Economic Report on Africa 1995

United Nations
Economic Commission
for Africa

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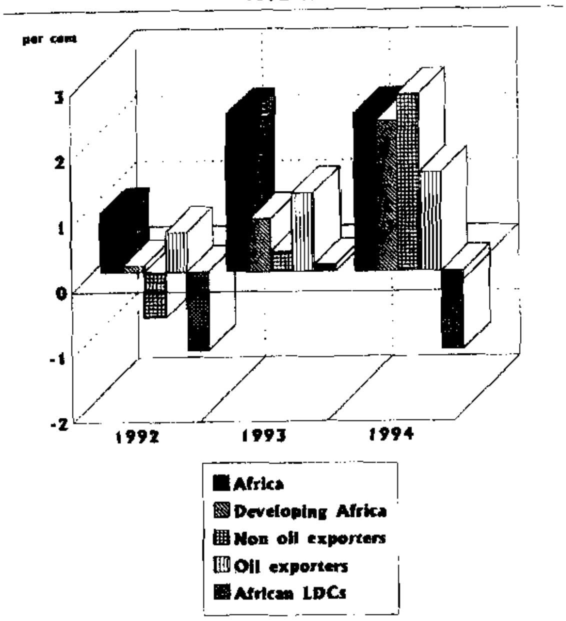
I. THE AFRICAN ECONOMY IN 1994 - AN OVERVIEW

A. A modest recovery in regional output

1. In 1994, the gross domestic product (GDP) of the African region grew by 2.4 per cent, compared to only 0.9 per cent in 1993 and -0.3 per cent in 1992. Despite the modest increase in growth in 1994, which was the fastest annual rate during 1990-1994, the African economy has continued to fall behind those of other developing regions, and GDP growth is yet to keep pace with population growth.

Fig. 1: Africa's GDP growth rates (at 1990 prices) 1992-1994



2. Income per head in Africa was on the decline in 1994, falling by 1 per cent, the same rate as in the 1980s. That means that economic performance in the region continues to lose ground in the 1990s, in both absolute and relative terms: GDP increased at an average annual rate of nearly 1.4 per cent over the period 1990-1994, and income per head fell at 1.6 per cent. The proportion of the population in Africa living under conditions of poverty has increased at an even faster rate, both in the rural areas, where the economy continued to decline, and in the cities, where there has been a lack of dynamism in fostering growth and job creation in the industrial and service sectors. Africa's share of aggregate world output has continued to shrink while, at the same time, its population growth rate stands at roughly twice that of the world.

3. The picture painted above is in respect of the whole region, including South Africa. If indeed South Africa is excluded and considered separately in terms of growth performance, as it should in view of the relatively huge size of its economy and its structurally more advanced stage of industrialization and technological development, the resulting picture for the rest of the continent becomes slightly less favourable. For developing Africa (Africa region without South Africa), GDP growth for 1994 was of the order of 2.3 per cent - admittedly, more than double the 1993 rate, but still a lacklustre performance (Table I).

4. Despite the acceleration in the GDP in 1994, albeit from a low trough, many of the factors that have accounted for weak economic performance of Africa over the years were at work, though to differing extent and with varying intensities in individual countries and groups of countries. The weather conditions were generally more favourable in most parts of the region in 1994 than in 1993, resulting in above-average harvests; still, a number of countries were confronted by food shortages at times during the year. According to data from the Food and Agriculture Organization of the United Nations (FAO), agricultural production rose by 2.1 per cent in Africa in 1994 compared to 3.7 per cent in 1993. The corresponding growth rates for developing Africa over the same period were 2.6 per cent in 1993 and 1.8 per cent in 1994.

5. A failed rainy season in the third quarter of 1993 and the first quarter of 1994 precipitated food deficits in the first half of the year over the wide area spread over some ten countries mainly in the Central, Eastern and Southern African subregions. In the most affected countries, increased amount of food imports and food aid were required. It was only with the improved prospects for the

Table I
African economic indicators, 1990-1994 (percentage change)

	1990	1991	1992	1993	1994
GDP growth Africa	0.5	2.9	-0.3	0.9	2.4
GDP growth developing Africa	0.8	4.4	0.1	0.9	2.3
Agricultural production (FAO index 1979-1981=100)	127.9	133.9	130.9	135.7	138.6
Oil production (million tons)	321.4	336.4	343.4	339.2	338.2
Mining production index (1990=100)	1	-4	-8	-7	...
Consumer price index (1990=100)	16.2	29.3	35.4	32.8	45.7
Oil prices, Brent crude (dollar per barrel)	23.6	19.7	19	16.8	15.5
Export prices index (1990=100)	15.7	-11.6	-2.1	-7.6	2.1
Import prices index (1990=100)	7.9	-2.6	2.1	-2.8	1.6
Terms of trade index (1990=100)	7.3	-9.2	-4.1	-5	0.5
Exports (US$ billion)	94.9	96.5	94.2	87.9	89.6
Imports (US$ billion)	90.7	91.7	96.5	93.5	97.8
Current account (US$ billion)	-5.2	-2	-6.2	-7.8	-10.5

Source: Socio-Economic Research and Planning Division, UN-ECA mid-1994 main rainy season, for example, that some good harvests were recorded in some areas in the Horn of Africa.

6. The trend in industrial crops production in 1994 showed that output in that subsector was also far from buoyant; the price recovery in 1993 and 1994 was yet to have much salutary effect on production levels and on new plantings that had suffered from several consecutive years of falling prices and declining real farm incomes.

7. The decline in output of mining products, including fuel, since 1992, continued in 1994, due primarily to the crisis situation in some producing countries such as Zaire, and also, to some extent, to the lack of new investment except in gold mines. In terms of value added, however, there was a marginal improvement in 1994, due largely to the sharp increase in some prices, with GDP growth in the sector rising by 1 per cent, compared to a decline of 0.3 per cent in 1993. In South Africa, the region's major producer, output fell by 5.5 per cent in 1994.

8. Oil production in the Africa remained in 1994 at its 1993 level, due to a variety of factors, ranging from OPEC quotas to capacity constraints and, in the case of Angola, civil war. Prices of minerals and metal ores increased sharply in 1994, but of oil fell on average, losing some 7 per cent in the case of Brent crude. Oil prices rallied in the second quarter of the year as a result of a paralysing strike of workers in the Nigerian oil industry, but that movement was rapidly halted by increased supplies from the Commonwealth of Independent States (CIS) and the North Sea.

9. Against the beneficial impact of export price increases in 1994 must be set the macroeconomic consequences and the terms of trade losses which the African countries have experienced particularly between 1991 and 1993. Many of them have limited currency convertibility and are obliged to use the dollar as the principal reserve currency. The export revenues are generally dollar-denominated while their import purchases are normally denominated in international currencies against some of which the dollar consistently depreciated during the year.

10. Political instability, which so much affected the economy in 1992-1993, subsided in some African countries in 1994. But while no new conflict situations emerged on the continent, the chronic flashpoints continued in many cases to give cause for concern not only in Africa, but also on the part of the world community of nations.

11. The peaceful constitutional transition from apartheid to a new democratic and non-racial South Africa, kindled domestic and international confidence in that country's future. A number of other countries also made the transition from long-established one-party rule to multiparty democratic governance under remarkably peaceful onditions, although in some, the democratization process and policies have resulted in heightened ethnic tensions.

12. However, the civil war intensified in Angola, inflicting considerable damage to the economy and causing the displacement of half the rural population. Furthermore, the conflict in Rwanda which, in 1993, had only simmered with a negotiated power-sharing solution in sight, suddenly erupted in April 1994 into a horrible genocidal war for which neither Africa nor the international community was adequately prepared. Nearby, Burundi teetered on the brink, while elsewhere on the continent political tension and labour unrest persisted in a few countries, impacting negatively on the development process. The stalemate in Somalia continued. Inevitably, those situations repressed somewhat Africa's economic growth rate in 1994, and to the extent that they have served to reinforce the misconception that all African countries without exception are "conflict-prone" and "unstable", they quite likely served to discourage investment inflows to Africa, thereby reducing economic growth prospects over the medium term.

13. For the region as a whole, the growth in domestic demand was rather sluggish at 2.7 per cent, reflecting the slow growth of consumption and the declining trend of investment. Public consumption has been constrained for a number of years, mainly because of the budgetary restraint policies in place in most countries from the late 1980s onwards. In 1993, however, public consumption in developing Africa increased rather strongly, by 4.7 per cent, but that has turned out to be ephemeral, since the 1994 figure of 1.8 per cent would seem to suggest a return to the 1985-1990 trend, when public consumption barely rose by an average of only 1.7 per cent. Aggregate private consumption rose by only 1 per cent a year in developing Africa during 1980-1990, by 1.5 per cent in 1993 and by 1.1 per cent only in 1994. Growth fixed investment has been on a downward trend in developing Africa since 1980, at the least, dropping in 1993 by 2.5 percentage points to a level 21 per cent below the 1980 figure of total investment volume. The gross investment ratio, which was at a high of 30 per cent in 1980, dropped to 21 per cent in 1990 and has remained at 20 per cent ever since. However, available data for 1994 indicate some noticeable rise in the investment volume.

14. Economic regression has now lasted far too long in the African region without real recovery or accelerated upturn for it to be explained only in terms of political instability, ethnic conflicts, the unfavourable international economic environment or fluctuations in weather-constrained agricultural output. The vagaries of weather have undoubtedly been associated with the failure of the agricultural sector in Africa. The number of countries seriously affected in each year by drought has progressively risen: from 12 in 1974 to 27 in 1979 and 35 in 1984. But the problems of African agriculture neither begin nor end with nature; stagnant agricultural sectors and declining productivity in food production have all too often persisted even in countries enjoying a regular rainfall pattern. Also, recession or quasi-recession in the industrialized economies, particularly the countries of Europe that have the strongest links with Africa, have tended to reduce prospects for the traditional exports of the region, notably beverages, agricultural raw materials and minerals. But then, there have been periods of significant improvements in the global economic situation, the latest of which began in 1994, led by robust growth in the United States of America, United Kingdom and Australia; with output from the economies

of the Organization for Economic Cooperation and Development (OECD) countries, as a whole, estimated to have grown by 2.6 per cent. Inevitably, the question must be asked as to why the Asian economies that have more or less faced similar conditions, including the unfavourable global economic environment, managed to perform much better than the African economies and to register impressive growth rates, i.e., an average GDP growth of nearly 6 per cent for South and East Asian countries, during 1985-1993, and more than 10 per cent for China since 1992.

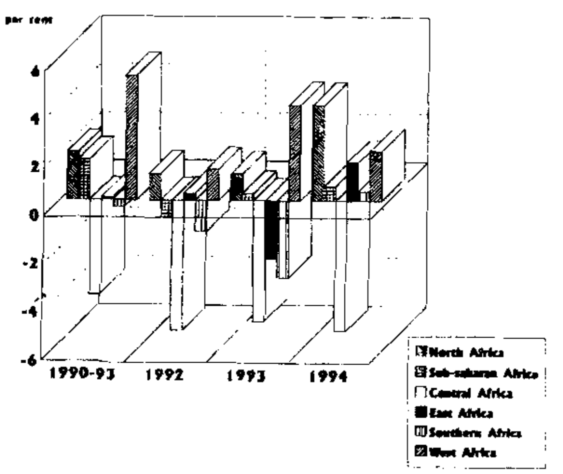
15. The fact is that most of the African countries have yet to take even the first faltering steps in the transition towards a modern industrial and technological society. They have remained essentially the fragmented mini-States they were when they achieved political independence, increasingly incapacitated and unable to sustain even a modicum of modern institutions and consistent government policies, not to talk of the lack of an overall enabling environment for development. Many African countries are yet to overcome the narrow confines of inherited colonial economic structures, based on the monocultural system of groundnuts/coffee/cocoa/cotton cultivation, or to achieve even the semblance of a green revolution in main subregional food staples. Obviously, a major explanation for the disappointing economic performance in the African region lies in the constraints of low productivity, inefficient management and poorly devised and implemented government policies, as well as the failure to diversify the narrow production and export base. It follows that the persistent economic deterioration in Africa is never going to be arrested much less resolved or restored to the path of self-sustaining growth and development until a sweeping overhaul and transformation of the following specific structures takes place: (a) dualism and internal socio-economic disarticulation at almost all levels of production and economic activities; (b) weak and undiversified production base; (c) extreme dependence on external factor inputs and markets; (d) fragmented domestic factor and product markets; (e) low level of human resources development; and (f) weak endogenous human, physical, institutional and technological capacities.

B. Divergent growth of output in subregions and countries

16. There were significant divergencies in performance at the country level and in subregional economic groupings in Africa during 1994 (Table II). Among the subregions, Central Africa remained mired in economic decline, recording consistently negative growth rates five years in a row. The other subregions exhibited positive growth rates which were, with the exception of West Africa, above the regional average.

17. In North Africa, buoyant economic activity resulted in output growth of 4.0 per cent, following only 1.1 per cent in 1993. That was due in part to the strong economic recovery in Morocco, which was badly affected by drought in 1993. Recent official information indicates that its GDP may have grown by 10.5 per cent. That country seems to have made some progress with economic reform, and is now recording a significant inflow of foreign investments, despite some serious difficulties concerning

Fig. 2: African subregions
GDP growth rates, 1990-93 and 1992 to 1994
(at 1990 prices)



inflation, budget deficits and obstacles confronting exports to the European markets. Moreover, it has again been affected by drought towards the end of 1994, which, in spite of its robust agricultural growth and cereal output, will necessitate some food imports in 1995. In Algeria, the political crisis has compounded an already difficult situation: since the fall of oil prices in 1986, Algeria's economy has been constrained by a very high debt service and high import requirements of industry. GDP declined in 1993 in conditions of high inflation and rising unemployment. The same inflationary tendencies have accelerated in 1994, coupled with budget deficits that have deepened to around 9.2 per cent of GDP. In the Libyan Arab Jamahiriya, United Nations sanctions have had a damaging impact on the economy which has reportedly contracted substantially in 1994. Oil production, the main source of government revenue, has remained stable in 1994 after a sharp drop in 1993. In Egypt, growth was modest in 1994, despite the successes of the reform programme in turning around the economy.

18. In the West African subregion, growth has stalled in 1994, dropping to 2.1 per cent from the 4.0 per cent recorded in 1993. That was mainly due to the slowing down of growth in Nigeria, where the economy is estimated to have grown by only 2.1 per cent in 1994, compared to 7.2 per cent in 1993. The country has been hurt by the drop in oil production to 97.3 million tons, 4.7 per cent less than in 1993, and by political uncertainties. The active and wide-ranging liberalization policies pursued in recent years were replaced in 1994 with the reimposition of exchange and other controls, with the rate of exchange of the naira well below the market rate. Although there were substantial reductions in petrol subsidies in 1994, petrol subsidies are still a source of considerable budget deficits.

19. The West African members of the African Financial Community (CFA) have undergone a large devaluation of the CFA franc in January 1994, the first in more than 50 years. Some countries have reported improvements in the trade account and fiscal balance. But growth in the CFA countries in 1994, though encouraging, remained only modest. Overall output in the countries concerned increased by only 2.8 per cent compared to 8 per cent in

1993. In Côte d'Ivoire, the largest CFA economy in West Africa, output decline has apparently stopped, but growth was minimal (0.8 per cent) in 1994.

20. Economic results for the Central African subregion continue to reflect the free fall of the Zairian economy and the lacklustre performance in the rest, including the devastated economies of Rwanda and Burundi. Subregional output fell by 5.4 per cent in 1994, following declines in the preceding three years of 1.2 per cent in 1991, 5.4 per cent in 1992 and 5.0 per cent in 1993. As for Zaire, the mining industry had been damaged during the riots of 1991-1992, and production of copper has now fallen to around 50,000 tons compared to an annual capacity of 500,000 tons. Communications inside the country are now precarious, and internal trade has shrunk drastically. Hyperinflation has practically destroyed the currency.

21. The three oil exporters of the subregion, Cameroon, the Congo and Gabon, have not recorded good results either. Cameroon has been affected by poor performance of agriculture and industry, and a steady decline of oil production. The rapid fall in GDP since 1991 moderated in 1994, though a decline of 1.5 per cent was still recorded. In the Congo, the political factors in 1994, and continuing budgetary problems seriously constraining the economy. Despite the increase of oil production to nearly 10 million tons in 1994, GDP contracted by 3.6 per cent. In Gabon, despite the initial benefits of the increase in oil production, following the coming on stream of the Rabi Kounga field, oil revenues have since levelled off and the country has had to face a difficult debt- servicing problem. Following a fall of GDP in 1992-1993, only modest growth has been recorded in 1994 (1.6 per cent).

22. Since the beginning of the decade, economic activity has on average been disappointing in the Eastern and Southern African subregion, stretching from the Horn of Africa to the southern part of the continent. In 1992, the countries of Southern Africa suffered their worst drought on record. In 1994, economic growth is set at 1.4 per cent in the subregion as a result of drought conditions in the Horn of Africa, the constraints of rehabilitation and reconstruction in Mozambique, and renewed drought in Malawi.

23. In Kenya, one of the larger economies in the area, there has been some recovery in 1994. The financial situation has considerably improved, under strict budgetary management. GDP increased by 2.5 per cent in 1994, and prospects for 1995 are good. In Uganda, the economy continued to grow, posting a high rate of 7.2 per cent in 1994. Agriculture has recovered from the 1992 drought, and export volumes have risen sharply, in response to high prices for coffee, the country's major export. In Malawi, however, the food and agricultural sector was adversely affected by drought in 1993 and early

Fig. 3: GDP per capita by subregions average 1993-1994

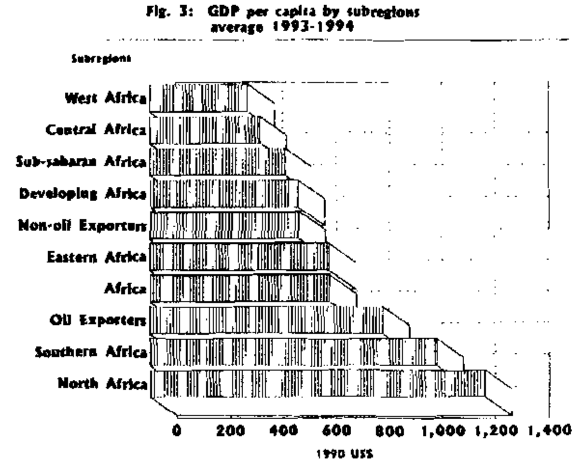


Table II
Output share and growth rate by subregion and economic groupings

	Per capita GDP at 1990 US$	GDP percentage regional share	Growth rate percentage at 1990 prices			
	1993	1993	1990-93	1992	1993	1994
North Africa	1261.0	40.7	2.0	1.1	1.1	4.0
Sub-Saharan Africa	506.7	61.6	1.7	-0.7	0.3	0.6
Central Africa	415.1	6.9	-3.9	-5.4	-5.0	-5.4
East Africa	673.7	12.8	0.1	0.3	-2.4	1.6
Southern Africa	1080.8	29.5	-0.3	-1.3	-3.2	0.4
West Africa	369.3	17.3	5.2	1.3	4.0	2.1
Sahel	384.8	5.8	3.1	3.4	-0.7	2.6
Sub-Saharan Africa (without Nigeria)	588.5	56.4	1.3	-0.9	-0.8	1.3
Oil exporters	875.8	47.2	1.7	0.6	1.2	1.5
Non oil exporters	561.8	52.8	1.9	-0.7	0.3	2.7
Least Developed Countries	241.6	15.3	0.3	-1.2	0.1	-1.2
Others (non oil exporters LDCs	1224.3	37.5	3.6	-0.3	0.6	4.7
Zone Franc	589.0	11.1	-0.9	-1.7	-1.4	1.6
Mineral exporters	1134.9	28.0	-3.0	-4.3	-3.3	1.4
Beverages exporters	253.8	9.7	4.9	-0.3	1.9	0.4
Developing Africa	676.3	77.7	0.8	0.1	0.8	2.3
South Africa	2776.9	22.2	-0.9	-1.8	1.2	2.1
Africa	555.7	100	1.1	0.9	2.4	2.4

Source: Socio-Economic Research and Planning Division, UN-ECA

1994. As a result, GDP has fallen by nearly 10 per cent, although some measure of recovery is expected in 1995.

24. In Zambia, economic results remained disappointing in 1994, despite the implementation of a wide-ranging reform programme. GDP growth in 1994 was only 1 per cent, after five consecutive years of decline. The key mining sector is contracting, partly because of a long-term decline in copper reserves, but plans are underway to privatize the ZCCM mining corporation as a way of improving the situation. In Zimbabwe, recovery from the 1992 drought is now complete and the economy has grown by about 6 per cent in 1994. Agriculture is expanding at around 6-7 per cent a year, while output in the mining sector is up considerably as well.

25. A few countries of the subregion registered sustained growth in GDP over the past decade. In Botswana, for example, a high rate of growth has been achieved in the past few years as the result of a judicious management of the revenues from diamond, while in Mauritius, rapid industrialisation has been spurred by the exploitation of the country's skilled manpower and the system of industrial free zones. Both countries have more or less continued to make economic progress in 1994. In Botswana, however, there has been a significant slow down, because of the fall in demand for diamonds and lower prices in the international markets. Growth declined in 1993 for the first time, and in 1994 the rate was only 2.5 per cent. Mauritius has also encountered considerable problems recently regarding exports, particularly of sewn goods, which were subject to protectionist barriers, but it now appears those problems have largely been overcome, as the country has striven to diversify its exports base by introducing new activities. In 1994 alone, export volumes grew substantially - by a large 16.9 per cent - and GDP by 6.8 per cent.

26. As for South Africa, the most advanced economy in the subregion and in the African region as a whole, the economy had stagnated since the mid-1980s, despite its high level of industrialization. This was due to the constraints created by the apartheid system which prevented the country from fully mobilizing its human resources, and had hampered its effective participation in the international economy due to sanctions. It had been hoped that the economy would recover quickly with the end of apartheid. However, recent figures indicate an annual GDP growth rate of only 2.1 per cent in 1994 compared with the -0.9 per cent in 1990-1993. But there can be little doubt about the country's improving economic and business climate and the immense potential for rapid growth.

127. n the group of African least developed countries (LDCs), economic performance has again been poor in 1994. Output declined by 1.2 per cent, following declines in 1992-1993. More than two-thirds of all African countries are now LDCs. Among them, the Sahel countries form a homogeneous group, by virtue of their geographical position and an economic structure dominated by livestock and cereal cultivation. In 1994, with the return of good weather to West Africa, agriculture recovered in most Sahelian countries and, in the aggregate, GDP grew by 2.6 per cent after a decline of 0.7 per cent in 1993. For the nine countries which constitute the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS) - namely Burkina Faso, Cape Verde, Chad, the Gambia, Guinea-Bissau, Mali, Mauritania, the Niger and Senegal, the results in 1994 may be even better, as the agricultural crops, including food items, is a record one; cereal production was estimated at 9.9 million tons.

28. Table III provides a frequency distribution of the countries in the African region according to output growth rates. Twelve countries experienced negative growth in 1994 compared to 18 in the previous year, while eight countries are expected to exceed 6 per cent in 1994 compared to 9 per cent in 1993, which explains in part the slight improvement of economic performance at the regional level. The six countries with the most impressive GDP growth rates in 1994 are: Morocco (10.5 per cent), Namibia (8.7 per cent), Ghana (8.0 per cent), Uganda (7.2 per cent), Mauritius (6.8 per cent) and Zimbabwe (6.0 per cent). About a fifth of the African countries had GDP growth rates in the range of 3 to 6 per cent in 1993 and 1994.

Table III
Frequency distribution of countries according to percentage growth rate of GDP, 1990-1993

Growth rate	1990	1991	1992	1993	1994 *
Negative	18	14	20	18	12
0 - 3	10	13	15	13	21
3 - 6	16	15	14	12	11
6 - 8	6	5	3	5	5
8	2	5	0	4	3
Total	52	52	52	52	52

Source: UN-ECA Secretariat
* preliminary estimates

C. Economic policy developments in 1994

29. In response to continued macroeconomic imbalances and instability, the overwhelming majority of African countries continued to implement reforms in 1994 focusing on fiscal austerity and restrictive monetary policies, and the liberalization of foreign exchange and interest rates. The reform measures were aimed specifically at liberalizing factor and product markets, removing distortions, empowering the private sector, and making the public sector more efficient, in spite of the enormous short-term costs and the social consequences of such measures. The main focus was the creation of a stable macroeconomic environment for growth. However, most countries were yet to make the necessary transition from overwhelming preoccupation with adjustment and stabilization to the long-term concerns with sustainable development and structural transformation. In the case of South Africa, there seems to be a consensus at maintaining a free market economy in the post-apartheid era, although fundamental questions about the distribution of wealth, jobs and income between the black majority and the previously dominant white population have loomed large and will inevitably have to be addressed. For the present, the Government appears

to have decided on a delicate balancing act, between short-term measures to improve the lot of the majority population and long-term measures to attract foreign and domestic investment for the future growth of the economy.

30. There were strong inflationary pressures in a number of African countries in 1993-1994. The most prominent case was Zaire, where there was a virtual breakdown of the financial system, and excessive budgetary deficits brought inflation to on imprecedented level of over 8,500 per cent in 1994. In war-ravaged Angola, inflation also reached extremely high levels estimated at over 1,000 per cent in December 1994. The franc zone countries which were previously characterised by very low inflation are now experiencing considerable price rises as a result of the 50 per cent devaluation of the CFA franc. However, with the maintenance of tight monetary policies in those countries, involving deficit financing limits of 20 per cent of previous budget tax receipts and the curtailment of salary increases, inflation has been brought below the rate of devaluation in most cases. But there has been some less favourable experience nonetheless, such as in the Congo, where inflation is reported at a high 60 per cent in 1994. But alongside these negative trends, significant reductions have taken place in the rate of inflation in 1994 in Egypt, Uganda and Ghana which, as a result of greater fiscal and monetary discipline, managed to bring about a sharp reduction in budget deficits.

31. Fiscal reforms were undertaken in many African countries in 1994, aimed at enhancing public revenues and restraining public spending, with the objective of reducing the fiscal deficit in proportion of GDP. A two-pronged approach towards enhancing public revenues was generally adopted: (a) through institutional reforms, e.g., strengthening revenue agencies in order to increase the collection rate; and (b) through the broadening of the tax base by increasing the scope of indirect taxation, e.g., by introducing value-added tax and user charges on some public services. At the same time, several governments took steps to streamline public spending by reducing the public sector payroll, by cutting or eliminating subsidies, and by holding down the growth rate of public consumption. This also involved public sector restructuring and expenditure rationalization in some countries, as well as public enterprise reforms. Already compressed, recurrent expenditures were already heavily compressed, and further compression often proved socially and politically untenable. In such cases, it was the capital expenditure that bore, for the most part, the brunt of fiscal austerity and budgetary pruning despite the high developmental cost of a steep reduction in an already low capital budget.

32. In spite of the concerted government efforts at budgetary reforms, the fiscal gap continued to widen in several countries in 1994, due to the social and political limits to expenditure reduction, and the uncertainties and policy constraints of an unstable fiscal environment. In Malawi, for example, the prolonged and severe drought has drastically reduced agricultural tax revenues while necessitating increased expenditures on imports to fill the massive food shortfall. In Morocco, on the other hand, which had a better than average harvest in 1994, the Government had to buy surplus grains from the farmers at guaranteed floor prices. In countries making the transition from conflict to peace, for example Mozambique, the enormous cost of demobilization consumed some of the savings from reduced military spending. Also, many countries are yet to close the loopholes which distort the fairness of taxation or have efficient revenue collection systems put in place to minimize tax evasion and avoidance. Consequently, fiscal deficits in the region are expected to average about 6 per cent of GDP in 1994, up from about 5 per cent last year. However, in order to contain monetary expansion, some African countries have financed the bulk of their fiscal deficits by issuing treasury securities rather than directly resorting to borrowing from their central banks.

33. In addition to efforts to check excessive money supply growth in different African countries, monetary and financial reforms were in 1994 in the direction of freeing interest rates, restructuring financial institutions and introducing a measure of deregulation in the operations of the financial sector while strengthening the prudential supervisory role of the central bank over other financial institutions.

34. In a few countries, the institutional, legal and operational framework of domestic capital markets was revamped and strengthened with a view to generating greater confidence in the financial intermediation process among the investing public. The aim clearly was to establish the basis for the development of a sound financial sector for effective mobilization of domestic savings and improved allocation of investment through more efficient intermediation. Some countries, for example, Ethiopia and Morocco, have geared up for expanding the scope of private participation in the financial sector, either through whole or partial privatization of State-owned financial institutions, or by allowing the establishment of privately owned financial institutions. In Ethiopia, the first private banks and insurance companies since 1974 were established wholly on private initiative, following the promulgation of a comprehensive new law governing the registration of financial enterprises.

35. A number of countries have embarked upon currency reforms. The devaluation of the CFA franc in January 1994 was the most notable case of exchange rate adjustment in Africa during the year. This was, first, because of the number of countries that were involved – 14 countries in two regions, West and Central Africa, plus the Comoros; and, second, because of the scale of devaluation. While the overall impact of the devaluation is yet to be gauged, the associated financial measures would appear to have brought about more discipline and encouragement of the use of domestic inputs. Exports have revived in some countries, due largely to the incentives provided by the rise in domestic prices of export crops as a result of the devaluation. The higher prices, it would also seem, have reduced the incidence of smuggling of export crops from the zone. As already pointed out, however,

devaluation triggered a jump in domestic prices during the year, putting at risk significant elements of social welfare and employment creation.

36. The foregoing review should not give the impression that the only development on the African currency scene in 1994 was devaluation and depreciation. In some countries where reforms have already reached an advanced stage, notably in Uganda and Kenya, in fact, currencies appreciated against a weaker US dollar. But, more importantly, that reflected increased supply of foreign exchange from export revenues, a modest increase in remittances, budgetary assistance from donors in support of agreed reform programmes, and restrictions on central bank finance of government budgetary deficits.

37. Privatization is another area targeted by economic reforms. Here, progress is thwarted by the paucity of domestic savings within African countries, scarcity of aggressive entrepreneurship and lack or underdevelopment of stock markets. There is understandable reluctance on the part of African countries to dispose of public enterprises entirely to foreign investors often at give-away prices. Thus, countries are searching for an approach that would ensure that nationals retain significant equity in privatised assets, for example, through joint ventures with foreign investors. To the extent possible, they would also like to have a wide dispersal of shareholding in major privatized enterprises. Thus, before the Government of Ghana floated its remaining shares in the Ashanti Godfields Company on the London Stock Exchange early in 1994, it reserved almost 2 per cent of the shares for the workers. In Ethiopia, the Government chose to break up the assets of the State-owned transport corporation into three shareholding companies to be wholly transferred to the workers in the form of a loan equal to the value of the transferred assets. In that way, privatisation, if properly conceived, could be used to promote growth with equity, rather than widening economic disparities and increasing the concentration of economic power. Progress was made also in other areas of reform; notably, market and tax reforms geared towards the improvement of the investment climate for domestic and foreign investors.

38. In the area of African economic integration and cooperation, the most significant event in 1994 was the coming into effect of the **Abuja Treaty for the establishment of the African Economic Community** (AEC). The first stage of the Treaty, which covers the first five years of its operation, aims to strengthen existing subregional economic communities. It is also expected that the protocols to be drawn up under the Treaty will contribute to the harmonization of sectoral policies at the subregional level, as a stepping stone to policy harmonization at the continental level. In the meantime, significant changes were underway in several subregional organizations during the last year, although not all of these can be perceived as direct responses to the Abuja initiative.

39. In West Africa, while ECOWAS has been seized with the problem of rationalizing the intergovernmental organizations in the West African subregion, the West African Monetary Union (UMOA) and the "Communauté économique de l'Afrique de l'Ouest" (CEAO) were converted into the West African Economic and Monetary Union (UEMOA) in January 1994. Similarly, CILSS completed its restructuring programme in order to alleviate its financial constraints and make the organization more efficient. The organization now operates a long-term development programme through three-year plans approved by both the member States and donors.

40. Efforts at rationalizing and harmonizing the subregion's numerous intergovernmental organizations (IGOs), numbering about 40 in all, continued in 1994. A report on the subject, commissioned by ECOWAS, was discussed in Accra in September 1994 and is to be discussed further in 1995, before recommendations are presented to the Council of Ministers. It will be recalled that the ECOWAS Council of Ministers had agreed in 1990, after several past attempts, on a ten-year timetable for the harmonization and rationalization of the West African IGOs. Some of the major recommendations are: the merger of the West African Health Community (WAHC) and the Organization for the Campaign against Major Diseases (OCCGE), and of the West African Clearing House into the West African Monetary Agency; and, the harmonization of the activities of the UEMOA and the Mano River Union (MRU). It was envisaged that by the year 2005, all the IGOs would have been rationalized or transformed into specialized agencies of the ECOWAS.

41. In North Africa, there are ongoing political efforts to integrate more countries into the Arab Maghreb Union (AMU). This is encouraged by the presence of large markets in neighbouring countries, such as Egypt with a population of over 55 million and the Sudan with an abundance of agricultural raw materials. Egypt had already applied for the status of an observer.

42. In Central Africa, the Heads of State of the "Union douanière et économique de l'Afrique Centrale" (UDEAC) has formulated a new treaty for the creation of the "Communauté économique et monétaire de l'Afrique Centrale" (CEMAC). CEMAC would include the "Union économique de l'Afrique Centrale" (UEAC) and the "Union monétaire en Afrique Centrale" (UMAC) as part of which the "Banque centrale d'Afrique Centrale" (BCAC) will be administered. The aim of the new Treaty is to attain a transition from a Customs Union under the UDEAC to an Economic and Monetary Union. Meanwhile, the existence of the Economic Community of Central African States (ECCAS) continued to be threatened, mainly as a result of the non-payment of membership contributions.

43. Finally, in Eastern and Southern Africa, 1994 ushered in fundamental changes in the subregions' two main economic groupings: the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). The COMESA took over from the Preferential Trading Area (PTA), which had been in existence since 1978. The parallel existence of SADC and COMESA has been a thorny issue in 1994. South Africa, which joined the SADC during the year, and Botswana are not members of the COMESA, while Namibia has not yet ratified the COMESA Treaty. Neverthe-

less, efforts at the harmonization and rationalization of the two organizations are continuing, even after the rejection of an earlier decision to merge the two.

44. In spite of the above developments, regional economic cooperation and integration in Africa continue to be beset by numerous problems, in particular inadequate transport and communication networks, weak production systems with virtually no inter-sectoral and inter-country links, tariff and non-tariff obstacles to intra-regional trade; and lack of convergence of national economic policies. Policies and programmes to address these problems have been proposed in the Lagos Plan of Action and the Final Act of Lagos, as well as in the African Alternative Framework for Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP). More recently they have found expression in various subregional efforts and in the Abuja Treaty itself. What is urgently required is implementation. As part of the efforts for promoting effective economic integration in Africa, there has recently been increased discussion on how to bring into consonance economic integration strategies and structural adjustment policies and programmes.

II. DEVELOPMENTS IN PRODUCTION SECTORS

45. Agriculture, mining and manufacturing, between them, accounted for an average of 47.1 per cent of GDP value added in Africa in 1990-1994. For developing Africa, the combined share of agriculture, mining and manufacturing stand at 49.2 per cent. Over the same period, the share of agriculture in the GDP in developing Africa has stagnated at around 22.6 per cent compared with 5 per cent in South Africa. Mining and manufacturing accounted, respectively, for 13.8 per cent and 12.8 per cent of GDP in developing Africa.

A. Agriculture

1. Food production trends

46. As already pointed out, agricultural production in Africa increased by 2.1 per cent in 1994 compared with 3.7 per cent in 1993. The North African subregion achieved an impressive growth rate of 12.8 per cent, followed by the Southern and the West African subregions where output is reported to have grown by 3.6 per cent and 2.7 per cent, respectively. In contrast, the Eastern and the Central Africa subregions registered negative growth rates of 1 and 1.5 per cent, respectively (Table IV).

Table IV
Annual growth of agricultural production by subregion (percentage)

	1991	1992	1993	1994
Developing Africa	4.9	-0.9	2.6	1.8
North Africa	21.0	-13.7	0.3	12.8
West Africa	4.7	3.4	3.9	2.7
Central Africa	1.6	0.3	0.9	-1.5
East Africa	0.0	-5.4	4.2	-0.8
Southern Africa	2.5	-4.8	4.2	3.6
Africa	4.7	-2.2	3.7	2.1

Source: FAO, Agrostat - Production Indices for Regions,.

47. Food production increased by 2.5 per cent in 1994, compared with 4.5 per cent in 1993. Over the same period, the total output of cereals increased by 9.3 per cent from 96.4 million tons to 105.3 million tons. Output of wheat increased from 13.4 million tons in 1993 to 15.5 million tons in 1994 while output of coarse grains rose from 67.9 million tons to 74.4 million tons over the same period.

48. On the other hand, output of roots and tubers, which traditionally provide a key share of the food supply in much of tropical Africa, increased by 0.5 per cent from 119.4 million tons in 1993 to 120 million tons in 1994. Cassava production stagnated in Ghana and Madagascar in both 1993 and 1994, while it declined markedly in Zaire (by 15.9 per cent), Uganda (by 2.7 per cent), the United Republic of Tanzania (by 4.4 per cent) and Mozambique (by 5.7 per cent).

49. In the North African subregion, the latest estimates for wheat put 1994 production at 11.7 million tons, 25 per cent higher than the previous year. The more than satisfactory increase in 1994 is mainly attributable to the marked increase in Morocco's output by some 4 million tons to a record 5.53 million tons. The lower output in Algeria, Egypt and Tunisia, estimated at 1.1 million tons, 4.4 million tons and 502,000 tons, respectively, were more than offset by the Morocco's much higher output. Coarse grain output in the subregion reached 11.1 million tons, 29 per cent higher than in 1993, with the poor harvest in Algeria and Tunisia being more than offset by increased outputs in Egypt and Morocco.

50. In West Africa, cereal production by the countries of the CILSS is estimated at a record 9.9 million tons, 14 per cent higher than in 1993. Production in Mali and the Niger in 1994/1995 was above average, at an estimated 2.65 million tons and 2.64 million tons, respectively. In the case of Mali, the marked improvement in output is attributed to higher yields per hectare while in the case of the Niger it is ascribed mainly to a 28 per cent increase in millet production. In the coastal countries of the Gulf of Guinea, there were generally good harvests of the main maize crop. In Nigeria, except for Kwara State - which was hit by severe floods, leaving 20,000 people displaced and 20,000 ha of crops, 5,000 ha of farmland and 2,000 ha of sugar cane destroyed - the overall food supply outlook is satisfactory. In Ghana, due to erratic rain and drought, the food supply situation remains tighter. According to the FAO crop assessment mission, production of cereals in the nine coastal countries will amount to about 20 million tons, 7 per cent less than 1993. In both Liberia and Sierra Leone, where a large number of farmers have been displaced by civil strife, the food supply situation remains precarious.

51. In Central Africa, cereal output increased by 3.6 per cent from 2.8 million tons in 1993 to 2.9 million tons in 1994. Average or above-average harvests were realized in Cameroon, the Central African Republic, and Gabon. In northern Zaire, growing conditions remained satisfactory. Nevertheless, in some parts of the province of Kivu floods damaged property and rural infrastructure resulting in reduced food output. In Rwanda, food production was hard hit in 1994 by the adverse consequences of civil strife. The already serious food supply situation is likely to be aggravated following a substantial shortfall in food crops harvests in early 1995. In Burundi, food production in 1994 is estimated at some 19 per cent below average. With ethnic violence continuing in several areas of its northern provinces, food supplies are likely to diminish even further, due to the reduced harvests and the disruption of relief efforts.

52. In East Africa, cereal output increased by 18.6 per cent, from 18.3 million tons in 1993 to 21.7 million tons in 1994. In Ethiopia, for example, production of cereals and pulses is estimated at 7.7 million tons for

1994/1995, about 3 per cent higher than in 1993/1994. A recent FAO/World Food Programme Crop and Food Supply Assessment Mission to the Sudan forecasts the 1994/1995 harvest of sorghum and millet at a record 4.91 million tons, 85 per cent more than in 1993/1994. Aggregate production of cereals in 1994/1995 is estimated at 5.5 million tons, 79 per cent more than in 1993/1994. In Somalia, food grain production in 1994/1995 is estimated at 420,000 tons, 155,000 tons higher than in 1993/1994. Despite those modest gains, the food supply situation remains critical, especially for subsistence production of food grains or the purchasing power for buying food.

53. In Southern Africa, aggregate cereal output increased by 2.1 per cent, from 23.5 million tons in 1993 to 24.0 million tons in 1994. In Mozambique, the food supply situation remains tight and is being further aggravated by a substantial decline in cassava production in the face of increasing numbers of returnees. In Malawi, one third of the population of 9 million face the risk of hunger, given the tight food supply situation that remains in several areas affected by the 1993/1994 drought. In Angola, inadequate food supplies persist in many areas, and deaths from causes related to starvation and severe malnutrition are increasingly reported. The total food deficit in 1994/1995 is estimated at 1.4 million tons, consisting mainly of roots and tubers. In Botswana, Madagascar, Namibia, Swaziland, Zambia and Zimbabwe, growing conditions were less favourable.

2. Production trends in industrial crops

54. Performance by regional producers of industrial crops in the course of 1994 was mixed. Compared to 1993, there were percentage increases of 6.2, 15.9 and 3.7 for coffee, sugar and cocoa, and percentage declines of 12.2, 7.0 and 4.9 for tobacco, tea and cotton, respectively (Table V).

Table V
Production of selected industrial crops in developing Africa (1990 - 1994)

	Thousands of tons					Average annual percentage growth
	1990	1991	1992	1993	1994	1990-1994
Coffee	1270	1196	1056	983	1044	-4.8
Cocoa	1420	1262	1271	1332	1381	-0.7
Cotton	3520	3598	3425	3798	3611	0.6
Sugar	5759	5708	5321	5175	5998	1.0
Tea	313	325	289	329	306	-0.6
Tobacco	328	399	443	458	402	5.2

Source: FAO, Agrostat Database, Computer Printouts, 7 November 1994

55. **Coffee** production in developing Africa increased by 6.2 per cent from 983,000 tons in 1993 to 1.0 million tons in 1994. Ethiopia has emerged as the largest producing country in the region. The coffee industry is being restructured, with the introduction of a free market system and the renovation of the transport and processing infrastructure. In Uganda, coffee trees are being replaced with high-yielding local robusta varieties that have been developed at Kawanda Research Station. In Côte d'Ivoire, production fell catastrophically from 286,000 tons in 1990 to 144,000 tons in 1994 - a decline of almost 50 per cent in less than five years.

56. **Cocoa** production in developing Africa increased by 3.7 per cent from 1.33 million tons in 1993 to 1.38 million tons in 1994. In Côte d'Ivoire, which is the world's largest producer, the bumper crop of almost 850,000 tons that had been expected in 1993/1994, became unrealisable in the light of the disappointing rains in July and August 1994. In consequence, the estimate for the 1994/1995 harvest is as low as 715,000 tons, notwithstanding the positive incentives of the Government announcement of a 31 per cent increase in the cocoa producer price at CFA F 315 per kg. In Ghana, the second largest producer in the region, production increased by 12.5 per cent. However, the contribution of cocoa to the country's merchandise export earnings has been falling steadily since 1989, when it represented 52.4 per cent of the total, to only 26.6 per cent in 1993. In Nigeria, a severe outbreak of black pod disease threatens to cause a big cut in Nigerian cocoa production in the course of 1994/1995. Heavy rainfall in Ondo State, where around 70 per cent of the country's cocoa is produced, favoured the spread of the disease towards the end of 1994 and may actually reduce production to 100,000 tons in 1995/1996.

57. **Cotton** production in developing Africa declined by 4.9 per cent from 3.8 million tons in 1993 to 3.6 million tons in 1994. In Egypt, the largest regional producer, the lint output in 1994/1995 is estimated at 325,000 tons compared with 409,000 tons in 1993/1994. The reduction is ascribed to the decline in the area under cultivation to 726,100 feddans (1 feddan = 0.42 ha) in 1994/1995 from 884,310 feddans in the 1993/1994 season. According to the International Cotton Advisory Committee (ICAC) exports of Egyptian extra-fine cotton soared dramatically in 1993/1994, to reach 40 per cent of world cotton trade. Total production in Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Côte d'Ivoire, Guinea, Madagascar, Mali, the Niger, Senegal and Togo rose from 224,000 tons in 1980/1981 to 441,000 tons in 1986/1987 and reached 517,000 tons by 1993/1994. The marked rise in international prices, coupled with the 50 per cent devaluation of the CFA franc, will likely raise receipts in domestic currency and foster a substantial increase in the area under cotton cultivation in CFA countries in 1994. Production may well reach a record 600,000 tons, from an area of 1.37 million ha, but yields per hectare may be below average because of the higher costs of imported inputs following the devaluation.

58. **Sugar** production in developing Africa increased by 15.4 per cent from 5.2 million tons in 1993 to nearly 6.0 million tons in 1994. In Egypt, the largest sugar producing country on the continent, production stagnated at 1.1 million tons in both 1993 and 1994. In Mauritius, output increased by 11.5 per cent in 1994. The sector, which employs 35,000 sugar cane planters and more than 40,000 industry employees, is to be revitalized. In Swaziland, production fell by 7 per cent in 1993/1994, but is

expected to return to the level of the three preceding years as the drought recedes. In Zimbabwe, production increased by more than tenfold in 1994. The subsector has steadily recovered from the severe drought of 1991/1992 when production stood at a mere 9,000 tons.

59. Tea production in developing Africa declined by 7.0 per cent from 329,000 tons in 1993 to 306,000 tons in 1994. In Kenya, the largest African producer, output declined by 11.8 per cent in 1994. The smallholder farmers had an additional incentive through the increase in monthly advance payments per kg from KSh.3.00 to KSh.4.50 for green leaf delivered to the factory. Other factors which contributed to the increase include improved maintenance of rural access roads, liberalization of the tea industry, the introduction of auction of exports in dollars, and the creation of retention accounts. Tea production in Uganda has increased steadily, from 9,500 tons in 1992 to 12,300 tons in 1993, an increase of 29.5 per cent, and by 23 per cent in 1994. The increase is mainly due to the rehabilitation of 70 per cent of the plantations.

60. Tobacco production in developing Africa declined by 12.2 per cent from 458,000 tons in 1993 to 402,000 tons in 1994. In Zimbabwe, the largest producer, output declined by 11.2 per cent in 1994. The 1994 tobacco selling season opened on a strong note, with buyers offering an average price per kg of 883.35 Zimbabwe dollars (US$109.86) for flue-cured tobacco, compared to the average price in 1993 of Z$ 802.62 (US$123.77). Following massive stockpiling of excess leaf in 1993, tobacco farmers reduced the area under cultivation for the season by 25 per cent, and this contributed to a reduction in output by about 170 million kg, bringing supply into greater balance with demand. That move was reinforced by lower production costs and concentration on the cultivation of good quality crops, the soft, nature-ripe tobacco which is in high demand on the international market. After a break of 18 years, the Burley tobacco auction floors opened in April 1994 with prices per kg averaging Z$ 1,135.92 ($142,30). In Malawi, production declined by 26.1 per cent. By September 1994, 98,000 tons of tobacco had been sold on the auction floors. Prices paid for the 1994 crop averaged $1.38 per kg, 30 per cent higher than in 1993. Tobacco accounts for some 65 per cent of Malawi's export earnings but recent evidence has shown that there has been an increasing tendency to switch from tobacco and hybrid maize production to chili-growing. There are now over 5,000 farmers growing chilies, compared with 100 in 1992. The price per kg of chilies rose from 8 Malawi kwacha in 1993 to K 12 in 1994 and may rise to as much as MK20 per kg in 1995.

61. As in previous years, government policy initiatives in 1994-1995 on rural development related to areas such as poverty alleviation; rationalization and liberalization of agricultural parastatals; subsidized credit; price guarantees and price support; sustainable agricultural activities in combination with protection of the environment; and river basin development.

62. Unlike the prevailing situation in previous years, however, there seems to be a much more heightened awareness of, and greater concerns for, the plight of the rural groups that are adversely affected by the process of economic reforms. In Zambia, the Government took several initiatives to support those most vulnerable through the Programme to Prevent Malnutrition (PPM), the Food-for-Work Programme and the Programme for Urban Self-Help (PUSH), all aimed at providing short-term relief. In Botswana, the 1994 budget had earmarked 335 million pulas or 21 per cent of budgetary expenditure to the Ministry of Local Government, Lands and Housing for the Accelerated Land Servicing Programme, labour-oriented relief projects which provide employment opportunities for the rural population and for other related goals. In Ghana, the food grain technology introduced in 1993 has begun to produce results. In all 45 post-harvest grain villages have been established, spread across the 10 regions of the country.

63. In Cameroon, Burkina Faso and Chad, an integral component of the policy reform strategy is the creation of a social safety net to protect the most disadvantaged segment of the population. It takes the form of price controls for major cereals such as sorghum and rice. In Côte d'Ivoire, a fund of 3.1 billion CFA francs was created in April 1994 for the purpose of helping small farmers to up-grade their agricultural implements and secure credit for the purchase of fertilizers. In Tunisia, the Government subsidizes barley production for livestock feeds and has kept imported price of barley low. Small farmers also enjoy subsidized seeds and fertilisers. The price of water for irrigation has been cut and farmers' debts have been rescheduled.

64. In Morocco, in order to prevent a collapse in the price of wheat, the Government guarantees a floor price. Farmers are in any event still feeling the financial effects of two years of drought and the Government has taken measures to help out by rescheduling crop finance debts, and by reducing the price of fuel used for agricultural purposes. In Kenya, a guaranteed floor is maintained for producer price of major crops such as maize, wheat, rice and sugar cane, based on international prices. In addition, effective provisions for agricultural credit have been instituted through the establishment of an Agricultural Development Bank, which will have the mandate to accept deposits from the public but will be confined to lending to farmers and selected agro-industrial enterprises.

65. In many countries, the funds allocated to the development of irrigation have been increased. In Swaziland, for example, a major initiative to which the Government is now committed is the Komati River Basin Development Project. It includes the construction of a dam on the Komati at Maguga but the main element of the scheme is the development of approximately 7,500 ha of irrigated land. The project will focus on sugar and citrus plantation, and the construction of the dam is to start in 1997. In April 1994 the Government of Morocco announced that it was putting out to tender to private contractors some 25,000 ha of State-owned land for irrigation. So far, 23,000 ha have been irrigated. The Niger has launched a major rural development project in the Tarka Valley and in the catchment basins of the tributaries. The total area covered by the project is 2,800 km^2 in the Madaoua and Bouza districts. The objective is to improve

food security by using modern irrigation methods and to raise producers' income and investment potential through improved organization of marketing and input procurement.

66. A strategy common to all the governments, consists of ameliorating the management and operational structure of public-sector institutions, including those dealing with agricultural services. In Gabon, steps have been taken to strengthen such institutions and to clarify their financial linkages to the Government. Similar attempts are being made in Benin, Cameroon, Ethiopia, Sierra Leone and Zimbabwe. In Ethiopia, for example, steps have been taken to strengthen and increase the efficiency of some public-sector institutions in the area of agricultural development, while others have been dismantled. In Zimbabwe, arrangements were underway to dismantle the Agricultural Marketing Authority and to replace it with a new institution called the Marketing Finance Corporation. In addition, government subsidies on maize meal and other basic foodstuffs have been discontinued.

67. In Madagascar, efforts have been made to minimize State intervention in the marketing of vanilla, one of the country's principal export crops. In Cameroon, a restructuring programme in the coffee and cocoa industries was initiated in 1991, when, among other things, the system of licensing buyers was abandoned. In the second quarter of 1994, arabica prices for farmers were allowed to move freely for the first time. A vital element of the programme is to improve the diffusion of information on producer prices.

68. Despite the series of policy pronouncements and policy interventions by African governments to step-up the production of food and agricultural output, the region is yet to stem the steady decline in food production per capita. In the face of population growth rate of over 3 per cent per annum, per capita food production showed a negative growth rate of 5.3 per cent in 1991-1992 compared to -0.1 per cent in 1981-1990 and a -1.3 per cent during 1971-1980. The productivity of the African peasant farmer has remained very low, mainly due to the shortage of inputs; and so has the average productivity of agricultural land in the region. In effect, much more remains still to be done in the area of institutional and policy reforms as well as the development of infrastructure, research capacity, field extension services, access to credit, better distribution of inputs, etc. There is an urgent need for African governments to ensure that food self-sufficiency objectives are complemented with food security strategies, and to take a long-run view of the needed improvements in food security on the region. Given the high population growth rates in Africa, the increasingly limited land base, the dependence on agricultural employment by a large proportion of the rural food-insecure population, renewed acceleration of agricultural growth with sustainable technology remains a precondition for household food security in the region.

B. Mining

69. Crude oil and electricity production in Africa stagnated in 1994 while gas production increased modestly. The available data on mining production show that although there have been fluctuation in the levels of output of individual products, the overall trend was downwards in 1993. There are as yet no complete data on specific products for 1994; nevertheless, preliminary estimates suggest that cobalt and copper are continuing their downward trend. The performance of other minerals and metal ores is rather poor, with output of bauxite and gold decreasing slightly.

1. Fuels

70. Crude oil production was slightly lower than in 1993 (see Table VI below). Production increases in countries such as Angola, Gabon and the Libyan Arab Jamahiriya were offset by lower output in other countries, particularly Nigeria. The production by members of the Organization of Petroleum Exporting Countries

Table VI
Crude oil production in Africa, 1990 - 1994 (millions of tons)

Country/Group	1990	1991	1992	1993	1994 *
Algeria a/	58.10	62.00	61.50	59.77	59.16
Gabon	13.49	14.71	14.78	14.77	15.73
Libyan Arab Jamahiriya	69.72	74.34	74.35	68.45	68.62
Nigeria	88.64	93.06	97.65	102.10	97.30
Subtotal OPEC	229.96	224.09	248.28	245.09	240.81
Angola	23.65	24.90	27.39	26.50	28.16
Cameroon	8.06	7.47	7.39	6.38	6.30
Congo	8.06	7.96	8.23	8.66	9.71
Cote d'Ivoire	0.99	0.66	0.44	0.51	0.55
Egypt	43.82	43.93	46.10	46.30	46.50
Ghana	0.80	0.75	0.85	0.85	0.90
Tunisia	4.60	5.26	5.38	4.64	4.41
Zaire	1.42	1.37	1.30	1.14	1.50
Subtotal non-OPEC	91.39	92.40	97.08	94.98	97.35
Total Africa	321.35	336.44	345.36	340.07	338.84

Source: United Nations, Monthly Bulletin of Statistics, various issues; OPEC, Annual Report, various issues; The Economist Intelligence Unit, Country reports; and ECA Secretariat -a/ Including condensates; */Estimates

(OPEC) declined to 240.8 million tons, 1.8 per cent less than in 1993. Non-OPEC production reached 97.4 million tons in 1994, an increase of 2.5 per cent, with the strongest growth of 6.3 per cent in Angola and in the Congo, where production rose by 12.1 per cent, to 9.7 million tons.

71. In Nigeria, because of the oil workers' strike, production fell in the second and third quarters of 1994 to about 1.9 million barrels a day (b/d) compared to 2 million b/d in the last quarter of 1993. Production losses were most substantial during August 1994, and major oil companies, such as Shell Nigeria, were forced to declare force majeure. Still, Nigeria's production for 1994 at 97.3 million tons remained the largest in Africa.

72. In the Libyan Arab Jamahiriya, production fell slightly in 1993 due to the United Nations embargo, which called for a ban on the sale to the Jamahiriya of all oil-related equipment, other than those required to pump oil. The effect of the sanctions and the lack of investment in the oil sector could become even more serious in the future. In 1994, production edged up 0.2 per cent to 68.6 million tons, and the Government hopes to bring production up to 2.1 million b/d (equivalent to 104.5 million tons) by 1996.

73. In Algeria, the estimate of 59.2 million tons of oil produced in 1994 is some 610,000 tons lower than the 59.8 million tons produced in 1993. Despite the output prospects of new oil fields, international oil companies have remained cautious due to the country's current political situation. However, it must be emphasized that Algerian reserves of hydrocarbons are now thought to be considerable, at par with those of Saudi Arabia.

74. In Egypt, production rose only marginally in 1994, by 0.4 per cent, to 46.5 million tons. In Tunisia, production fell to 4.6 million tons in 1993 compared to 5.4 million tons in 1992. Output from the Cercina field, which came on stream in June 1994, and from the Rubana field, together with the doubling of production elsewhere, helped to limit the decline to 5 per cent for 1994 as a whole. In Angola, the results achieved in 1994 were less than planned, as significant capacities remained shut because of the civil war. The rise in production was nevertheless impressive, and Angola has become one of the major African oil producers. In 1994, crude oil production stood at 28.16 million tons compared with 26.50 in 1993 and 23.65 in 1990.

75. Gas production in developing Africa is concentrated mainly in two countries: Algeria and Nigeria. Algeria produces almost 67 per cent of African natural gas, with a record output of 46.1 million tons in 1993 - only 0.4 per cent more than in 1992. Given that national production of natural gas is now greater than that of crude oil and that reserves are such that it could be increased considerably in the immediate future, there are renewed efforts to boost its production. In Egypt, production has more than quadrupled since 1983 from 2.4 million tons to 10.1 million tons in 1993 - an average annual rate of growth of 14 per cent. Efforts to boost production are also evident in Tunisia, which has a great potential for natural gas than for oil. Total reserves are put at 84-180 billion cubic metres, compared to the Algerian or Nigerian reserves estimated at the end of 1993 at more than 100 trillion m3.

76. Nigeria contributes 80 per cent of total natural gas production in sub-Saharan Africa. In 1993, Nigerian production rose by 9.1 per cent, to reach 4.6 million tons oil equivalent (TOE). Other gas producers in sub-Saharan Africa are Angola, the Congo, Gabon and Rwanda. In Gabon, production, including gas flared or reinjected, averages 2.7 billion m3 a year.

2. Non-fuel minerals

77. The available data on mining production show that although there have been fluctuations in the levels of output of individual products, the overall trend was downwards in 1993. There are as yet no complete data on specific products for 1994; preliminary estimates suggest nevertheless, that cobalt and copper are continuing their downward trend. The performance of other minerals and metal ores is rather poor, with output of bauxite and gold decreasing slightly.

78. The decline in African copper output has become a permanent feature since the early 1990s, when production started to slump at Gécamines of Zaire and at the Zambia Consolidated Copper Mines (ZCCM), which together account for 90 per cent of the region's output. In 1993, production by Gécamines was a mere 50,000 tons, compared to more than 500,000 tons in the late 1980s. Production dropped in Zambia by 11 per cent in the same year. African cobalt production is practically limited to Zaire and Zimbabwe; and output has been in decline due to the political crisis in Zaire. In 1993, aluminium production in Africa remained almost unchanged at 618,000 tons, after consecutive growth during the previous three years. Since 1992 prices of phosphate rock have weakened, leading to lower production levels in Africa for the third successive year.

79. Total production of gold in Africa, which had increased by 2 per cent in 1992, continued its upward trend, reaching 676 tons in 1993. Most of the growth came from Ghana, where production reached 41.4 tons, an increase of 24.3 per cent. In other producing countries, output remained stagnant or increased only marginally. Estimates of African diamond production total 34 million carats in 1993, 12.7 per cent less than the 39 million produced in 1992.

80. Since the 1980s, most African countries have sought to attract private investors, both local and foreign, into the mining industry, thereby giving life to new policies on mining activities which would tap their vast resources and enable them to gain access to the considerable technological, managerial and marketing skills of the private sector. To facilitate that process, governments are pressing forward with the sale of State-owned enterprises at an accelerated rate. The most important examples have probably been the privatization of the Ashanti Goldfield Corporation of Ghana, in April 1994, and the process, almost completed, in the case of ZCCM in Zambia. The result, in the case of the Ashanti gold mine, is that the mine is once

more rated as one of the world's top 15, and a host of 180 private companies are prospecting for gold in Ghana.

81. In Nigeria, the investment law was revised in 1993 to make it more attractive to new investors and priority has been given to the development of solid minerals to reduce the dependence on oil. For that reason, the new mining law puts emphasis on the need to diversify away from the oil sector, in order to create a more balanced development. In that connection, the Government has set up a Minerals Development Bank to facilitate soft loans to mining investors, while removing bureaucratic delays which existed under the previous policy.

82. In Burkina Faso, a new mining code was adopted by the National Assembly in May 1993. Its aims are to encourage mining exploration, to give overseas investors equal rights to those of national investors and to guarantee the right to repatriate investment capital and revenues, subject to normal taxation requirements.

83. In Ethiopia, a new mining law was adopted in 1993 to encourage mining exploration. The law provides exemption from customs duties and taxes on equipment and materials necessary for mining operations; and makes it easy for profits and dividends, principal and interest on loans, and fees and other payments relating to investments to be remitted abroad.

84. Be that as it may, a long-term objective for the Africa mining industry in Africa should be the development of downstream transformation industries to produce finished and semi-finished goods for regional and subregional consumption. That would be in the framework of regional market integration for minerals and mineral-based products to ensure optimal use of resources. It is only then that the present external bias of the mining sector, which hinders the development of basic industries in the region, will then be overcome. To attain that objective, the development, exploitation and utilization of mineral resources must be guided by principles which seek to conserve resources, protect the environment and enable the products to be utilized domestically in Africa. That is not to advocate regionalism or protectionism, but to lessen undue dependence on imports, a situation which deters local industrial development.

C. Manufacturing industry

85. Mid-way through the second Industrial Development Decade for Africa (IDDA-II), there is little or no indication of the structural transformation of the manufacturing sector in most countries of sub-Saharan Africa. The sector continues to be characterized by structural weaknesses such as low productivity, under-utilization of capacity and inadequate industrial investments; acute dependence on external sources of raw materials, technology and other essential inputs; and obsolete machinery and ill-maintained equipment. With the liberalization of trade, the sector also faces problems of intense competition from cheap imports from relatively technologically better-off developing countries, especially those of South-East Asia, which are making rapid inroads into the African market for basic consumer goods.

86. As shown in Table VII, growth in manufacturing value-added (MVA) of developing Africa recovered in 1994 with an estimated increase of some 5 per cent following a decline in 1993 and a modest increase in 1992 and 1993. In comparison, the MVA for the entire Africa region was slightly lower, on account of the 3.28 percentage growth in South Africa in 1994, which itself is a significant improvement over 1993. Preliminary estimates indicate a recovery MVA in 1994 in all the subregions except the Central African subregion where it is projected to decline by 8.7 per cent.

87. There were substantial variations in the performance of the manufacturing sector at subregional and country levels in 1994. In Eastern and Southern African subregion, for example, the growth of MVA which had declined by 0.55 per cent in 1993, increased by 3.20 per cent in 1994. Growth in the real output of the manufacturing sector in South Africa, where it accounts for 23.5 per cent of national GDP, faltered in the first half of 1994, because of the uncertainties of the pre-election period, labour unrest, work-stoppages, and the decrease in capacity utilization, but a strong rebound was recorded in manufacturing activity during the fourth quarter of 1994. The decline was most pronounced in textiles, clothing, leather goods, paper and printing products, although machinery and transport also declined. According to the Reserve Bank of South Africa, more than 50 per cent of

Table VII
Indicators of manufacturing sector performance by subregion and economic groupings (1992-1994)

Subregions and economic groupings	Share of MVA in regional MVA (%)			Share of MVA in GDP (%)		
	1992	1993	1994	1992	1993	1994/[1]
Developing Africa	65.50	65.47	65.86	12.69	12.58	12.91
South Africa	34.50	34.53	34.14	24.29	24.00	24.28
Africa	100.00	100.00	100.00	15.19	15.05	15.36
North Africa	40.58	41.39	42.16	15.19	15.32	15.66
West Africa	9.34	9.22	9.56	8.05	7.64	8.11
Eastern and Southern africa	44.90	44.67	44.14	19.90	19.71	19.99
Central Africa	5.18	4.73	4.13	10.48	10.04	9.64
LDCs	9.95	9.70	9.25	9.82	9.57	9.63
Sub-Saharan Africa	60.34	59.68	58.88	14.83	14.57	14.85

Source: ECA Secretariat [1]/ Preliminary estimates the major subsectors of manufacturing are close to full production capacity or are moving quickly in that direction. The low levels of investment spending since the early 1980s have also led to an increase in the average age of the capital stock. There was however a rebound in the second half of the year sufficient enough to produce an overall positive growth for the year. South Africa accounts for about 77 per cent of the total MVA for the Eastern and Southern African subregion. Of the remaining 23 per cent, Zimbabwe is the most important contributor. Ethiopia, Kenya, Zambia and Zimbabwe together accounted for an average of close to 60 per cent of the manufacturing output of the subregion in 1993-1994, with Zimbabwe alone having a share of 30 per cent. ECA estimates a modest recovery in the growth of manufacturing value-added at 3.9 per cent for Zimbabwe in 1994.

88. In West Africa, trends in industrial sector performance is set by Nigeria and, to a large extent Ghana, Senegal and Côte d'Ivoire. In Nigeria, the manufacturing sector declined by 5.0 per cent in 1994 compared with 2.3 per cent growth achieved in 1993. The recession in manufacturing activities in the course of 1994 was traceable to a combination of factors, including disinvestment by a number of foreign companies, high production costs, increasing smuggling activities, and uncertainty about economic prospects associated with the political impasse in the country. The high cost of production reflected largely the high cost of borrowing and the general hike in tariffs for utilities. The manufacturing sector is projected to grow by 4.28 per cent in 1995, based on expected improvements in the level of capacity utilization in the sector and the impact of concessional loans and other incentives.

89. According to ECA estimates, Côte d'Ivoire recorded an MVA growth of 0.8 per cent in 1994, the same as the overall increase in GDP, following the decline of 0.4 per cent in the 1992-1993 period. In Senegal, there were improvements in both GDP growth by 1.2 per cent in 1994 compared to a decline of 2.0 per cent in 1993, while MVA, down by 2.5 per cent in 1993, recovered at a growth rate of 2.6 per cent in 1994. Following the devaluation of the CFA franc, firms producing for the domestic market but largely reliant on imported inputs have been hard hit by the high prices of imported inputs. As a result, turnover has reportedly fallen by 40 per cent on average in these enterprises. Companies producing for the domestic market but with a low import content have fared rather better; the food, food-processing and textile sectors have been the main beneficiaries. The main export sectors (groundnuts, fish and potatoes) have undoubtedly benefitted from the devaluation in terms of local currency turnover, while the cement and chemicals sectors have also responded favourably.

90. Manufacturing growth performance in Ghana, though relatively modest in recent years, has shown steady improvement since 1992, with MVA estimated to have increased by 7.1 per cent in 1994. These trends, to a large extent, indicate the bright spots in the performance of the subregion's manufacturing sector which are sometimes overshadowed by the collapse of economic activities in politically volatile countries like Liberia, Sierra Leone and the Gambia.

91. In North Africa, manufacturing value-added increased by 1.9 per cent in 1993, and is forecast to surge by 6.4 per cent in 1994. The pace of industrial growth in the subregion in 1993-1994 was spearheaded to a larger extent by Tunisia. The economy of Tunisia has averaged 5 per cent growth annually for over a decade, and its GDP per capita is the highest in the Maghreb Arab Union. The reform measures adopted in 1993-1994 were expected to make effective contribution to project financing by strengthening domestic savings mobilization and through business funds and credit. Foreign investment in the country is projected at US$7600 million during the plan period, 1992-1996. In Morocco, the growth of MVA, which stood at 4.0 per cent in 1992, sank to a negative of 4.2 per cent in 1993 before rising to 0.8 per cent in 1994. The manufacturing sector, which accounted for about 18.5 per cent of GDP in 1993, is suffering from stiff competition from South-East Asian textiles and clothing. Morocco currently has a significant advantage in wage costs compared to the EU - a ratio as much as one to five - but the Government is conscious of the risk of counting too much on this differential as a basis for expanding markets for Moroccan manufactures.

92. The industrial sector performance in the Central African subregion was to a large extent affected by the depressed economic conditions in Zaire which accounts for a substantial share of the manufacturing output of the subregion. Overall, the subregion has registered declines in MVA growth in recent years culminating in drastic drops of 9.41 per cent in 1992, 8.76 per cent in 1993 and an estimated 8.79 per cent in 1994. The country's investment needs are estimated at US$9,000 million over the next three years, equivalent to its total external debt. In Cameroon, the impact of the devaluation is becoming increasingly evident with agro-industry showing a 66 per cent increase in turnover in the first quarter of 1994 and a massive 132 per cent rise in export sales. The food industry, in particular, which uses a large percentage of imported inputs, recorded a fall in turnover during the first quarter of 1994 of 5.2 per cent, despite an average increase in the sales price of 51 per cent.

93. The major areas of industrial policy in the course of 1994- 1995 centred on the provision of special tax incentives to manufactured goods for export and/or export processing zones, special assistance to small-scale industries, privatization and the stimulation of foreign direct private investment. In Nigeria, for example, in the budget for 1995, the following tax incentives were provided: (a) removal of any charge or tax on interest paid on bank loans for manufactured goods produced for export; (b) exemption from tax of profits in the form of dividends derived from manufacturing companies in petro-chemical and liquified natural gas subsectors; (c) the exclusion from tax of all expenses on research and development; (d) removal of restriction on capital allowance to manufacturing companies. In Zimbabwe, the budget for 1994 provides the following incentives for Export Processing Zones: (a) income tax at a rate of 15 per cent after a tax holiday of five years; (b) exemption from withholding taxes on dividends, royalties, interest and fees; (c) refund of sales tax on goods and services; (d) exemption from income tax of fringe benefits of persons employed in the export

processing zones (EPZ); and (e) duty-free importation of raw materials and capital goods. In addition, in recognition of the stiff competition that local industries face in the international markets, the Government reduced customs duties on textiles from 10 to 5 per cent and for clothing from a range of 20-35 to 15 per cent across the board. Further liberalization on the trade and exchange fronts, that has effectively raised the export retention level to 100 per cent and introduced a market-determined exchange rate, should also help industry to increase production.

94. In Uganda, a Harmonized Commodity Coding system was introduced for import duties, excise duties and sales tax. This comprehensive code is now being modified to reclassify goods into luxury, intermediate and essential categories. The principal features of this reclassification are as follows: (a) duties on raw material imports for industry are in the main being harmonized to a rate of 10 per cent; (b) those for certain construction materials such as paints, varnishes, tubes and pipes, sales taxes are being reduced to 10 per cent; (c) sales tax on furniture, which is currently 30 per cent, is now reduced to 10 per cent.

95. In Kenya, the duty rate on yarns and threads is lowered to 30 per cent while that of zinc is lowered to 10 per cent. In addition, selective dumping duties are imposed on subsidised imports where these are adversely affecting local manufacturers. Two such dumped products that have been identified are PVA emulsion and tea sacks being imported from South Africa at subsidized prices. To make the dumping duties effective, no remission for dumping duties are available under the Export Promotion Programme Office (EPPO) or Manufacturing Under Bond (MUB) programmes.

96. In Swaziland, under the Small-Scale Enterprise Loan Guarantee Scheme, the Central Bank-guaranteed loans are to be made available under a fund established by the Government. The beneficiaries are small businesses that otherwise would face problems of collateral for normal commercial loans. To date, E7 million has been committed in guarantees, allowing a total loan commitment of E9.4 million which have benefited 365 borrowers, of whom 131 were women, 124 men and 110 companies.

97. In Botswana, during 1993, a total of 446 projects costing P60 million with a potential to create an additional 5,355 jobs, were approved under the financial assistance policy. Of the jobs to be created, 27 per cent would be by small-scale local entrepreneurs, while 15 and 58 per cent, respectively, would be in medium- and large-scale enterprises employing both citizens and non-citizens. Of the total committed funds, 15 per cent would be for the small-scale enterprises, while 10 and 75 per cent, respectively, would be for the medium- and large-scale enterprises.

98. In Ghana, up to 1993, a total number of 101 enterprises have benefitted under the line of credit component of the project which is administered by the Bank of Ghana. A total amount of US$24.7 million has been committed by way of loans to small and medium enterprises in the manufacturing sector.

99. The Government of Tunisia, in its attempt to stimulate FDI, has promulgated a new simplified investment law, made the Tunisian dinar convertible for purposes of foreign investment, and created a foreign exchange market. It has established "free points" (an intermediate stage to a free-trade port), offering tax advantages to exporting companies. The "Agence de promotion de l'industrie" (API) has launched promotional campaigns to publicize the stable investment climate of Tunisia: a modern and improved infrastructure; political stability; a reasonably well-trained and adaptable work force; proximity to Europe; and, a free trade agreement in the making with the European Union (EU).

100. In Morocco, privatization and FDI are driving a boom on the Casablanca Stock Market. Foreign investment funds now account for more than 45 per cent of the activity on the stock exchange. A forecast in turn-over on the stock exchange in 1994 is estimated at MD 86,000 million as compared to MD 48,000 million in 1993. The country's massive privatization programme is the second major element in activity there. In the process of privatization, through the "Société nationale d'investissement" (SNI), the State has sold off its stakes, worth US$200 million, in the CTM-LN transport company and the Sofac Credit on the Casablanca stock exchange. The SNI itself, which holds shares in some 40 manufacturing and financial companies, is currently undergoing privatization. In total, about 112 companies are to be privatized by the end of 1995, bringing an estimated MD 35,000 million to the coffers of the Government.

101. In spite of the observable trends towards a re-orientation in industrial development strategies and policies in many African countries, an effective and early realization of the target growth rate of 8 per cent per annum that was set in IDDA II for the manufacturing sector is hardly in sight, given the entrenched structural rigidities, weak inter-industry and intersectoral linkages, technological backwardness and poor institutional and physical infrastructure in the region. The investment needs for rehabilitation, infrastructural development and capital deepening in Africa have never been greater.

III. EXTERNAL TRADE, DEBT AND RESOURCE FLOWS

102. The problems of Africa's external trade, debt and resource flows are closely linked. Recent developments have shown clearly that none of the three problems can be resolved effectively without substantial progress on the other. This is the harsh reality confronting African policy makers and their development partners. It sums up the vicious circle that has to be broken if the continent is to accelerate its recovery and resume steady and sustainable growth.

A. External trade

103. The indicators of Africa's merchandise trade were mixed in 1994. On the one hand, trade performance that year followed the global trend, benefiting from the higher demand and increases in the prices of primary commodities. On the other hand, Africa's share of world merchandise trade in 1994, at 2.4 per cent was the same as in 1993, but slightly lower than the figure of 2.6 per cent attained in 1992. Summary statistics on trade for the region are shown in Table VIII.

104. According to ECA estimates, the value of merchandise exports increased by 4.2 per cent in 1994, while the volume increased by 2.0 per cent, which implies a 2.1 per cent increase in the unit value of exports. By comparison, the value of exports decreased in 1993 by 7.5 per cent, and export volume increased by 0.1 per cent in the face of a 7.6 per cent decline in the unit value. Import values increased by 6.5 per cent in 1994, made up of a 4.9 per cent increase in volume and a 1.6 per cent rise in unit value. In 1993, the value of imports decreased by 1.4 per cent, because a 1.4 per cent increase in volume was more than offset by a 2.8 per cent fall in the unit value. The increased volume of imports in 1994, though modest, had a positive impact on economic activity in many countries. In addition to providing some respite from balance of payments pressures, it enabled African countries to increase capacity utilization because of greater availability of imported raw materials and spare parts. Increased capacity to import capital goods also revived the level of investment.

Table VIII
General indicators of the marchandise trade of African countries (annual percentage change)
1990=100

	1990	1991	1992	1993	1994
Exports					
Value	24.3	-4.4	-0.8	-7.5	4.2
Volume	7.4	8.2	1.4	0.1	2.0
Unit value	15.7	-11.6	-2.1	-7.6	2.1
Imports					
Value	20.2	-7.6	4.8	-1.4	6.5
Volume	11.4	-5.1	2.7	1.4	4.9
Unit value	7.9	-2.6	2.1	-2.8	1.6
Terms of trade	7.3	-9.2	-4.1	-5.0	0.5
Purchasing power of exports	15.2	-1.8	-2.8	-4.8	2.6
% share of developing Africa in world merchandise trade	3.0	2.8	2.6	2.4	2.4

Source: IMF, International Financial Statistics (various issues) Link, GATT, ECA secretariat estimates.

105. Export commodity prices of interest to Africa rose at a foster rate in 1994 than in 1993. The overall ECA Export Price Index showed an increase of 2.1 per cent in 1994 compared to a loss of 7.7 per cent in 1993. Prices of beverages, in particular, rose spectacularly in 1994 on the export market. The Coffee Retention Scheme which was put in place in October 1993, and the unseasonal frost and drought in Brazil, and production decreases in Colombia, Côte d'Ivoire and Indonesia resulted in a tight supply situation for coffee. Consequently, the coffee price index which has been in a persistent downward trend with the suspension of the International Coffee Agreement in July 1989, rose by 99.9 per cent in 1994 compared with 22.9 per cent in 1993. Cocoa prices have also been on the increase, rising by 25.5 per cent in 1994, after a 0.3 per cent rise in 1993 and 7.8 per cent in 1992. Increased speculative activity, encouraged by the view that cocoa prices are now below historical trends, despite production deficits, fuelled the rise in prices. The price index for rubber rose in 1994 by almost 24.7 per cent.

106. On the other hand, the ECA overall Import Price Index rose to 1.6 per cent in 1994 compared with a decline of 2.8 per cent in 1993. The increase in the value of imports in 1994 was a reflection of moderate movements in the prices of manufactures (0.7 per cent), which have a large weight in African imports. Food import prices, another important element, given the increasing share of imports in the region's food supply, increased by 5.3 per cent in 1994, after falling by 1.1 per cent in 1993.

107. Although both export and import prices increased, the former increased more than the latter, and the terms of trade price index (base year, 1990=100) improved by 0.5 per cent in 1994, as compared to a fall of 5.0 per cent in 1993. The purchasing power of exports increased by 2.6 per cent in 1994, after falling by 4.8 per cent in 1993. With 1990 as the base year of the export and import price indices, terms of trade losses in 1994 would amount to 16.8 per cent of real exports. Similarly, the first round income effects would amount to a 4.1 per cent decrease in real GDP in 1994. With the steady marginalization of Africa in world trade and its relatively low and declining market shares, it is evident that African economic fortunes and performance still depend a good deal on the price movements of its limited range of commodity exports.

1. Relatively static commodity structure and limited progress with diversification

108. Table IX summarizes the evolution of the commodity structure of Africa's external trade between 1970 and 1993. The table reflects the striking lack of structural transformation in African economies over the past two and a half decades.

Fig. 4: Export, Import and Terms of Trade, 1980-1994
Price Indices (1990=100)

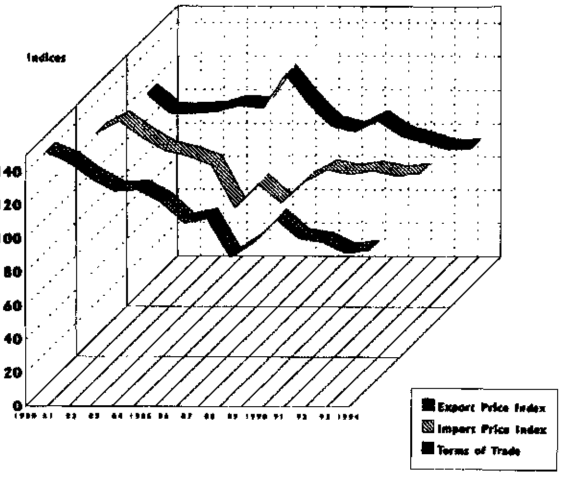


Fig. 5: UK Brent weekly oil prices
January 1994 - February 1995

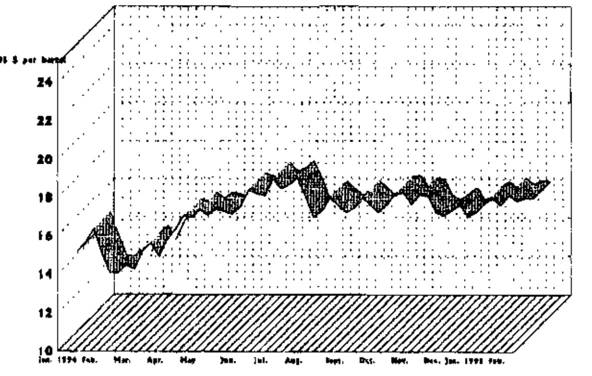


Table IX Trade of African countries by commodity class, 1970-1994 (percentage)								
	Exports				Imports			
Commodity class	1970	1980	1990	1993	1970	1980	1990	1993
Food, beverages and tobacco	30.1	9.9	13.4	19.4	6.1	14.3	15.1	12.6
Oils, fats and other crude materials excluding fuel	14.8	7.3	8.9	9.1	7.6	5.9	5.3	6.1
Mineral fuels and related materials	38.1	75.6	62.5	57.3	5.4	9.3	9.5	8.9
Chemicals	5.6	0.8	4.7	4.1	8.1	8.3	8.9	9.4
Machinery and transport equipment	1.3	0.4	1.9	2.5	43.6	37.5	37.7	39.3
Other manufactured goods	10.1	6.0	8.6	7.6	29.2	24.7	23.5	23.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Source: United Nations, Monthly Bulletin of Statistics and ECA Secretariat estimates.								

109. The commodity composition of the region's trade continues to be dominated by exports of primary commodities and imports of manufactured goods. In 1993, 86 per cent of Africa's foreign exchange earnings were derived from primary commodities while imports of manufactured goods accounted for 73 per cent of the total value of imports, a proportion that is not very different from those of two decades ago.

110. Most African countries rely on a few primary commodities for a major part of their export earnings, with a high degree of commodity concentration as, for example, in the case of Burundi and Zambia. Mineral fuels and related materials continue to dominate the region's exports, followed by beverages and tobacco. The doubling of the share of petroleum in the export values of the region after 1970 is essentially a reflection of changes in the price of petroleum relative to those of other major commodities. The price of oil doubled in the early 1970s and again quadrupled in 1979-1980 while the prices of beverages and tobacco have generally been on the decline with the exception of 1976-1977 and 1993-1994.

111. The increase in the prices of oil was also accompanied by an increase in volume. During the decade of the 1980s, the price of oil was on the decline albeit at a slower rate compared to those of other primary commodities.

112. In spite of the increase in prices of other primary commodities in 1994, oil exports continued to account for nearly 60 per cent of the total foreign exchange earnings of African countries(see Table X).

113. Manufactured goods account for more than 70 per cent of imports. By and large, investment goods in the form of machinery and transport equipments continue to claim a high proportion of imports. While the higher share of capital goods imports is encouraging, it nevertheless reflects two basic weaknesses in the structure of the region's economies. The first is the continued heavy dependence on the import of capital goods, signalling the fact that a major technological transformation is yet to take root in African economies. The second is the failure of the manufacturing sector to make a significant dent in the import of consumer goods which absorbs the same proportion of export earnings as it did in the early 1970s.

114. The relatively static nature of the commodity structure of exports since independence attests to the absence of substantive economic transformation over the last three decades. In 35 of the 53 African countries,

Fig. 6: Indices of beverage prices, 1980-1994 (1990=100)

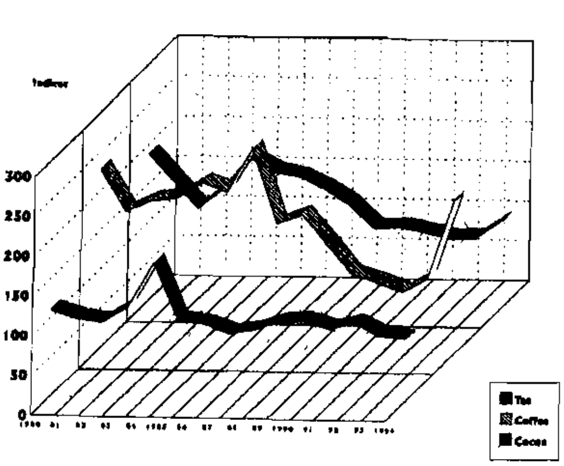


Fig. 7: Commodity export prices, 1980-1994 (1990=100)

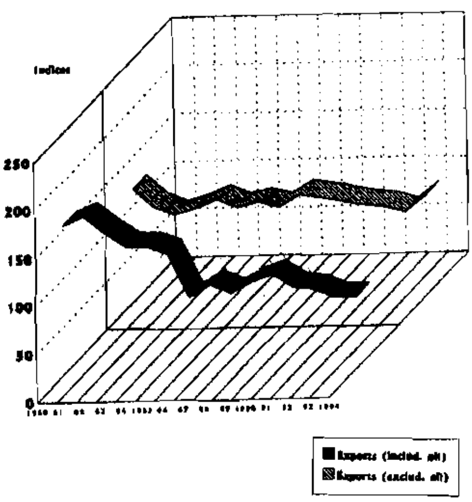


Table X
Exports of oil-exporting countries, 1990-1994 (billion US$)

	1990	1991	1992	1993	1994	% variation 1994/93
Algeria	13.0	12.3	12.2	10.3	10.5	1.9
Egypt	3.5	3.5	3.1	3.3	3.4	3.0
Libyan Arab Jamahiriya	11.4	10.2	10.0	7.7	7.3	-5.2
Tunisia	3.5	3.7	4.0	3.8	4.6	21.1
Nigeria	13.6	12.3	11.9	10.9	10.5	-3.7
Cameroon	1.9	1.9	1.9	1.1	1.8	63.6
Congo	1.4	1.0	1.2	1.1	1.2	9.1
Gabon	2.5	2.2	2.3	2.1	2.1	0.0
Angola	3.9	3.4	3.8	2.9	2.9	0
Total exports	54.6	50.7	50.4	43.2	44.3	2.5

Source: IMF, International Financial Statistcis; The Economist Intelligence Unit; ECA Secretariat estimates.

non-oil primary commodities account for more than 50 per cent of annual foreign exchange earnings. In nine countries, non-oil primary commodities account for more than 90 per cent of annual exports while in another 18, the share is no less than 70 per cent. This contrasts sharply with developments in south east Asia where the share of primary commodities fell from 63 per cent to 36 per cent of total exports between 1965 and 1987.

115. Aware of the dangers of relying on a limited number of primary commodities, African Governments have adopted diversification schemes as an essential element of their development strategies for several decades. Such diversification schemes have taken two forms: vertical and horizontal. The horizontal diversification strategy aims at increasing the number of exportable primary commodities while the vertical option envisages domestic processing of exportable commodities and the export of processed and manufactured goods. In the 1960s and 1970s, vertical integration and diversification were distinct objectives of the import-substitution industrialization strategy. On the whole, in most countries, the strategy failed to achieve its objectives, even though the nascent industries enjoyed a good measure of protection and government patronage. The reasons were both internal and external. On the domestic front, vertical diversification required financial capacity, technical know-how and managerial skills, resources with which many African countries are poorly endowed. To the extent that these domestic constraints were surmounted, there were major obstacles also to overcome in external markets.

116. The first of these is the marketing problem. In a world dominated by oligopolistic market structures in which multinational corporations and brand names dominate, breaking into developed country markets posed extremely difficult problems that were not easy to surmount. But the more pervasive constraint to the export of processed and manufactured goods was the implacable protectionism of industrial countries through tariff and, in particular, non-tariff barriers. Over the years, the tariffs imposed on primary commodities have been substantially reduced. At the beginning of the Uruguay Round negotiations in 1987, trade- weighted tariffs were 6 per cent in the EU, 4.3 per cent in the USA and 2.9 per cent in Japan. With processed and manufactured goods however, non-tariff barriers remained in place.

117. While tariff escalation based on the degree of processing was a major obstacle for African exporters of processed goods and manufactured products, the more serious obstacles were of non-tariff nature. These multi-

faceted barriers, usually considered as domestic policies, have been excluded from the various multilateral trade negotiations, despite their considerable impact on trade.

118. The SAPs adopted by practically all African countries have not been very helpful to the diversification drive. Devaluation has had a mixed impact. While, on the one hand, it has made exports more competitive, it has, on the other, depressed import-dependent commodity production by increasing the cost of imported inputs. Furthermore, credit restrictions and fiscal retrenchment have all increased the cost of domestic production while trade liberalization has exposed domestic industries prematurely to competition from cheaper imports.

119. These obstacles notwithstanding, African countries have been making some attempts at diversifying their economies and decreasing their reliance on a limited number of primary commodities. In practically all countries, the number of commodities exported has increased substantially over the last two decades (Table XI), although their weight in total exports remains very small.

120. How significant are these experiences of diversification, and what lessons can be drawn from them to guide future policy in this sphere? Three observations are pertinent. In some of the oil-exporting countries, notably Gabon and Nigeria, the diversification and concentration indices have increased in tandem with the number of commodities exported. In these countries reliance on one or two export commodities (mainly oil) has increased while non-oil exportables, though growing in variety, have yet to make any significant impact on the structure of exports.

121. Some of the non-oil developing countries have reduced their dependence on their major export commodity by introducing and successfully cultivating new and non-traditional exports. Particular mention should be made of Morocco and Tunisia in North Africa, Ghana, Senegal and Côte d'Ivoire in West Africa as well as Kenya, the United Republic of Tanzania and Zimbabwe in Eastern and Southern Africa, for the strident progress they have made in diversifying their exports. In all of these countries the most important export commodity now provides less than a third of foreign exchange earnings.

122. However, the most spectacular diversification success has been achieved by Mauritius where the number of commodities increased from only nine in 1970 to more than 100 in 1990, and the concentration index fell from 93 per cent to 34 per cent. While sugar, the leading export in 1970, accounted for 93 per cent of exports in that year, in 1990, textiles and apparel which had become the leading exports accounted for 34 per cent of exports.

123. The EPZ in Mauritius was estimated to have generated 33 per cent of salaried employment, accounted for 88 per cent of manufactured employment, contributed close to 60 per cent of gross domestic exports, and 15 per cent of GDP. What makes the experience of Mauritius unique is its extraordinary achievements. At the start of the EPZ period in 1970, Mauritius had literate labour force,

Table XI

Diversification and product concentration indices in the export of selected African countries, 1970 - 1990

	Number of commodities exported[1]		Diversification index[2]		Concentration index[3]	
	1970	1990	1970	1990	1970	1990
Oil exporters						
Libyan Arab Jamahiriya	31	37	0.946	0.888	0.999	0.841
Algeria	76	85	0.831	0.883	0.652	0.554
Gabon	21	39	0.883	0.913	0.500	0.770
Nigeria	83	117	0.875	0.915	0.583	0.952
Congo	18	26	0.895	0.886	0.486	0.707
Cameroon	61	116	0.831	0.777	0.371	0.272
Egypt	87	154	0.784	0.700	0.442	0.440
Non-oil exporters						
Zambia	22	45	0.963	0.932	0.952	0.823
Mauritius	9	101	0.968	0.711	0.930	0.338
Tunisia	70	174	0.754	0.668	0.260	0.200
Senegal	82	92	0.793	0.857	0.311	0.280
Cote d'Ivoire	81	130	0.863	0.856	0.422	0.312
Zimbabwe	...	165	...	0.782	...	0.327
Morocco	84	155	0.816	0.756	0.292	0.166
Ethiopia	33	29	0.659	0.934	0.603	0.698
Ghana	24	56	0.941	0.907	0.752	0.377
Malawi	23	29	0.908	0.926	0.473	0.686
Kenya	17	123	0.918	0.806	0.499	0.309
Tanzania, United Republi	49	74	0.848	0.832	0.255	0.262
Uganda	28	26	0.916	0.948	0.596	0.699

Source: UNCTAD, Handbook of International Trade and Development Statistics 1984, 1991 and ECA secretariat calculations.

[1] Refers to those commodities whose exports are greater than US$ 50,000 in 1970 and US $ 100,000 in 1991 or contribute more than 0.3 per cent to the total export of the country.

[2] Share of the two most important commodities in total national exports.

[3] Hirschmann index normalized to yield values between 0 and 1 (maximum concentration).

a dynamic business community, well-developed infrastructure and political and social stability. These structural prerequisites for a dynamic economy were reinforced by a conducive macroeconomic environment and imaginative incentives structure.

124. The capacity of EPZ to transform an economy, diversify the production base and increase the number of exportables has not been lost on other African countries. No less than 17 countries from Southern to North Africa are emulating the Mauritian experience. Nigeria's EPZ in Calabar became operational in early 1994 while in Zimbabwe, Botswana and Uganda, preparations are underway. However, if there is one lesson that comes out very clearly from the Mauritian experience, it is that while the EPZ offers a possible approach to economic diversification, it does not by itself guarantee success. Other policy measures are necessary to create a favourable environment for the diversification process.

2. Declining shares in world trade

125. Africa's share in world trade has declined steadily since 1980. Between 1980 and 1993, when world trade doubled in value, Africa's external trade remained at more or less the same level in absolute terms. Africa is not only failing to partake in increased world trade, it has been steadily loosing ground to others. In 1980 Africa's share in world trade and in the trade of developing countries were 5 and 4 per cent respectively. Since then the share of the continent in global trade has fallen to just over 2 per cent.

126. In the early 1970s, Africa supplied 83 per cent of the cocoa, 28 per cent of the coffee, 26 per cent of the copper, 16 per cent of the cotton and 13 per cent of the iron ore in the world market. Two decades later, the shares of these commodities have declined precipitously: to 61 per cent for cocoa, 16 per cent for coffee, 14 per cent for copper, 12 per cent for cotton, and 6 per cent for iron ore (Table XII). The major part of the decline is attributable to new producers in Latin America and south east Asia, and declining demand due to technological evolution and changing consumer tastes.

127.The loss of market shares has important policy implications. First, it points to the need for African countries to devote more effort to the production of their main export crops, even as they pursue the policy of diversification. Second, it shows that they should not limit their efforts to the production level but should aggressively pursue the marketing end of the trade in primary commodities and processed products. Participation in international trade fares, and strengthening of the commercial wing of their embassies in important markets could contribute to the expansion of their exports while quality improvements and control would ensure customer loyalty.

128. Efforts to increase market shares in the markets outside the region should be supplemented with export promotion in the regional market as well.

Table XII
Africa's 1990-1993 market loss/gain relative to 1970 - 1973

Commodity	Market share			Loss in market shares in 1990-1993 relative to 1970-1973
	1970-73	1980-93	1990-93	
Cocoa	83.1	78.9	60.7	27.0
Coffee	27.6	20.8	16.1	41.7
Copper	26.4	19.5	13.6	48.5
Cotton	16.1	10.3	11.5	28.6
Petroleum	8.3	9.0	12.6	51.8
Iron ore	12.7	7.2	5.6	55.9
Timber	6.0	4.8	3.1	48.3

Source: Calculated from UNCTAd, Commodity Year Book (various issues) and United Nations Monthly Bulletin of Statistics (various issues)

3. Marginal improvement in intra-regional trade

129. There has been little change in the direction of African trade. Developed countries still supply over 70 per cent of Africa's imports and purchase 80 per cent of the exports. For historical reasons, the EU continues to dominate Africa's external trade, accounting for 73 per cent of the region's exports and providing 57 per cent of its imports.

130. In terms of value, between 1980 and 1992, food and beverages in intra-regional trade rose by 48.4 per cent, and oils and crude materials by 120.3 per cent. Mineral fuels registered an increase of 47.1 per cent, while chemicals increased sharply by 211.5 per cent, machinery by 231 per cent and other manufactures by 95.9 per cent.

131. Intra-African trade claimed 7.4 per cent of the total trade in 1992; a significant improvement over the previous year. However, as commodity-wise analysis based on Table XIII shows, changes in the composition of intra African trade have been slight. The share of food and beverages, which was 24.4 per cent in 1980 declined to 20.6 per cent in 1992. The share of oils and crude materials increased from 9.1 per cent in 1980 to 11.4 per cent in 1992. The share of mineral fuels decreased from 40.9 per cent in 1980 to 34.3 per cent in 1992. The share of chemicals rose from 4.4 per cent to 7.8 per cent. Machinery which accounted for 2.9 per cent of intra-regional trade in 1980 rose to 5.5 per cent in 1992. The share of other manufactures was 18.2 per cent in 1990 and increased to 20.3 per cent in 1992.

132. The integration of South Africa into the African regional economy can be expected to bring about far-reaching changes in both the commodity composition and magnitude of intra-regional trade over the coming years, with increased regional sourcing as the most likely consequence for industrial products. Also, harmonization of

SAPs within subregional economic groupings, would facilitate the coordination of macroeconomic policies and thus help to ease currency and payments restrictions which are often more of a hindrance to intra-regional trade than tariffs.

fleet is small and shipping costs are a higher proportion of import costs in Africa as compared to other regions. Bulk transport accounts for 40 per cent of African shipping, but, in the past, African countries have concentrated on regular lines that move only 20 per cent of their traffic. Insurance charges are usually aggregated with freight, and the insurance and reinsurance business are dominated by non-African firms. Furthermore, even where insurance is done with African insurance companies, the re-insurance would still have to be done abroad. A review of the statistics on services between 1985 and 1992 reveals that in the case of shipment, inflows on account of freight and insurance accounted for 10.6 per cent of inflows for services in 1985, while in 1992, it accounted for only 6.4 per cent of inflows for services. In 1985, outflows on account of shipping and freight accounted for 33.8 per cent of outflows on account of services while 30.2 per cent of all outflows were on account of shipping and insurance in 1992. Net outflows for shipment, which were US$6446 million in 1985 rose to US$7331 million in 1992.

Table XIII
Intra-African trade by commodity class, 1980-1992 (million US$)

	1980		1989		1990		1991		1992	
	Value	% of total	Value	% of total	Value	% of total	Value	% of total	Value	% of total
Beverages, food & tobacco	727	24.4	871	22.5	926	23.5	984	20.2	1097	20.6
Oil, fats and crude materials	271	9.1	483	12.5	486	12.4	594	12.2	597	11.4
Mineral fuels	1219	40.9	1123	29.1	1163	29.6	1622	33.3	1793	34.3
Chemicals	131	4.4	333	8.6	312	7.9	356	7.3	408	7.8
Machinery	87	2.9	274	7.1	243	6.2	341	7.0	288	5.5
Other manufactures	543	18.2	781	20.2	803	20.4	970	19.9	1064	20.3
Total	2978	100.0	3865	100.0	3933	100.0	4867	100.0	5229	100.0

Source: United Nations Monthly Bulletin of Statistics, May 1994.

B. Balance of payments

133. Although there was a modest increase in export prices in 1994, the deficit on the balance of trade increased to US$8.2 billion compared with deficits of US$2.4 billion and US$5.6 billion in 1992 and 1993 respectively.

134. The net balance on the services account for Africa has been consistently negative and is estimated at US$6.9 billion in 1994, and US$6.2 billion in 1993, reflecting the increasing payments for insurance, freight and other non-factor services payable to non-African suppliers. Net factor income, which has been consistently negative, amounted to US$15.5 billion in 1994. Official transfers stood at US$10 billion in 1994 from a level of US$9.7 billion in 1993. Private transfers stood at US$10.1 billion in 1994, after reaching US$9.5 billion in 1993. The balance on current account recorded a deficit of US$10.5 billion in 1994 as compared to a deficit of US$7.8 billion in 1993.

135. The most promising component to turn around the consistently negative service balance is "travel and other transportation". This item, which mainly constitutes earnings from tourism, has not only been making positive contributions to the service balance, but has been on the increase, with an even more promising future. Travel receipts increased their share in "income from services" from 25 per cent in 1985 to 33 per cent in 1992. Consequently, over the same period, the net contribution of this subsector increased from 12 per cent (US$85 million) to 18 per cent (US$2.6 billion) in the balance on the service account.

136. Payments for shipment costs are much in excess of their receipts. This reflects the dominance of developed countries in the areas of shipping and insurance, as well as the effect of increased imports, rising freight rates, and discriminating rates charged to offset the cost of idle time that ships are forced to spend at the ports of developing countries because of poor facilities. About 95 per cent of Africa's foreign trade is seaborne. However, Africa's own

Table XIV
Balance of payments, 1990-1994 (million US$)

	1990	1991	1992	1993	1994
Exports	94.9	96.5	94.2	87.9	89.6
Imports	90.7	91.7	96.5	93.5	97.8
Trade balance	90.7	91.7	96.5	93.5	97.8
Services (net)	-6.9	-7.7	-6.9	-6.2	-6.9
Unrequited transfers	17.2	18.1	18.6	19.2	20.1
Official	8.5	8.5	8.6	9.7	10.0
Private	8.7	9.6	9.9	9.5	10.1
Income (net)	-19.7	-17.2	-15.4	-15.3	-15.5
Current account	-5.2	-2.0	-6.2	-7.8	-10.5
Capital account includ. errors	2.2	-12.0	-7.2	-7.0	-3.1
Overall balance	-3.0	-14.0	-13.4	-10.2	-13.6
Change in reserves (- increase)	-5.1	-6.9	-2.1	-4.3	-5.6
Net external financing	8.1	20.8	15.5	14.5	19.2

Source: IMF, World Economic Outlook and International Financial Statistics; Economist Intellignce Unit; national sources and ECA Secretariat estimate.

137. Other transportation in the services account, which refers to handling, anchorage, pilotage, towage, aircraft landing, provision of ships stores and bunkers, make a positive contribution to the services account of Egypt and Tunisia because of their well- developed port infrastructure and facilities. In the case of sub-Saharan Africa, they resulted in net, albeit declining, outflows during the period 1990-1992, totalling US$572 million in 1990, US$336 million in 1991, before falling to US$96 million in 1992.

138. Other official services reflect the high foreign expenses of foreign missions in Africa. On a net basis, the services have made a declining negative contribution to Africa's service sector. In 1985, they accounted for 9.5 per cent of the inflows to the service sector, while in 1992, they accounted for 9.3 per cent of inflows. In the case of outflows, in 1985, they accounted for 9.5 per cent of outflows, while in 1992, they accounted for 8.7 per cent.

139. As already pointed out, the deficit on the services account is made up largely of payments for banking, insurance and freight, emanating from the disproportionate dependence of African countries on foreign banks and insurers, and foreign carriers, and is positively correlated with the volume of trade. Therefore, it can be expected that the services deficit will grow with an expansion in the volume of trade, unless African countries redouble their efforts to provide more and more of these services themselves. This is likely to be an uphill task, considering that the liberalization of services under the Uruguay Round Agreement will expose African suppliers to even keener competition from more efficient producers of such services. This is the more reason why the development of banking, insurance and transport and communication facilities to cater for the needs of external trade deserve to be given more attention than has so far been the case. Indeed, these crucial components of international transactions should occupy a prominent place in the development agenda of African Governments.

140. Since 1990, there has been an improvement in the case of other private services like non-merchandise insurance, reinsurance and banking related outflows, which reflect some revival of the banking and insurance industry on the continent, and the establishment of the African Reinsurance Corporation in 1991. Other private services accounted for 22.9 per cent of inflows in 1985, while in 1992, they accounted for 24.6 per cent. In the case of outflows, other private services accounted for 32.9 per cent in 1985, and 31.1 per cent in 1992. On a net basis, outflows on account of other private services fell from its US$4,761 million in 1985 to US$3,377 million in 1992.

141Given the small size of their economies and the huge amount of capital required for establishing viable and competitive enterprises in the services sector, cooperative arrangements among African countries is indispensable to success. There have been several proposals and some attempts at subregional levels to establish shipping lines, insurance and banking institutions, air lines, communication facilities, etc.

1. Deficits on factor income reflect high cost of debt servicing

142. The deficit on investment income is a reflection of the capital dependency of African countries on the rest of the world and is unlikely to improve significantly in the foreseeable future. Payments for investment comprise interest payments on external debt and repatriation of dividends on foreign direct and indirect (portfolio) investments. While both of these liabilities would continue to generate resource outflow until the region turns a net creditor, preference should be accorded to foreign investments. In addition to being a vehicle for the transfer of technology, managerial and marketing skills, this kind of resource flow would lessen the burden of mandatory debt servicing since the subsequent outflow of payments is conditional on, and derive from the productivity and profitability of the investment inflows.

143. In the case of income flows, direct investment income has always been negative for Africa. Interest and dividend payments for foreign private investment represent a sizable component of the deficit in the invisible account. Net receipts from portfolio investments have likewise always been negative for Africa. In the case of income-related flows in 1985, inflows due to investment were 69.1 per cent of income flows, and, in 1992, it was 69.9 per cent. Likewise, outflows due to investment were 93.1 per cent of the income related outflows in 1985 and 93 per cent of the total in 1992. On a net basis, outflows on account of investment rose from US$11935 million in 1985 to US$17360 million in 1992.

144. The share of inflows on account of labour income fell from 30.3 per cent in 1985 to 28.9 per cent in 1992, while the share of outflows on account of labour income, which was 6 per cent in 1985, stood at 5.9 per cent in 1992. The recession-induced unemployment in Europe and South Africa reduced the demand for migrant labour. The decline would have been even higher but for the oil-rich labour-poor Middle Eastern countries where employment picked up following normalization of the Persian Gulf war. Property income outflows have, however, been negative, but labour income has made a positive contribution to income flows. The share of inflows due to property income, which was 0.6 per cent in 1985 rose to 1.2 per cent in 1992, while the share of outflows due to property income rose from 0.9 per cent in 1985 to 1.2 per cent in 1992.

2. Trends in capital account and foreign investment

145. Net foreign resource inflow in 1994 was US$19.2 billion, an increase of 32 per cent over the 1993 level. The major sources were external borrowing, although non-debt creating flows in the form of foreign investment are on the rise.

146. Inflows of foreign investment in 1994 were 7 per cent higher than their 1993 level and accounted for 39 per cent of the net foreign resource inflows. Although the country destinations of such investment tend to favour the

oil-exporting and mineral-rich countries, others may also attract foreign capital, given the drive towards privatization of public enterprises, the emergence of stock markets and the generally favourable foreign investment climate now fostered by African Governments.

147. In the capital account, direct investment has shown an irregular pattern across countries. Foreign direct and equity investment is directly linked to productive investment, and facilitates the transfer of technology, managerial and marketing skills. In the capital account, outflows related to direct investment increased by 35.1 per cent between 1985 and 1992, amounting to US$3,253 million in the latter year. Portfolio investment has been negative in recent years. Outflows on this account increased from US$165 million in 1985 to US$2,470 million in 1992. With amortization payments and capital flight, net capital outflows from Africa have been persistently negative. Outflows on account of long-term capital increased from US$377 million in 1985 to US$7,894 million in 1992, while outflows on account of short-term capital increased by 37.9 per cent from US$2,794 million in 1985 to US$3,853 million in 1992. The ratio of reserves to imports for Africa is low but improving. Reserves were worth 0.2 months in 1985, 1989 and 1990, 0.3 months in 1991, and 0.4 months in 1992 and 1993.

148. In all, Africa's balance-of-payments problems are a reflection of the lack of structural transformation in African economies, and consequently, in African trade, during the past three decades. The long-term solution to persistent deficits is structural change and diversification, which will increase the capacity of African economies to minimize the impact of adverse developments and take advantage of the opportunities in the world market. There is need also for rigorous export promotion and a programme to support domestic industries by improved infrastructure, and a vigorous training programme for skilled labour. Regional cooperation and intra-African trade would make a major contribution to export diversification, food security, export promotion, and the development of banking, insurance and shipping services. All this will have a favourable impact on Africa's balance of payments in the long term, and protect African countries from getting bogged down again with an intractable debt burden.

C. External debt

149. According to the World Bank, developing countries debt may have reached US$1,945 billion by the end of 1994. This is a continuation of the fast growth in debt commitments which started in 1990, and has since accelerated, increasing by 7.3 per cent in 1994, compared to 6.8 per cent in 1993, an average of 5 per cent in 1990-1992 (Table XV).

150. This development is essentially due to the increase of new debt commitments, and particularly of private capital investments in the "new emerging economies" of South East Asia and Latin America. According to the IMF (World Outlook, October 1994), the average value of net foreign direct investment (FDI) in developing countries was US$34.2 billion per year in 1990-1993, compared to US$13.3 billion only in 1983-1989. Thus, a very important change has occurred which, unfortunately, however, has bypassed the African region, where the same type of flows averaged a mere US$1.8 billion in 1990-1993, hardly more than the US$1.4 billion registered in 1983-1989.

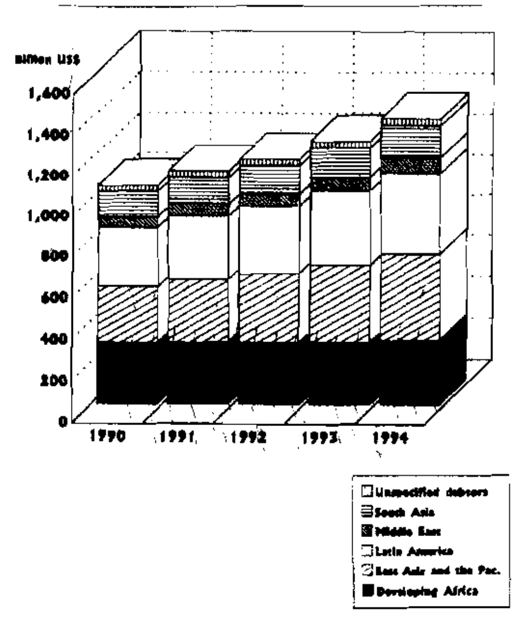
Table XV
External debt of developing countries by region, 1990 - 1994 (US$ billion)

Category	1990	1991	1992	1993	1994 [p]
Developing Africa	296.7	299.9	297.3	301.7	312.2
of which: -Sub-Saharan Africa	176.9	180.4	179.3	183.8	193.7
-North Africa	119.8	119.5	118.0	117.9	118.5
East Asia and the Pacific	268.4	301.6	331.2	367.7	415.2
Europe and Central Asia	286.4	311.3	333.0	369.8	402.6
Latin America and the Caribbean	476.0	490.5	500.0	525.7	547.0
Middle East	53.6	58.1	60.9	67.4	77.9
South Asia	127.5	133.6	141.2	146.1	155.8
All developing countries[a]	a/	1539.3	1626.7	1695.7	1811.8

Source: World Bank, World Debt Tables 1994-1995, December 1994
[a]/ including unspecified debtors
[p]/ projections

151. External debt, which is estimated to have increased by 3.2 per cent to reach US$312.2 billion by the end of 1994 (table III.9), therefore has grown at a slower pace than in other developing areas: East Asia and the Pacific (12.9 per cent), the Middle East (15 per cent), South Asia (6.6 per cent), and Latin America and the Caribbean (4.0 per cent). Africa's debt is also the least important, in volume terms, estimated at 16.0 per cent of the total of developing countries' debt; but it is the heaviest in per capita terms and in terms of African countries'capacity to service.

Fig. 8 : External debt of developing countries 1990-1994



152. When indicators such as debt/GDP, debt/goods and services exports, and debt service/goods and services exports ratios, are taken into account, the situation for Africa is not only the worst; it has gotten worse rather than improved with time (See Table XVI).

in 1993 while that of long- and medium-term official debt decreased over the period 1991-1993, and levelled off at US$240 billion. The share of interest arrears in short-term debt rose from 33 per cent in 1990 to 37 per cent in 1992 and virtually reached 41 per cent in 1993.

Table XVI
Africa's external debt and debt service, 1991 - 1994

	1991	1992	1993	1994 *
Total external debt		(Billions of dollars)		
Total Africa	299.9	297.3	301.7	312.2
. North Africa a/	119.5	118.0	117.9	118.5
. Sub-Saharan Africa (excluding South	163.3	162.9	169.0	177.1
. South Africa	17.1	16.4	14.8	16.6
Debt service paid		(Billions of dollars)		
Total Africa	29.7	29.0	28.3	26.3
. North Africa	15.8	16.1	16.3	16.5
. Sub-Saharan Africa (excluding South	10.2	8.6	7.4	8.2
. South Africa	3.7	4.3	4.6	1.6
Debt service due		(Billions of dollars)		
Total Africa	44.1	39.8	39.8	...
. North Africa	23.1	18.4	18.5	...
. Sub-Saharan Africa b/	21.0	21.4	21.3	...
		RATIOS (in per cent)		
Debt to GDP				
Total Africa	67.1	65.6	66.1	71.6
. North Africa	66.8	67.9	62.8	65.4
. Sub-Saharan Africa b/	67.3	64.2	68.5	76.0
. Sub-Saharan Africa (excluding South	102.1	98.9	107.9	126.0
. South Africa	15.8	14.3	13.2	14.5
Debt to goods and services exports				
Total Africa	223.3	216.7	228.0	231.3
. North Africa	222.1	210.7	215.1	223.6
. Sub-Saharan Africa b/	224.1	220.8	237.2	236.2
. Sub-Saharan Africa (excluding South	310.5	312.7	338.7	334.2
. South Africa	61.3	56.3	51.3	55.3
Debt service to goods and services exports				
Total Africa	22.1	21.1	21.4	19.5
. North Africa	29.4	28.8	29.7	31.1
. Sub-Saharan Africa b/	17.3	15.9	15.5	12.0
. Sub-Saharan Africa (excluding South	19.4	16.5	14.8	15.5
. South Africa	13.3	14.7	15.9	5.8

Sources: ECA Secretariat calculations based on the World Bank's World Debt Tables, 1994 - 1995 and various sources.
(*) Preliminary estimates
a/ including the Sudan
b/ including South Africa

153. While debt-servicing payments remained very high, the persistent negative net transfers on debt over the entire period 1990-1993 is attributable to the low level of fresh disbursements. Furthermore, despite various rescheduling efforts, arrears were accumulating, compounding the problems of repayment and adding to the overall debt stock. It is noteworthy that the value of short-term debt rose from US$37.6 billion in 1990 to US$45.3 billion

154. The overall tendency depicted above conceals important differences among regions and countries. The external debt stock for the six countries of North Africa, the Sudan inclusive, rose only slightly in 1994, by 0.5 per cent, whereas there was a record 5.4 per cent increase in the external debt stock for sub-Saharan Africa. The debt and debt-service ratios for sub-Saharan Africa were 76 and 12 per cent compared to 65.4 per cent and 31.1 per cent

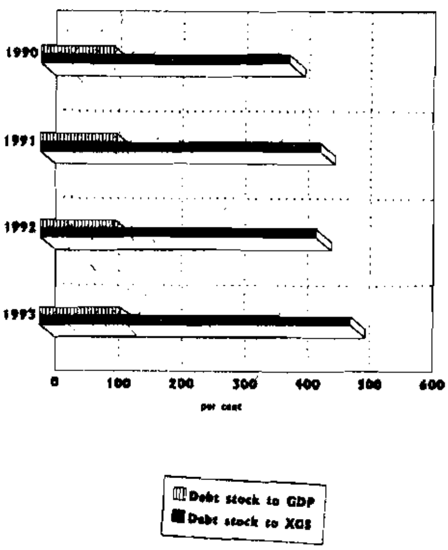
for North Africa. In North Africa, net transfers on debt fell from US$-3.5 billion in 1992 to US$-5.4 billion in 1993, indicating that debt service payments far out-stripped fresh disbursements. In sub-Saharan Africa, there was a slight improvement in net transfers on debt over the period 1992-1993 and a significant development in 1994 when, for the first time since 1991, a positive balance of about US$2 billion emerged from the disbursements and payments made for the year. But the improvement in net transfers to sub-Saharan Africa, significant as it is, cannot be interpreted as an indication of a larger resource inflow in 1994. Rather, it conceals the difficulty facing sub-Saharan Africa in servicing its debt, with arrears increasing by US$3 billion, from US$37 billion in 1993 to about US$40 billion in 1994.

155. It is well known that the African debt crisis has been fuelled, in part, by a global financial crisis. It is therefore not a temporary liquidity crisis that could be resolved by the rescheduling agreements designed by the Paris Club or London Club creditors. Furthermore, Africa's socio-economic problems have greatly intensified in the past four years. During this period, many African countries have not enjoyed the stable domestic conditions and supportive international environment which are prerequisites for sustainable growth. Among the domestic problems were more vocal social claims, even as resources became more scarce, and disorganized and weakening national mechanisms and institutions. The unfavourable terms of trade for Africa's major exports in the world market for most of this period made matters worse, by reducing the capacity of governments to cope with domestic pressures.

156. Given the poor results obtained in Africa under the various debt relief schemes, it is necessary to reconsider the debt issue and its effects on the prospects for African economic recovery and growth. The current debt-relief schemes are more of palliatives, suited to countries whose payment defaults result from temporary liquidity crisis rather than from serious solvency crisis and structural economic problems requiring long-term remedial measures. The majority of African countries, more particularly those whose crisis can be resolved only by raising and maintaining export revenues at a level compatible with their debt servicing, have all undertaken comprehensive programmes of economic reform over the past 10 years. However, such reforms in themselves have not been sufficient to restore private investor confidence or bring the debt-service burden down to manageable proportions.

157. While the efforts deployed so far by the bilateral creditors have provided partial relief for the official debt burden of very few countries, most of the heavily and severely indebted countries are still facing enormous payment difficulties. Of the 36 developing countries whose debt overhang ratio (that is, ratio of present value of debt to goods and services exports) and liquidity burden ratio (that is, ratio of debt service due to goods and services exports) were, respectively, higher than 200 per cent and 15 per cent in 1994, 28 are in sub-Saharan Africa. Such a situation calls for radical and exceptional measures if these countries are to emerge from the debt crisis trap. Most of the efforts have focused mainly on official debt, but the complexity of Africa's debt problems requires that other components of debt, in particular commercial and multilateral debts, need to be taken into account, lest they undermine the efforts made on official debt. Indeed, only a coordination of all debt relief initiatives, within a global framework, would make it possible to break once and for all the vicious circle of the debt crisis.

Fig.9: Severely Indebted Low-Income Countries in the sub-Saharan Africa Some key debt indicators, 1990-1993



158. The restructuring exercises which followed the Toronto and Trinidad summits of the G.7 certainly set the stage for a new approach to the problem of debt burden alleviation, because arrangements for reductions of debt stock and debt service were for the first time introduced into the mechanisms for renegotiating official loans and officially guaranteed credits. Nevertheless, because of the restrictions attached to the scope of coverage, certain types of loans and certain categories of debtor countries were left out. For example, for the low-income countries, ODA debts were not cancelled. Also, the measures had very limited impact on the financial situation of countries such as Côte d'Ivoire, the Niger and Nigeria, whose debt structure is dominated by bank loans. Moreover, the issue of lending by the multilateral financial institutions remained unaddressed. Indeed, the fact that loans contracted from those institutions could not be renegotiated - and even more, that arrears could not be tolerated - meant that some of the resources obtained from bilateral creditors were transferred to those institutions. The direct consequence was that liquidity did not improve as much as it should, while failure to reduce the risk of payment defaults made the chances of mobilizing funds from private donors rather slim.

159. In December 1991, the Paris Club instituted the Enhanced Toronto Terms containing for the first time provisions paving the way for a partial reduction in some categories of official debt and debt service and publicly guaranteed commercial debt of the poorest countries eligible to the IDA. This measure was accompanied by other unilateral initiatives taken individually by bilateral creditors to reduce the debt related to their ODA pro-

gramme. Along with such initiatives, the World Bank decided to offer heavily indebted countries a series of debt relief options, like the IDA Debt Reduction Facility or exceptional IDA allocations which would enable such African countries like the Congo, Mozambique, Niger, Sao Tome and Principle, Uganda and Zambia to pay up their commercial debt arrears or arrears owed the Bank itself. More recently, at the prodding of the December 1994 G.7 Summit, the Paris Club creditors are now willing to grant up to 67 per cent of debt or debt service to low income countries with acute debt overhang provided they implement SAPs for three consecutive years.

160. Efforts by the African countries to improve their external competitiveness are not by themselves enough to provide a solution for their debt crisis, even on a medium-term basis. Therefore, an effective solution to the African debt crisis requires - among other macroeconomic policy orientations - meaningful and multidimensional measures, involving specific commitments by both creditors and debtors. If the lending community were to adopt multifaceted radical measures that went beyond the limited framework of financing payment arrears, to include immediate and massive concessional flows in conjunction with debt relief, the countries would be able to emerge from the vicious circle of the debt trap and of repeated rescheduling. The African Common Position on External Debt adopted in 1987 at Addis Ababa by the Heads of State and Government of the Organization of African Unity remains still topical in that respect.

161. Admittedly, African countries, themselves have a major role to play in taking appropriate measures to restructure their economies and to create an enabling environment for domestic and foreign investment. However, there are two factors which are far from being controlled by African policy-makers: the dependence of African economies on the industrialized countries, and the high degree of exposure of African countries to external shocks. Reducing their external dependence, and developing the capacity to cope with changes in the external environment, require long-term restructuring and adjustment which would require a good deal of international support to accomplish.

162. The external debt crisis of Africa must be placed within the global context of Africa's relations with the rest of the world and seen as a central element in the economic crisis of the continent. Hence, the formulation of a specific strategy to deal with the African debt crisis must be built around two major integrated policy measures: the first is immediate action to relieve the pressure of debt so as to avoid a disintegration of the present fragile economic and social structures; the second is to restore the external viability of African economies and create favourable conditions that would attract the financing necessary to achieve economic recovery and promote sustainable growth - the only feasible way to emerge from the present economic and financial crisis.

Table XVII

Total net resource flows to Africa and Sub-saharan Africa, 1985 and 1990-1992 (Billion $US)

	Africa				Sub-Saharan Africa			
	1985	1990	1991	1992 p	1985	1990	1991	1992 p
I.Official Development Finance (ODF)	14.7	24.8	24.6	27.9	9.7	20.0	18.9	20.0
1.1. Official Development Assistance (ODA)	11.4	22.1	22.8	24.8	8.4	17.1	17.1	17.7
of which: . bilateral disbursements	8.1	16.0	16.7	17.5	5.6	11.5	11.0	11.2
multilateral disbursements	3.3	6.1	6.1	7.3	2.8	5.6	6.1	6.5
1.2. Other ODF	3.3	2.7	1.8	3.1	1.3	2.9	1.8	2.3
of which: . bilateral disbursements	2.1	0.8	0.1	1.0	0.7	2.0	1.3	1.5
multilateral disbursements	1.2	1.9	1.7	2.1	0.6	0.9	0.5	0.8
II.Total export credits	2.1	0.9	0.2	-1.6	3.1	-0.8	-0.5	-1.0
of which: . short-term	1.3	2.4	-0.4	-0.6	0.9	1.0	-0.3	...
III. Private flows	2.8	1.0	-1.5	-1.7	1.6	0.8	0.1	-1.0
1. Direct investment	0.5	0.2	0.5	0.6	-0.2	0.3	0.4	-3.5
2. International bank lending	0.8	-0.8	-4.0	-2.5	0.8	-1.0	-2.0	-1.0
3. Total bond lending	0.4	...	...	...	...	...	...	...
4. Other private	0.1	-0.1	0.3	0.2	0.1	...	0.2	...
5. Grants by non-governmental organisations	1.0	1.7	1.7	...	0.9	1.5	1.5	...
Total net resource flows	19.6	26.7	23.3	24.6	14.4	20.0	18.5	18.0
At 1991 prices and exchange rates								
Total net resource flows	34.0	27.7	23.3	23.2	24.9	20.7	18.5	17.0
Total ODF	25.5	25.7	24.6	26.3	16.8	20.7	18.9	18.8
Total ODA receipts	21.5	26.1	24.7	23.3	15.9	18.1	17.2	16.7

Source: OECD, Financing and External debt of developing countries, 1992 Survey, Paris 1993.

D. Resource flows

163. At 1991 prices, net resource flows to the region were US$23.2 billion in 1992, compared to US$27.7 billion in 1990 and US$34.0 billion in 1985 (Table XVII). The indications from figures of net ODA flows from the Development Assistance Committee (DAC) countries, multilateral institutions and Arab countries to Africa are that ODA to the region has been falling in current and constant terms since 1990.

164. In 1993, net ODA flows to the region amounted to US$21.4 billion compared to US$24.7 billion in 1992 and US$25.1 billion in 1990. At 1992 prices, however, net ODA flows declined by 11.4 per cent in 1993 to US$21.9 billion, and were only 79.4 per cent of their 1990 levels - an average fall of 5.6 per cent a year in real terms (Table XVIII).

Table XVIII
Net official development assistance to African subregions, (million US$)

Region	1990	1991	1992	1993
North Africa	7193	6988	5428	3444
Sub-Saharan Africa	17452	17162	18755	17582
Others	491	532	520	428
Total	25136	24682	24703	21454
Total (at 1992 prices)	27574	26166	24703	21890

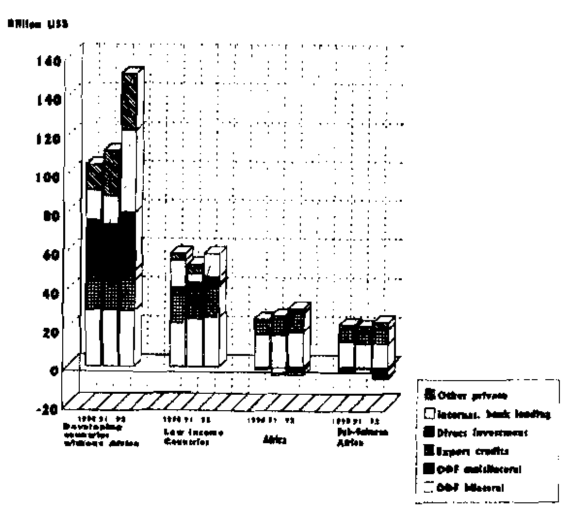
Source: OECD, Development Cooperation Report 1994, Paris 1994

165. The steady decline in resource flows to the region in the past 8 years is in contrast with the growth and financing requirements of developing Africa, particularly the low income African countries. These countries, because they are faced either with a sharp contraction in private flows or are unable to borrow from international money markets, have the bulk of their external resources currently provided by bilateral and multilateral donors. Those countries face various internal and external difficulties: macroeconomic instability, social turmoil, civil strife, weak and disjointed institutions, heavy debt burden, unfavourable international economic environment and deteriorating terms of trade. Their poor performance has deepened the distrust of investors, accentuated the withdrawal of private donors and increased their dependence on official development finance (ODA).

166. Since 1990, there has been a marked change in the structure of resource flows: the relative increase of ODF, estimated at US$3.1 billion for the first three years of the 1990s, was not enough to compensate for the dwindling receipt of private resource flows. The share of bilateral donor disbursements has decreased steadily over the years since 1985. While it accounted for 70 per cent of ODA in 1985, it fell to 68 per cent in 1991 and to 66 per cent in 1992. While multilateral disbursement has increased over the period, the trend has been irregular. What is more, the volume of multilateral lending has been modest when compared to the financing needs of the poorest developing countries as a group.

167. In the case of bilateral official lending, the concessional element fell by half from 1989 to 1993. In the case of multilateral lending on concessional terms, which accounted for 45 per cent of official loans in 1985, the proportion has exceeded 70 per cent since 1990. In contrast, technical assistance grants expanded by nearly 20 per cent between 1990 and 1993. The trend of the latter component of ODA would seem to suggest that part of the bilateral inflows has been diverted to technical assistance, whose cost and effectiveness are increasingly being called into question.

Fig.10: Total net resource flows to Africa and other developing countries 1990-1992



168. With regard to private financial flows, there has been a slight recovery in foreign direct financial and portfolio investment but it has been confined to a few countries where economic reforms, in particular the privatization of public enterprises and parastatals, created opportunities for equity participation or where the best opportunities for profit exist on account of a stable and expanding economic environment. On the other hand, net transfers on private lending has worsened to a net outflow of US$1.7 billion in 1992 and confirming the persistence of negative transfers by commercial banks from the low-income countries of sub-Saharan Africa. Thus, the fact that private capital resources are currently more abundant in the world does not guarantee that they will be an automatic substitute for concessional flows to African countries.

169. In order to be able to double average per capita income in Africa and reduce poverty over a period of 20-25 years, substantially, a large increase in external financing would be required, in addition to increased domestic resources, which would require the gross domestic savings rate to be raised to 25-35 per cent of GDP. While the rebuilding of domestic financing capacity in Africa would depend primarily on the outcome of ongoing reforms, massive support by Africa's development partners would be indispensable to support those efforts in the short and medium term. It will be recalled that, at the beginning of this decade, the United Nations obtained in the New Agenda for the Development of Africa in the 1990s (UN-

NADAF), the renewed commitment of the international community to support development efforts in Africa. Since Africa's external debt constituted one of the major constraints to the financing of growth recovery, specific measures were recommended towards reducing the debt-service burden. It was agreed that the achievement by the African economies of an average annual growth rate of 6 per cent - the critical threshold to curb absolute poverty - during the decade of the 1990s would require raising ODA to US$30 billion in 1992 and maintaining its growth rate, in real terms, at an annual average of 4 per cent until the end of the decade. These resources would supplement debt-relief measures and others aimed at revitalizing export capacity in such a way as to make development self-sustaining.

170. Much would depend on whether donors' response to Africa's needs becomes more positive in the future. Predictions are now difficult to make because the post-cold war period has given a new dimension to the policy orientation of ODA. First, the collapse of the Soviet Union and the socialist bloc has deprived some developing countries of the financial and technical assistance previously provided to them within the framework of their relations with that bloc. Second, assistance from the oil-producing Arab countries which was at the level of US$8 billion at the beginning of the 1980s decreased to US$2 billion during these last years. With the recent peace agreement and prospects of stability in the Middle East, the region is in greater need of its available resources for its own development, since reconstruction will be among the main priorities. Third, most of the Development Assistance Committee (DAC) members - the most important source of official development assistance in the world - are only just emerging from a long-lasting recession. As one of the consequences of the austerity programmes dictated by recession, the perception of budgetary allocations to development assistance by some political groups in the donor countries is changing profoundly, reflecting their opposition to the spirit of solidarity which characterized actions in the past in favour of development in the poorest countries.

171. The outcome of all the developments mentioned above has been stagnation or decline of ODA funds which has led to the adoption by the donor countries of more constraining eligibility criteria and specific efficiency ratings. A set of targets and performance criteria, among them poverty reduction, children's health, demography, anti-AIDS campaigns, environment, women participation in development, good governance, democracy, human rights, popular participation, promotion of the private sector, will determine the allocation of public resources to the demanding countries. There will undoubtedly be more competition among the increasing number of requesting countries for the limited funds available. As targets are set on the basis of global priorities, countries considered marginal might be penalized.

172. It is in that context that the response of donors to Africa's aid requirement should be made. The initial signs leave little room for optimism. Apart from Japan, which decided in 1993 to raise by 50 per cent its contribution to world development, the member countries of the OECD Development Assistance Committee have levelled off their contributions at 0.35 per cent of GNP over the last 30 years. The 0.7 per cent target set by the United Nations may not be achieved, because of the ever-decreasing number of countries even trying to meet it. In order to expand the possibilities for mobilizing development finance resources for Africa in the coming years, the measures accompanying development assistance must include debt relief, stabilization of commodity prices and encouragement of private flows.

IV. THE SOCIAL SITUATION

173. The overall social situation in Africa has continued to deteriorate. This is evidenced by the rapid rate of population growth and the pressure of urbanization and rural emigration, the decay in educational and health infrastructure, growing malnutrition and poverty, the worsening plight of refugees and displaced persons, and widespread unemployment and underemployment. Severe cutbacks of expenditure on education and emphasis on cost recovery and cost sharing continue to affect adversely the education sector, evidenced in falling gross enrolment ratios, haphazard attendance, high attrition and repetition rates, low moral and exodus of teachers from the profession. In some cases, pay disputes between governments and teachers' associations as well as political tension or strife have contributed to the closure of many educational institutions. As with the educational sector, so with the health sector. Cost recovery programmes as well as pay disputes have interrupted the demand for health care in many countries. The only positive developments in the social arena in 1994, perhaps, were in the democratization process, culminating in the establishment of popularly elected governments in a number of African countries.

174. Women, children and youth bear a disproportionate burden of the social crisis in Africa, who constitute 70 to 80 per cent of refugees, and a preponderant share of the unemployed and participants in the informal economy. African women experience the highest maternal mortality rates in the world, while the level of illiteracy among them is almost unsurpassed anywhere else.

175. This chapter analyses trends in selected social aspects of development, focusing on such key areas as the demographic situation, employment, health and nutrition, women in development, refugees and displaced persons.

A. The demographic situation

176. Africa's rate of population growth in the last 40 years is above that of any other major region. The region's demographic profile is characterized by unacceptably high fertility levels. Current estimates indicate that the average number of children per women is 6 in Africa compared to 3.21 in Asia and 3.05 in Latin America and the Caribbean. At the current population growth rate of 3 per cent per annum, the African population, estimated at 744 million in 1995, is expected to double in the next 23 years. This rapid population growth has made overall rational management of resources difficult, as population pressures exerts unsustainable pressures leading to environmental degradation both of which in turn, accentuates poverty.

177. Even more astounding is the unusually high rate of urban population growth in Africa, estimated at around 5 per cent per annum during 1970-1990 compared with the corresponding rates of 3.43 per cent for Latin America and 3.97 per cent for South Asia, the other two regions of high growth. The level of urbanization in Africa, at 35 per cent, is comparable only to that of East and South Asia, which have been estimated at 29.4 and 29 per cent respectively. The estimated urban population of 217 million in the region in 1990 is expected to reach 544 million by the year 2010, and 783 million by 2020 - an almost four-fold increase. By 2020, half the population of Africa, about 54 per cent, would be living in urban areas.

178. Such phenomenal rates of urban population growth will have profound consequences on the economies of African countries and the lives of the city dwellers. They will culminate in: (a) intolerable pressure on already overstretched infrastructure, especially housing, water and sanitation, health and educational facilities; (b) growing unemployment and underemployment; (c) the misery of urban slums, shanty towns and peri-urban areas; (d) rapid environmental degradation; and (e) anti-social behaviour.

179. In Africa's exploding cities, intense congestion and increased pollution, with its hazardous effects on the health of the population, pose immense health problems to a population already burdened by primary poverty and a protracted process of economic adjustment and reforms.

180. Since 1980, Africa's total fertility rates (TFR) have been on the decline, albeit very gradually. Kenya, for instance, which had one of the highest TFR rates in the world - almost 8 births per woman - is experiencing a decline, thereby reducing the average for the Eastern African subregion. Contraceptive use, education (particularly at the second and third levels), increased labour force participation by women and the impact of population policies, are among the most important instruments in the campaign to reduce fertility rates in the region. The percentage of the population using contraceptives, however, is among the lowest in the world: it ranges from 9 per cent in sub-Saharan Africa to 36 per cent in North Africa.

181. Despite the emphasis in many of the seminal documents and plans of action, emanating from Africa on the importance of population factors in development planning, most governments have yet to formulate concrete population policies geared to lowering the high population growth rates, let alone implementing such policies. By 1992, only 15 to 20 African countries had explicit population policies geared to reduction or even stabilization of the rate.

182. Important as population policies are in the harmonization of the demographic trend with development, they do not suffice to halt population expansion, let alone bring about the desired transition. Poverty, the slow pace of economic growth and the extreme neglect of critical issues relating to social development are at the heart of the population problem. Indeed, rapid economic development is an essential condition for the slowing down of population growth. As reiterated in the United Nations International Conference on Population and Development, held in Cairo, from 5 to 15 September 1994, the inexorable link between poverty and sustainable development is such that the eradication of poverty must be viewed as central to any policy for slowing population

growth and for achieving early population stabilization. Increased investment is imperative in fields where it is important for the eradication of poverty, for example basic education, health, sanitation and drinking water, housing, adequate food and nutrition. In addition, the Programme of Action on population and development, endorsed at the Conference, underlines, among other things, the goals of promoting education, especially for girls; gender equity and equality; infant, child and maternal mortality reduction; and identifies investment in human resources development, employment generation, women's rights, family planning, primary health care (PHC), democratization and popular participation, together with the problem of refugees and population displacement, as key factors to socio-economic recovery and long-term structural transformation. In short, the objectives and goals of the Programme of Action are consistent with those of the Dakar/Ngor Declaration on Population, Family and Sustainable Development, which was Africa's input to the Cairo Conference.

B. Is health for all achievable by the year 2000 in Africa?

183. Sixteen years after the Alma Ata Conference, the decay in health infrastructure, and the failure to fully implement primary health care (PHC) have had catastrophic consequences on the health status of most people in the region, especially women, children and the poor. The combination of severe socio-economic crises and a lack of serious orientation and implementation of health programmes have regrettably culminated in the erosion of past achievements in the health sector, and the recrudescence of previously controlled diseases. Large outbreaks of diphtheria and measles continue to affect children who could be protected if immunization programmes were given sufficiently high priority, as they deserve. So would the provision of sanitation and safe drinking water to the population at large reduce dramatically mortality and morbidity from such endemic diseases as cholera, dysentery and diarrhoea, while widespread use of oral rehydration therapy (ORT), which is extremely cheap and easy to administer, can save millions of lives among children.

184. More than anything else, however, it is the rapid spread of the HIV/AIDS disease which has brought untold havoc to the African health landscape in recent years. The HIV destroys the immune system, thereby making patients more susceptible to HIV-related infections and complications. A case in point is the recent resurgence of tuberculosis (TB) which, in some cases, has doubled or even tripled since 1985. Recent data indicate that up to half of the people newly diagnosed in Africa as having pulmonary TB are also HIV-positive. Untreated sexually transmitted diseases (STDs) are also heavily implicated in the spread of HIV. The World Health Organization (WHO) estimated in 1994 over 10 million cases of HIV infection in Africa and projected a staggering 14 million cases by the year 2000.

185. The pandemic has been most severe in cities of Eastern, Central and Southern Africa, where up to 25-30 per cent of all adults are infected and over 20 per cent of all hospital beds are encumbered by AIDS patients. In addition, findings from a number of other studies indicate that HIV/AIDS, which currently has no cure, tends to affect disproportionately the groups with the highest levels of productive skills and human capital. The economic consequences of the epidemic are already reflected in the declining levels of labour productivity and in a significant reduction of labour supply, especially in the most seriously infected areas of Eastern and Central Africa.

186. To contain the HIV/AIDS pandemic a number of modalities have been adopted by some African countries, especially in the Southern and Eastern African subregions. They include media campaigns; community mobilisation programmes; person-to-person education; condom promotion; and control of STDs. To some extent, those strategies have helped to change the sexual behaviour of some segments of the population, particularly in the severely affected areas. However, widespread dissemination of information, education and communication, on which so much hope of reducing the pandemic is contingent, has nevertheless proved ineffective for the most part. In addition, denial, complacency, poverty and stigmatisation of infected people have combined to slow the effects of those measures of prevention and control. Consequently, there is need for aggressive social mobilization, directed towards community participation, co-opting community opinion-leaders as the central pivot and agents of the campaign to bring HIV/AIDS under effective control. Success, however, will obviously depend on the political and financial support of African Governments, which is by no means assured at present.

187. There is another growing health hazard in Africa emanating from the devastation caused by the innumerable landmines in the conflict and post-conflict areas. In the Bulletin of the WHO Pan-African Centre for Emergency Preparedness and Response (Vol. 2, No. 1), landmines in Africa have:

> *"wide and long-lasting consequences for the population, the health services and the socio-economic fabric of the affected countries. Besides killing and disabling people, landmines preclude access to water, farming land, firewood, markets, schools and health facilities with a dramatic impact on the natural environment the life of the communities, and the economy of a country... And the fact that the civilian casualties of the landmines are mainly women and children adds to the magnitude and gravity of the tragedy. One woman killed or mutilated represents higher risk of illness or malnutrition for the entire family, one disabled child represents a long-term burden to the health services of the society at large. In war and in its aftermath, landmines, besides the workload represented by the wounded and disabled persons, pose a threat to Health mobile-teams, logistics, etc: the outcome will be reduced coverage and effectiveness for all PHC activities. Health will lose personnel, equipment and*

supplies; funds will be diverted into tertiary care and long-term hospitalization, as well as towards staff insurance and disability allowances."

188. Compounding the decay in health infrastructure and services, and the new threat from HIV/AIDS and landmines, has been the staggering number of malnourished people on the continent. Because of the region's annual population growth rate of about 3 per cent per annum and poor economic performance and per capita food production, the number of chronically under-nourished people has increased dramatically from 101 million people to 168 million between 1969-1971 and 1988-1990. Even by the year 2010, the FAO projects that chronic under-nutrition is likely to remain rampant, with some 32 per cent of the population (approximately 300 million people) in sub-Saharan Africa affected.

189. According to WHO and UNICEF, nutritional deficiencies, most of which can be averted at a relatively low cost, are the main cause for stunting, blindness, low-birth weight, goitre and impaired and irreversible mental and physical development among children. Apart from that, nutritional anaemia and vitamin A deficiency increase morbidity and mortality in young children. Over 30 per cent of children in Africa suffer from moderate to severe malnutrition. The existence of such a huge number of malnourished children has profound ramifications for Africa's long-term growth and development. Thus, the improvement of nutrition has to be recognised as one of Africa's principal and urgent tasks. Political commitment and a predilection for PHC remain the most viable options if the crisis attendant on such high levels of severe malnutrition is to be contained, the more so since data indicate, for example, that severe malnutrition can be prevented for as little as $2.50 health care expenditure per child.

190. Though substantial efforts are already being made by a good number of African countries to improve the health status of their citizens, it is clear from the foregoing discussion that the general health of the people can only be described as unsatisfactory, with vulnerable social groups such as children and women being the worst affected. Unfortunately, with only five years to go and no significant changes in sight in social policy and planning, it is doubtful that "health for all" will be achieved in the region by the year 2000.

C. The employment situation

191. To have a deeper insight of the deteriorating state of Africa's socio-economic milieu, it is necessary to take stock of the appalling problems of unemployment and widespread underemployment. Open unemployment in urban areas has increased without abatement over the past two decades, growing from 7.7 per cent in 1978 to 22.8 per cent in 1980 and is projected to reach 30 per cent by the year 2000.

BOX 1

THE IRINGA NUTRITION PROJECT IN THE UNITED REPUBLIC OF TANZANIA

The nutrition programme that was initiated in 1982 in the Iringa region of the United Republic of Tanzania with the assistance of UNICEF and WHO has since become the harbinger of similar schemes in other parts of the country, and replicated in many African countries. The scheme, which centres on the concept of 'hidden hunger' and its alleviation through a range of food production, infant physical growth monitoring and health- related activities, took its evolutionary cue from the emerging realities in the United Republic of Tanzania at the village level. Its emphasis was on information, advocacy and women mobilization, and the capitalization on these critical parameters for the improvement of child care habits, feeding and welfare.

As a result of the scheme, the various communities and villages in Iringa region set up their own day-care centres for the feeding and general welfare of children while their mothers were away on the farms; the villagers paying for up to 70 per cent of the wages of the day-care attendants from their own resources, and in general putting in place a surveillance system. In the space of four years, the incidence of moderate, i.e., hidden, malnutrition dropped from 50 to 37 per cent, and that of severe malnutrition from 6 to 2 per cent. Attendance at the weighing clinics rose from 25 to 80 per cent.

The success story of the Iringa nutrition project is not only in changing the thinking about nutritional policy in the United Republic of Tanzania and current perceptions about the capabilities of self-help on the part of village women, but in demonstrating in general the value of self-help programmes at the rural level.

Source: **UNICEF,** Girls and Women in Africa: A UNICEF Perspective for Breaking the Cycle of Disadvantage, **pp.12-14.**

192. Youth unemployment is already also a critical problem facing many African countries. The trends in the employment situation point to three imperatives for the future, all on account of the labour force continuing to grow at a rate which cannot be accommodated by the African economies in terms of the provision of opportunities for productive employment: (a) a greater reliance on the informal sector for job creation; (b) a larger proportion of youths joining the ranks of the unemployed and underemployed; and, (c) a lengthier period of time to find a job. To reduce youth unemployment, action is required in reforming the educational systems and programmes so that they respond better to labour market requirements. It is imperative also to establish modalities for reducing the mismatch between the supply and demand for skills, i.e., to create skills that are really crucial for the restructuring and socio-economic transformation of the African economies.

193. In the past two decades, women have made significant gains regarding their participation in the labour market. Nevertheless, their unemployment rate remains on the whole three times as high as that of men. Women remain a disadvantaged part of the labour force, being frequently considered merely as a part of the "contingency" work force. Jobs held by women are usually in the less prestigious sectors of the economy, of the most temporary duration, and obtained under precarious contracts. That state of affairs explains the preponderance of women in the low productivity sectors of the informal economy. Despite the efforts made to increase the number of women in the modern sector of the economy, the share of women in paid employment in African countries remains relatively low compared to their share in the total labour force.

194. Owing to the limited ability of the formal sector in the provision of gainful employment, the informal sector has evolved as a sponge of the unemployed, especially, with large-scale retrenchment in the public sector and the lack of adequate compensatory schemes for employment creation. Projections by ILO's Jobs and Skills Programme for Africa (JASPA) show that, although the informal sector would need to generate 93 per cent additional jobs in urban Africa in the 1990s, it would, even if successful, absorb only 23 per cent of all entrants into the labour market. As is well known, the jobs in the informal sector offer low wages with little job security; and the growth in the size of the labour force in the sector has generally been at the expense of a failure to improve productivity or of rising underemployment, or both.

D. Refugees and displaced persons

195. The problem of refugees and displaced persons in Africa remains serious and alarming, not just because of the human tragedy and the incalculable sufferings to which the refugees and displaced persons are subjected, but also on account of the adverse impact of their movements on socio-economic and environmental development and stability in the region. Today, the number of refugees in Africa is in excess of 7 million refugees or approximately one third of the total world refugee population. About three times that number are internally displaced in various parts of the continent. These are people who have been forced to flee their homes and countries as the result of a combination of civil wars and internal open conflicts rooted mostly in ethnic tensions and violation of human rights; and/or as a consequence of the impact of political instability and environmental degradations aggravated often by poverty and a legacy of economic stagnation and inequalities of access to resources. But only a small percentage of them have so far returned home voluntarily, even after years in exile, owing to the on-going state of insecurity, the return of home of refugees and displaced persons is often complicated by problems of poverty, often social inequity and the ever-present fear of ethnic reprisals or killings. Many refugees are forced to subsist in remote camps and ecologically fragile zones where they may eventually themselves be responsible for some of the environmental degradation and instability that, in turn, exacerbate their already precarious existence. This underscores the need for increased assistance and support from the international community to enable the African continent to cope better with the rehabilitation and resettlement needs of the teeming ranks of refugees and displaced persons.

Box 2

GENOCIDE AND POPULATION DISPLACEMENT IN RWANDA, 1994

Rwanda witnessed in 1994 a devastating human tragedy, with over 500,000 Rwandese massacred following the death of the Presidents of Burundi and Rwanda and some high-ranking officials in a plane crash on 6 April 1994. In an attempt to escape the continuing bloodbath of ethnic violence and possible reprisals, hundreds of thousands of Rwandese fled their homes and many more were forced to cross national frontiers. The United Nations Commission for Human Rights estimated in May 1994 that, within weeks, approximately 500,000 people had been internally displaced in a country with a population of at about 7,500,000 people. By December 1994 UNHCR reported over 2 million Rwandese refugees distributed over East and Central Africa. The nightmare continued as insecurity, assault and disease characterized the Rwandese refugee camps in Zaire, aggravated by the limitations of an overstretched infrastructure, particularly with regard to medical care, water and food supply. Consequently, unusually high death rates of almost 2,000 a day became the norm for a while in some of the camps.

Some of the factors that have complicated the refugee problem in Rwanda in 1994 and made it so overwhelming in the context of Central Africa are: (a) the genocide and ferocity of the ethnic violence that prompted the population displacement; (b) the huge numbers which crossed the frontiers - by December 1994, 275,000 Rwandese refugees were in Burundi, 591,000 in the United Republic of Tanzania, 4,000 in Uganda and 1,255,000 in Zaire; (c) the suddenness of the arrival of the refugees in the countries of asylum; (d) the shattered emotional and psychological state and the poor physical health of the refugees upon arrival in host countries; and (e) the state of personal insecurity and intimidation prevailing in some of the refugee camps as a result of the activities of certain extremists and militia groups. Those factors, together with the fear of ethnic reprisals or killings, and the continuing fragility of peace and polity in Rwanda and most of Central Africa, including neighbouring Burundi, have complicated in no small way the prospects for responding adequately to the tragedy, organizing humanitarian action in favour of the refugees and enabling host governments and the international community to effect emergency relief and assistance generally. Ultimately, they have a bearing also on the prospects for the voluntary repatriation and early return home of the refugees.

196. In the final analysis, there must be renewed multilateral efforts and the political will that can facilitate the voluntary repatriation and resettlement of refugees and displaced persons in their natural habitat and homes. This is the only practical and fundamental long-term solution to the problem of population displacement in Africa. The promotion of peace and reconciliation, and democratic institutions and culture, in the home countries of the refugees and the displaced persons, is imperative. With the cessation of hostilities and the restoration of peace, priority attention must be given to the clearing of landmines in former conflict zones in order to enhance the normalization of life and free movement; although the real danger and wide-ranging cruelty of landmines as an instrument of warfare will for ever remain, without concerted international efforts at stopping their production and sale. And only then can refugees fleeing from political instability, civil wars, ethnic violence and conflict zones be persuaded that the factors which precipitated their departure in the first instance no longer existed, and that they can return home in safety and dignity.

197. Moreover, the recognition is long overdue that, beyond emergency relief and humanitarian aid to refugees and displaced persons, there will be the equally pressing need for concerted assistance with resettlement, rehabilitation and poverty alleviation, as well as reconstruction of shattered economies in the home countries of the refugees and displaced persons. Without development and some socio-economic progress, neither the returnees nor the societies to which they belong could look forward to the future with confidence and hope.

E. Women and development

198. Another area where progress has been awfully slow has been the integration and participation of women in the development process. In sub-Saharan Africa, for example, 65 per cent of the women over the age of 15 are illiterate, compared to 40 per cent for the men. Adult female literacy rates in North Africa are among the lowest in the world, and access of girls to schooling remains well below that enjoyed by boys. More than 20 million African girls aged 6-11 years were not in school in 1990; and unacceptably high gender disparities in literacy rates as well as in primary and secondary education still persist. Those who succeed in gaining access to formal education have a greater tendency to drop out, sometimes because of financial, cultural and other constraints pertaining to differential socialization processes for girls.

199. Improvement in women's health and reproductive rights is central to their ability to assume the decision-making power which would enable them make the necessary choices in other areas of their lives. Unfortunately, African women do not yet exercise decisive control over their fertility and reproductive capacity. The plight of the African women is being further exacerbated by sexually transmitted diseases such as HIV/AIDS. Additionally, there is a modicum of evidence to indicate that the HIV pandemic is affecting women disproportionately more than men. For example, UNICEF, (1995), reports that women now account for 55 per cent of all new cases of HIV diagnosed in Africa, indicating a higher vulnerability of women to AIDS relative to men. One out every three pregnant women attending antenatal clinics in some of Africa's major urban centres is infected. The subordinate position of women and adolescent girls makes them particularly vulnerable to AIDS infections - younger women in particular have the least power, and lack, in general, access to information, education and communication, health facilities and training, independent income, and legal rights.

200. As part of the preparations for the fourth World Conference on Women which is scheduled to take place in Beijing, China, from 4 to 15 September 1995, African member States held the fifth African Regional Conference for Women in Dakar, Senegal, from 16 to 23 November 1994 to review progress made and the obstacles encountered in the implementation of the Nairobi Forward-looking Strategies for the Advancement of Women to the year 2000. The major outcome was the adoption of the African Platform for Action (APA), which will be submitted to the fourth World Conference on Women. At the core of APA is an underscoring of the need to empower women politically and economically, increase their access to education, training, science and technology support their vital role in society and the family, and protect their legal and human rights; and, the identification of 11 critical areas of concern, which constitute the major gaps and obstacles to the accelerated advancement of women in Africa. They consist, in general, of: (a) women's poverty, insufficient food security and lack of economic empowerment; (b) inadequate access to education, training, science and technology; (c) women's vital role in culture, the family and socialization; (d) improvement of women's health, reproductive health including family planning and population related programmes; (e) women's relationship and linkages to environment and natural resource management; (f) involvement of women in the peace process; (g) the political empowerment of women; (h) women's legal and human rights; (i) mainstreaming of gender-disaggregated data; (j) women, communication, information and the arts; and (k) the girl-child.

F. Policies and prospects for social development and progress in Africa

201. The foregoing analysis indicates that social development and progress in Africa continues to be faced with a major crisis. The major social ills are: high rates of unemployment, infant and child morbidity and mortality, and maternal mortality; rapid population growth rates; environmental degradation; and a growing population of refugees and displaced persons as a result of civil wars and ethnic conflict. Women, children and youth bear a disproportionate share of the burden, which, in many cases, has been exacerbated by the social costs of adjustment.

202. Given the continued deterioration in the social situation in Africa, five years to the dawn of a new millennium, it has been necessary in several parts of this report to ask and to attempt answers to a number of pertinent questions: Is it that the political will to foster social development has not been sufficiently articulated in Africa's past development strategies? Or, is it that the urgency of socio-economic development and the daunting tasks involved are yet to be fully understood, or sufficiently realized and appreciated by the African Governments and their development partners? Is Africa fully committed, mobilized and braced to lifting itself up by its own bootstraps? Has donor assistance been made available in the desired amounts and with the timeliness required to ameliorate the social situation in the African region and usher in socio-economic progress and transformation?

203. The issues of health, education, employment and effective popular participation in social, political and economic development bear heavily on the agenda items of the Cairo International Conference on Population and Development, the United Nations-organized World Summit for Social Development, and the fourth World Conference on Women on the gender aspects of poverty alleviation, employment generation and social integration. By underscoring anew how inexorably progress in human development is linked to the long-term development and structural transformation which the countries of Africa must undergo if grinding mass poverty is to be overcome, these important meetings will have no doubt a salutary effect in advancing social development in Africa.

204. However, what is needed, first and foremost, is for the African Governments themselves to give due priority to social planning and social programmes in their own national development strategies. As articulated in the African Common Position on Human and Social Development, there is massive under-investment in the social sector in Africa, typified especially by the neglect of certain priority areas such as poverty alleviation and employment generation. Consequently, there is an urgent need to increase resource allocation and investment in job creation, environmental protection, family planning, health, education and nutrition of Africa's children and, where necessary, land reform; and, to devise modalities for integrating women into the main stream of development efforts.

205. To redress the situation of grossly unequal distribution of land, improved land-holding schemes are being vigorously pursued in Kenya, South Africa and Zimbabwe. In South Africa, for example, the Land Restitution Bill was signed into law on 17 November 1994. The legislation is an attempt to give redress to black South Africans dispossessed of their land by apartheid laws dating back to the 1913 Land Act, which limited the majority population's land ownership rights to 13 per cent. It is estimated that 3.5 million black people were victims of forced removals during the apartheid era. The Land Resti-

tution Bill provides for the creation of a land claims court and a land commission to arbitrate claims for restitution. Petitioners have up to three years to lodge their claims.

206. The donor community can also better support the intricate and complex social transformation process in Africa a great deal more by restructuring and targeting ODA effectively in favour of the poor. As pointed out in UNICEF's report on the State of the World's Children, 1995, only about 25 per cent of today's aid is given to the countries where three quarters of the world's poorest billion people now live, and only about 15 per cent goes to the agricultural sector, which provides a livelihood for the majority of people in almost all developing countries, with far much less to primary education, primary health care and family planning services. That is highly undesirable. Poverty tends to perpetuate itself; and, unless a deliberate effort at poverty alleviation and eradication is made by the African Governments with the purposive and dedicated assistance of the donor community, it will persist and grow. Both the compelling urgency and the necessary scope of social policy reforms in Africa, and the corresponding needs for substantially enhanced levels of development assistance place the region in a special category to which the international community must favourably respond.

207. In this connection, current efforts to refocus SAPs to give more attention to poverty alleviation marks a welcome change. The World Bank now says it is making compensatory programmes (i.e., social safety nets, social action programmes, etc.) that were originally conceived as ad hoc special programmes for the mitigation of the social costs of adjustment a regular and standard feature of its new generation of SAPs. Still, the provisions of these compensatory programmes generally fall short of the ideal, which should be to integrate concerns about poverty and the social dimensions of adjustment in the basic design of SAPs, in line with the AAF-SAP and the African Charter for Popular Participation in Development and Transformation.

208. In the Programme of Action, which emerged from the World Summit for Social Development held in Copenhagen, Denmark, from 6 to 12 March 1995, world leaders are urged to commit themselves to the goals of eradicating poverty in the world, and to promote full employment as a basic priority of economic and social policies. It urges national governments to pay particular attention to the following: (a) efforts and policies to address the root causes of poverty and to provide the basic needs of all. These include the elimination of hunger and malnutrition, the provision of food security, education, employment and livelihood, primary health care, safe drinking water and sanitation, adequate shelter and participation in social and cultural life, with special priority to the needs and rights of women, children, the vulnerable and the disadvantaged groups and persons; (b) creation of employment, reduction of unemployment and the promotion of appropriately and adequately renumerated employment as a strategic and policy focus, with the full participation of employers, workers and their respective organizations, and giving special attention to the problems of structural, long-term unemployment and under-employment of youth, women, people with disabilities and all other disadvantaged groups and individuals; (c) promotion of basic social programmes and expenditures, in particular those affecting the poor and the vulnerable segments of society; (d) establishment of structures, policies, objectives and measurable goals that will ensure gender balance and equity in decision-making processes at all levels; and, the broadening of womens' political, economic, social and cultural opportunities, independence and empowerment, including the organizations of indigenous women at the grassroots level.

V. MEDIUM-TERM OUTLOOK FOR THE AFRICAN ECONOMY AND POLICY IMPLICATIONS

A. Prospects for 1995-1996

209. The economic prospects for the African region in 1995 appear quite favourable in 1995, as the year opens, although there can be little certainty as to what the final out-turn might be, given the fragility of African economies and the deficient information base used for the forecasts. What is certain is that the overall economic performance in Africa in 1995 will, as in the past, depend heavily on developments in the region's external sector as well as on climatic conditions. Progress towards the resolution of the civil wars and ethnic tensions and conflicts that have had and continue to have a damaging impact and repercussions on the domestic economy and the population at large will no doubt have a favourable impact on performance in 1995.

210. While the overall outlook for commodity prices is bright for 1995, the situation remains mixed. A strengthening in international coffee prices is expected because of the stock retention programme being implemented and possible production declines, but cocoa prices may not change significantly owing to uncertain demand situation and sluggish consumption in North America and Europe. And little or no sign of recovery in the former USSR. Reduced stocks of rubber, together with the slowing down of supplies of synthetic rubber, is expected to result in a tight global market in 1995. There are indications also that the rise in metal and non-oil mineral prices on the world markets may persist well into 1995. The expected surge in copper prices is related to signs of economic recovery in the USA and Europe, and expectations of sustained growth in some developing countries. As for tin and lead, prices are expected to increase, based on a rising trend in consumption.

211. As for the oil market, the prospects are rather shrouded in uncertainties in 1995. Since demand is projected to increase at a meagre rate of less than 1 per cent per annum to the end of the decade, future movements in oil price would depend very much on the behaviour of producing countries. If, as has been the case in the past, they fail to observe the orderly supply arrangements established by OPEC, prices are likely to decline owing to excess supply. Current estimates of future trends in oil prices range from the US$17 to US$ 18 per barrel on average.

212. Whether there would be a substantial debt reduction and increased and sustained resource flows to the African countries in 1995 is far from clear. At the end of the G7 Summit in December 1994 at Naples, Italy, a new stage was reached whereby by the Paris Club to continue its efforts towards debt relief for the poorest countries. The Paris Club creditors decided to grant 67 per cent debt or debt-service reduction (the earlier limit was 50 per cent) to those countries whose per capita income is $500 or less and whose ratio debt/exports - an indicator of debt overhang - is more than 350 per cent. But an additional conditionality was that continued efforts be made by the countries to implement SAPs entered into with the IMF over three consecutive years.

213. Aid budgets have been considerably cut back and down-sized in the industrialized countries, while, at the same time, the recent crisis on the international financial markets and the turmoil unleashed in the "emerging capital markets" have demonstrated convincingly the fragility of a world financial system that is increasingly focused on speculative capital and the rapid movement around the world of short-term funds. The new surge in portfolio investment and short-term capital flows have generally bypassed the nascent stock markets in the Africa region and are likely to do so even in 1995 and the immediate future. However, there are grounds for believing that the improving business climate across the continent; the impact of developments in foreign exchange policies and the slow but steady growth of confidence in political stability; and continuity of economic policies and financial reforms in parts of the continent are some of the positive factors that may be helping to reverse the recent trends in disinvestment and the drying up of private investment, both foreign and African, in the region.

214. At the domestic level in Africa, there are as yet few definitive signs of the likely agricultural trends in 1995, apart from the limited indications from those countries that had entered their cropping season by the end of 1994. It appears, at this point, that weather conditions may not be favourable in the Maghreb, particularly in Morocco, and that the same situation may hold for some countries in southern Africa. There are grounds also for concern in the Horn of Africa, where the weather pattern at the beginning of the year was somewhat unusual. Those developments would suggest only a modest increase in agricultural production for the whole region in 1995. The ECA secretariat forecasts a 2.7 per cent increase in value added. At the same time, the overall food supply situation is expected to be fairly satisfactory in 1995 except for a few possible cases of short-falls associated with isolated cases of drought, flooding and pest and locust infestation. According to the latest FAO estimates, total cereal import requirements in the region were expected to decline by 8.7 per cent from 28.6 million tons in 1993/1994 to 26.1 million tons in 1994/1995.

215. It is expected that progress towards the restoration of peace in 1995 would launch countries previously embroiled in conflict on the path of recovery and sustainable development. It is hoped, similarly, that the fragile situation in Angola, Rwanda and Burundi will become more viable in 1995 and that significant breakthroughs towards peace and reconciliation will be forthcoming in Liberia, Sierra Leone, Somalia and southern Sudan, so that those countries could emerge from protracted emergency or relief dependency into rehabilitation, reconstruction and real development. It is also hoped that transition to democracy in other African countries will move forward under peaceful and less destructive conditions in 1995 and

that the economic and social costs of such transition will be contained.

216. In South Africa, in 1995, it is expected there will be an intensification of efforts, through the implementation of the Reconstruction and Development Programme (RDP) to correct the gross socio-economic imbalances inherited from the apartheid era. Coupled with the firm stance towards fiscal responsibility, price stability, support for the private sector and encouragement of foreign investment, South Africa's economic growth rate should accelerate. That, however, will also require cooperation by labour and employers to build a new pragmatic relationship, based on a sympathetic understanding of each other's basic concerns as they set out to correct the labour market distortions entrenched by years of apartheid.

217. There is little doubt that African countries will continue to intensify their economic reforms in the direction of growth and transformation in 1995. Already, it is a good sign that most national budgets in Africa are indicating a reduction in deficits and in the inflationary spiral associated with excessive money creation. It is hoped that in 1995 the economic efficiency and macroeconomic stability concerns of the reform process will be integrated within a sustained long-term programme to build critical capacities in the areas of human resources, institutions and economic and social infrastructure that will put Africa on a sustainable footing and make it fully competitive in the modern world economy.

218. Altogether, therefore, there are grounds for only modest optimism regarding the growth prospects of the regional economy in 1995. Based on the above considerations and assumptions, ECA secretariat estimates that Africa's regional output should grow by about 3 per cent in 1995. It is to be noted, as usual, that this is an average of widely divergent results by countries and subregions. In Central Africa, which was severely hit by political turmoil in 1994 and remains mired in political instability, real development remains somewhere on the distant horizon with only a faint hope for output rebound in 1995. In contrast, a strong recovery is expected in East and Southern Africa, the subregions badly affected by drought in 1992.

219. It is yet too early to quantify prospects for 1996, but it would seem that growth may not exceed the rate expected in 1995, which in itself is far from what is required to make an impact on poverty and social welfare in the region. African countries' earnings from agricultural and mineral exports may retain their current positive trends if the dynamics of the recovery in the OECD countries is maintained. On the other hand, the surge in commodity prices in 1994 and 1995 may well encourage an expansion in productive capacity that was previously discouraged in Africa and elsewhere by low and declining world prices; and it may cause prices to revert to their secular trend. As in 1995 and previous years, therefore, the vicissitudes of the weather and price movements on the international market continue to cast a cloud of uncertainty over future growth prospects in Africa, in view of the importance of agriculture's contribution to aggregate output, export revenues and employment. And so may the violent conflicts affecting a significant number of countries and the lack of democratic and enlightened governance in many cases. It would be an error, though, to conclude that mere political, economic and financial liberalization will automatically bring about development. A lot would indeed depend on the real changes in the production sphere, in terms of competitiveness and productivity - and in intra-African cooperation - all of which are crucial for socio-economic progress and transformation in the region.

B. Major policy challenges

220. African countries will have to cope effectively with a number of major challenges, if they are to cope with the demands of socio-economic transformation and structural change. On the domestic front, there is the urgent need to build and effectively utilize the human, institutional and infrastructural capacities for managing a modern economy and polity, harnessing the region's physical, and financial resource endowment to bring about a meaningful and sustained transformation of the African economy. In that respect, they need to revitalize the social sector and to step up the mechanisms for conflict prevention and peaceful resolution of political disagreements and differences in order to minimize the needless waste of human and national resources, promote popular participation in the political process and focus world attention on the development needs of the continent rather than on conflicts and emergencies.

221. In their management of the economy, African Governments need to adopt macroeconomic policies that are consistent with the maintenance of monetary and price stability and a realistic exchange rate; that provide an enabling environment for domestic and foreign investors; and that involve an incentives structure consistent with the maintenance of economic efficiency and a high level of productivity. They need to ensure that policies for sustainable economic growth stimulate employment and concentrate largely on employment-intensive approaches and strategies, particularly in the rural areas and in the urban informal sector. Above all, they will have to galvanize the institutions of regional and subregional cooperation more effectively to expand intra-regional trade and to promote regional and subregional approaches to sectoral development. On the external front, they need to arrest their declining share in world trade, diversify their trade structures, widen export markets and import sources, participate in the growing global linkages and interdependence of enterprises, expand trade in services and explore the opportunities provided by the Agreement which concluded the GATT Uruguay Round, while minimizing its adverse consequences.

222. The policy measures for coping with those challenges are closely interrelated. Indeed, focusing on the right priorities could achieve a number of objectives simultaneously. For example, virtually all the subregional economic communities have developed programmes in many of those areas, while at the regional level plans are afoot to strengthen the subregional initiatives and encourage regional programmes in many areas. The major obstacle is the failure to implement agreed decisions and strategies. It is on that issue that new and innovative

efforts would have to be directed if the challenges facing African countries are to be met effectively.

1. Making more progress with diversification

223. There are two observations on the limited progress of diversification in the African countries so far: the first is that there are major gains to be reaped in the diversification process if certain critical bottlenecks can be removed; and the second is that there are a few success stories of diversification in Africa which the rest of the continent can emulate and is indeed beginning to emulate. Added to these, the spectacular examples of diversification in Asia and the Far East have become the subject of much discussion and debate in African countries. Comparisons have been drawn between Africa and Asia and the Far East, as a way of drawing attention to a number of lessons that Africa can learn if it is to make more rapid progress with the diversification process. The successful experience of diversification in Asia and the Far East illustrates, in particular, the important role played by education, foreign investment, small-scale enterprises, domestic resource mobilization, linkages with established transnational corporations (TNC), sound infrastructure and a generally supportive macroeconomic environment, in a successful diversification programme.

224. The experience has also demonstrated the role of a dynamic manufacturing sector as a promising vehicle for promoting a vibrant and diversified economy. In addition to expanding the production and export base, as well as easing balance-of-payments pressures, the manufacturing sector induces technological transformation and builds up know-how.

225. Finally, it has demonstrated the crucial role of the private sector in the diversification process. Clearly, if the structure of exports is to change and imports of manufactured goods decrease, the private sector must be supported and encouraged to exploit their entrepreneurial talent to take advantage of both domestic and external windows of opportunity. That requires, among other things, the creation of a conducive environment, improved incentives structures, access to targeted credit, and training in technological and marketing skills, as well as exposure to external markets. The rapid development of African economies in a free-market world environment, will be difficult to achieve without the active and dynamic participation of the private sector.

226. African Governments have a critical role to play in creating a supportive environment for rapid diversification. In particular, since diversification is a central objective of SAPs, the impact of current SAP policies on the diversification process need to be constantly evaluated, to ensure that this central objective is achieved.

227. The donor community needs to support the diversification effort of African countries by providing financial, technical and managerial assistance for the development of non-traditional exports, and the creation of a conducive environment for industrial development.

2. Expanding economic cooperation and intra-regional trade

228. Intra-regional trade is an essential vehicle for the promotion of diversification and the establishment of linkages between production units in different countries of the region. Not only will this contribute to improved productivity and greater competitiveness for African products, it would also provide a stronger basis for an effective participation of the African region in the evolving global linkages and interdependence of production units. The present slow progress of intra-regional trade is therefore a retarding factor in the diversification process and more needs to be done to remove the obstacles to intra-regional trade.

229. The present slow progress stems from (a) the limited market size of many countries; (b) survival of the historical links of African countries with their previous colonial centres, which have created production structures entrenched in supplying the centres with raw materials in return for manufactured goods; (c) concentration on increasing export earnings from a limited range of commodities at the expense of diversification; (d) failure to exploit the potentials of intra-African trade through coordination of development plans at subregional levels and the development of complementary links among production units; (d) poor and inadequate intra-regional transport and communication facilities to support expanding intra-regional trade; (e) lack of harmonization of standards, specifications and trade documentation; and (f) non-convertibility of African currencies, inappropriate exchange-rate policies and non-availability of trade financing, and insurance and credit facilities.

230. Needless to say, a good road and transport network will greatly facilitate intra-regional trade. Other essential measures are the improvement of trade information, cooperation in investment ventures to increase complementarity and harmonization of macro-economic policies. In that connection, the harmonization at the subregional level of the SAPs being pursued by various countries of the region would help the growth of intra-regional trade and open the way for the development of joint policies on major economic and social issues. Indeed, there has been much discussion of the implications of SAPs for regional economic cooperation. For example, it has been argued in the African Development Report (ADB), 1993, that: "Global trade liberalization, an important component of most SAPs, does not necessarily march hand-in-hand with preferential regional trade liberalization, since rapid global liberalization obviously reduces the margin of advantage that can be enjoyed from preferential trade liberalization. However, this very constraint may encourage speedy action by regional groupings to remove other impediments to intra-regional trade, such as payments restrictions and other non-tariff barriers which have placed such trade at a disadvantage relative to extra-regional trade. In this sense, structural adjustment and economic integration are mutually reinforcing."

231. Against that background, it may be asserted that, now that barriers on extra-regional trade have been

substantially reduced, African countries should aim to remove all tariff barriers on goods of regional origin entering intra-regional trade in the shortest time possible. That will still leave a number of non-tariff barriers to tackle but it will give a major boost to intra-regional trade.

232. The current emphasis within African integration organs on the need to harmonize macroeconomic policies and the implementation of SAPs is an acknowledgement of the fact that trade is only one aspect of regional integration, albeit a very important and crucial one, and that other areas of cooperation are also important for the overall success of the integration process. Even if all the major barriers to intra-regional trade were swept away in one fell swoop, it should not be expected that it would be followed in the short and medium terms by a major surge in intra-regional trade. Such a measure will, without doubt, give a major boost to such trade, but its impact will still be very limited without major progress in subregional and regional cooperation in major sectors of economic activity - in particular, agriculture, industry and energy - such as would lead to growing linkages and interdependence among African economies.

233. This awareness also explains why many integration organs have been making serious efforts to expand cooperation in major sectors of economic activity, though with only limited results so far. In West Africa, the transmission of electric power from Ghana to some neighbouring countries and current moves to pipe Nigeria's natural gas to Benin, Togo and Ghana are examples that could be replicated in other areas, with much benefit to intra-regional trade in goods and services. Such efforts certainly deserve to be encouraged and supported.

3. Meeting the challenges of the Uruguay Round Agreement

234. Given the wide coverage of the new Agreement, which includes trade in goods and services, intellectual property, trade-related investment measures, the progressive integration of agriculture and textiles into the work of the successor World Trade Organization (WTO), and a wide range of international rules and disciplines, the outcome of the Uruguay Round poses particular challenges for Africa's international trade and payments. That is the more so since current assessments indicate that Africa is expected to lose up to $3 billion per annum during the initial years of implementation of the Agreement, while other trading countries share benefits that could amount to $500 billion per annum. Meeting these challenges implies taking measures to minimize the disadvantages of the Agreement and exploring any opportunities that it may provide.

235. The following represents a brief and preliminary evaluation of the challenges which the Agreement poses for Africa and their implications for future policy:

(a) Market access: Although tariffs on products of interest to developing countries have been cut, they will remain at higher levels than those applied to products traded among developed countries. Tariff escalation will be reduced but not significantly. Of more concern to African countries is the annulment of special preferential arrangements, in particular the Lomé Convention. With the annulment, African exports would confront more competition from other producing nations and higher tariffs in consuming countries. Early estimates by UNCTAD show tariff increases of up to 28 per cent in the European Union (EU), 40 per cent in Japan and 16 per cent in the U.S. markets;

(b) Agriculture: African agricultural exports are dominated to the extent of 50-100 per cent by tropical products. Those products, which enjoyed preferential treatment under the Generalized System of Preferences (GSP) and the Lomé Convention, have seen their preferential margins collapse under the Agreement. With regard to the preferential treatment enjoyed by African countries of the Africa, Caribbean and Pacific (ACP) group under the Lomé Convention, there has been an erosion of preferential margins by 100 per cent for coffee, coffee by-products and cocoa, 50 per cent for phosphoric acid, more than 30 per cent for petroleum by-products, crustacea and leather, and more than 20 per cent for tobacco. With trade liberalization, African countries would face greater competition from Asian and Latin American countries on those products. Since the bulk of Africa's foreign trade is with Europe, it is expected that the reduction of preferences in the important sector of tropical products would be about 80 per cent of the margins under GSP and 50 per cent under the Lomé Convention. African producers of the ACP group are likely to incur losses in their major exports - being the weaker trading partners - and to be the big losers in the short term.

The decision to reduce export and domestic subsidies would increase the world price of food, resulting in higher import bills for African net food importers. In the short term, that will put pressure on their balance of payments, since they will have to spend more foreign exchange on food imports. In the long term, however, it could encourage them to undertake measures to increase domestic food production, by drawing attention to domestic bottlenecks that need to be removed if success is to be assured.

Reduced preferences are envisaged in the tropical products subsector of 80 per cent under the GSP and 50 per cent under the Lomé Convention. In the case of agricultural products based on natural resources, the preferential margin will fall by 60 per cent under the GSP and 16 per cent under the Lomé Convention. For exports like coffee and cocoa the EU tariff reduction will lead to the removal of preferential treatment enjoyed by those products, which would cause a significant decline in the export revenues of African countries;

(c) Global most-favoured-nation treatment: The underlying principle of the new Agreement is the non-discriminatory application of the most-favoured-nation (MFN) principle. In future, regional and subregional economic groupings would have to satisfy stricter rules and to be generally outward-looking, if they are to be consistent with the provisions of the Agreement;

(d) Textiles and clothing: A major gain for African exporters of textiles is that the Multi-Fibre Agreement

(MFA) is to be phased out within 10 years. The textile exports of African countries are affected by the MFA quota system, which reduces their market shares. Mauritius is a case in point;

(e) Services: The General Agreement on Trade in Services (GATS) covers a wide range of services: tourism, transport, telecommunication, insurance industry, business services, financial services and other professional services. In all those areas, African services are relatively undeveloped, even in comparison with those of developing countries elsewhere. Opening them up to foreign competition could therefore have a negative impact on the indigenous service industries of African countries; and the choice facing them is not whether or not to liberalize their services sector but how quickly they can mobilize their collective effort to strengthen their service industries so that they will be better able to face the new competition. In that connection, there are many provisions of the Agreement which they can invoke to gain time to strengthen their service industries. First, they may have up to 10 years to claim sectoral exemptions from MFN treatment. Secondly, they may liberalize their services sectors to a lesser degree than developed countries and can make market access conditional on measures to assist them in strengthening their own services sector. Those provisions do not absolve African countries from the obligation to raise the competitive level of their service industries in the long term and to join the ranks of developing countries which are already competing effectively with the developed ones in a wide range of services, notably airline services, computer accounting services and writing software. For example, Swissair has transferred its revenue accounting operations to Bombay, India, as part of its overall cost-reducing and revenue-enhancement programme;

(f) Trade-related intellectual property rights: The agreement on trade-related intellectual property rights (TRIPs) mandates the extension of patentability to virtually all fields of technology recognized by developed countries. Its scope covers copyrights, industrial patents, trademarks, trade secrets, industrial designs, layout designs of integrated circuits, and geographical indications. It will oblige African countries to enact strict national legislation with regard to intellectual property protection according to standards prevailing in the developed countries. It will be a constraint on their decisions "over seeds and patents" and affect the costs of medicines and products or processes. African countries may also have to face higher costs in their quest for technological development, since they would have to pay for copyrights and patents;

(g) Trade-related investment measures: The agreement on trade-related investment measures (TRIMs) will permit only weak restrictions on foreign investments. It will make it difficult for Governments to use policy measures in the interests of national development, such as domestic content and trade-balancing requirements, for the regulation of the activities of foreign investors. African countries, in particular, are concerned that restrictive business practices by TNC will stifle competition from potential new rivals in the host countries and from other developing nations.

236. The results of the Uruguay Round, as they pertain to Africa, reflect not only the weak negotiating position of African countries but also the structural weakness of their economies. Africa participated in the negotiations from a position of conspicuous weakness. The continent (including South Africa) contributes no more than 3 per cent to globally traded goods, which is too small to have an impact on world trade. Secondly, the African contracting parties were negotiating individually rather than as a block with a common position, unlike other groupings, notably EU and most of Asia and Latin America. Failure of African countries to coordinate their position eroded whatever influence they could have had on the outcome of the negotiations. Thirdly, their negotiating leverage had been weakened by the trade liberalization programme which they had already adopted under the World Bank/IMF-inspired SAPs.

237. While Africa should accept the outcome of the Uruguay Round in principle, it should nevertheless explore all the provisions for exemption from full compliance and delayed implementation until it has been able to rehabilitate its economies and improve its competitive position. It should seek special compensation from Europe to be devoted exclusively to economic restructuring, in order to make up for the expected losses arising from the Agreement. It should also avail itself of the provision for amending the Lomé IV Convention in the event of multilateral trade negotiations within WTO or other measures relating to general trade liberalization which lead to the loss of competitiveness in the export of ACP agricultural products to the single European market. It should also join other developing countries in preparing the ground for future negotiations within WTO on issues of importance to them which were not completely settled during the Uruguay Round negotiations. Chief among these are: (a) the need for special balance-of-payments assistance to meet the difficulties that are likely to be encountered during the transition to the new system; and (b) the need to ensure that cooperation between WTO, the World Bank and the International Monetary Fund (IMF), for which the Agreement provides, is used to maintain the consistency of international policies in the areas of trade, money and finance, rather than as a new source of pressure to constrain the freedom of African countries in policy formulation and implementation.

238. In the long term, if Africa is to take advantage of the new open trading system, it would have to undertake reforms to improve its competitive position in many spheres and also to accelerate measures to diversify its economies from primary commodities to manufactured goods. It would also have to create the dynamic linkages within and among the various sectors of the domestic economies of individual countries. The dynamics of an increasing participation in world trade and technological transformation are clearly to be found above all in the manufacturing sector. Without greater effort to mobilize their collective strength through regional and subregional

cooperation, such dynamic linkages would be very difficult to achieve under the conditions of free trade which the Uruguay Round Agreement aims to promote.

239. In the new competitive atmosphere created by that Agreement, a quick turn-around to sustainable growth will be difficult to achieve without the active support of the international community, in the form of trade concessions and increased resource flows. The relevant international agencies, including WTO, and the region's trading and development partners, should strive to assist African countries in the mobilization and effective utilization of external resources for rapid economic transformation. Helpful supportive measures by WTO would be such as to facilitate investment and greater lending for structural adjustment. They would assist African countries in dealing with balance-of-payments pressures and transitional strains consequent on policy reforms, and thereby to benefit from the implementation of the Final Act of the Uruguay Round. In the new circumstances which they face, African countries also need increased capital flows and an accelerated approach to debt relief. WTO could assist them to benefit from, rather than fall victims to, strengthened international rules and institutions, thus promoting trade and investment. WTO could also assist them to secure greater access to business technology, distribution channels and information networks, which would enable them to develop their capacity to participate effectively in the expanding trade in services.

4. Participating in global linkages and interdependence

240. One of the most remarkable developments in recent years has been the success of several developing countries, mostly in Asia and the Far East, in becoming major participants in the growing global network of enterprises linked together by trade in goods and services and by investment flows. Most of them have developed the capacity to provide efficient off-shore production facilities and services for TNC.

241. It has been noted in the United Nations World Investment Report (1993, p. 177) that "Those developments make it more important than ever for developing countries to build up their own human and physical infrastructure. In addition to providing the basis for industrialization and development of the domestic economy, it would allow national enterprises to join up with TNCs on a more equal basis. It would raise the quality and sophistication of the foreign direct investment (FDI) a host country could attract and would strengthen the prospects for technology acquisition. It would also enable host developing countries to build up supplier capabilities which are sometimes a precondition for the location of TNC activities and which, moreover, add to the economic and technological spillovers from affiliates. The building up of such facilities has been an essential feature in the developing countries, including those in Asia and Latin America, that have succeeded in restructuring both their international and domestic production sectors towards higher-value-added activities."

242. The same source has noted further, perhaps with most African countries in mind, that "Other developing countries that do not offer the locational advantages required by regionally or globally integrated firms, such as a skilled labour force, an open trading and investment environment, a developed communication and transport infrastructure and networks of local suppliers on which TNCs can draw, risked being further marginalized. Those countries need to consider how to formulate and coordinate policies so as to maximize the benefits to them from the emerging integrated international production system as well as from FDI in more traditional organizational forms which they may be in a better position to obtain."

243. As part of the implementation of SAPs, many African countries have developed a new openness towards FDI. They are improving infrastructure but are far behind in developing skills for its utilization and maintenance. They would have to move faster along that road if they are to participate effectively in the evolving global system.

5. Intensification of efforts at resource mobilization

244. The prospects for resource mobilization in support of the development process in Africa would depend on the success of the reforms of the financial sector which are in progress in a number of countries in the region. There is general agreement that much more needs to be done in order to make domestic financial markets effective avenues for mobilizing and allocating financial resources. Despite the abundance and vitality of informal financial institutions in Africa, their potential for enhancing the development process has not been effectively harnessed. Efforts so far exerted by central banks to bring about a closer relationship between the formal and informal financial institutions have been grossly inadequate. And the commercial banks have shied away for too long from financing smallholder agriculture and micro-enterprises, pleading the high transaction costs.

245. Prospects in most African countries for mobilizing adequate external resource flows in 1995 and beyond look rather difficult. First, competition for foreign aid resources is likely to intensify as more countries in Africa and elsewhere persevere in their economic reform programmes. Furthermore, aid donors have become more selective in their support to developing countries, as well as in the choice of the programmes and projects they fund. Secondly, the competitive global trading environment which will be engendered by the implementation of the provisions of the Uruguay Round Agreement may be expected to impose additional difficulties on African countries in their endeavours to compete effectively on international commodity markets and thereby to earn adequate foreign exchange to support their development process. Thirdly, the failure of the IMF Board of Governors and the World Bank at their last Annual Meetings, held at Madrid, Spain, to agree on a new allocation of Special Drawing Rights (SDRs) to increase international liquidity means that developing countries cannot expect an easing of the foreign exchange and balance of payments constraints on

their economies. More importantly, it reflects a divergence of opinion among major developed countries as to whether adequate liquidity already exists to support world economic recovery.

246. While African countries should exploit all possible opportunities to increase the volume of external resource inflows, they should nevertheless be conscious of the limitations and difficulties likely to limit their success. The competition for foreign resources is growing steadily more intense, in consequence of which recipient nations could risk ending up losing more in the way of other benefits than they receive in the shape of increased inflows. The growing relative scarcity of foreign capital might well make it more expensive; and its phenomenal mobility - and, indeed, its instability - makes it increasingly hard to acquire and control.

247. In the circumstances, African Governments need to mobilize domestic resources more intensively and to ensure that investment resources as a whole are used more efficiently. The goal of self-reliant growth, whose banner African countries raised in the Lagos Plan of Action, may now be inaccessible because of restricted access to foreign resources. The situation is fraught with challenges and opportunities for the African people and their Governments. If they are to rise to the occasion, they must create a conducive environment by maintaining political stability and pursuing appropriate economic policies.

248.People must strive to increase domestic savings and Governments must assist by intensifying efforts to mobilize resources through appropriate fiscal, monetary, commercial and exchange-rate policies. Financial institutions should be expanded and widely dispersed throughout the countries, instead of maintaining the present urban bias. Countries must intensify efforts to diversify exports in order to generate additional foreign resources.

6. Erasing the debt burden

249. On the outlook for a solution to the African debt problem, there is scope for both hope and pessimism. The elements for hope may be found in the pronouncements made by the international community at various fora, including that of the Summit of the Group of Seven at Naples, Italy, the Summit of the Non-Aligned Movement at Jakarta, Indonesia, and the meetings of the Board of Governors of IMF and the World Bank. The international community and African countries are agreed that more needs to be done in order to bring the debt stocks of most African countries to sustainable levels and that durable solutions would invariably have to include more concessional terms for debt rescheduling and the cancellation of a larger proportion of the debt stocks. However, two things remain to be agreed upon: whether finding lasting solutions will need to be dealt with on a case-by-case basis or at a subregional and/or regional level; and what conditionalities should be attached to such debt relief. Those are the issues that will occupy African countries and the international community in 1995 and beyond. Pessimism as to whether a durable solution to the African debt problem can emerge in 1995 springs from the fact that, while a general consensus has emerged as to what the main elements of a lasting solution ought to be, implementation of appropriate measures by the international community has been dragging. That now appears to be the only stumbling block.

Statistical Annexes

Table I. BASIC INDICATORS

	1993 GDP IN US $ AT 1990 PR.	1993 POPULATION IN '000	1993 GDP PER HEAD AT '90 PRICES	1993 CONSUMER PRICE INDEX 1990=100
NORTH AFRICA	189564	150881	1256	28.8
ALGERIA	56649	27045	2095	20.5
EGYPT	52642	55963	941	12.5
LIBYA	29161	5035	5792	...
MOROCCO	25924	26909	963	5.2
SUDAN	10459	27364	382	101.4
TUNISIA	14729	8565	1720	4.3
WEST AFRICA	80664	212362	380	36.3
BENIN	2085	5067	411	0.1
BURKINA	3005	9773	307	0.6
CAPE VERDE	409	395	1035	22.1
COTE D'IVOIRE	9747	13414	727	2.8
GAMBIA	354	930	381	6.5
GHANA	7006	16422	427	25.0
GUINEA	3031	6296	481	7.1
GUINEA BISSAU	281	1027	274	48.1
LIBERIA	1797	2840	633	80.0
MALI	2665	10118	263	-0.3
MAURITANIA	1154	2203	524	9.3
NIGER	2399	8514	282	-1.2
NIGERIA	38851	119056	326	57.2
SENEGAL	5784	7937	729	-0.6
SIERRA LEONE	793	4491	177	22.2
TOGO	1303	3879	336	-1.0
CENTRAL AFRICA	32142	81046	397	1017.9
BURUNDI	1379	5980	231	9.7
CAMEROON	10124	12744	794	23.0
CENTRAL AFRICAN REP	1478	3251	455	-2.9
CHAD	1394	6019	232	-9.2

	1993 GDP IN US $ AT 1990 PR.	1993 POPULATION IN '000	1993 GDP PER HEAD AT '90 PRICES	1993 CONSUMER PRICE INDEX 1990=100
CONGO	2978	2436	1222	2.4
EQUATORIAL GUINEA	167	380	439	...
GABON	5720	1276	4483	1.5
RWANDA	2631	7768	339	12.4
SAO TOME & P.	55	131	420	...
ZAIRE	6216	41061	151	1986.9
EAST & SOUTHERN AF	163532	255551	640	25.5
ANGOLA	9061	10259	883	...
BOTSWANA	3854	1350	2855	14.3
COMOROS	261	605	431	...
DJIBOUTI	477	481	992	...
ETHIOPIA	5516	54468	101	7.4
KENYA	8820	26036	339	45.8
LESOTHO	660	1908	346	15.0
MADAGASCAR	3028	13235	229	10.0
MALAWI	2052	10565	194	34.1
MAURITIUS	2988	1108	2697	10.5
MOZAMBIQUE	1342	15440	87	42.2
NAMIBIA	2383	1583	1505	8.5
SEYCHELLES	394	75	5253	1.3
SOMALIA	539	9531	57	...
SOUTH AFRICA	103863	40774	2547	9.7
SWAZILAND	985	832	1184	17.0
TANZANIA	2746	28702	96	23.5
UGANDA	4213	19188	220	6.1
ZAMBIA	3569	8851	403	189.0
ZIMBABWE	6781	10560	642	27.6
TOTAL AFRICA	465902	699840	2673	148.3

Source : ECA secretariat

Table 2. Gross Domestic Product (1990 prices)

Sub-region/Country	Gross Domestic Product Million dollars (at 1990 prices)				Growth rate		
	1980	1985	1993	1994	1980-94	1985-94	1994
North Africa	139804	170136	189564	194787	2.4	1.5	2.8
Algeria	44913	56396	56649	57067	1.7	0.1	0.7
Egypt	33511	47029	52642	54063	3.5	1.6	2.7
Libya	27834	27346	29161	29541	0.4	0.9	1.3
Morocco	17336	20434	25924	27790	3.4	3.5	7.2
Sudan	8175	8356	10459	10639	1.9	2.7	1.7
Tunisia	8035	10575	14729	15687	4.9	4.5	6.5
West Africa	70941	66404	80664	82334	1.1	2.4	2.1
Benin	1483	1717	2085	2183	2.8	2.7	4.7
Burkina Faso	1553	1978	3005	3174	5.2	5.4	5.6
Cape Verde	242	287	409	433	4.2	4.7	5.9
Cote d'Ivoire	10548	10130	9747	9823	-0.5	-0.3	0.8
Gambia	242	215	354	333	2.3	5.0	-5.9
Ghana	5070	4983	7006	7568	2.9	4.8	8.0
Guinea	2111	2306	3031	3176	3.0	3.6	4.8
Guinea Bissau	140	155	281	289	5.3	7.2	2.8
Liberia	2416	2305	1797	1184	-5.0	-7.1	-34.1
Mali	1981	1994	2665	2770	2.4	3.7	3.9
Mauritania	970	927	1154	1202	1.5	2.9	4.2
Niger	2499	2343	2399	2468	-0.1	0.6	2.9
Nigeria	35053	30013	38851	39667	0.9	3.1	2.1
Senegal	4470	4944	5784	5861	2.0	1.9	1.3
Sierra Leone	798	783	793	814	0.1	0.4	2.6
Togo	1365	1324	1303	1389	0.1	0.5	6.6
Central Africa	27599	38103	32142	30419	0.7	-2.5	-5.4
Burundi	671	903	1379	1402	5.4	5.0	1.7
Cameroon	7828	14385	10124	9970	1.7	-4.0	-1.5
Central African Republic	1329	1479	1478	1562	1.2	0.6	5.7
Chad	826	1078	1394	1455	4.1	3.4	4.4

Sub-region/Country	Gross Domestic Product Million dollars (at 1990 prices)				Growth rate		
	1980	1985	1993	1994	1980-94	1985-94	1994
Congo	1717	2878	2978	2872	3.7	-0.0	-3.6
Equatorial Guinea	142	143	167	168	1.2	1.8	0.6
Gabon	5096	6294	5720	5816	0.9	-0.9	1.7
Rwanda	2072	2389	2631	1359	-3.0	-6.1	-48.3
Sao Tome & Principe	84	77	55	56	-2.9	-3.5	1.8
Zaire	7834	8477	6216	5759	-2.2	-4.2	-7.4
East & Southern Africa	131169	144378	163532	169646	1.9	1.8	3.7
Angola	8150	8940	9061	8529	0.3	-0.5	-5.9
Botswana	1224	2105	3854	3949	8.7	7.2	2.5
Comoros	193	229	261	269	2.4	1.8	3.1
Djibouti	421	445	477	479	0.9	0.8	0.4
Ethiopia	5068	5043	5516	5637	0.8	1.2	2.2
Kenya	5759	6829	8820	9044	3.3	3.2	2.5
Lesotho	384	413	660	651	3.8	5.2	-1.4
Madagascar	2722	2591	3028	3094	0.9	2.0	2.2
Malawi	1382	1612	2052	1851	2.1	1.5	-9.8
Mauritius	1462	1823	2988	3192	5.7	6.4	6.8
Mozambique	1363	1064	1342	1369	0.0	2.8	2.0
Namibia	1986	1942	2383	2590	1.9	3.3	8.7
Seychelles	272	291	394	394	2.7	3.4	0.0
Somalia	555	632	539	426	-1.9	-4.3	-21.0
South Africa	86484	95061	103863	109149	1.7	1.5	5.1
Swaziland	365	491	985	982	7.3	8.0	-0.3
Tanzania	1961	2076	2746	2827	2.6	3.5	2.9
Uganda	2562	2872	4213	4516	4.1	5.2	7.2
Zambia	3807	3970	3569	3603	-0.4	-1.1	1.0
Zimbabwe	5049	5949	6781	7095	2.5	2.0	4.6
Developing Africa	369513	419021	465902	477186	1.8	1.5	2.4

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	1994	1985	1992	1992	1991
North Africa	0.27	24332	101.5	101.3	197.4	138.1
Algeria	0.29	6548	114.3	124.2	122.3	217.8
Egypt	0.05	8670	105.4	117.5	268.5	148.9
Libya	0.44	1177	95.4	96.3	61.2	453.9
Morocco	0.36	4769	111.4	101.6	112.4	78.1
Sudan	0.48	4266	92.8	82.9	213.8	47.1
Tunisia	0.58	2182	121.7	115.6	262.0	114.2
West Africa	0.27	25981	98.8	107.7	123.0	24.6
Benin	0.38	836	114.2	117.1	110.1	46.7
Burkina Faso	0.37	1313	111.7	129.0	245.3	19.7
Cape Verde	0.10	193	84.6	105.7	15.6	202.8
Cote d'Ivoire	0.29	3646	99.0	89.3	92.2	53.8
Gambia	0.20	87	100.6	90.1	135.8	115.6
Ghana	0.17	3351	104.9	107.9	60.8	22.9
Guinea	0.12	751	95.7	95.5	167.3	51.5
Guinea Bissau	0.34	130	108.3	104.5	170.0	66.2
Liberia	0.14	569	98.9	63.3	40.0	66.8
Mali	0.21	1220	94.1	91.1	219.8	24.5
Mauritania	0.10	323	86.5	79.1	34.6	168.8
Niger	0.44	980	67.9	77.3	273.9	18.5
Nigeria	0.28	12922	100.7	125.2	109.0	7.0
Senegal	0.30	1156	109.5	96.4	110.9	107.0
Sierra Leone	0.15	238	94.0	79.4	109.3	44.0
Togo	0.18	605	91.1	97.2	122.1	67.5
Central Africa	0.30	9316	93.7	83.9	50.3	15.8
Burundi	0.23	624	100.7	88.8	53.2	5.6
Cameroon	0.57	3007	95.6	74.9	73.4	46.2
Central African Republic	0.63	734	89.5	93.0	23.4	8.8
Chad	0.55	559	97.8	102.6	156.2	13.1

	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	1994	1985	1992	1992	1991
Congo	0.07	336	97.9	91.3	11.4	43.0
Equatorial Guinea	0.62	79	..	..	..	26.1
Gabon	0.37	536	83.5	81.2	20.2	60.1
Rwanda	0.15	864	98.3	78.0	40.1	2.7
Sao Tome & Principe	0.29	11	75.2	59.9	7.9	67.2
Zaire	0.20	2245	100.5	92.1	34.6	8.1
East & Southern Africa	0.25	20118	93.8	75.5	99.6	16.9
Angola	0.35	1578	88.3	79.2	47.0	33.6
Botswana	1.07	193	78.5	60.8	11.4	79.8
Comoros	0.17	107	87.1	81.9	24.0	83.4
Djibouti	4.96	13	..	..	..	171.1
Ethiopia	0.26	2231	88.1	81.9	132.4	16.1
Kenya	0.10	2149	100.5	99.8	119.8	14.0
Lesotho	0.18	70	83.9	55.4	47.5	57.1
Madagascar	0.24	972	96.5	81.6	204.2	9.5
Malawi	0.17	513	84.1	56.2	67.0	12.5
Mauritius	0.10	247	104.4	114.3	1.8	170.2
Mozambique	0.22	537	91.2	61.3	15.9	33.7
Namibia	0.43	325	72.3	65.2	20.9	..
Seychelles	0.09	16	..	..	0.0	214.1
Somalia	0.11	360	..	..	21.9	22.2
South Africa		5283				
Swaziland	0.26	108	96.9	76.3	72.1	71.1
Tanzania	0.12	1323	94.0	74.2	127.4	5.0
Uganda	0.36	2225	95.4	90.8	87.8	1.5
Zambia	0.61	670	93.5	70.6	69.7	12.8
Zimbabwe	0.27	1198	113.6	42.9	47.9	13.2
Developing Africa	0.27	79747	97.7	92.8	123.6	47.4

Source: F. A. O.; ECA secretariat

Table 4 Production and consumption of selected energy types, 1992

Sub-region/Country	Electricity Production by type (in million KW/h)			Commercial energy consumption		Total energy requirement ('000 Terajoules
	Thermal	Hydro	Total	Per capita Kilogramme	Total ('000 Tons)	
NORTH AFRICA	85726	11910	97636	6955	115921	3825
Algeria	18087	199	18286	1594	42000	1251
Egypt	35300	9700	45000	704	38612	1251
Libyan Arab Jamahiriya	16950	0	16950	3458	16858	512
Morocco	9344	981	10325	405	10661	326
Sudan	385	940	1325	61	1634	274
Tunisia	5660	90	5750	733	6156	211
WEST AFRICA	11885	10939	22824	2076	33912	2727
Benin	5	0	5	47	229	57
Burkina Faso	195	0	195	28	266	95
Cape Verde	37	0	37	133	51	2
Cote d'Ivoire	785	1065	1850	209	2697	188
Gambia	71	0	71	104	94	12
Ghana	42	6110	6152	140	2235	217
Guinea	345	186	531	83	506	51
Guinea Bissau	41	0	41	98	99	7
Liberia	300	160	460	55	151	54
Mali	126	187	313	23	230	62
Mauritania	120	26	146	621	1331	39
Niger	171	0	171	59	487	63
Nigeria	8600	3200	11800	207	23897	1742
Senegal	762	0	762	151	1170	83
Sierra Leone	230	0	230	40	177	36
Togo	55	5	60	78	292	19
CENTRAL AFRICA	581	10173	10754	1900	6254	908
Burundi	2	105	107	18	106	48
Cameroon	75	2645	2720	99	1211	150
Central African Republic	18	78	96	35	112	33
Chad	85	0	85	21	122	39

Sub-region/Country	Electricity Production by type (in million KW/h)			Commercial energy consumption		Total energy requirement
	Thermal	Hydro	Total	Per capita Kilogramme	Total ('000 Tons)	('000 Terajoules
Congo	3	425	428	336	795	45
Equatorial Guinea	17	2	19	152	56	6
Gabon	207	712	919	855	1058	59
Rwanda	4	181	185	30	224	59
Sao Tome & Principe	7	8	15	290	36	1
Zaire	163	6017	6180	64	2534	468
EAST & SOUTHERN AFRIC	9538	19011	28549	4243	18838	2498
Angola	480	1375	1855	91	896	82
Botswana	...	...	...	...	...	...
Comoros	14	2	16	53	31	1
Djibouti	180	0	180	1296	605	18
Eritrea	...	...	...	...	...	...
Ethiopia	158	1099	1257	29	1519	477
Kenya	419	2796	3215	113	2851	469
Lesotho	...	...	...	...	...	...
Madagascar	249	320	569	38	487	92
Malawi	16	776	792	36	377	107
Mauritius	812	113	925	583	640	36
Mozambique	440	50	490	33	496	162
Namibia	...	...	...	...	...	...
Seychelles	109	0	109	986	71	2
Somalia	258	0	258	...	...	85
South Africa	...	...	...	...	...	...
Swaziland	200	216	416	...	...	...
United Rep. of Tanzania	277	624	901	35	963	352
Uganda	6	780	786	28	528	147
Zambia	40	7740	7780	201	1740	182
Zimbabwe	5880	3120	9000	721	7634	286
TOTAL AFRICA	107730	52033	159763	15174	174925	9958

Source: UN, Energy Statistics Yearbook, 1992 and ECA Secretariat

... = Not available.

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

Sub-region/ country	Exports			Imports			Balance of trade			Growth rate (%)			
										Exports		Imports	
	1988	1992	1993	1988	1992	1993	1988	1992	1993	93/88	93/92	93/88	93/92
North Africa	22490	33402	28723	30545	35353	36239	-8054	-1951	-7516	5.0	-14.0	3.5	2.5
Algeria	7620	12150	10330	6675	6290	7770	945	5860	2560	6.3	-15.0	3.1	23.5
Egypt	2770	3055	3300	9378	7475	7358	-6608	-4420	-4058	3.6	8.0	-4.7	-1.6
Libya	5653	9974	7680	5762	8100	8200	-109	1874	-520	6.3	-23.0	7.3	1.2
Morocco	3624	3977	3424	4337	6693	6515	-713	-2716	-3091	-1.1	-13.9	8.5	-2.7
Sudan	427	213	185	949	810	600	-522	-597	-415	-15.4	-13.3	-8.8	-25.9
Tunisia	2396	4033	3804	3444	5985	5796	-1048	-1952	-1992	9.7	-5.7	11.0	-3.2
West Africa	14500	19704	18558	11877	16335	15515	2622	3369	3043	5.1	-5.8	5.5	-5.0
Benin	379	369	333	511	552	571	-132	-183	-239	-2.6	-9.9	2.3	3.6
Burkina Faso	249	288	277	487	642	643	-238	-355	-367	2.1	-3.8	5.7	0.2
Cape Verde	3	4	4	106	173	173	-103	-169	-169	5.9	0.0	10.3	0.0
Côte d'Ivoire	2691	2880	2734	1769	1886	1662	922	994	1072	0.3	-5.1	-1.2	-11.8
Gambia	83	147	191	106	178	275	-23	-31	-84	18.1	29.7	21.0	54.7
Ghana	881	986	1020	993	1457	1661	-112	-470	-641	3.0	3.4	10.8	14.0
Guinea	651	620	993	641	770	758	10	-150	235	8.8	60.2	3.4	-1.6
Guinea Bissau	16	7	16	60	83	54	-44	-77	-38	0.1	146.2	-2.2	-35.5
Liberia	396	200	160	236	150	188	161	50	-28	-16.6	-20.0	-4.5	25.0
Mali	252	339	344	359	483	464	-108	-144	-120	6.4	1.3	5.2	-4.0
Mauritania	438	407	330	349	461	344	89	-55	-14	-5.5	-18.9	-0.3	-25.4
Niger	369	266	283	393	266	244	-24	-1	39	-5.1	6.7	-9.1	-8.4
Nigeria	6875	11887	10900	4270	7476	7100	2605	4411	3800	9.7	-8.3	10.7	-5.0
Senegal	679	832	723	956	1200	1105	-277	-368	-383	1.3	-13.1	2.9	-7.9
Sierra Leone	102	150	36	137	140	24	-35	10	12	-18.8	-76.0	-29.2	-82.6
Togo	435	322	215	505	418	249	-69	-96	-34	-13.2	-33.4	-13.2	-40.5
Central Africa	6631	6284	6140	5083	3532	4041	1548	2752	2099	-1.5	-2.3	-4.5	14.4
Burundi	132	80	75	179	182	173	-47	-102	-98	-10.7	-6.5	-0.7	-5.0
Cameroon	1841	1934	1144	1221	983	928	620	951	217	-9.1	-40.8	-5.3	-5.7
CAR	130	124	277	184	165	318	-54	-42	-41	16.3	124.4	11.5	92.6
Chad	146	182	136	228	243	201	-83	-61	-66	-1.4	-25.5	-2.5	-17.2

Sub-region/ country	Exports			Imports			Balance of trade			Growth rate (%)			
										Exports		Imports	
	1988	1992	1993	1988	1992	1993	1988	1992	1993	93/88	93/92	93/88	93/92
Congo	843	1179	1108	523	438	491	321	741	617	5.6	-6.0	-1.2	12.0
Eq. Guinea	45	28	72	37	48	63	8	-20	9	9.9	160.1	11.5	32.1
Gabon	1196	2259	2150	791	886	845	404	1373	1305	12.4	-4.8	1.3	-4.6
Rwanda	108	67	67	258	200	200	-149	-133	-133	-9.2	0.0	-5.0	0.0
Sao Tome & Pri.	12	5	6	18	25	31	-7	-20	-25	-11.9	13.0	11.3	22.6
Zaire	2178	427	1106	1645	362	792	533	65	314	-12.7	159.2	-13.6	118.8
E. & S. Africa	34117	38917	37506	30478	35512	33622	3639	3405	3884	1.9	-3.6	2.0	-5.3
Angola	2491	3805	2854	1372	1400	1337	1119	2405	1517	2.8	-25.0	-0.5	-4.5
Botswana	1475	2312	1584	1017	2069	1438	458	243	146	1.4	-31.5	7.2	-30.5
Comoros	22	22	21	53	62	81	-31	-40	-60	-0.3	-4.1	9.0	31.1
Djibouti	23	58	58	181	442	442	-158	-384	-384	20.0	0.0	19.5	0.0
Ethiopia	400	170	243	956	993	785	-556	-823	-542	-9.5	42.8	-3.9	-21.0
Kenya	1070	1381	1343	1699	1565	1446	-629	-184	-102	4.6	-2.7	-3.2	-7.6
Lesotho	64	109	134	559	933	912	-496	-823	-778	16.0	22.7	10.3	-2.3
Madagascar	284	328	240	319	466	459	-35	-138	-219	-3.3	-26.8	7.5	-1.5
Malawi	297	413	423	253	442	316	44	-29	108	7.3	2.4	4.5	-28.6
Mauritius	1001	1290	1303	1163	1476	1546	-162	-186	-243	5.4	1.0	5.9	4.8
Mozambique	103	139	132	662	770	860	-559	-631	-728	5.1	-5.0	5.3	11.7
Namibia	947	1318	1305	919	1286	1130	28	32	174	6.6	-1.0	4.2	-12.1
Seychelles	32	48	51	138	167	165	-107	-119	-114	9.9	6.3	3.5	-1.5
Somalia	58	76	76	216	87	87	-158	-11	-11	5.3	0.0	-16.7	0.0
South Africa	21991	23645	23925	17462	18297	17980	4529	5348	5945	1.7	1.2	0.6	-1.7
Swaziland	466	608	651	441	698	775	25	-90	-124	6.9	7.1	11.9	11.0
Tanzania	272	416	346	692	1348	1102	-420	-931	-757	4.9	-17.0	9.8	-18.2
Uganda	266	151	197	524	422	475	-257	-271	-278	-5.9	30.1	-1.9	12.5
Zambia	1189	1100	1013	687	810	802	502	290	211	-3.2	-7.9	3.1	-1.0
Zimbabwe	1665	1528	1609	1164	1782	1487	501	-255	122	-0.7	5.3	5.0	-16.6
Total Africa	77738	98307	90927	77983	90732	89417	-245	7575	1509	3.2	-7.5	2.8	-1.4

Source : International Financial Statistics, IMF; ECA secretariat.

Table 6. External Public Debt and Debt service ratios, 1993

Sub-region/Country	Debt stock ($US Million)			per cent of GDP	Amount ($US Million)	DEBT SERVICE as	
	Long-term	Short-term	Total			per cent of GDP	per cent of XGS*
NORTH AFRICA	102568	15342	117910	62.8	16302	8.7	29.7
Algeria	24587	1171	25758	55.0	9146	19.5	76.9
Egypt	37204	3422	40626	96.7	2407	5.7	15.2
Libyan Arab Jamahiriya	3000	1833	4833	17.3	765	2.7	7.4
Morocco	20660	771	21431	80.5	2614	9.8	30.7
Sudan	9490	7071	16561	55.9	20	0.1	1.3
Tunisia	7627	1074	8701	59.5	1350	9.2	20.2
WEST AFRICA	63399	14530	77929	99.1	3691	4.7	18.1
Benin	1409	78	1487	68.7	34	1.6	7.2
Burkina Faso	1093	52	1145	40.2	34	1.2	7.0
Cape Verde	149	9	158	54.9	5	1.7	4.4
Cote d'Ivoire	13167	5979	19146	200.2	964	10.1	30.0
Gambia	349	37	386	154.4	28	11.2	12.7
Ghana	3378	1212	4590	65.6	277	4.0	22.8
Guinea	2675	188	2863	95.4	84	2.8	12.8
Guinea-Bissau	634	58	692	384.4	4	2.2	11.1
Liberia	1070	855	1925	128.3	21	1.4	14.0
Mali	2506	144	2650	93.4	26	0.9	6.1
Mauritania	1960	243	2203	183.6	125	10.4	27.2
Niger	1535	170	1705	75.2	93	4.1	31.3
Nigeria	28558	3973	32531	87.3	1831	4.9	16.8
Senegal	3060	708	3768	58.7	118	1.8	9.0
Sierra Leone	728	660	1388	252.4	20	3.6	12.1
Togo	1128	164	1292	97.9	27	2.0	8.4
CENTRAL AFRICA	25220	5704	30924	99.2	812	2.6	9.9
Burundi	999	63	1062	106.2	36	3.6	40.9
Cameroon	5683	918	6601	61.2	444	4.1	21.8
Central African Republic	797	107	904	60.0	9	0.6	4.7
Chad	705	52	757	51.0	12	0.8	7.1

Sub-region/Country	Debt stock ($US Million)			per cent of GDP	Amount ($US Million)	DEBT SERVICE as	
	Long-term	Short-term	Total			per cent of GDP	per cent of XGS*
Congo	4097	974	5071	187.6	126	4.7	10.6
Equatorial Guinea	219	49	268	129.3	1	0.5	1.6
Gabon	2889	928	3817	65.5	147	2.5	6.0
Rwanda	836	74	910	56.3	6	0.4	5.0
Sao Tome & Principe	226	28	254	635.0	3	7.5	25.0
Zaire	8769	2511	11280	188.0	28	0.5	1.5
EAST & SOUTHERN AFRIC	59742	15244	74976	47.3	7068	4.5	15.1
Angola	7727	1928	9655	156.3	153	2.5	5.3
Botswana	666	8	674	20.6	88	2.7	3.2
Comoros	169	15	184	73.6	3	1.2	5.9
Djibouti	192	33	225	59.2	10	2.6	2.8
Ethiopia	4530	199	4729	140.7	69	2.1	9.0
Kenya	5721	1272	6993	125.6	652	11.7	28.0
Lesotho	472	40	512	65.8	32	4.1	5.5
Madagascar	3920	674	4594	136.3	69	2.0	14.3
Malawi	1724	98	1822	99.5	74	4.0	22.0
Mauritius	884	115	999	32.1	127	4.1	6.0
Mozambique	4668	596	5264	373.3	77	5.5	20.7
Namibia	53	15	58	2.3	0	0.0	0.0
Seychelles	138	25	163	34.7	18	3.8	6.4
Somalia	1897	604	2501	357.3	0	0.0	0.0
South Africa	9434	5407	14841	13.3	4239	3.8	15.4
Swaziland	218	8	226	22.5	24	2.4	3.8
Tanzania	6746	777	7523	360.6	155	7.4	25.1
Uganda	2617	439	3056	95.5	302	9.4	121.3
Zambia	4679	2109	6788	204.9	349	10.5	32.8
Zimbabwe	3287	882	4169	104.2	627	15.7	32.3
Total Africa	250929	50820	301739	66.1	27873	6.1	21.4

Source : ECA secretariat calculation based on the World Bank's World Debt Tables 1994-1995; Various Sources.

* XGS = Export of goods and services

Table 7. Social Indicators - Education

Subregion/country	School Enrolment ratio 1990	Primary education enrolment ratio 1992	Adult female literacy rate 1990	Adult literacy rate 1990	Scientists/ Technicians Per '000 1991
North Africa	72	..	35	48.0	4.2
Algeria	60	95.5	46	58.0	..
Egypt	66	101.0	34	48.5	6.0
Libya	..	..	50	62.5	..
Morocco	37	66.0	38	49.5	..
Sudan	27	49.5	12	27.5	0.4
Tunisia	62	116.5	56	65.0	..
West Africa	44	..	35	45.5	1.0
Benin	30	58.5	16	24.0	..
Burkina Faso	17	37.5	9	18.5	..
Cape Verde	49	..	..	..	..
Cote d'Ivoire	37	69.5	40	53.5	..
Gambia	29	0.0	..	..	..
Ghana	46	76.5	51	60.5	1.5
Guinea	19	37.0	13	24.0	..
Guinea Bissau	25	59.5	24	37.0	..
Liberia	..	39.5	29	39.5	..
Mali	..	25.5	24	32.5	..
Mauritania	25	55.5	21	34.0	..
Niger	14	29.0	17	28.5	..
Nigeria	37	70.5	40	51.0	1.0
Senegal	30	58.5	25	38.5	..
Sierra Leone	29	47.5	11	21.0	..
Togo	54	110.5	31	43.5	0.2
Central Africa	50	..	48	60.7	0.2
Burundi	30	70.0	40	50.5	..
Cameroon	52	101.0	43	54.5	..
Central African Republic	35	68.5	25	38.5	..
Chad	29	65.0	18	30.0	..

Subregion/country	School Enrolment ratio 1990	Primary education enrolment ratio 1992	Adult female literacy rate 1990	Adult literacy rate 1990	Scientists/ Technicians Per '000 1991
Congo	..	..	44	57.0	..
Equatorial Guinea	64	..	..	..	..
Gabon	..	..	49	61.5	..
Rwanda	39	71.0	37	50.5	0.2
Sao Tome & Principe	..	..	..	..	..
Zaire	38	75.5	61	72.5	..
East & Southern Africa	48	..	54	51.4	2.2
Angola	32	91.0	29	42.5	..
Botswana	64	118.5	65	74.5	..
Comoros	34	..	..	..	..
Djibouti	24	..	..	..	0.1
Ethiopia	17	25.0	16	24.5	..
Kenya	58	95.0	59	69.5	1.4
Lesotho	58	106.5	..	..	..
Madagascar	40	92.0	88	80.5	..
Malawi	38	66.0	34	49.5	..
Mauritius	57	106.0	75	80.0	3.4
Mozambique	24	59.5	21	33.0	..
Namibia	..	119.0	..	..	..
Seychelles	..	..	..	..	3.8
Somalia	..	11.5	14	25.0	..
South Africa	..	..	75	76.5	..
Swaziland	64	..	..	..	..
Tanzania	32	69.0	31	46.5	..
Uganda	41	71.0	35	48.5	..
Zambia	47	96.5	65	73.0	4.4
Zimbabwe	66	119.0	60	67.0	..
Developing Africa	53	..	41	49.9	2.2

Source: UNICEF, The State of the World's Children 1995; UNDP, Human Development Report 1994

Table 8. Health Indicators

Subregion/country	Life expectancy (Years) 1992	Infant mortality rate 1993 (per '000)	Under 5 Mortality rate 1993 (per '000)	Safe water access 1990 (per '000)	POPULATION Per Doctor 1990
				INDEX NORTH=100*	
North Africa	...	...	...	...	3899
Algeria	88	57	68	70	2330
Egypt	82	46	59	88	1320
Libya	84	67	100	93	690
Morocco	84	48	59	...	4840
Sudan	69	77	128	...	11110
Tunisia	90	30	36	99	1870
West Africa	...	...	...	...	47633
Benin	62	87	144	54	14290
Burkina Faso	64	99	175	71	33330
Cape Verde	90	...	...	72	5130
Cote d'Ivoire	69	89	120	...	16670
Gambia	60	...	...	...	11690
Ghana	74	103	170	54	25000
Guinea	59	133	226	64	50000
Guinea Bissau	58	139	235	39	7260
Liberia	73	145	217	...	9340
Mali	61	120	217	...	20000
Mauritania	64	116	202	...	11900
Niger	62	191	320	...	33330
Nigeria	70	114	191	...	66670
Senegal	65	63	120	47	20000
Sierra Leone	57	164	284	...	14290
Togo	73	84	135	59	12500
Central Africa	...	...	...	...	24071
Burundi	65	107	178	56	16670
Cameroon	74	71	113	...	12500
Central African Republic	63	104	177	...	25000
Chad	63	121	206	...	33330

Subregion/country	Life expectancy (Years) 1992	Infant mortality rate 1993 (per '000)	Under 5 Mortality rate 1993 (per '000)	Safe water access 1990 (per '000)	POPULATION Per Doctor 1990
				INDEX NORTH=100*	
Congo	69	82	109	21	8320
Equatorial Guinea	63	...	...	...	...
Gabon	53	93	154	...	2790
Rwanda	62	81	141	66	50000
Sao Tome & Principe	...	...	...	...	1940
Zaire	69	120	187	33	...
East & Southern Africa	...	...	...	...	30085
Angola	61	170	292	34	14290
Botswana	81	43	56	...	5150
Comoros	74	...	...	...	12290
Djibouti	65	...	...	86	4180
Ethiopia	62	120	204	28	33330
Kenya	79	61	90	50	71430
Lesotho	80	107	156	48	18610
Madagascar	55	110	164	...	8330
Malawi	60	141	223	...	50000
Mauritius	93	19	22	100	1180
Mozambique	62	164	282	...	50000
Namibia	78	62	79	...	4620
Seychelles	...	...	...	...	2170
Somalia	62	125	211	...	14290
South Africa	83	53	69	...	1640
Swaziland	77	...	...	...	18820
Tanzania	69	108	167	51	33330
Uganda	57	111	185	15	25000
Zambia	61	114	203	48	11110
Zimbabwe	75	58	83	...	62500
Developing Africa	...	...	...	...	29271

Source: UNICEF, The State of the World's Children, 1993

UNDP, Human Development Report, 1993

* ALL FIGURES ARE EXPRESSED IN RELATION TO THE NORTH AVERAGE, WHICH IS INDEXED TO EQUAL 100.
THE SMALLER THE FIGURE THE BIGGER THE GAP, THE CLOSER THE FIGURE TO 100, THE SMALLER THE GAP AND A FIGURE OF 100+ INDICATES THAT THE COUNTRY IS BETTER THAN THE NORTH AVERAGE.