benefit from the lessons from that region. The organizations of the United Nations can and should play an important role in facilitating the transfer of experience and assistance between Africa and other developing regions.

Assuredly, Africa holds vast potential for building its future but realizing this promise is a primary responsibility of Africans which should be pursued its development partners in the mutual interest. The vast resources of Africa, in terms of natural, human, geographical and cultural endowments are among the essential assets on which the development of the continent should be built. It is the challenge for all of us as partners in development. It is time to act speedily and effectively. Africa cannot afford to be left behind in the race to the 21st century at a time when the world is getting ready to celebrate the 50th Anniversary of the adoption of the United Nations Charter.

ANNEX

Table 1: Gross Domestic Product Growth Distribution				
	1992	1993	1994	1990-1994
GDP (1990 prices) : growth rate				
• Africa	-0.3	1.1	2.8	1.5
• North Africa	1.0	0.8	2.5	1.8
• West Africa	2.3	2.8	3.0	4.3
• Central Africa	-4.7	-4.8	-0.2	-2.7
• East & Southern Africa	-1.9	1.5	3.7	0.9
• Southern Africa	-2.0	1.2	3.8	0.8
• Oil Exporters	0.9	1.7	2.0	1.5
• African LDC's	-0.4	1.6	1.7	0.9
Memoranda Items:				
• South Africa	-2.2	1.2	4.1	0.5
• Africa excluding States in Conflict	-0.3	1.2	2.9	1.6
Source:UNECA Secretariat				

Table 2: Frequency Distribution of Countries, by Growth Rates				
	Negative	Between 0 and 3 %	Between 3 and 5 %	More than 5 %
Number of countries				
• In 1993	17	14	10	12
• In 1994	11	17	13	12
Source:UNECA Secretariat				

Table 3: Growth in Value-added for the Production Sectors				
	1992	1993	1994	1990-1994
• Agriculture	-1.6	1.8	3.1	1.9
• Manufacturing	-1.2	0.1	4.8	0.4
• Mining	-1.8	1.3	-4.2	-0.7
• PublicAdministration 1/	3.2	1.1	-3.7	0.3
• Services	1.2	1.7	2.0	1.6
Memoranda Item:				
• Oil production (million tons)	343.4	339.2	338.2*	1.2

Source:UNECA Secretariat
1/Public administration, electricity and water
*Estimate

Table 4: Growth on the Demand Side				
	1992	1993	1994	1990-1994
Domestic consumption:	1.2	1.7	0.9	2.0
• Public	2.1	4.4	0.4	2.2
• Private	1.0	1.0	1.0	1.9
Gross fixed capital formation	-1.0	-1.0	7.2	-0.1
Exports	-0.5	2.1	3.2	0.7
Imports	0.2	2.6	2.8	1.8

Source:UNECA Secretariat

Table 5: African Price Indices 1/				
	1992	1993	1994	1990-1994
Consumer price index				
Commodity price index including oil	83.8	74.9	74.8	77.8
• food	100.7	99.6	104.8	101.7
• beverage & tobacco	81.8	86.9	138.9	102.5
• agricultural raw materials	99.9	100.5	108.7	103.0
• metals and minerals	86.6	72.8	77.2	78.9
Petroleum crude prices:				
• Brent crude ($/b)	19.4	17.0	15.7	17.4
• Petroleum price index	80.6	71.0	65.6	72.4
African export price index (including oil)	86.5	79.9	81.6	82.7
Memorandum Item:				
African commodity price index (excluding oil)	93.5	87.2	103.6	94.8
1/1990 = 100				