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Economic Report on Africa

1998

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ABBREVIATION

ACCS	=	The African Centre for Civil Society
ACP	=	African Caribbean & Pacific
ADB	=	African Development Bank
AEC	=	African Economic Community
DOT	=	Direction of Trade (IMF)
ECOWAS	=	Economic community of West African States
ESAF	=	Enhanced Structural Adjustment Facility
ESPD	=	Economic and Social Policy Division
FAO	=	Food and Agricultural Organization
FDI	=	Foreign Direct Investment
FIS	=	Front Islamique du Salut
GCA	=	Global Coalitions for Africa
GDI	=	Gross Domestic Investment
GDP	=	Gross Domestic Product
GNS	=	Gross National Savings
HIPC	=	Heavily Indebted Poor Countries
IFS	=	International financial Statistics
IMF	=	International Monetary Fund
NGO	=	Non-governmental Organizations
NPV	=	Net Present Value
OAU	=	Organization of African Unity
RECs	=	Regional Economic Communities
SSA	=	Sub-Saharan Africa
UDEAC	=	Central African Customs and Economic Union (Union Douaniere des Etats d'Afrique Centrale)
UNCTAD	=	United Nations Conference on Trade and Development
UNECA	=	United Nations Economic Commission for Africa
UNHCR	=	United Nations High Commission for Refugee
WEO	=	World Economic Outlook (IMF)

I. THE AFRICAN ECONOMY IN 1997

I.A. Economic Performance

1. Africa's economic performance in 1997 once again demonstrated the fragility of the recovery and underscored the predominance of exogenous factors in the determination of the out-turn. ECA preliminary estimates show that regional output increased by 2.9 per cent in 1997 compared to the 4 per cent in 1996 and the 2.7 per cent of 1995. Despite the considerable reduction in the overall rate of growth, per capita income increase by 0.1 per cent.

2. This average, however, masks a large variation in growth across the continent. Table 1 classifies countries on the basis of GDP growth they achieved in 1997. Overall GDP growth in 1997 ranged between a low of -8.7% and a high of 12.7%. Nearly 60 per cent of the African countries (31 out of 53) registered rates of growth in excess of their population growth rate resulting in an increased per capita income. Half of these 31 countries posted growth rate in excess of 5%; the threshold required for sustained poverty-reduction growth in Africa, annually. Out of these 31 countries with positive per capita growth. It is to be noted that 7 countries posted growth rates in excess of 6 per cent. Only three countries had negative growth rates in 1997 compared to two in 1996, six in 1995 and 12 in 1994.

Table 1.1: Frequency Distribution of African Countries According to Growth Performance

GDP Growth Rate (%points)	1990	1991	1992	1993	1994	1995	1996	1997
Negative	18	15	19	16	12	6	2	3
0 - 3	10	16	15	12	13	11	12	15
3 - 6	14	13	12	17	20	23	28	26
6 - 8	6	6	5	4	4	6	9	7
8 +	4	2	6	2	4	7	2	2
Total	52	52	52	52	53	53	53	53

Source : Statistical Appendix

3. In the thirteen African oil-exporting countries whose GDP accounts for 51.1 per cent of the regional GDP, growth decelerated from 4.2 per cent in 1996 to 3.6 per cent in 1997. The slow down was instigated by declining oil prices and the negative consequence of the agricultural sector. Crude oil prices declined by 10 per cent in 1997 from an average of US$ 22.1 to US$ 20.0 per barrel. To compensate for the shortfall in their foreign exchange earnings, these countries and more so the non-OPEC producers, increased their output from 368.42 million tons in 1996 to 378.40 million tons in 1997, an increase of 2.8 per cent. Growth in the non-oil exporting countries declined from

3.7 per cent in 1996 to 2.3 per cent in 1997. For the least developed countries, the 1996 momentum was not sustained as GDP growth decreased from 4.9% to 2.4% in 1997.

Table 1.2: Recent Economic Performance Indicators of Africa, 1993-1997 (Percentage Growth Rates or otherwise as indicated)

Indicators	1993	1994	1995	1996	1997
GDP Growth - Africa	0.0	2.0	2.7	4.0	2.9
- Oil Exporting Countries	-0.3	1.4	3.1	4.2	3.6
- Non-oil Exporting Countries	0.1	2.6	2.4	3.7	2.3
- Least Developed Countries	-4.0	-0.7	4.0	4.5	2.4
Sectoral Growth					
- Agricultural output	0.9	3.9	1.5	5.2	1.7
- Mining Value Added	-0.5	-0.5	-0.2	6.5	3.8
- Manufacturing Value Added	-0.8	2.9	4.5	2.5	2.5
Export Unit Value*	-7.0	0.5	7.3	-0.9	-2.1
Import Unit Value*	-5.6	1.0	8.7	-2.9	-1.0
Oil price (Brent Crude $/b)	16.8	23.9	20.5	22.1	20.0
Non-oil Commodity price*	2.8	22.1	5.9	-6.3	7.6
Consumer prices*	29.5	38.7	33.1	25.1	28.3
Terms of Trade Index (1990=100)	-4.5	1.2	1.5	4.6	1.0
Africa's Share in World Trade	2.4	2.4	2.2	2.0	1.9
Current account deficit (US$Bl)	-9.7	-11.9	-16.2	-9.6	-9.4

__Source:__ ECA Secretariat

* Percentage changes over previous year

4. The slow down in regional economic growth was due to the decline in sub-regional growth performance which will be explained later. Given the significance of agriculture in the African economies, smaller harvests had adverse consequences on income, consumption and on the performance of the processing industries. Poor rainfall and drought in Morocco reduced its GDP growth for the fourth time in the last six years and necessitated higher cereal imports. The El Nino induced weather condition in Southern and parts of Eastern Africa provoked critical food shortages, eliciting urgent calls for international food aid in some countries such as Ethiopia - which had achieved food self-sufficiency in 1996 - Eritrea, Somalia, Rwanda, Sudan, Tanzania and Uganda. Modest growth was nevertheless recorded in West and Central Africa although severe food shortages were reported in Burundi, the Congo republic, and the Democratic Republic of Congo.

5. Despite the slowdown in the regional output due to low oil prices and poor agricultural output, export growth continued to expand and was the most significant factor behind GDP growth in several countries in 1997. The world output is estimated to have grown at a steady rate of more than 3 per cent in 1997. The financial turmoil in South-East Asia did damper their performance and may have reduced global growth by as much as one percentage point. Fortunately for Africa, its major trading partners successfully sterilized the negative fall-out from Asia and strengthened their growth momentum. The strong rebound in Europe and particularly the robust recovery in France and Germany as

well as the resilience of North American economies provided the stimulus for the high growth of world output and trade.

6. The volume of world trade is estimated to have grown by 9.4 per cent in 1997 against 5.3 per cent in 1996. Africa's trade volume increased by 8 per cent. The larger export volumes boosted export revenues and made up for the decline in prices of the region's exportable. Total export revenue of the region increased by 5.9 per cent in 1997. Despite the increase in export volume and earnings, Africa's share in the world trade continues to decline from 2 per cent in 1996 to 1.9 per cent in 1997.

7. Inflation crept up from 25.1 per cent in 1996 to 28.3 per cent in 1997, due mainly to food price increases. It jumped to double digits - the highest level in recent years - in Kenya and Uganda, two countries that had earlier reduced inflation to single-digit level and remained high in Angola, Burundi, the Democratic Republic of the Congo and Sudan, where political factors disrupted production and distribution of goods. Wage increases contributed to inflationary pressures in countries such as Benin and Zimbabwe, while in Ghana, inflation remained high as a result of exchange rate depreciation and increases in administered prices of petrol and electricity, among others. In CFA zone countries, price stability was the overwhelming phenomenon, averaging a 2.5 per cent growth with the exception of Cote d'Ivoire where the rate of inflation more than doubled from 2.5 per cent in 1996 to 6 per cent in 1997.

8. In 1997 the overall policy thrust focused on minimizing the negative impact of agriculture on the economy and society through proactive and countercyclical measures and on sustaining the growth momentum of the last three years. Although strong attempts were exerted to stabilize the economy through restrictive fiscal and monetary policies, the degree of freedom in some countries such as Morocco, Ethiopia, Zambia and Zimbabwe were circumscribed by their need to cushion the social impact of declining harvest. In other respect, the African governments continued to deepen and widen the reform programs, including trade and financial sector liberalization, institution building as well as the reformulation of their investment related legislations to accord them more foreign investment friendly.

9. At the same time that these reforms were taking place, African governments sought to diversify their production base. The diversification drive focused on the horizontal dimension not only because that is where African countries have their comparative advantage but also because other options, and more so the dynamic expansion of the manufacturing industries continue to face impossible impediments.

I.A.1. Growth of Agricultural Output

10. Strong recovery of agricultural output in 1996 was not sustained in 1997. For the African region as a whole, agricultural production decelerated to 1.7 per cent in 1997, after bumper crops had raised output by a record 5.2 per cent in 1996. This was essentially due to the weather condition that affected production in major producer nations. The production of the major export commodities fell in 1997 below their 1996 levels and this adverse outcome was particularly notable for cocoa and coffee.

11. In the food sub-sector, regional production in 1997 was adversely affected by the erratic changes in weather conditions mainly because of an overwhelming dependence by majority of countries on rainfed agriculture. Civil strife also played a significant part in accentuating the region's food supply difficulties. According to data from the Food and Agricultural Organization (FAO), cereal production fell by about 10.5 per cent from 126 million metric tons to 113 million metric tons in 1997. Fruits, jute and vegetables production were slightly lower relative to 1996 while the production of pulses increased.

12. Due to poor performance, difficulties are emerging in the eastern and north-eastern parts of the region. In Tanzania, for example, the 1997 cereal crop declined by one-third. In Rwanda and Burundi, though production registered recovery, it remains well below pre-crisis level. In Ethiopia and Eritrea food

production fell drastically, stocks were exhausted in an effort to make up for the shortfall and required an urgent call for assistance to the international community to contain impending disaster.

Table 1.3: Performance of Food Crops in Africa, 1994-1997 (Million Tons)

TOTALS	1994	1995	1996	1997
Cereals	112,967,100	100,183,500	126,328,400	112,957,600
Fruits (Excl. Melons)	52,097,420	52,963,700	54,415,660	54,339,030
Jute & Jute like fibres	15,240	15,920	16,600	16,550
Pulses	6,897,133	7,309,479	7,387,686	7,536,673
Vegetables & Melons	34,756,660	35,157,390	35,818,560	35,752,430

Source : FAOSTAT Database

13. In West Africa, the performance of agriculture was mixed, but the already precarious food situation in some countries such as Sierra-Leone continues to deteriorate as a result of the negative impact of civil strife and will get worse with the embargo. Improvement was realised in Liberia following the conclusion of the civil war and the installation of the democratically elected government.

14. The generally negative or poor record of 1997 yet points to serious gaps in food supply for majority of African countries. Again this is likely to lead to sharp decline in stock-to-utilization ratio in 1998 pushing it below the minimum level

necessary to safeguard the regional food security. Of the 31 countries projected to face critical food deficits, the FAO locates 20 of them in Africa. Replenishment of stocks might be suspended by low-income countries and resumption of such effort will require sizeable improvements in production techniques and increase in actual production in the coming year. Otherwise these countries will revert to long-term dependence on food aid.

15. Among the subregions, the most drastic falls in cereal production were recorded in North Africa where production declined by between 50-60 per cent in Algeria, Morocco and Tunisia and a decline of about 30 per cent for the subregion as a whole. Performance was poor in Central Africa and mixed in West, and Eastern and Southern African subregions.

16. Shortfalls in cereal and other food crop production triggered an increase in food prices and required significantly larger imports, particularly wheat. Preliminary estimates by FAO put imports of wheat for 1997/98 by African countries at a record 21 millions tons, with imports by Algeria, Egypt, Morocco and Tunisia forecast to exceed 14 million tons.

17. Major commercial crops did not do well in 1997, again as a result of adverse weather conditions. Cocoa bean harvest declined by 9 per cent. Most of the shortfall comes from Côte d'Ivoire which reported climatic disturbances during the planting and harvesting periods. Similarly, tea and sugar production declined by 7.8 per cent and 0.48 per cent respectively, in 1997.

Most of the region's negative output in tea was as a result of the harvest crop failure in Kenya.

18. Production of green coffee was much lower in 1997 relative to 1996 in Kenya, Madagascar, Rwanda, Tanzania and Uganda as well as in Côte d'Ivoire. Ethiopia managed to pull up production by some 7.8 per cent over the last year's output but the prevailing adverse conditions in Kenya and Uganda, resulted in 21 and 25.8 per cent fall in the two countries respectively. In consequence, total regional output of coffee fell by 7 per cent from about 1.2 million metric tons in 1996 to about 1.1 million metric tons in 1997. The generic decline in commercial crop production was equally evident on other crops with total seed cotton production declining from last year's level by 1.4 per cent.

I.A.2. Growth in the Industrial Sector

19. The output of the industrial sector (broadly defined to include non-agricultural commodity production) increased by 3.3 per cent in 1997, well below the 1996 rate of 5.4 per cent, mainly due to the slowdown in the mining subsector (3.3 per cent in 1997 against 6.5 per cent in 1996). Manufacturing industries maintained their growth rate of 2.5 per cent. The booming industrial activities in 1997 as in the recent years were construction (5.4 per cent) and, energy and water (3.1 per cent).

20. Performance indicators of the African mining industry in 1997 repeated results observed in 1996 despite the surge in

investment. Production of the 15 main minerals representing over 90 per cent of the sector's total output show that, with few exceptions, output either declined or stagnated in 1997. The overall mining production index (excluding oil) remained virtually unchanged in 1997 as compared to 1996, increasing marginally by 0.6 percentage point.

21. In Ghana, gold production in the first half of 1997 increased by 10 per cent at the country's largest Ashanti Goldfield at Obuasi. Despite this early surge in output, production was estimated to have remained unchanged at 44.4 tons for 1997 due to considerable slowdown during the second half of the year.

22. In South Africa, most mines continue to face significant productivity problems associated with working conditions, dwindling reserves and slender profit margins. Output in the sector fell by 0.5 per cent in the first quarter of 1997. Gold production was particularly affected due to the declining quality and quantity of ore milled. Production in 1997 is estimated at 484 tons down from 495 tons in 1996. The increase in copper production in Zambia was overshadowed by the steep decline in the production of Democratic Republic of Congo.

23. The oil sector continued to pursue dynamic developments in 1997. The favourable conditions under which African countries offer concessions to the oil companies, coupled with low exploration and production costs, due to technological

developments, has continued to attract investment to the region. Important new oil discoveries are reported particularly in Algeria, Angola, Egypt and Equatorial Guinea and exploration and drilling activities have been booming across the region.

24. Crude oil production in Africa increased from 368.4 million tons in 1996 to 378.4 million tons in 1997. Production from members of the Organization of Petroleum Exporting Countries (OPEC) increased marginally to 252.10 million tons, 2.8 per cent more than in 1996, due to the quota system imposed on member countries by the organization. Production from non-OPEC producing countries rose to 126.30 million tons in 1997 from 123.40 millions tons in 1996.

Table 1.4: Crude Oil Production in Africa, 1993-1997

(Millions of tons)

COUNTRY/GROUP	1993	1994	1995	1996	1997*
Algeria**	59.77	59.16	60.52	62.91	66.84
Libyan Arab Jamahiriya	68.18	69.22	70.50	69.22	70.72
Nigeria	102.10	94.62	104.08	113.05	114.54
Sub-total OPEC	**230.05**	**223.00**	**235.10**	**245.18**	**252.10**
Angola	25.50	27.69	31.62	34.70	35.41
Cameroon	5.48	4.78	4.73	4.48	4.98
Congo	3.66	9.36	8.81	9.30	10.05
Côte d'Ivoire	0.51	0.55	0.55	1.00	0.96
Democratic Rep. of Congo	1.14	1.45	1.44	1.57	1.60
Egypt	46.30	46.50	46.50	47.06	47.06
Equatorial Guinea	0.20	0.32	0.42	1.74	3.98
Gabon	14.77	16.28	17.66	18.33	17.93
Ghana	0.85	0.90	0.90	0.90	0.00
Tunisia	4.64	4.52	4.30	4.16	4.33
Sub-total non-OPEC	**108.05**	**112.35**	**116.93**	**123.24**	**126.30**
Africa	**338.11**	**335.35**	**352.03**	**368.42**	**378.40**

Source: UN, Monthly Bulletin of Statistics, Various issues; OPEC Annual Report, Various issues, EIU Country reports, and country sources.

* ECA estimates

** Including condensates

25. In 1997 manufacturing industry maintained its previous years growth at 2.5 per cent. The sector continues to be constrained by a host of structural and demand constraints. With the exception of the North African countries, where capacity utilization and expansion remained buoyant, performance remained subdued in the rest of the continent. In South Africa where the industrial infrastructure is most advanced, depressed demand entailed capacity under-utilization.

26. The service sector continues to grow at a rate higher than commodity production, increasing by 4 per cent in 1997. The liberalization of financial services and trade are the major factors driving the growth of the sector. The high rate of expansion of the sector had a positive spill-over effect on the demand for and subsequent growth in energy, water and construction activities which, as pointed out earlier, are booming.

27. While the formal service sector is growing at high rate, this may not accurately reflect the actual size and its dynamics since it may not capture the informal sector which seems to be growing at a much higher rate than the formal sector.

I.A.3. Savings and Investment

28. Gross domestic investment has remained very low relative to the volume required to accelerate the rate of growth as well as in comparison with the high performing regions of the South-East Asian countries. For the last two years, the volume of investment as a proportion of GDP stabilized at 21 per cent, a considerable

improvement over the 19 per cent of the 1990-1995 period. One major reason behind the low volume of investment is the low mobilization of resources both from the domestic and external sources.

29. Table 1.5 contains statistics on the volume of saving and investment as well as the resource gap as a proportion of GDP from 1975 to 1997.

30. First, gross domestic saving (defined as GDP less total consumption expenditure) has been consistently declining. During the 1975-84 decade, African countries saved a quarter of their GDP which fell to 20 per cent during the second half of the 1980s and to 16 per cent for the 1990-97 period. Relative to the 1975-1984 period, gross domestic savings in Africa declined by 34 per cent during the first half of the 1990s. The fall was most severe for the North African countries amounting to 45 per cent (from 34 per cent to 19 per cent of GDP) while for Sub-Saharan Africa, the fall was in the order of 25 per cent. The decline in saving was relatively harsh for the SSA countries excluding the two dominant economies of Nigeria and South Africa. Starting from a low base of 15 per cent of GDP or 63 per cent of the regional GDS of the 1974-84 period, it declined by 28 percent to 11 per cent for the 1990-97 period.

Table 1.5: Savings and Investment in Africa 1975-97: periodical average (as % of GDP)

Indicator	1975-84	1985-89	1990-97
Gross Domestic Savings (GDS)			
Africa	24.5	19.9	16.2
North Africa	34.1	23.0	18.8
Sub-Saharan Africa (SSA)	21.3	18.2	15.9
SSA excluding south Africa and Nigeria	15.3	13.4	11.1
Gross National Savings (GNS)			
Africa	21.2	15.3	12.4
North Africa	31.1	19.1	15.7
SSA	17.9	13.3	11.0
SSA excluding South Africa and Nigeria	12.1	8.4	4.9
Resource Transfer (GDS - GNS) to Abroad			
Africa	3.3	4.6	3.8
North Africa	3.0	3.9	3.1
SSA	3.4	4.9	4.9
SSA excluding South Africa and Nigeria	3.2	5.0	6.2
Gross Domestic Investment (GDI)			
Africa	25.4	21.6	19.3
North Africa	31.7	28.7	24.6
SSA	22.9	17.7	17.3
SSA excluding South Africa and Nigeria	19.9	17.3	16.9
Resource Balance			
Africa	-4.2	-6.3	-6.9
North Africa	-0.6	-9.6	8.9
SSA	-5.0	-4.4	-5.9
SSA excluding South Africa and Nigeria	7.8	4.0	5.9

Source: IMF, *World Economic Outlook*, May 1997

31. Gross national savings (defined as the sum of GDS, net factor income and net private and public transfer from abroad) tells an even more daunting story. Between 1975-84 and 1990-97 GNS declined by 42 per cent for Africa as a whole, by 50 per cent for North Africa and by 39 per cent for SSA. GNS in SSA excluding South Africa and Nigeria fell by 60 per cent.

32. During the same period, there was net transfer of resource from Africa averaging 3.9 per cent of GDP per annum. Net transfer to abroad as the difference between gross domestic savings and gross national savings increased from 3.3 per cent of GDP of the 1975-84 to an annual average of 4.6 per cent during the mid-1980s and, moderating at 3.8 per cent for the 1990-1997 years.

33. The decline in GNS has had important repercussions on gross investment in Africa in two major respects. The first is the negative impact of declining GNS on investment. The correspondence and correlation between the proportion of GDP saved and invested and between the latter and GDP is very robust. Hence, as GNS declined so did the volume of investment and growth. The second is the increased dependence of these countries on external resources.

34. Between 1975 and 1997, resource gap (defined as the difference between GDI and GNS) averaged 5.9 per cent of GDP per annum. Seen from the prospective of the North African countries the difference between the two parameters increased from 0.6 per cent of GDP during the 1975-84 decade to 10 per cent of GDP for the 1985-89 years, declining to 9 per cent during the first half of the 1990s. The corresponding figures for the SSA countries were 5 per cent, 4 per cent and 6 per cent of GDP respectively. If South Africa and Nigeria are excluded from the SSA aggregates, the comparable figures are 8 per cent, 4 per cent and 5 per cent of GDP. These developments strongly suggest that African countries need to redouble their efforts at increasing the volume

of investable resources they are to mobilize both from domestic as well as external sources.

I.A.4. External Sector

35. Positive developments in the external sector mitigated the negative impact of agriculture on the region's economic performance in 1997. The value of exports increased by 5.9 per cent due to an 8.0 per cent growth in volume and 2.1 decrease in unit prices. Imports continued on their upward trend at a rate of 7.6 per cent of which 6.3 per cent was due to an increase in volume and 1.3 per cent accounted for by increase in prices. The terms of trade marginally declined by about 0.5 per cent.

Table 1.6: Balance of Payments 1995-1997
(US$ Billions)

	1995	1996	1997
Exports	98.3	108.6	115.0
Imports	97.7	99.2	106.7
Trade Balance	0.6	9.4	8.3
Services, net	-10.7	-10.7	-10.5
Balance of goods and services	-10.1	-1.1	-2.2
Current account balance	-16.1	-8.6	-9.5
Total external financing	19.5	16.8	15.9
Non-debt creating flows (net)	5.1	7.0	11.6
Net external borrowing	14.4	9.8	4.3
Official creditors	6.2	3.2	0.5
Banks	-3.7	-2.5	-1.4
Other	11.9	9.1	5.2
Errors and Omissions	-1.9	-2.4	-1.2
Changes in reserves	-1.4	-5.9	-5.2

Source: Compiled from IMF's, WEO, IFS, and DOT.

36. Volume of oil exports increased as a result of growth in production, particularly by the non-OPEC countries. Other exports of minerals maintained their previous years volume of exports. Despite unfavourable weather conditions and the decline in output of agricultural exportables, export volume nevertheless increased by depletion of stock held over from previous years.

37. The trade balance maintained positive value at US$8.3 billion in 1997 made up of the surplus of US$24.6 billion of the oil exporters and the deficit of US$32.9 billion for the non-oil countries.

38. Despite the regional positive trade balance, the current account deficit increased from US$8.6 billion of 1996 to US$9.5 billion in 1997. The major factors behind the persistent current account deficit are the balance on services made up of interest payment on external debt, trade related financial services (banking and insurance) and transport (mainly shipping) services.

I.A.5. The Debt Burden Remains Unsustainable

39. The external debt of African countries rose from US$340 billion in 1996 to US$349 billion in 1997, an increase of nearly 3 per cent. Debt service amounted to US$33 billion up from US$ 31 billion in 1996, absorbing 21.3 per cent of export of goods and services.

Table 1.7: External Debt and Debt Related Statistics
(billion of US$ and percentage)

	1993	1994	1995	1996	1997
Total debt (US$ Billions)	301.7	312.2	329.0	340.6	349.0
As per cent of GDP	65.4	66.3	68.0	67.8	67.5
As per cent of XGS	345.6	302.1	304.9	293.4	283.9
Debt services (US$ Billions)	37.7	38.3	32.9	31.0	33.0
As per cent of XGS	28.3	25.8	30.5	29.3	21.3

Sources: IMF, National Sources.

40. There is a general consensus that the debt overhang continues to impose a major obstacle to recovery and sustainability of high economic growth and particularly of the highly indebted poor countries. The difficulties to meet debt service obligations are reflected in the accumulation of arrears and the strong demand for their rescheduling.

41. Uganda and Burkina Faso are to become beneficiaries of the HIPIC initiative in 1998. Accordingly the debt stock is expected to be reduced by 15-20 per cent. For example, Uganda is expected to receive assistance equivalent to US$ 340 million (in April 1998 US dollars), which represent a reduction in its debt by 20 per cent.[1] Côte d'ivoire and Mozambique are expected as the beneficiaries.

42. The alleviation of the debt burden remains a major item on the agenda of the African policy makers and their development partners for at least two reasons. First, recent empirical evidence suggests that the burden of debt overhang deters investment or investors exercise the option of wait due to the increased uncertainty and risk of committing huge investments. Second, heavily indebted poor countries (HIPCs), most of which are in SSA, have continued to find it increasingly difficult to meet their external debt-service obligations. Among these efforts the HIPIC initiative is a welcome development as it is expected to reduce the burden of the 32 poor and highly indebted African countries.

I.A.6. The HIPC Initiative: An Update

43. The HIPC (Heavily Indebted Poor Countries) initiative is a framework developed in September 1996, by the Bretton Woods Institutions (IMF and the World Bank) to address the external debt problems of the heavily indebted poor conditions (41 eligible countries); about 85 per cent of which are in Africa (34

African countries). The initiative has been developed around the following criteria:

i. eligibility will be limited to IDA-only and ESAF- eligible countries that have established a strong track record of performance under adjustment programmes supported by the IMF and the World Bank and that are not expected to achieve a sustainable external debt situation after the full use of traditional debt-relief mechanisms;

ii. eligibility will be based on a debt sustinability analysis (DSA); DSA would follow key steps. The first stage of the initiative builds on the existing three-year track record needed to qualify for a stock-of-debt operation from Paris Club creditors. During this stage, the country establishes the required good track record of policy implementation and makes full use of the traditional debt-relief mechanism. As the country completes the first stage and reaches the decision point, the Executive Boards of the IMF and the World Bank would decide the country's eligibility for the initiative on the basis of a comprehensive DSA agreed jointly by the Bretton-Woods staff and the country's authorities. The assessment would indicate whether the debt-relief mechanisms would be sufficient for the country to reach a sustainable level of debt by the completion point.

iii. the country would need to meet performance criteria during the second stage to receive support under the initiative. These criteria would include macroeconomic indicators, progress on key structural reforms, and social reforms; and

iv. all relevant creditors will be expected to participate. Paris Club creditors have indicated a willingness to provide debt reduction in NPV terms of up to 80 per cent, on a case-by-case basis, with a flow, rescheduling during the second stage, and a stock-of-debt operation (equivalent to NPV debt reduction of up to 80 per cent on eligible debt) at the completion point.

other non multilateral creditors would be expected to provide debt relief on terms at least comparable with the Paris Club[2]

44. Four African countries (Benin, Burkina Faso, Mali and Uganda) have agreed stock-to-debt operations on Naples terms with Paris Club creditors and can be considered to have established the first three-year track record required under the initiative. The staff of the Bretton Woods institutions are working on DSAs with the country authorities on April 22 and 23, 1997, the Executive Boards of the World Bank and the IMF approved Uganda's eligibility for assistance under the HIPC initiative. They agreed to an NPV debt-to-exports target of 202 per cent for a completion point of April 1998. They agreed to an NPV debt-to-exports target of 202 per cent for a completion point of April 1998. Moreover, the Executive Boards of the World Bank and the IMF on April 24, 1997 agreed to consider on a case-by-case basis an NPV debt-to-exports target below 200 per cent at the completion point of open economies, provided that the country concerned meet two criteria at the decision point: an export-to-GDP ratio of at least 40 per cent and a minimum threshold of fiscal revenue in relation to GDP of 20 per cent. For countries meeting these thresholds, the NPV debt-to-exports target will be set at a level that achieves a 280 per cent ratio of the NPV of debt to revenue at the completion point. Cote d'Ivoire would potentially benefit from such a treatment with possible decision point in 1997.[3]

45. Recent analysis of the multilateral debt initiative for HIPCs suggest that the debt burden faced by the African HIPC's has strongly and negatively affected economic growth since the second half of the 1980s, threatened the sustainability of reforms, and prevented the development of a capable and

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2 See for example ECA, Report on Economic and Social Situation in Africa 1997, E/ECA/CM.23/3. United Nations Economic Commission for Africa, Addis Ababa, p. 11; & Boote A.R. and Tugge K. (1997) Debt Relief for Low-income Countries. The HIPC Initiative, IMF Pamphlet Series No. 51, International Monetary Fund, Washington, D.C., pp.11-12.

functional state, due to the fiscal crisis hat ensued. However, comparisons of three HIPCs groupings into "unstainable" HIPCs, "Possibly Stressed HIPCs" and non-HIPCs reveal the following features in the 1990s:[4]

- external debt burden (stock of external debt to GDP and to exports, debt service ratios to exports and to fiscal revenue) is much higher in HIPCs compared to non-HIPCs;
- external debt-based HIPCs are also the most indebted in terms of document debt;
- HIPCs as a group has higher fiscal deficits ratio and lower public and aggregate investment ratios;
- the set of "unsustainable" HIPCs is found to be much larger (2-4 times) than indicated by the Breton Woods Institutions' classification;
- comparison of the sustainability ratios to the thresholds set by the multilateral debt initiative (based on the above mentioned debt-to-exports and debt service to exports) suggests that the initiative appears adequate as ã framework for addressing the HIPCs external debt problem;
- despite the adequacy of the guidelines, the multilateral framework for addressing the HIPCs external debt problem;

. Despite the adequacy of the guidelines, the multilateral debt initiative may, in effect, and up being inadequate for propelling Africa to the minimum growth path (about 5 per cent annually) required for reversing its current economic decline.

46. Recognizing the fact that this initiative is not a panacea for all the economic problems of the Africa HIPCs, it is fair to conclude from the above findings that the implementation of this initiative appears to be conservative, not only relative to other

4 For more details refer to Mistry P., Resolving Africa's Multilateral Debt Problem: A Response to the IMF and the World Bank, published by the Forum on debt and Development (FONDAD), the Hague, 1996; Elbadawi I.A., Ndulu B.J. & Ndungu N., Debt Overhang and Economic growth in Sub-Saharan Africa, presented to the IMF/World Bank Conference on External Financing for Low-Income Countries, 10-11 December 1996, Washington, D.C. and ESPD Policy Analysis [illegible] 13-17 October 1997, ECA, Addis-Ababa.

approaches, but also relative to the broader development for Africa.

I.B. Sub-Regional Growth Performance

47. In 1997 all the subregions recorded lower growth rates compared to 1996. Among the sub-regions, growth was lowest in Southern Africa (2.4 per cent) and North Africa (2.8 per cent) and highest in Central Africa (3.8 per cent) followed by West Africa (3.7 per cent) and Eastern Africa (3.5 per cent). Relative to their 1996 performance, the largest decline was recorded for North Africa (from 4.4 per cent to 2.8 per cent, a fall of 36 per cent) followed by the Southern African sub-region where growth for 1997 was 80 per cent of what it was in 1996.

Table 1.3: Sub-Regional Growth Rates 1993-97*

Sub-Region	1993	1994	1995	1996	1997
North Africa	0.5	1.8	1.8	4.4	2.8
West Africa	0.5	2.5	3.4	4.2	3.7
Central Africa	-9.2	-1.3	5.0	4.4	3.8
Eastern Africa	2.4	4.5	4.9	4.3	3.5
Southern Africa	1.5	2.5	2.5	3.0	2.4
Africa	0.0	2.0	2.7	4.0	2.9

Source: ECA Secretariat

* Weighted Average

48. The major factor behind the steep decline in **Southern and North Africa** was the unfavourable weather condition that drastically reduced agricultural output.

49. In **Southern Africa**, the sub-regional economic performance is dominated by that of the Republic of South Africa where GDP growth declined from 2.5 per cent in 1996 to 2 per cent in 1997. In Zambia, Zimbabwe and Malawi, GDP growth in 1997 was half of what it was in 1996. On the other hand, Mozambique, Botswana and

Swaziland enjoyed growth rates higher than in 1996 at 6 per cent, 5 per cent and 6.3 per cent respectively.

50. Two factors account for the deceleration of their performance in 1997 - the weather and world prices. While the unfavourable weather condition caused by EL NINO devastated crops, unlike in their neighbouring countries in Eastern Africa, the countries of the Southern sub-region suffered extensive drought (See BOX III). This was exacerbated by the falling price of gold although copper prices held to their 1996 level.

BOX III **THE IMPACT OF EL NINO ON SOUTHERN AFRICAN ECONOMIES**

Since early March 1997 significant warming of sea-surface temperature in the Pacific Ocean has been observed and recognized as the beginning of an El Nino phenomenon. The El Nino phenomenon (Spanish word for Christ-child) is known to occur every 2 to 7 years, with varying degrees of intensity and duration has been blamed for causing drought in Southern Africa, Southeast Asia and Australia, and massive flooding in Central and South America. It usually peaks around late December. An El Nino may cause important changes in temperatures and precipitation which may affect agriculture and water resources either positively or negatively. It may affect natural conditions for marine ecosystems.[5]

The 1982/83 El Ninos occurred only in Latin America and parts of Asia, causing severe flooding and extensive weather-related damage with estimated costs of between US$8 and US$15 billion. However, the 1991/92 El Ninos affected Southern Africa by causing severe drought. The 1997 El Ninos is regarded as one of the most severe in this century with record Pacific surface temperatures being observed. The experts predict that the phenomenon and its impact would continue throughout 1998. In Southern Africa, although the 1997 wheat crop harvests were favourable, there is considerable concern over the possible adverse impact of El Nino on the 1998 coarse grain crop. The experts predict a strong possibility of poor rainfall for the planting season which is soon to start.

Accordingly, most governments of the region have prepared comprehensive contingency plans for mitigating the impact of a possible drought. For example, Botswana, Mozambique, Namibia, South Africa and Zimbabwe have initiated water saving measures although major dams are currently about 91 per cent full. Others are preparing to meet the national demand either by producing more food products or by importing them from abroad in order to meet the subregional food requirement of 26.85 million of tons.[6]

5 FAO, **Food Outlook**, December 1997.

6 Caihas Chimhete, "Southern Africa Prepares for El Nino-Induced Drought", Africa Information Center, November 1997.

51. In the **North Africa,** with the exception of Sudan where output increased by nearly 10 per cent, all the countries in the sub-region experienced conspicuous decline. The manufacturing sector registered mixed performance across the sub-region with steep increases in Morocco, Tunisia and Egypt, marginal recovery in the Sudan and marked declines in Algeria and Libya.

52. The performance of the manufacturing sector is affected by out-turns in the external environment as well as domestic developments. Libya and the Sudan operate under unfavourable external environment which constrained orderly access to supply of inputs and inhibiting outlets to markets because of sanctions. The Sudan is making headway in mending its relationship with the IMF by paying its arrears. Morocco, Tunisia and Egypt are taking advantage of their proximity to markets in Europe and the middle-east and are diversifying fast and expanding their industrial base.

53. In **West Africa** the marginal decline in GDP reflects the slowdown in the larger economies of the sub-region (Côte d'Ivoire, Ghana and Nigeria) while the smaller economies, particularly those of Benin, Burkina Faso and Mali posted respectable growth. In Liberia, the economy is on the path of revival following the end of the civil war and the election of a new government. Agricultural production in some of these countries notably Nigeria, Senegal, Gambia and Mauritania declined markedly.

54. Industrial performance in the West-African sub-region was subdued. Declining prices for oil and gold spilled over to the manufacturing sectors constraining its ability to acquire inputs while competition from imports continue to pressurize domestic producers. Capacity utilization in the manufacturing industries remains very low, averaging 40 per cent although the mineral industries are expanding fast. In Cote d'Ivoire, oil graduated to the status of the second most important source of foreign exchange.

55. The decline in GDP growth in **Central Africa** was mainly due to the political instability and civil unrest. In Burundi and Congo, GDP declined due to the sanctions and civil war, while in the Democratic Republic of Congo positive growth was achieved despite the recent upheaval. On the other hand, Central African Republic, Angola and Equatorial Guinea continued to enjoy high GDP growth.

56. In **East Africa** GDP growth declined from 4.2 per cent in 1996 to 3.9 per cent in 1997. The favourable weather that spear headed the strong recovery in 1996 was followed by an inauspicious one imposing slowdown on the economy. The heavy and untimely rainfall during the third and last quarter of the year destroyed agricultural production and damaged transport and communication infrastructure in Somalia, Kenya and Uganda.

57. However, the negative impact of agriculture in the sub-region was tempered by manufacturing industries and more by the vibrancy of the service sector.

I.C. Policy Development in 1997

58. As is probably well known the major thrust of economic policy making in the continent has been informed for the last decade or so by the core policy content of adjustment programmes (of the type supported by the IMF and World Bank).

59. The comprehensive program of reform being carried out is geared to bring about economic growth by improving revenue performance, rationalizing and improving the efficiency of the taxation system, improving and reorganizing public administration, developing and improving the financial sector as well as strengthening bank supervision, encouraging the private sector development and working towards sustainable agricultural development.

60. These and other adjustment measures are expected to improve and strengthen a country's balance of payments position and enhance its growth. As of 31 December 1997 there were 22 african countries with active extended Structural Adjustment facility (ESAF) agreements with the IMF. The main policies pursued in 1997 and during the "medium-term strategy " to achieve macroeconomic objectives remained as those belonging to the core set of reform policies and included the following: financial policies (fiscal & monetary), structural reforms and social policies.

61. **Policy Objectives:-** Almost all 22 countries had as their objectives enhancing real GDP growth, reduce the inflation rate; increasing gross official international reserves and reducing the current account deficit. The countries involved include Burkina-Faso, [increase GDP growth of above 6%, decrease inflation to 3% and contain the current account deficit to 10.5% of GDP]; Cameroon [5%, 2%, 2%]; Guinea [5%, 5%, 8%]; Guinea-Bissau [5%, 10%, 18%]; Mali [6%, 3.5%, 11.1%]; Malawi [5%, 8%, 7.6%]; Madagascar [3%, 7%, 7.2%]; Mozambique [6%, 14%]; Niger [4.5%, 3%, 11.1%]; Senegal [4.5%, 2.5%, 6.7%]; Sierra-Leone [1.5%, 2%, 4.5%]; Tanzania [4.7%, 13%, 14.4%] and Uganda [7.5%, 5%, 7%]).

62. **Financial policies:** In order to achieve the above objectives countries have set for themselves fiscal /monetary policy consolidation during 1997 and over the medium term. Governments, to this end implemented a tight monetary policy and adopted a cautious expenditure policy. Countries committed to these reforms include (Burkina-Faso, Cameroon, Guinea-Bissau, Guinea, Morocco, Niger, Mozambique, Tanzania, Senegal and Uganda). Some countries like Burkina-Faso and Guinea-Bissau, plan to continue tightening domestic credit to quell inflationary expectations over the medium term.

63. **Tax reforms:** On the revenue side countries are introducing reforms on their taxation system. A number of countries like Burkina-Faso, Cameroon, Madagascar and Tanzania have introduced

VAT. Guinea-Bissau is reforming the general tax system by introducing reforms of the external tariffs, reducing export taxes and revising excise taxes especially on petroleum, while Rwanda plans to broaden the tax base.

64. **Structural reforms:** Other than the main structural reforms of the financial sector and tax system mentioned above, the structural reforms under the program have mainly focused on the following: measures to promote privatization;removing obstacles to private sector development; reforming the agricultural sector and encouraging sustainable agricultural development; export diversification; enhancing the role of the private sector in agriculture, fisheries and forestry;(Guinea-Bissau); improving and streamlining the civil service(Guinea-Bissau, Niger); increasing the efficiency of the energy sector;rationalizing legal requirements for foreign and domestic investment (Sierra-Leone). Except for the case where some countries are mentioned as special cases the countries listed below have adopted most of the structural reforms mentioned above. (Burkina-Faso, Cameroon, Guinea, Guinea-Bissau, Madagascar, Malawi, Mali, Mozambique, Niger, Senegal, Sierra-Leone, Tanzania and Uganda). A number of other non-ESAF countries are reported to have pursued the above structural reform policies. These include Botswana, Egypt, Morocco, Nigeria, Rwanda and Tunisia. In addition Tunisia is involved in labour market reforms.

65. **Social Sector:** Almost all countries that have developed programs for social needs have focused on combatting poverty by increasing social sector spending for improving the supply of basic health services by provision of preventive health care and expanding primary education (Burkina-Faso, Guinea, Niger, Mali, Mozambique, Rwanda, Sierra-Leone and Senegal). Senegal and Burkina-Faso have put special emphasis on the female population in both cases. Senegal has policies aimed at reducing the rate of population growth.

66. Despite the above reported general thrust of economic policy in 1997, and due to internal conflict situations in the continent, at least two countries are reported to have had special features distinguishing their economic policy. These are:

a) Sierra-Leone: During the next five years Sierra-Leone with the support of many donors will be implementing resettlement, rehabilitation and reconstruction programs. As an initial step Sierra-Leone is undertaking a two-year "Quick Action Program" designed to resettle people displaced by war, reconstruct the basic social and economic infrastructure and demobilize ex-combatants.

b) Rwanda: Likewise Rwanda is in the process of rebuilding after the conflict. It has managed to resettle about 2.5 million refugees that have returned from neighbouring countries. It is also reported that considerable progress has been made in repairing the social and economic infrastructure and in rebuilding key economic institutions. Rwanda also implemented a reduction in military expenditure.

II. THE SOCIAL SITUATION IN 1997

67. The year 1997 witnessed a further exacerbation of some of Africa's perennial problems. More than half of the population of Sub-Saharan Africa (slightly more than 350 million) continues to live in poverty; malnutrition and hunger, disease, ill-health and lack of shelter are widespread; a sizeable number of adult Africans were not productively employed and as such they were unable to meet their basic needs; millions of lives have been lost and families disintegrated through armed conflicts. The refugees problem has become more complicated and the size of population involved is high. Also in many African countries, a crisis of governance encompassing such well-known shortcomings as the near absence of democratic structures and popular participation persists. Access to social services, particularly education and health have continued to be reasons for concern, while the employment situation remained precarious.

II.A. Governance and Conflict Resolution

68. As is well known good governance is an important antecedent to long-term socio-economic development. In 1997 the African continent continued its struggle to institute good governance practice in the form of democratisation derive started in the mid-1980s and which has gained greater momentum in the 1990s. The struggle for good governance, however, is still plagued by a number of uncertainties.

69. A sample of African where the struggle for good governance continued in 1997 include Algeria, Liberia Kenya and Morocco. Thus, for example, elections for provincial and municipal councils, which had been suspended since the Front islamique du salut (FIS) was banned in 1992, took place in October 1997. Unfortunately, the elections in Algeria have not halted the protracted civil war which has claimed thousands of lives in that country. After eight years of civil war, Democratic elections were finally held in July 1997 in Liberia, bringing in Mr.

Charles Taylor as the head of government. In **Kenya**, elections contested by more than 15 parties took place in December 1997 giving President Moi another term of five years: he had been in the office since 1978. The opposition has taken the government to court claiming that the elections were not free and fair. **Morocco** held legislative elections in November 1997. In the current arrangement, the upper house will have the power to dismiss the government, but other details such as the relationship between the upper and the lower houses have yet to be worked out. Transition to democratic government in Nigeria started in December 1997, following an initial period of political uncertainty after the 1992 elections were annulled. The process is supposed to culminate in presidential elections in October 1998.

70. On the other hand, a sample of African countries where uncertainties threatening the derive towards democratic governance in 1997 include Rwanda, Burundi, Republic of Congo, Somalia, Sudan, Sierra Leone and Uganda. In the Great Lakes Region, for instance, the tumultuous political situation in 1997 continued to cause great concern, despite the repatriation of over 1,00,000 million refugees to **Rwanda** between 1996/1997, and an estimated 161,000 to **Burundi**[7]. Several months of civil war in the **Congo** culminated in the overthrow of the democratically elected president Lisoumba by the military which brought Denis Sassou-Nguesso to power. In parts of **Sudan, Somalia** and **Uganda**, the situation remains extremely precarious as fighting continues, due to a myriad of unresolved socio-political issues. In **Sierra Leone**, fierce struggle for power in 1997, in which a democratically elected government was overthrown, resulted in a complete disruption of normal life and an exodus of refugees. Likewise, **Zambia** witnessed an attempted coup d'etat in 1997 to overthrow the democratically elected President Frederick Chiluba.

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7 **UNHCR, The State of the World's Refugees: A Humanitarian Agenda,** [illegible] University Press, 1997, p. 286.

71. The cost of lack of good governance, in terms of lost economic productivity, the destruction of physical and social infrastructure, refugees, environmental degradation and sheer human suffering, is incalculable. For instance, UNHCR statistics indicate that there were slightly more than 13 million refugees world-wide in 1997. Of this number, over 4 million refugees were in Africa. A disproportionate share of them were concentrated in the Horn of Africa which accounted for over 1 million refugees. The problem of internal displacement is even more colossal. Estimated at 20 million people, it is unprecedented in recent history and a challenge to humanity. An important dimension of civil wars and internal conflicts, is the fact that in the past the major casualties were soldiers. Today, however, a preponderant number of civil war victims are civilians, estimated at over 85 per cent of those involved. In addition, an overwhelming proportion of these civilians are women and children.

72. The Organisation of African Unity (OAU) is the primary institution charged with the responsibility of conflict resolution in the region. In 1997, within the framework of "The OAU Mechanism for Conflict Prevention, Management and Resolution," the OAU, which had been involved in peace brokering, along with ECOWAS, "sent 15 observers from various member states and the OAU General Secretariat to observe the conduct of the election" in Liberia [8]. OAU was also involved in the Algerian elections that took place in 1997. In the same year the organisation was also involved in peacemaking in Rwanda, Burundi, the republic of Congo, Zaire (now the Democratic Republic of Congo), Sierra Leone, Somalia, Comoros, Liberia and Central African Republic.

73. In its effort to promote good governance in the region, ECA established The African Centre for Civil Society (ACCS) in 1997. The primary objectives of the Centre are: enhancing cooperation

8 OAU. Resolving Conflicts, OAU Conflict Management Bulletin. 1997. p.2.

between African governments and civil society organisations by encouraging governments to institute a regulatory environment conducive to the growth of indigenous NGOs and the broadening of their economic, political, and social activity through the work of the ACCS; strengthening the organisational, managerial and programmatic capacity of Civil Society Organisations; and building civil society's capacity to develop innovative techniques for the prevention of conflict and strengthening of peaceful, pluralistic democracy and peaceful resolutions of disputes. In launching the Centre, the Executive Secretary of ECA noted that "good governance is not a luxury - it is a vital necessity for development. Enhancing or strengthening the African States' capability is high on the Commission's list of priorities and part of that process involves strengthening its partners in development - the private sector and the civil society - in order to effect and sustain Africa's political and economic transformation"

II.B. Access to Education

74. The progressive expansion of education and the improvement in the range and quality of education have been at the center of the development concerns of African countries since independence. Beyond literacy per se, desirable as it may be, education and human resources development are regarded as a precondition for enhancing the pace of economic growth and development. Indeed, it is education and technical know-how which determine the frontiers of transformation of societies and shape the configuration of the overall competitive capabilities of nations in particular in contemporary world trade. This is why most countries have striven to match the growth environment rates with those of their populations.

75. To date, however, access to education at all levels continues to be limited in African and indeed literary rates at 61 per cent in the early 1990s were far below those in Latin America and the Caribbean (87 per cent) and in East Asia and the

Pacific (86 per cent). Worse still, the primary school-age population is increasing at an average annual rate of 3.3 per cent, while enrolment is rising at only 2.2 per cent. Enrolment at the tertiary level is also disturbingly low - just over half a millions in 1993. These and similar worrying trends prompts many African countries to engage in a diagnosis of the status of their educational systems and adopted appropriate measures at the national level.

76. A major development in the field of education was the proclamation of a Decade for Education in Africa (1997-2006) established by Resolution AHG/Res.251(XXXII) of the Assembly of Heads of State and Government of the Organization of African Unity adopted in June 1996 to "remove obstacles impeding progress towards Education for All". The launching of this Decade is expected to provide further impetus for the implementation of the major international conferences in field of social development, within the African context. The components and action plans for the implementation of this Decade are currently been developed under the aegis of the OAU. The complete scheme is expected to focus on access to education for all; quality and relevance of education; education for peace; tolerance and mutual understanding; and the mobilization of the required material, human, technical and financial resources. A Pan-African Ministerial Conference will overview the implementation of this Decade. The complete scheme is expected to be submitted to the 34th Session of the Assembly of Heads of State and Government, scheduled for Ouagadougou, Burkina Faso, in June 1998 for its adoption.

77. The overriding objective of the Decade is the repositioning of Africa in the new knowledge-intensive world society. To achieve this, African countries would need to invest more, and more effectively, in human resources development, anchored on broader and higher quality education. The major human development priorities in Africa should include the earnest spreading of primary and basic education; increasing access to secondary and

higher education and reforming curricula in order to increase the relevance of education to Africa development. Additionally, African countries should given more attention to informal education to full exploit the potentialities of these cheaper delivery systems to reach a wider range of learners across the continent.

II.C. Access to Health Care

78. Access to health care is generally poor in Africa, a situation has been accentuated by the economic crisis that engulfed the continent since mid-1980s. Per capita shares in facilities dropped drastically, institutions weakened, and the rising cost of services following economic liberalization has priced them beyond the means of the poor. Rapidly rising population, high rates of urbanization and the escalating threats to public health, here also widened the gaps between supply and demand for health services. Health infrastructure remained under-funded and poorly managed.

79. It is currently estimated that 90 per cent of deaths worldwide traceable to malaria have occurred in Africa. Also, of the world's 23 million people living with HIV/AIDS epidemic, nearly two-thirds, almost 14 million people, live in Sub-Saharan Africa. It has been reported that 50 per cent or more of medical-ward beds are being occupied by AIDs patients in Central and Eastern Africa.

80. Africa also includes the greater number of countries with the lowest entitlement for safe drinking water, adequate sanitation and health services. The dearth in health and nutritional standards has strapped Africa to its 1960s levels of life expectancy. Only four countries, namely Algeria, Botswana, Cape Verde and Mauritius, have recorded levels above the targets in the WHO's Strategy for Health for All by the Year 2000.

II.D. Employment Situation

81. Employment figures tend to be incomplete and unreliable in most African countries. Available evidence suggests that productive employment has not kept pace with increased labor supply. The average labor force is growing at about 3 per cent per annum and there are declining or stagnating levels of wage employment, decreasing real wages and deteriorating working and living conditions. Recent data for most countries estimated urban unemployment rates to be in the 20 - 30 per cent range, underemployment rates in the 25 - 50 per cent range, youth unemployment rates in the 25 - 40 per cent range and women's unemployment range at twice the national average.

82. A recent evidence in the ILO's World Employment Report 1996/1997, shows that direct information, based on establishment surveys and covering only part of the total employment, employment growth in five of the 13 countries covered, (namely in Cote d'Ivoire, Ghana, Zambia, the Central African Republic and South Africa), employment growth has been negative, and has been significantly below the labour force growth in another three (Burundi, Sierra Leone and Zimbabwe) in 1986-1997. Of the remainder Mauritius and Botswana were notable exceptions, where employment increased significantly.

83. Most African countries have formulated or are in the process of formulating employment policies. At the meeting of African Employment Planners held in Pretoria, South Africa in January 1997, most countries indicated that they are creating favourable environment for employment, by undertaking institutional reforms, promoting small scale enterprises, modernizing agriculture, developing and supporting the informal sector and main streaming vulnerable groups. In the process of formulating employment policies, countries have undertaken studies to assess the extent and nature of unemployment and underemployment.

84. The advent of globalization has also posed challenges to the employment situation in Africa as competitive edges are determined increasingly by the intensity of knowledge and the skills applied to production. Hence the danger of marginalization particularly in the light of the contentious issues of trade and labour standards to be considered within the context of the Uruguay Round agreements. African countries fear that the social clause will be used as a non-tariff-barrier.

II.E. **Poverty Reduction: An Example**

85. Tunisia has made significant progress in reducing poverty over the last two decades. The challenge of poverty reduction was backed by a strong political commitment and relied on growth enhancing policies and specific instruments targeting the poor.

86. Tunisia has recorded impressive rates of growth and almost doubled per capita GDP during the last quarter of century. During this period population growth was reduced to less than 2% per annum, infrastructural investment expanded and human capacity development broadened and deepened so much so that the source of growth has been transformed from traditional agriculture to non-traditional sectors of manufacturing and services. A conspicuous impact of the high and sustained growth is the drastic reduction of unemployment.

87. In addition to employment generating growth, the Tunisian authorities have relied on targeted instruments such as food subsidies, direct transfer programmes and unemployment benefits. The revamping of food subsidies in Tunisia provides a "good practice" example in effectively targeting food subsides to the poorest segment of the society.

88. Until the mid 1980s, Tunisia had a universal food price subsidy in place, where the leakages to the nonpoor far exceeded acknowledged benefits to the poor. Although elimination of the

subsidy was not politically feasible, it was nonetheless founded to be unsustainable and therefore required substantive revision.

89. To this end, the government pursued a two pronged policy. First controls and constraints on private sector marketing of food were eliminated to encourage the marketing of high quality unsubsidized products that appeal to high-income consumers as alternative to their subsidized counterparts. This policy increased the supply and availability of "superior" goods as a method to keep the nonpoor away from subsidized commodities.

90. The second component of food "differentiation" entailed the identification of specific package consumed by the poor derived from household surveys to which subsidies were applied. This step clearly distinguished "inferior" goods so that their consumption is limited to the poor and was unappealing to the tastes of the "rich".

91. The results are that the costs of subsidizing food has been halved from 4 percent to 2 percent of GDP. Tunisians now enjoy the highest (and in excess of the daily recommended caloric intake) and most stable daily calories per caput on the continent.

92. Three key messages emerge from the foregoing overview of the Tunisian successful experience and good practice in food price subsides to reduce poverty. First, the design and implementation of an economic reform programme in tandem with a social programme significantly alters its outcome in favour of the poor, and particularly the poorest stratum of the society who are often inadequately served by some safety nets. Second, the commitment of the political leadership, innovative design and administrative procedures to stimulate programme access among the very poor ultimately determine the success of the pro-poor programme, its acceptance, continuity and subsequent improvements. Third, fine-tuning in targeting the poor ensures the programme's sustainability. That is, targeting, within the boundaries of

political feasibility and monitoring of the programme, is critical to the success of poverty reduction programmes.

III. MEDIUM-TERM OUTLOOK AND POLICY CHALLENGES

III.A. Medium Term Outlook

93. In the foreseeable future the major determinants of the African economic performance would continue to rest on the out-turn in the two exogenous factors - weather conditions and development in the external economic environment. In addition, the pursuit of strong economic reforms will continue to be an important domestic determinant of performance.

94. Under different assumption the growth of the African economy is forecast to rebound to between 4.0 per cent to 5.0 per cent in 1998 with a mean projection of 4.5 per cent. The lower and upper ceilings are based on the possible outcome of the two major determinants. The upper bound projection is based on the assumption that conducive weather condition would prevail and trade prices would improve. The lower bound of 4.0 per cent would obtain if either of these two conditions fail to materialize i.e. either agricultural output or world prices would be unfavourable or both.

95. Given the 7 to 10 year El Nino related cycle, the weather condition is expected to be more favourable in 1998 than the 1997 out-turn and therefore a considerable turn around in agricultural output is assumed and is expected to enjoy a 7 per cent growth rate.

96. Developments in the external sector are derived on the basis of possible out-turn in three major factors of importance to African economies.

97. The first and the most important are world prices for Africa's exportable and importable. In addition to the global supply and demand (the usual determinants of world prices), one

must factor in the possible effect of the currency crisis in east and south-east Asian countries who in recent years have become important trading partners of Africa as well as major competitors in the world market.

98. The depreciation of the currencies in these countries may bring about a slowdown in their growth in which case global demand for some of the major export items of interest to Africa may decline. The most important export products that may feel the impact are oil, gold and industrial minerals such as copper. The Asian slowdown as well as the increased output from the huge investment targeting the production of these commodities in Africa and elsewhere are expected to exert a down ward pressure on their prices.

99. Beverage prices are expected to decline, beginning in the 3rd quarter of the year while stabilizing at the 1997 4th quarter prices in the interim. In addition to the bumper crop expected from the more conducive weather condition, the depreciated Asian currencies are likely to exert down ward pressure on coffee, tea cocoa and timber prices.

100. On the other hand, prices of importable are assumed to stabilize at their 1996 level, although possibilities for their decline does exist due to the depreciation of the Asian currencies.

101. The second major external factor impinging on Africa's economic performance is the debt overhang. That the excessive debt burden has been an important factor behind the low volume of investment is acknowledged by African countries as well as the international community at large. Although the HIPIC initiative is a welcome development, it nevertheless needs to be placed on a fast track to entail an effective and observable outcome. The assumption here are that debt relief measures would obtain and that the volume of foreign exchange required will out exceed the US$ 33 billion of 1997.

102. The third important external component is the inflow of resources. While the expected positive development on the debt front would contribute to the reduction of the drain on foreign exchange, it is deemed insufficient to boost investment and particularly for the non-oil exporting countries. It is expected that net transfer from bilateral and multilateral sources would at the least maintain their 1997 level.

103. On the domestic front, the higher growth scenario assumes that African Governments will continue to implement vigorously the macro-economic management reforms which emphasize reducing the rate of inflation, reducing the budget deficits, eliminating current account and balance of payments deficits, efficiently managing the external debt and meeting debt servicing obligation, etc. This medium-term measures have to be complemented by long-term programme which emphasize the reduction or eradication of mass poverty, meeting the basic health, housing, educational and social needs of the population, reducing income inequality, raising the standards of living and percapita income of the citizens, protecting the environment and promoting diversified, self-reliable and sustainable development.

III.B. Evaluation of ESAF in Africa

104. The overarching policy challenge facing African governments in the forceable future would be is the reduction and eventual eradication of poverty. Towards this end policy makers in Africa face the challenges of developing modalities that would make possible the attainment of high and durable growth, expansion of employment, equitable income distribution in an environment of stable prices and sustainable balance of payments position.

105. This is a daunting task. At current estimate close to 50 per cent of the population subsist in absolute poverty. This proportion is expected to increase at the beginning of the next millennium. To maintain poverty at the current level, African

countries would at the minimum need to match the GDP growth rate with their population growth. Assuming that the labor force increases at the rate of population growth of 2.9 per cent per annum, they would need to create new jobs at the annual rate of 17 million to stabilize the rate of unemployment at the current level which is unacceptably high.

106. During the past decade and half, African countries have gone through the phase of adjusting their economies with the support of the IMF and the World Bank. Authoritative and candid evaluation of the ESAF programs shows that the results were disappointing relative to program targets and compared to the performance of non-ESAF countries, (see Box II).

107. In the coming years, African policy makers, in partnership with their development partners would need to create an environment and operational modalities capable of inducing and sustaining a high rate of growth to stabilize the economies and reduce poverty at home while generating capacity to live up to their obligations abroad. This challenge offers opportunities to the African policy makers to cooperate among themselves; develop mechanisms and institutions to mobilize foreign direct investment, improve their economies and societies to a higher plane by improving and up-grading their governance.

108. The end of economic management is the improvement of the standard of living of the people. In an environment and circumstances of poverty there is no better and worthy challenge than improving the conditions of the poor. In this report, the Tunisia approach to reducing poverty is presented as an example of the many "best practices" approaches employed by African countries.

BOX II: **IMF Evaluates ESAF**

Since 1986, the IMF has been assisting adjustment and reform in its low-income countries with financial resources first through Structural Adjustment Facility (SAF) later with the Enhanced Structural Adjustment Facility (ESAF). It recently conducted a review of the SAF and ESAF supported programmes a summary report of which was released in September 1997. The following are the highlights of this important document.

A. **Methodology of Evaluation:** The evaluation compares the performance of ESAF countries against three standards - actual performance against program targets; relative to non-ESAF countries and finally ESAF countries on a before and after basis.

B. **The Results:** On all three standards, the Fund candidly admits that performance in ESAF countries was less than satisfactory.

(i). The gap between programm targets in terms of, for example, saving rate, GDP growth, inflation, current account balance were enormous.

(ii). Comparing ESAF to non-ESAF countries during the 1981-1985 and 1991-1995 periods, the Fund candidly admits that with the exception of three of the 13 economic and social indicators (mean inflation, export volume growth and premium in the parallel market), the non-ESAF countries out-performed ESAF countries. In particular, real GDP per capita growth for ESAF countries during the programme years i.e. 1991-95 was zero while for the non-ESAF it was one percent; national saving was 10 per cent for ESAF and 17 per cent for non-ESAF. Debt service ratio was 26 per cent and 16 per cent, external debt to GNP announced 154.2 per cent and 76 per cent, respectively.

(iii). The before/after analysis shows that ESAF countries have made important gains during 1991-1995 compared to the pre-ESAF years of 1981-85. GDP growth increased from -1.1 per cent to zero per cent per annum, gross national saving jumped from 8 per cent to 10 per cent of GDP, budget deficit fell from 9 per cent to 6 per cent of GDP, export volume increased from 2 per cent to 8 per cent, etc.

C. **Explaining the poor performance:** These outcomes are acknowledged to be far below programme targets and are solely due to poor and inadequate implementation of the reform. While some countries are commended for carrying out the programme to the letter, in the majority of countries the reforms did not go far enough while cases of policy reversals were not infrequent. In particular, the single most important factor deemed to have caused the poor outcome was failure of adjusting countries to reduce government expenditure and deficit.

D. **The Road Ahead:** The Fund insists that the adjustment programme offers ESAF countries the only opportunity for macroeconomic stability and the resumption of growth and urges them to stick to the programme and stay the course regardless of the outcome.

III.C. Economic Integration and Globalization

109. Globalization and increased integration of the world

accounts for only 2 per cent of the world trade and by enhancing trade among itself as well as diversifying and expanding its production base, it will increase trade with the developed and other developing countries and in so doing increase its trade share and thereby reduce its marginalization in the world economy. Secondly, if trade is to serve as an engine of economic growth and socio-economic development, African countries need to broaden their production base on a complementary rather than competitive structure and improve their efficiency. One way of doing so is the exploitation of economies of scale which is unachievable with the current fragmented market. Cognizant of these and other benefits of active regional and subregional integration arrangements, African governments have been investing resources and efforts at their revival and effective operationalization.

110. At the continental level, the most important event was the holding of the First Summit of the African Economic Community (AEC) in Harare, Zimbabwe on 3 June 1997. Besides endorsing the recommendations of the first session of the Economic and Social Commission of the AEC held in Abidjan, Côte d'Ivoire in November 1996, the Summit adopted the Protocol on Relationship between the AEC and the Regional Economic Communities (RECs) and invited both parties to sign this Protocol. The Summit also decided to discontinue the OAU Permanent Steering Committee whose functions are now to be performed by the Economic and Social Commission. Finally, the Summit invited member States to identify the economic groupings that would serve as sub-regional pillars of the AEC in accordance with the provisions of the Abuja Treaty. This Summit was a milestone on the way to the actual operationalization of the AEC. In this regard, it is worth mentioning that a mission of the Joint OAU/ECA/ADB Secretariat visited the RECs in July/August 1997.

111. In compliance with the decision taken in June 1996 by the Seventh Consultative Meeting of the Chief Executives of the OAU, ECA and ADB, the mission was launched to:

- assess the needs of the RECs in terms of technical assistance, so that necessary steps could be taken to meet footing enabling them to play their role as pillars of the AEC;

- identify areas where inter-subregional cooperation could be fostered, so as to create links between the RECs through joint programmes and gradual harmonization of their respective programmes;

- discuss modalities for the signing and implementation of the Protocol on Relationship between the AEC and the RECs; and

- finally, examine the contribution the partners of the RECs (ECA/OAU-sponsored institutions, ECA Sub-regional Development Centres) are making or could make to the integration process.

112. The mission strongly suggested the need for vigorous action to achieve a greater degree of harmonization of the various sub-regional programmes. So far each of the economic groupings pursued to implement their respective programmes, without attempting to build a bridge among themselves.

113. While sub-regional groupings have been active, some remained inactive. The Economic Community of Central African States (ECCAS) did not recover from almost five years of inactivity due to the inability of its member States to hold any meeting of the policy organs. However, at the ACP Summit in November 1997, a decision was made to revitalize the community. Moreover, the Central African Clearing House, a subsidiary organ of ECCAS, was dissolved in view of the persistently low level of transactions referred to it by member States. Finally, armed conflicts, whether internal or involving neighbouring countries, impacted harmfully on the integration process in the sub-region.

114. Despite these shortcomings in ECCAS, some significant positive developments did take place in others. The fiscal and customs reform initiated by the Central African Customs and Economic Union (UDEAC) is now being fully implemented. The main provisions of the reform concern excise, common external tariff,

tax levied on imports which are being gradually applied by all member States. The intra-Union trade seems to have benefitted from the introduction of this reform. In order to enhance the intra-UDEAC trade flows, the secretariat prepared for consideration by the 1997 Summit inter alia a decision on competition policy within the Union as well as on Government practices affecting trade. As for the Central African Monetary and Economic Community (CEMAC), the ratification of its treaty has not yet been completed. Nevertheless, a Council for Macro-economic Policy Convergence is already at work whose present functions include: providing the ministries of finance information on world economic situation and the position of the sub-region within this environment; facilitating exchange of information on the economic and budgetary policies of member States; informing the ministries on budget forecasts and actual establishing mechanisms for their monitoring and implementation.

115. In West Africa, the West African Monetary and Economic Union (UEMOA) vigorously pursued its integration programme as approved by the Summit of Heads of State in May 1996. This programme will result in the implementation of a common external tariff by 1 January 1998, thus achieving the customs union. Guinea Bissau joined the Union in May 1997 as its eighth member. On its part, ECOWAS organized in October 1997 a technical meeting on the introduction of traveller cheques in the sub-region; this organization is also pursuing its trade liberalization programme, in consultation with UEMOA so as to avoid major discrepancies between the two programmes.

116. In Eastern Africa, the Intergovernmental Authority on Development (IGAD) and the East African Cooperation (EAC) initiated action to implement their respective work programmes. The activities of the former were, however, affected by armed conflicts within or between its member States.

117. The Southern African Development Community (SADC) is expanding. Since the last Summit of September 1997, the Democratic Republic of Congo and Seychelles have become members of SADC; the total membership now stands at 14.

118. Attempt was made at the meeting of the Council of Ministers of the Common Market for Eastern and Southern Africa to persuade Mozambique and Lesotho not to leave this organization as they intended to do so by 31 December 1997, at the expiry of the notice required by the treaty.

119. In order to be in a better position to interact with economic groupings, ECA decided in May 1997 to streamline its presence in the sub-region. This rationalization resulted in a redefinition and a re-focus of the mandate of the former MULPOCs now called Sub-regional Development Centres (SRDCs), a new geographical distribution of these centres and the reformulation of their operational modalities.

III.D. Foreign Direct Investment

120. According to recent estimates, total (FDI) flows amounted to US$ 350 billion in 1996 (registering a rate of increase of 10 per cent over the US$ 315 billion of 1995). Nearly 60 per cent of these total flows went to the developed countries, 37 per cent went to developing countries and slightly over 3 per cent went to Central and Eastern Europe (Table 2.1).

Table 2.1: FDI flows to Africa 1985-96 (million of US$)

Subregional	1985-90 annual average	1991	1992	1993	1994	1995	1996
Central	269	659	442	362	355	477	423
Eastern	90	30	71	129	205	388	454
North	1,285	886	1,582	1,679	2,364	1,265	1,633
Southern	122	489	227	32	560	681	649
West	984	850	779	1,470	2,350	2,215	2,120
SSA Total	1,465	2,078	1,527	1,993	3,470	3,761	3,646
SSA excluding Nigeria	775	1,366	630	648	1,511	1,931	1,926
SSA excluding Nigeria and South Africa	894	1,154	672	667	1,173	1,604	1,596
Africa total	2,750	2,964	3,109	3,672	5,834	5,026	5,279
Developing countries	24,736	41,696	49,925	73,045	90,462	96,330	128,741
World	141,930	158,936	173,761	218,094	238,738	316,524	348,227

Source: Compiled from UNCTAD, World Investment Report 1997.

Africa attracted about US$ 5 billion or only 4 per cent of these inflows; its lowest share since the early 1980s. The average share for 1985-90 was more than 11 per cent of the total FDI flows to the developing countries. By contrast, FDI flows to Latin America increased significantly in 1996, by 52 per cent, to nearly US$ 39 billion, a record level. Similarly, inflows of FDI into South, East and South-East Asia rose by 25 per cent in 1996, to a record US$ 81 billion, representing about two-thirds of all developing-country FDI inflows. It is worth noting that a few Asian countries were able to attract FDI flows equal to, or exceeding, that for the whole of Africa. Malaysia attracted US$ 5.3 billion, Indonesia recorded US$ 8 billion, Singapore gained US$ 9.4 billion and China brought home US$ 42.3 billion.

122. Although Africa, as a whole has not participated in the surge of FDI flows compared with the other developing regions of the world, there are a number of countries in Africa that received significant amount of FDI, surpassing major developing countries in Asia and Latin America. For example, Nigeria attracted most of the flows in Sub-Saharan Africa (SSA) about US$ 1.7 billion, or 47 per cent of the total FDI for SSA, in 1996; followed by Angola at US$ 290 million (8 per cent) and Ghana at US$ 250 million, or 7 per cent of the total FDI for SSA. The same concentration pattern is also exhibited in North Africa; with Egypt coming on top of the list at US$ 740 million, or more than 45 per cent of the FDI flows to the sub-region, followed by Morocco with US$ 400 million, or nearly 25 per cent of the FDI flows to North Africa, and an additional 23 per cent went to Tunisia in 1996. This means that more than 70 per cent of the overall FDI flows to Africa has been concentrated in West and North Africa.

123. **Sectoral Distribution of FDI.** While the extractive industries are important in North Africa (e.g., potash in Morocco, oil in Tunisia, Algeria and Egypt), there is relatively more diversification into manufacturing and service sectors compared with SSA (e.g., in electronics, cars, hotels, banking, insurance and telecommunication). Similar to the colonization era, FDI is concentrated in mining industries in Africa in [illegible] and SSA in particular. Several mining projects with

example, oil and diamonds in Angola; gold in Mali and the United Republic of Tanzania; bauxite in Guinea and copper in Zambia (UNCTAD 1997).

124. It is evident, from the preceding paragraphs, that easing of civil unrest and prolonged conflicts in some African countries (e.g., Angola and Mozambique), liberalization and opening up of state-owned mining enterprises to foreign investors, coupled with improved world mining prices since 1994 are signs of an FDI revival in several African countries, and more noticeably so in South Africa.

125. After a prolonged period of negative FDI inflows to the Republic of South Africa, FDI flows to South Africa reached over US$ 300 million annually in 1994-96; i.e., more than 6 per cent of the overall FDI flows to Africa. The ensuing increase in foreign investment (including portfolio equity investment) inflows has risen sharply between 1991 and 1996 . With the exception of South Africa, portfolio equity flows to Africa in general, and SSA in particular, are of recent origin and are of limited volume. Only Ghana, Morocco and Zimbabwe managed to increase portfolio equity flows significantly in the 1990s (GCA and World Bank 1997). Similarly, bond issues and bank and trade related finance are of recent origin and of limited volume in Africa. Although bond issues have more than doubled between the average of the period 1990-94 and 1995, bank and trade related finance recorded negative balances for the two comparable periods.

III.E. <u>Business Environment in Africa</u>

126. A recent assessment of the vast growth regression literature devoted to the explanation of the slow growth of Africa, compared to other regions, identified four variables as having been of special significance for such performance. These factors are: lack of openness to trade, high-risk environment, low level of social capital and poor infrastructure. For the four factors, a high correspondence is reported to exist between [illegible] of aggregative evidence of growth regressions and that

of the micro evidence of behaviour of economic agents in explaining slow growth.[9]

127. These problematic factors, it is observed, are to a substantial extent attributable to government behaviour. As a result, increasing research efforts have been exerted to explore the perception of private agents as regards the business environment in a number of countries. One such effort was undertaken during 1997 by the World Bank. A survey of 4000 entrepreneurs from 69 countries (23 from Africa) was undertaken.[10]

128. The survey instrument identified a list of 15 government related obstacles to doing business in a country: regulations for starting a business, price controls, regulations on foreign trade, financing, labour regulations, foreign currency regulations, tax regulations and levels, infrastructure, policy instability, environmental safety regulations, inflation, general uncertainty on costs of regulations, crime and theft, corruption and terrorism. Respondents were asked to rank the above factors on a 1 (no obstacle) to 6 (very strong obstacle) to doing business with the restriction that a rating of 6 could not be given to more than 5 variables. Rating scores 3 and 4 are taken to reflect moderate obstacles.

129. Of the 3685 returned questionnaires, 3431 came from developing countries of which 1288 were from Sub-Saharan Africa. The countries were grouped by region. Eight African regions have been identified as follows:

Region 1: Middle East and North Africa: Morocco
Region 2: West Central Africa: Cote d'Ivoire, Ghana, Togo
Region 3: Middle-income Africa: Mauritius, South Africa;
Region 4: Western Africa: Guinea, Guinea-Bissau, Senegal
Region 5: Eastern Africa: Kenya, Tanzania, Uganda, Zambia
Region 6: Western and Central Africa: Benin, Mali, Nigeria

9 Paul Collier and Jan Willem Gunning, "Explaining Economic Performance", WPS/97-2, Centre for the Study of African Economies, University of Oxford,

Region 7: Central Africa: Cameroon, Chad, Congo
Region 8: Southern Africa: Madagascar, Malawi, Mozambique, Zimbabwe

130. The overall results suggest that there exists no extremes of the absence of obstacles to doing business or of very strong obstacles in Africa. Table 3.2 summarizes the results in terms of the average scores for the 15 obstacles and confirms the above general finding. The exception of this general result is provided by region 8 where tax regulation was rated as a very strong obstacle.

Table 3.2. Ranking the average ratings of the obstacles for the Africa region from the highest to lowest.

	Obstacles	**ratings**
1	Corruption	4.65
2	Tax regulation and/or high taxes	4.64
3	Inadequate supply of infrastructure	4.31
4	Inflation	4.19
5	Financing	4.09
6	Crime and theft	4.00
7	General uncertainty on costs of regulations	3.84
8	Regulations on foreign trade (export,import)	3.68
9	Policy instability	3.64
10	Labour regulations	3.46
11	Foreign currency regulations	3.44
12	Safety or environmental regulations	3.34
13	Regulations for starting business	3.25
14	Price control	2.75
15	Terrorism	2.20

Source: see Annex AII

region terrorism has been ranked as the lowest ranking obstacle, while corruption has been ranked as the highest obstacle. The next most serious obstacle to corruption is tax regulation and /or high taxes.

132. Thus according to the summary results the highest ranking obstacle is corruption next comes tax regulation followed by inadequate supply of infrastructure; inflation; financing and crime and theft. Thus one can safely conclude that high priority must be given to eliminate corruption; and regulate taxes in all African countries in order to help businesses flourish. This kind of survey is also a good indicator for governments to know about the problems and be able to set priorities for eliminating obstacles to enhance the smooth running of businesses.

ANNEXES

Annex AI: **Pursuit of Exchange Rate Regime**

A.I.1. A majority policy target of the reform programme of African countries has focused on the rendering of the exchange regime and rate realistic. Over valuation is deemed detrimental to exports while undervaluation undermine the competitiveness of domestic producers. A "sound" exchange rate policy attempts to put the value of the domestic currency on an equilibrium path.

A.I.2. Despite the active exchange rate policy of African countries, the attainment of an "equilibrium" exchange rate remains a moving and an unattainable target. Countries have seen the free fall of the external value of their currencies and suffered the consequences of its inflationary/deflationary impact on their economies.

A.I.3. The problem of attaining a realistic and sustainable exchange rate is vexing not only to policy makers but also to researchers. "What exactly constitutes a sound exchange rate regime is not something on which economists necessarily agree" (fixed, floating, pegged etc.) and the determination of the appropriate level of the real exchange rate and the condition under which it is to be attained and sustained remains a quaintery

A.I.4 In its October 1997 issue of the World Economic Outlook, the IMF took up the issue of the choice of an appropriate exchange rate regime. The following table summarizes the factors that need to be taken into consideration in the process of selecting an appropriate exchange rate regime

Table A.I.1 Considerations in the Choice of Exchange Rate Regime

Characteristics of of Economy	Implication for the Desired Degree of Exchange Rate Flexibility
Size of economy	The larger the economy, the stronger is the case for a flexible rate
Openness	The more the economy the less attractive is a flexible exchange rate.
Diversified production/export structure	the more diversified the economy, the more feasible is the incentive to peg to the currency of that country.
Geographic concentration of trade	The largest the proportion of an economy's trade with one large country, the greater is the incentive to peg to the currency of that country.
Divergence of domestic inflation from world inflation	The more divergent a country's inflation rate from that of its main trading partners, the greater is the need for frequent exchange rate adjustments. (But for a country with extremely high inflation, a fixed exchange rate may provide greater policy discipline and credibility to a stabilization programme)
Degree of economic/financial development	The greater the degree of economic and financial development, the more feasible is a flexible exchange rate regime.

Characteristics of of Economy	**Implication for the Desired Degree of Exchange Rate Flexibility**
Labour mobility	The greater the degree of labor mobility, when wages and prices are sticky downward, the less difficult (and costly) is the adjustment to external shocks with a fixed exchange rate.
Capital mobility	The higher the degree of capital mobility, the more difficult it is to sustain a pegged-but-adjustable exchange rate regime.
Foreign nominal shocks	The more prevalent are foreign nominal shocks, the more desirable is a flexible exchange rate.
Domestic nominal shocks	The more prevalent are domestic nominal shocks the more attractive is a fixed exchange rate.
Real shocks	The greater an economy's susceptibility to real shocks, whether foreign or domestic, the more advantageous is a flexible exchange rate
Credibility of policy makers	The lower the anti-inflation credibility of policy makers, the greater is the attractiveness of a fixed exchange rate as a nominal anchor.

ANNEX AII. RATING OF AFRICAN REGIONS
(1-no obstacle, 6-very strong obstacle)

		Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	MEAN	STD. DEV.
1	***Regulations for starting business***	3.3	3.5	3.2	3.1	3.2	3.3	3.0	3.4	3.25	0.15
2	***Price control***	3.1	3.1	2.5	2.8	2.9	2.7	2.8	2.1	2.75	0.31
3	***Regulations on foreign trade (export, import***	3.8	3.5	3.8	3.5	3.8	3.7	4.2	3.1	3.68	0.30
4	***Financing***	3.8	3.5	4.2	4.0	3.9	4.3	4.2	4.8	4.09	0.36
5	***Labor regulations***	3.2	4.4	3.2	3.2	3.2	3.7	3.5	3.3	3.46	0.39
6	***Foreign currency regulations***	2.5	3.5	3.8	4.1	3.8	3.7	4.0	2.1	3.44	0.69
7	***Tax regulation and/or high taxes***	4.2	4.2	4.8	4.8	4.5	4.7	4.9	5.0	4.64	0.29
8	***Inadequate supply of infrastructure***	4.5	3.5	3.7	4.0	4.3	4.8	4.8	4.9	4.31	0.50
9	***Policy instability***	3.5	3.7	3.1	3.3	3.8	3.9	3.8	4.0	3.64	0.29
10	***Safety or environmental regulations***	2.9	3.5	3.6	3.4	3.7	3.1	3.3	3.2	3.34	0.25
11	***Inflation***	3.5	4.1	4.5	4.0	4.3	4.9	3.7	4.5	4.19	0.43
12	***General uncertainty on costs of regulations***	3.6	3.7	3.8	4.1	3.9	3.8	3.8	4.0	3.84	0.15
13	***Crime and theft***	2.2	4.2	3.9	4.5	4.1	4.8	4.1	4.7	4.00	0.74
14	***Corruption***	4.3	4.5	4.2	4.8	4.8	4.8	4.9	4.9	4.65	0.26
15	***Terrorism***	1.7	2.2	1.9	2.1	3.0	2.1	2.5	2.1	2.20	0.37

Source : Brunetti A. et al."How Businesses See Government", IFC, World Bank. Washington D.C., 1998

**** To facilitate the understanding of this table, the rating is regrouped as follows:***

1-2 no obstacle;

3-4 moderate obstacle;

5-6 very strong obstacle.

* Region 1 ; Middle East and North Africa: Morocco;
Region 2: West Central Africa: Cote d'Ivoire, Ghana, Togo,
Region 3: Middle-Income Africa: Mauritius, South Africa;
Region 4: Western Africa: Guinea, Guinea Bissau, Senegal;
Region 5: Eastern Africa: Kenya, Tanzania, Uganda, Zambia;
Region 6: Western and Central Africa: Benin, Mali, Nigeria;
Region 7: Central Africa: Cameroon, Chad, Congo;
Region 8: Southern Africa: Madagascar, Malawi, Mozambique, Zimbabwe;

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TABLE 1. BASIC INDICATORS

	GDP 1996 IN MILLION $	POP 1996 IN THOUSANDS	GDP PER HEAD 1996 ($)	CONSUMER PRICE INDEX (1996) 1990=100 % CHANGE
CENTRAL AFRICA	43328	100118	433	39.5
ANGOLA	7754	11469	851	..
BURUNDI	121	5518	137	26.4
CAMEROON	12548	13655	926	4.7
CENTRAL AF. REPUBLIC	1454	3516	414	3.7
CHAD	1437	6543	220	12.4
CONGO	3004	2665	1127	..
EQ. GUINEA	214	410	522	..
GABON	6384	1413	4518	3.7
RWANDA	2008	8607	233	7.4
SAO TOME AND PRINCIPE	61	135	454	..
ZAIRE	5465	45180	121	65.9
EAST AFRICA	34227	168884	203	8.5
COMOROS	271	677	400	..
DJIBOUTI	452	526	859	..
ERITREA			..	..
ETHIOPIA	7090	59794	119	-6.1
KENYA	10241	28821	359	9.8
MADAGASCAR	[illegible]	14618	218	19.8
MAURITIUS	3481	1141	3051	6.6
SEYCHELLES	440	74	5949	-1.1
SOMALIA	[illegible]	10501	66	..
TANZANIA	[illegible]	31742	97	19.7
UGANDA	[illegible]	20990	247	7.2
NORTH AFRICA	202189	162527	1244	9.3
ALGERIA	61157	29368	2082	21.6
EGYPT	55820	59761	931	7.2
LIBYA	[illegible]	5593	4740	..
MOROCCO	30734	28934	1064	3.0
SUDAN	[illegible]	29763	380	..
TUNISIA	[illegible]	9108	1846	3.7
SOUTHERN AFRICA	140708	99882	1409	22.6
BOTSWANA	[illegible]	1474	3607	10.1
LESOTHO	[illegible]	2026	395	9.3
MALAWI	[illegible]	11581	188	37.6
MOZAMBIQUE	[illegible]	16931	89	45.1
NAMIBIA	[illegible]	1741	1754	8.0
SOUTH AFRICA	115317	43752	2643	7.4
SWAZILAND	[illegible]	983	1168	12.5
ZAMBIA	[illegible]	9632	408	42.9
ZIMBABWE	[illegible]	11862	613	21.4
WEST AFRICA	[illegible]	233229	372	22.5
BENIN	[illegible]	5566	454	4.8
BURKINA FASO	[illegible]	10638	304	6.2
CAPE VERDE	[illegible]	391	1118	..
COTE D'IVOIRE	[illegible]	13913	702	2.5
GAMBIA	[illegible]	1004	335	1.1
GHANA	[illegible]	17972	454	34.0
GUINEA	3503	6903	510	..
GUINEA B.	318	1096	290	50.7
LIBERIA	[illegible]	3140	496	..
MALI	2851	11136	256	6.8
MAURITANIA	1206	2402	540	4.7
NIGER	2328	9397	280	5.3
NIGERIA	40819	130881	312	29.3
SENEGAL	6465	8915	750	2.8
SIERRA LEONE	555	4866	114	23.2
TOGO	1591	4269	373	..
TOTAL AFRICA	507256	764632	663	30.5

SOURCE : ECA SECRETARIAT

TABLE 2. GROSS DOMESTIC PRODUCT IN US DOLLARS AT 1990 PRICES

	1980	1985	1990	1995	1996	1997	GROWTH RATES 1980-95	1985-95	1995	1996	1997
CENTRAL AFRICA	*37307*	*49710*	*45906*	*41316*	*43155*	*44796*	*0.7*	*-1.6*	*5.0*	*4.5*	*3.8*
ANGOLA	9708	10607	10296	5949	9592	10216	-0.5	-1.7	5.6	7.2	6.5
BURUNDI	271	903	1148	1079	1018	929	3.2	1.8	2.2	-5.7	-8.7
CAMEROON	7828	14385	12268	12046	12528	13029	2.9	-1.8	6.0	4.0	4.0
CENTRAL AF. REP.	1329	1479	1441	1435	1453	1536	0.5	-0.3	1.1	1.3	5.7
CHAD	826	1078	1224	1366	1416	1490	3.4	2.4	3.9	3.7	5.2
CONGO	1717	2878	2799	2813	2934	2843	3.3	-0.2	2.2	4.3	-3.1
EQ. GUINEA	142	143	133	191	222	243	2.0	2.9	11.0	16.2	9.5
GABON	5096	6294	5426	6210	6392	6590	1.3	-0.1	3.4	2.9	3.1
RWANDA	2072	2389	2530	1772	2068	2331	-1.0	-2.9	28.7	16.7	12.7
SAO TOME & P.	84	77	55	60	60	62	2.2	-2.5	3.4	0.0	2.7
ZAIRE	7834	8477	8586	5395	5472	5527	-2.5	-4.4	0.8	1.4	1.0
EAST AFRICA	*20976*	*22831*	*28329*	*32739*	*34138*	*35332*	*3.0*	*3.7*	*4.9*	*4.3*	*3.5*
COMOROS	193	229	250	253	265	278	1.8	1.0	-1.9	4.7	4.9
DJIBOUTI	421	445	471	453	444	448	0.5	0.2	-1.7	-2.0	1.0
ERITREA		..		..	..	..	..	..	..	..	..
ETHIOPIA	5068	5043	6005	6778	7022	7240	2.0	3.0	3.2	3.6	3.1
KENYA	5759	6829	8676	9877	10266	10584	3.7	3.8	6.3	3.9	3.1
MADAGASCAR	2722	2591	3081	3087	3195	3294	0.8	1.8	2.0	3.5	3.1
MAURITIUS	1462	1823	2559	3290	3465	3607	5.6	6.1	5.6	5.3	4.1
SEYCHELLES	272	291	369	435	457	480	3.2	4.1	2.8	5.1	2.8
SOMALIA	555	632	669	666	692	700	1.2	0.5	2.3	3.9	1.1
TANZANIA	1961	2076	2542	2940	3074	3212	2.7	3.6	3.5	4.6	4.1
UGANDA	2562	2872	3707	4960	5258	5489	4.5	5.6	8.5	6.0	4.4
NORTH AFRICA	*139804*	*170136*	*178671*	*192392*	*200826*	*206449*	*2.2*	*1.2*	*1.8*	*4.4*	*2.8*
ALGERIA	44913	56396	55492	58805	62037	64518	1.8	0.4	4.0	5.5	4.0
EGYPT	33511	47029	48468	53378	55098	57890	3.2	1.3	2.6	3.2	5.1
LIBYA*	27834	27346	28151	26121	26513	26646	-0.4	-0.5	2.0	1.5	0.5
MOROCCO	17336	20434	25222	27535	29165	28436	3.1	3.0	-5.0	5.9	-2.5
SUDAN	8175	8356	9025	10925	11258	11483	1.9	2.6	3.5	4.0	2.0
TUNISIA	9035	10575	12313	15718	16755	17475	4.6	4.0	2.5	6.6	4.3
SOUTHERN AFRICA	*102044*	*112607*	*128314*	*133888*	*137891*	*141216*	*1.8*	*1.7*	*2.5*	*3.0*	*2.4*
BOTSWANA	1224	2105	4019	4978	5224	5553	9.8	9.0	3.1	4.9	6.3
LESOTHO	384	413	582	704	748	796	4.1	5.5	8.3	6.3	6.5
MALAWI	1382	1612	1858	1990	2110	2243	2.5	2.1	7.5	6.0	6.3
MOZAMBIQUE	1363	1064	1272	1476	1535	1627	0.5	3.3	5.4	4.0	2.5
NAMIBIA	1986	1942	2270	2870	2942	3016	2.5	4.0	4.1	2.5	6.0
SOUTH AFRICA	86484	95061	106739	110322	113124	115387	1.6	1.5	2.9	2.5	2.0
SWAZILAND	365	491	864	992	1016	1067	6.9	7.3	3.0	2.4	5.0
ZAMBIA	3807	3970	3910	3696	3878	3975	-0.2	-0.7	-4.9	4.9	2.5
ZIMBABWE	5049	5949	6800	6860	7314	7552	2.1	1.4	-3.4	6.6	3.2
WEST AFRICA	*70941*	*66404*	*74116*	*83279*	*86740*	*89950*	*1.1*	*2.3*	*3.4*	*4.2*	*3.7*
BENIN	1483	1717	1935	2398	2520	2671	3.2	3.4	4.9	5.5	6.0
BURKINA FASO	1553	1978	2590	3064	3216	3345	4.6	4.5	3.6	5.0	4.0
CAPE VERDE	242	287	373	462	482	504	4.4	4.9	4.5	4.3	4.5
COTE D'IVOIRE	10548	10130	9899	9808	10316	10972	-0.5	-0.3	5.4	5.2	6.3
GAMBIA	242	215	310	326	339	345	2.0	4.3	3.5	4.0	1.8
GHANA	5070	4983	6226	7756	8144	8470	2.9	4.5	4.5	5.0	4.0
GUINEA	2111	2306	2814	3378	3552	3662	3.2	3.9	4.4	5.2	3.1
GUINEA B.	140	155	253	301	312	323	5.2	6.9	4.2	3.7	3.4
LIBERIA	2416	2305	2222	1525	1555	1578	-3.0	-4.0	-0.6	2.0	1.5
MALI	1981	1994	2447	2741	2826	2961	2.2	3.2	6.0	3.1	4.8
MAURITANIA	970	927	1024	1238	1296	1348	1.6	2.9	4.6	4.7	4.0
NIGER	2499	2343	2481	2561	2627	2672	0.2	0.9	3.8	2.6	1.7
NIGERIA	35053	30013	33563	39515	41003	42233	0.8	2.8	2.3	3.8	3.0
SENEGAL	4470	4944	5702	6169	6450	6714	2.2	2.2	4.6	4.6	4.1
SIERRA LEONE	798	783	740	546	555	562	-2.5	-3.5	-3.4	1.6	1.3
TOGO	1365	1324	1537	1501	1547	1590	0.6	1.3	6.6	3.1	2.8
TOTAL AFRICA	*371071*	*420698*	*455336*	*483604*	*502750*	*517742*	*1.8*	*1.4*	*2.7*	*4.0*	*2.9*

SOURCE : ECA SECRETARIAT

Table 3. Agricultural indicators

	Arable land Ha per head	Agriculture * in Million $ at 1990 prices	Food production per head Index (1979-81=100)		Production of cereals (Kg per head)	Cereals imports (Kg per head)
	1991	1996	1985	1997	1996	1991
Central Africa	0.31	10457	97.3	69.5	47.1	15.8
Angola	0.35	1503	88.3	105.9	40.2	33.6
Burundi	0.23	705	100.7	81.7	41.4	5.6
Cameroon	0.57	2956	95.6	96.1	86.2	46.2
Central African Republic	0.63	758	89.5	99.3	31.0	8.8
Chad	0.55	832	97.8	99.1	140.5	13.1
Congo	0.07	265	97.9	94.0	10.1	43.0
Equatorial Guinea	0.62	134	..	81.7	0.0	26.1
Gabon	0.37	317	83.5	90.1	19.7	60.1
Rwanda	0.15	770	98.3	94.3	23.3	2.7
Sao Tome & Principe	0.29	11	75.2	105.3	0.0	67.2
Zaire	0.20	2456	100.5	81.2	33.1	3.1
East Africa	0.22	11652	93.4	91.0	136.9	..
Comoros	0.17	97	87.1	89.7	31.0	83.4
Djibouti	4.96	12	..	66.8	0.0	171.1
Eritrea	..	..	..	90.0	..	..
Ethiopia	0.26	3296	88.1	103.4	189.2	16.1
Kenya	0.10	2582	100.5	86.3	118.8	14.0
Madagascar	0.24	[illegible]	96.5	85.3	187.4	9.5
Mauritius	0.10	[illegible]	104.4	103.5	0.4	170.2
Seychelles	0.09	[illegible]	..	132.6	0.0	214.1
Somalia	0.11	[illegible]	..	..	36.9	22.2
Tanzania	0.12	[illegible]	[illegible]	75.9	107.5	5.0
Uganda	0.36	[illegible]	[illegible]	88.5	36.0	1.5
North Africa	0.27	29455	106.4	98.8	169.7	138.1
Algeria	0.29	[illegible]	114.3	95.0	36.8	217.8
Egypt	0.05	[illegible]	105.4	104.6	275.6	148.9
Libya	0.44	[illegible]	[illegible]	78.4	57.4	453.9
Morocco	0.36	[illegible]	[illegible]	83.0	134.2	78.1
Sudan	0.48	[illegible]	92.8	114.3	0.0	47.1
Tunisia	0.58	[illegible]	[illegible]	85.9	84.3	114.2
Southern Africa	0.18	[illegible]	93.8	91.0	198.4	..
Botswana	1.97	[illegible]	78.5	91.1	17.6	79.8
Lesotho	0.18	[illegible]	83.9	84.2	54.5	57.1
Malawi	0.17	[illegible]	84.1	105.7	183.6	12.5
Mozambique	0.22	[illegible]	91.2	104.1	97.1	33.7
Namibia	0.43	[illegible]	72.3	85.4	96.6	..
South Africa	..	[illegible]	..	86.1	269.8	
Swaziland	0.26	[illegible]	86.9	76.4	94.8	71.1
Zambia	0.61	[illegible]	[illegible]	79.6	117.1	12.8
Zimbabwe	0.27	[illegible]	[illegible]	88.5	229.8	13.2
West Africa	0.27	[illegible]	99.9	106.6	166.0	24.6
Benin	0.38	[illegible]	113.2	104.1	108.3	46.7
Burkina Faso	0.37	[illegible]	[illegible]	100.5	223.4	19.7
Cape Verde	0.10	[illegible]	84.6	80.6	23.2	202.8
Cote d'Ivoire	0.29	[illegible]	99.0	93.7	101.8	53.8
Gambia	0.20	[illegible]	100.6	65.6	103.2	115.6
Ghana	0.17	3158	104.9	120.3	0.0	22.9
Guinea	0.12	[illegible]	95.7	97.6	122.1	51.5
Guinea Bissau	0.34	[illegible]	108.3	97.3	177.0	66.2
Liberia	0.14	[illegible]	93.9	..	30.3	66.8
Mali	0.21	[illegible]	94.1	101.6	266.0	24.5
Mauritania	0.10	[illegible]	86.5	89.5	89.0	164.4
Niger	0.44	[illegible]	[illegible]	97.4	248.6	18.5
Nigeria	0.28	[illegible]	100.7	110.4	169.8	7.0
Senegal	0.30	1398	109.5	94.7	126.4	107.0
Sierra Leone	0.15	700	94.0	87.4	93.1	44.0
Togo	0.18	706	91.1	112.2	169.0	67.5
Total Africa	0.25	90681	99.2	97.3	147.8	..

Table 4. Production and consumption of selected sources of energy, 1995

Sub-region/Country	Electricity Production by type (in million KW/h) Thermal	Hydro	Total	Commercial energy consumption Per capita (Kilogramme)	Total ('000 TCE)	Total energy requirement ('000 Terajoules)
Central Africa	946	11475	12421	277	7809	1086
Angola	485	1385	1870	83	897	98
Burundi	2	118	120	19	118	51
Cameroon	84	2662	2746	145	1910	178
Central African Republic	71	31	102	38	123	35
Chad	89	0	89	7	47	40
Congo	3	432	435	306	791	47
Equatorial Guinea	18	2	20	150	60	6
Gabon	215	725	940	1929	2076	90
Rwanda	4	160	164	49	252	60
Sao Tome & Principe	7	8	15	286	38	1
Zaire	18	5902	5920	33	1497	492
East Africa	198777	44040	246035	258	276607	11119
Comoros	14	2	16	54	33	1
Djibouti	184	0	184	293	176	5
Eritrea	...	...	...	...	...	...
Ethiopia	103	1155	1258	26	1476	492
Kenya	334	3123	3457	139	3786	499
Madagascar	258	353	611	39	580	122
Mauritius	985	135	1120	646	722	34
Seychelles	128	0	128	1055	77	2
Somalia	272	0	272	...	...	86
Uganda	7	785	702	28	552	166
United Rep. of Tanzania	228	1510	1738	38	1144	374
North Africa	94630	12592	107222	1006	130044	4174
Algeria	19521	193	19714	1642	46141	1373
Egypt	38054	10810	48864	741	45994	1398
Libyan Arab Jamahiriya	18000	0	18000	2374	17705	524
Morocco	11119	605	11724	436	11552	366
Sudan	386	945	1331	62	1659	286
Tunisia	7550	39	7589	778	6993	238
Southern Africa	532	934	1475	169	938	301
Botswana	...		1109	...	...	...
Lesotho	...	...	...	...	...	...
Malawi	19	774	793	42	406	115
Mozambique	513	50	563	31	532	186
Namibia	...	...	...	...	...	...
South Africa	...	...	...	...	...	...
Swaziland	...	...	...	...	...	...
Zambia	40	7750	7790	212	1716	186
Zimbabwe	5900	[illegible]	[illegible]	392	4382	203
West Africa	12093	12925	25018	128	27077	2632
Benin	6	[illegible]	[illegible]	45	246	62
Burkina Faso	145	[illegible]	120	45	470	108
Cape Verde	39	[illegible]	33	140	54	2
Cote d'Ivoire	808	1105	1913	244	3346	216
Gambia	74	0	74	93	103	14
Ghana	42	6117	6159	132	2288	313
Guinea	352	191	543	73	533	56
Guinea Bissau	43	0	43	102	109	7
Liberia	308	178	486	81	173	67
Mali	65	225	290	23	246	68
Mauritania	124	28	152	593	1348	40
Niger	175	0	175	56	504	69
Nigeria	8810	6000	14810	142	15864	1470
Senegal	774	0	774	158	1310	84
Sierra Leone	241	0	241	44	186	37
Togo	87	6	93	76	311	30
TOTAL AFRICA	306978	82866	393171	307	442475	19912

Table 5. Merchandise Trade: Value and Average Growth Rate (million US dollars)

Sub-region/ Country	Exports 1990	Exports 1995	Exports 1996	Imports 1990	Imports 1995	Imports 1996	Balance of trade 1990	Balance of trade 1995	Balance of trade 1996	Growth rate (%) Export 1996/90	Growth rate (%) Export 1996/95	Growth rate (%) Import 1996/90	Growth rate (%) Import 1996/95
Central Africa	10518	9996	13208	6621	6006	8000	3897	3990	5208	18.7	39.0	27.7	53.1
Angola	3748.0	3299.0	4396.0	1723.0	1855.0	1831.0	2025.0	1444.0	2565.0	17.3	33.3	6.3	-1.3
Burundi	75.0	106.0	40.0	231.0	234.0	127.0	-156.0	-128.0	-87.0	-46.7	-62.3	-45.0	-45.7
CAR	120.0	171.0	244.0	154.0	174.0	174.0	-34.0	-3.0	70.0	103.3	42.7	13.0	0.0
Cameroon	2002.0	2040.0	2222.0	1400.0	1241.0	1207.0	602.0	799.0	1015.0	11.0	8.9	-13.8	-2.7
Chad	188.0	252.0	124.0	286.0	220.0	216.0	-98.0	32.0	-92.0	-34.0	-50.8	-24.5	-1.8
Congo	981.0	842.0	1661.0	621.0	670.0	1536.0	360.0	172.0	125.0	69.3	97.3	147.3	129.3
Eq. Guinea	62.0	86.0	141.0	61.0	50.0	152.0	1.0	36.0	-11.0	127.4	64.0	149.2	204.0
Gabon	2204.0	2713.0	2850.0	918.0	882.0	978.0	1286.0	1831.0	1872.0	29.3	5.0	6.5	10.9
Rwanda	110.0	42.0	60.0	288.0	237.0	381.0	-178.0	-195.0	-321.0	-45.5	42.9	32.3	60.8
Sao Tome & Pr	29.0	7.0	8.0	51.0	46.0	41.0	-22.0	-39.0	-33.0	-72.4	14.3	-19.6	-10.9
Zaire	999.0	438.0	1462.0	888.0	397.0	1357.0	111.0	41.0	105.0	46.3	233.8	52.8	241.8
East Africa	3419.0	5544.0	6371.0	7481.0	10550.0	10441.0	-4062.0	-5006.0	-4070.0	145.7	31.5	74.8	4.2
Comoros	18.0	11.0	14.0	52.0	158.0	168.0	-34.0	-147.0	-154.0	-22.2	27.3	223.1	6.3
Djibouti	25.0	107.0	134.0	215.0	421.0	374.0	-190.0	-314.0	-240.0	436.0	25.2	74.0	-11.2
Eritrea	..	..	..	..	..	..	..	..	..	..	..	..	..
Ethiopia	298.0	423.0	477.0	1081.0	1386.0	1390.0	-783.0	-963.0	-913.0	60.1	12.8	28.6	0.3
Kenya	1031.0	1878.0	2067.0	2124.0	2949.0	2912.0	-1093.0	-1071.0	-845.0	100.5	10.1	37.1	-1.3
Madagascar	319.0	364.0	617.0	571.0	499.0	658.0	-252.0	-135.0	-41.0	93.4	69.5	15.2	31.9
Mauritius	1194.0	1538.0	1573.0	1618.0	1958.0	2193.0	-424.0	-420.0	-620.0	31.7	2.3	35.5	12.0
Seychelles	56.0	84.0	169.0	186.0	230.0	339.0	-130.0	-146.0	-170.0	201.8	101.2	82.3	47.4
Somalia	..	..	..	394.0	272.0	274.0	-394.0	-272.0	-274.0	..	..	-30.5	0.7
Tanzania	331.0	678.0	761.0	1027.0	1619.0	1394.0	696.0	-941.0	-633.0	129.9	12.2	35.7	-13.9
Uganda	147.0	461.0	559.0	213.0	1058.0	739.0	-66.0	-597.0	-180.0	280.3	21.3	246.9	-30.2
North Africa	36614.1	32258.0	39948.0	37228.0	44490.0	52041.0	-613.9	-12232.0	-12093.0	38.3	28.0	51.2	14.4
Algeria	12930.0	10240.0	12255.0	9715.0	10250.0	8515.0	3215.0	-10.0	3740.0	-5.2	19.7	-12.4	-16.9
Egypt	2585.0	3435.0	5239.0	9216.0	11739.0	19513.0	-6631.0	-8304.0	-14274.0	102.7	52.5	111.7	66.2
Libyan Arab J.	13225.0	8465.0	10033.0	5336.0	[illegible]	[illegible]	7889.0	3615.0	4896.0	-24.1	18.5	-3.7	[illegible]
Morocco	4265.0	4642.0	6904.0	6800.0	8563.0	9713.0	-2535.0	-3921.0	-2809.0	61.9	48.7	42.8	13.4
Sudan	83.1	1.0	..	619.0	1185.0	1418.0	-535.9	-1184.0	-1418.0	..	..	129.1	19.7
Tunisia	3526.0	5475.0	5517.0	5542.0	7903.0	7745.0	-2016.0	-2428.0	-2228.0	56.5	0.8	39.8	[illegible]
Southern Africa	30609.1	34799.3	37722.0	25803.3	35466.2	36472.8	4805.9	-666.8	1249.2	63.8	13.1	35.6	[illegible]
Botswana	1784.0	2142.7	3230.8	1945.4	1913.7	1723.4	-161.5	229.0	1507.4	81.1	50.8	-11.4	[illegible]
Lesotho	59.1	160.2	191.2	671.7	985.9	956.7	-612.6	-825.7	-765.5	223.3	19.4	42.4	[illegible]
Malawi	417.0	405.0	494.0	581.0	475.0	695.0	-164.0	-70.0	-201.0	18.5	22.0	19.6	46.3
Mozambique	126.0	169.0	240.0	878.0	784.0	1453.0	-752.0	-615.0	-1213.0	90.5	42.0	65.5	85.3
Namibia	1082.2	..	..	1163.4	..	..	-81.2	0.0	0.0	..	..	..	
South Africa	23549.1	27860.1	29330.2	17088.0	27030.0	26870.0	6461.1	830.1	2460.2	24.5	5.3	57.2	[illegible]
Swaziland	556.7	757.4	892.8	662.7	1104.6	1078.7	-106.0	-147.1	-185.9	60.4	-6.8	62.8	[illegible]
Zambia	1309.0	986.0	1000.0	1207.0	[illegible]	[illegible]	102.0	293.0	115.0	-23.6	1.4	-26.7	[illegible]
Zimbabwe	1726.0	2119.0	2343.0	1606.0	[illegible]	[illegible]	120.0	-361.0	-468.0	35.7	10.6	75.0	[illegible]
West Africa	23143.7	20857.9	25682.0	18830.0	26683.0	24705.0	4313.7	-5825.1	977.0	31.9	32.4	59.1	29.6
Benin	122.0	180.0	263.0	265.0	692.0	861.0	-143.0	-512.0	-598.0	115.6	46.1	224.9	24.4
Burkina Faso	152.0	536.0	194.0	536.0	549.0	783.0	-384.0	-13.0	-589.0	27.6	-63.8	46.1	42.6
Cape Verde	5.7	8.9	..	136.0	266.0	344.0	-130.3	-257.1	-344.0	..	..	152.9	29.3
Côte d'Ivoire	3072.0	3820.0	4314.0	2098.0	2931.0	3207.0	974.0	889.0	1107.0	40.4	12.9	52.9	9.4
Gambia	40.0	16.0	22.0	199.0	140.0	272.0	-159.0	-124.0	-250.0	-45.0	37.5	36.7	94.3
Ghana	1235.0	1602.0	1704.0	1614.0	2564.0	3188.0	-379.0	-962.0	-1484.0	38.0	6.4	97.5	24.3
Guinea	606.0	703.0	788.0	699.0	768.0	826.0	-93.0	-65.0	-38.0	30.0	12.1	18.2	7.6
Guinea-Bissau	19.0	23.0	85.0	68.0	70.0	106.0	-49.0	-47.0	-21.0	347.4	269.6	55.9	51.4
Liberia	1943.0	952.0	1136.0	4259.0	5781.0	3854.0	2316.0	-4829.0	-2718.0	-41.5	19.3	-9.5	-33.3
Mali	359.0	452.0	280.0	602.0	755.0	1143.0	-243.0	-303.0	-863.0	-22.0	-38.1	89.9	51.4
Mauritania	469.0	575.0	573.0	388.0	638.0	636.0	81.0	-63.0	-63.0	22.2	-0.3	63.9	-0.3
Niger	283.0	259.0	188.0	389.0	374.0	244.0	-106.0	-115.0	-56.0	-33.6	-27.4	-37.3	-34.8
Nigeria	13670.0	10636.0	14836.0	5627.0	9332.0	6590.0	8043.0	1304.0	8246.0	8.5	39.5	17.1	-29.4
Senegal	762.0	862.0	870.0	1220.0	1302.0	1383.0	-458.0	-440.0	-513.0	14.2	0.9	13.4	6.2
Sierra Leone	138.0	25.0	47.0	149.0	135.0	211.0	-11.0	-110.0	-164.0	-65.9	88.0	41.6	56.3
Togo	268.0	204.0	382.0	581.0	386.0	1057.0	-313.0	-178.0	-675.0	42.5	83.7	81.9	173.8
Total Africa	104304.0	103455.3	122931.0	95963.3	123195.2	131659.8	8340.7	-19739.9	-8724.6	56.2	[illegible]	50.8	26.3

SOURCE: IMF, IFS 1997

Table 7. Social Indicators - Education

	Combined first & second level gross enrolment ratio 1994	Primary education enrolment ratio 1995	Adult female literacy rate 1995	Adult literacy rate 1995	Scientists/ Technicians Per '000 1995
CENTRAL AFRICA	49	74	54	65	0.2
ANGOLA	45	91	29	43	-
BURUNDI	49	69	23	36	-
CAMEROON	53	89	52	64	-
CENTRAL AF. REP.	42	72	52	61	0.1
CHAD	29	56	35	49	-
CONGO	..	..	67	75	0.3
EQ. GUINEA	..	..	68	79	-
GABON	..	..	53	64	0.2
RWANDA	50	77	52	61	-
SAO TOME & P.	..	..	42	56	-
ZAIRE	49	68	68	78	-
EAST AFRICA	40	58	42	53	0.3
COMOROS	50	75	50	57	-
DJIBOUTI	26	38	33	47	-
ERITREA	32	49	-	-	-
ETHIOPIA	20	27	25	36	-
KENYA	72	92	70	78	-
MADAGASCAR	42	[illegible]	32	46	-
MAURITIUS	60	107	79	83	0.3
SEYCHELLES	..	..	86	85	0.2
SOMALIA	..	..	14	25	-
TANZANIA	44	70	57	68	-
UGANDA	[illegible]	[illegible]	50	62	-
NORTH AFRICA	70	90	40	53	0.4
ALGERIA	84	105	49	62	-
EGYPT	87	98	39	52	0.4
LIBYA	100	110	63	76	0.2
MOROCCO	59	60	31	44	-
SUDAN	33	55	35	47	-
TUNISIA	86	113	55	67	0.4
SOUTHERN AFRICA	82	105	65	72	0.3
BOTSWANA	92	115	60	71	-
LESOTHO	72	99	62	72	-
MALAWI	67	129	42	57	-
MOZAMBIQUE	35	63	23	41	-
NAMIBIA	100	137	74	76	-
SOUTH AFRICA	100	117	82	82	0.3
SWAZILAND	[illegible]	122	76	77	-
ZAMBIA	62	[illegible]	71	79	-
ZIMBABWE	[illegible]	115	80	85	-
WEST AFRICA	[illegible]	[illegible]	38	49	0.2
BENIN	40	[illegible]	26	38	0.2
BURKINA FASO	25	[illegible]	9	20	-
CAPE VERDE	83	131	64	73	-
COTE D'IVOIRE	48	69	30	40	-
GAMBIA	44	68	25	39	-
GHANA	58	77	54	65	-
GUINEA	30	46	22	36	0.2
GUINEA B.	38	60	43	56	-
LIBERIA	..	..	22	38	-
MALI	20	32	23	31	-
MAURITANIA	44	[illegible]	26	38	-
NIGER	19	28	7	14	-
NIGERIA	63	90	47	57	-
SENEGAL	38	60	23	33	0.2
SIERRA LEONE	36	51	18	32	-
TOGO	64	102	37	52	-
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]