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Leveraging Opportunities for Accelerated Growth in Africa: Prospects and Challenges for the Next Decade

I. Introduction

1. Africa has been steadily investing in the prime drivers of sustainable economic growth and development with some notable progress in many countries. Indeed, at an average of 5.6 per cent a year, Africa was one of the fastest growing developing regions from 2001 to 2008 (AfDB and UNECA, 2010). Not only was the growth widespread across countries, with about 40 per cent of them growing at 5 per cent or above, it was also broad based, with many sectors contributing resources, finance, retail, agriculture, transportation and telecommunications. A recent analysis by *the Economist*[1] also finds that over the 10 years to 2010, six of the world's 10 fastest-growing economies were in sub-Saharan Africa (SSA). Over the last decade, the simple unweighted average of the countries' growth rates was virtually identical in Africa and Asia, with Africa likely to take the lead in the next five years. This growth acceleration is a sign of hard-earned progress and promise.

2. The growth surge could be attributable to government action to end armed conflicts, improved macroeconomic conditions, microeconomic reforms undertaken to create a better business climate, and capital inflows, among other factors.

3. Nonetheless, a difficult path lies ahead. While the reduction of extreme poverty and hunger remains the main development challenge, most African countries are also grappling with the problems of climate change, high disease burden, poor infrastructure, brain drain, violent conflicts and inadequate development of productive capacity. Furthermore, in the last few years, African countries have had to deal with the effects of rising food and energy prices and the complications emanating from the global financial and economic crisis. The continued reliance on a narrow export base and primary commodity production is a hurdle to faster poverty reduction and more broadly shared welfare improvements. These multiple crises are already reversing some of the region's recent economic performance, jeopardizing efforts by African countries to achieve the Millennium Development Goals (MDGs).

4. This issues paper examines the prospects and challenges for leveraging growth in Africa in the next decade. The next section appraises Africa's growth performance. Section III evaluates the opportunities and challenges for leveraging growth in the next decade while section IV outlines some key priorities. Section V concludes.

II. Africa's recent economic performance

5. Africa's rebound from the global financial and economic crisis has been faster and stronger than from previous global downturns. GDP growth accelerated to 4.7 per cent on average in 2010, up from 2.3 per cent in 2009. Unlike in past recessions where Africa lagged behind in the global recovery, this time Africa's recovery is in sync with the world economy as shown in figure 1.

6. Exports were not the only driver of growth, as was the case in previous cycles. This time, the positive turn in external conditions was supported by internal factors such as strong macroeconomic fundamentals and a larger fiscal space and quick recovery in international commodity prices, the continent's relatively limited integration with the global financial system and increasing flows of foreign direct investments (FDI) from emerging markets. Increased aid flows and quality in the form

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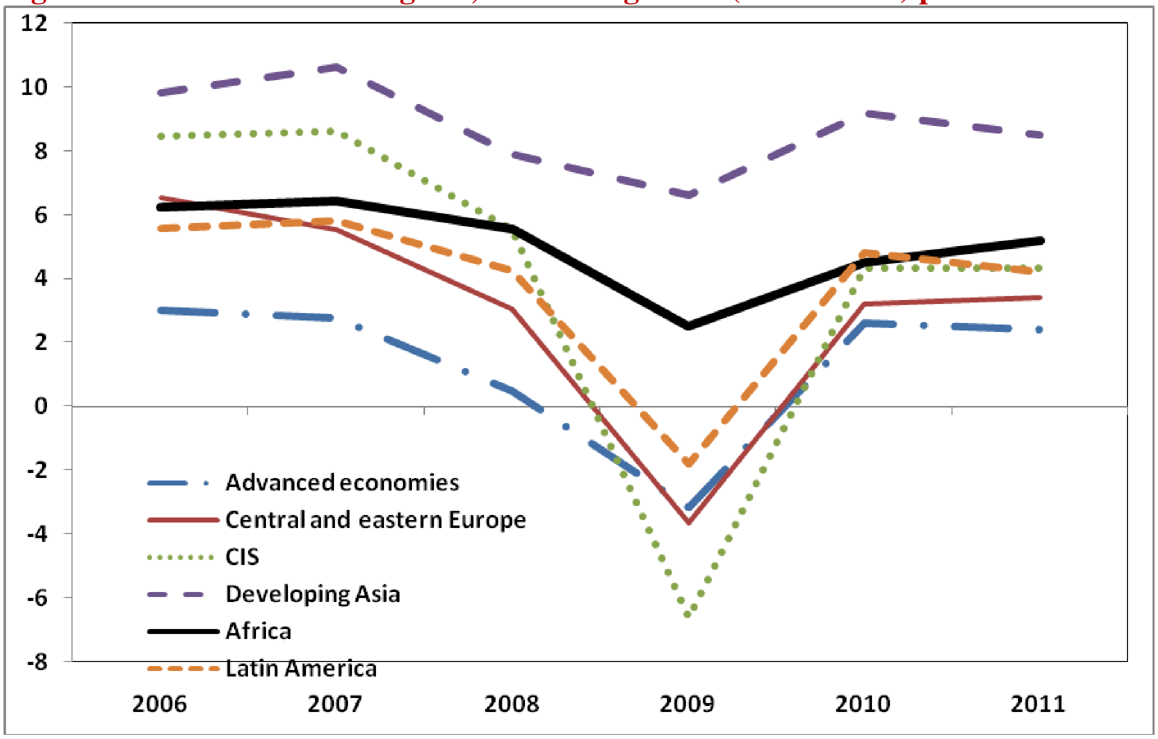
[1] See the Economist, January 6^{th} 2011, P. 14. The countries are Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda.

of predictable budget support and debt relief, themselves predicated on a greater commitment to good governance on the part of recipient countries, has also been a major fillip for many countries.

Figure 1: Africa and other regions, real GDP growth (2006 – 2011) per cent.



Source: AfDB and UNECA (2010).

7. The strong recovery of merchandise export revenues greatly helped to improve Africa's external accounts in 2010. The rebound was mostly on account of growth in revenue from exports of hydrocarbons and minerals, which comprise more than 50 per cent of the total of the region. However, the rebound has not been strong enough to bring the level of total merchandise exports back to their pre-crisis peak, especially because demand from advanced economies remains subdued. Africa's import bill has also been growing, albeit at a slower pace. In terms of volume, imports grew at a faster pace than exports, highlighting Africa's dependence on foreign manufactured goods.

8. Fiscal policy remained supportive in the majority of countries, reflecting government commitment to nurturing the recovery and ongoing efforts to bridge infrastructural gaps. This is a key objective of many medium-term development plans. Such expansionary stances contributed to short-term widening of fiscal deficits. On aggregate, the fiscal deficit for Africa as a whole widened to 5.8 per cent of GDP in 2010, up from 5.7 per cent in 2009. This prompted some countries to shift focus from short-term demand management to medium-term fiscal sustainability and to tighten fiscal policy stances. Premature fiscal consolidation could weaken the economic recovery, which would make consolidation more difficult to achieve.

9. Efforts at containing inflationary pressures in the region have not been successful. Cost-push effects weakened, as food prices dropped in 2010. In most parts of East and Southern Africa, improved weather conditions allowed for greater harvests and helped to moderate food prices. In Ethiopia, Mozambique and Sierra Leone however, inflation was considerably high - between 10 and 20 per cent - as a result of pass-through effects from exchange-rate devaluation. In South Africa, high

unemployment and low-capacity utilization rates offloaded demand pressures on the aggregate price level. Low inflationary pressures in most countries persuaded central banks to continue monetary easing policies or, at least, refrain from monetary tightening.

10. Official development assistance (ODA) to Africa is estimated to have increased by nearly 4 per cent in 2010 in real terms. Yet, ODA flows continue to fall well short of the targets and commitments made by the international donor community. FDI inflows to Africa, which peaked in 2008, driven by the resource boom, appear to continue their downward trend of the previous year except for extractive industries. For the region as a whole, the United Nations Conference on Trade and Development estimates show that FDI inflows fell by 14 per cent to $50 billion in 2010, although there were significant regional variations. While the downward trends of inflows to North Africa appeared to have stabilized, SSA experienced continued decline in FDI in 2010. Cross-border mergers and acquisitions mainly in extractive industries, registered an increase of 49 per cent, while the number and value of Greenfield projects – normally the main mode of FDI in Africa – suffered a decline of about 10 per cent in 2010. As in other emerging markets, there was also a surge in portfolio inflows in 2010, mainly to the countries with the two largest stock markets in the region, Egypt and South Africa. In Egypt, for instance, private transfers from abroad in the second quarter soared by 235 per cent, to $4.19 billion. There was also a surge in short-term, speculative capital flows into South Africa, stimulated by the large interest rate differential with developed-country financial markets, fuelling exchange-rate appreciation.

III. Leveraging growth in the next decade

3.1 Opportunities

11. A critical question is whether Africa's recent growth surge is a one-time event or an economic take-off. While short-term risks remain, recent analysis by McKinsey et al. (2010) demonstrates that Africa has strong long-term growth prospects, propelled both by external trends in the global economy and internal changes in the continent's societies and economies. In what follows, we succinctly examine the major determinants of Africa's growth prospects.

Resources

12. Africa is set to continue to profit from rising global demand for resources like oil, natural gas, minerals, food and arable land. The continent boasts an abundance of riches - 10 per cent of the world's reserves of oil, 40 per cent of its gold, and 80 to 90 per cent of chromium platinum, to mention but these.

13. Despite longstanding commercial ties with Europe, Africa now conducts half its trade with developing and emerging economies. From 1990 to 2008, Asia's share of African trade doubled to 28 per cent, while Western Europe's portion shrank from 51 per cent to 28 per cent. While China has emerged as Africa's major trading partner, India, Brazil, and Middle East economies are increasingly forging new broad-based trade and investment partnerships in Africa.

Africa's demographic transition and rise in urban consumers

14. According to the 2010 Africa Economic Outlook, more than 60 per cent of Africa's population is under the age of 25. The United Nations Population division also observed that Africa's youth bulge is quite unique. The region will account for 29 per cent of the world's population aged 15-24 by 2050, up from 9 per cent in 1950. By comparison, Asia/Pacific and Latin America/Caribbean countries will maintain their 1950 shares of 54 per cent and 7 per cent respectively by 2050.

15. With a comprehensive innovative strategy to tackle youth unemployment, Africa's burgeoning youth population could become a real blessing for the region. With aging populations in advanced economies and rising wages in Asia, Africa has the opportunity to become the next centre for manufacturing and information and communication technology, and service sector jobs. Africa's "youth bulge" needs not be a harbinger of conflict and instability in Africa.

16. Many Africans are also joining the ranks of global consumers. In 2000, roughly 59 million households on the continent had $5,000 or more[4] in income. They spent roughly half of it on non-food items. By 2014, the number of such households could reach 106 million. Africa already has more middle-class households (defined as those with incomes of $20,000 and above) than India (McKinsey et al., 2010). Africa's rising consumption will create more demand for local products, sparking a cycle of increasing domestic investment and growth.

Improved governance

17. Political governance has been steadily improving across Africa, albeit fitfully. At least, two thirds of African countries now have presidential term limits. Indeed, some 14 leaders had been compelled to step down from office in the last decade. Multiparty political systems and the discourse of political accountability are gaining wider acceptability among key stakeholders, while the media has become less gagged with the rapid spread of the Internet and mobile phones.

Africa as a prized investment destination

18. Africa has become a prized investment destination. There is wider acceptance of the crucial role of the private-sector by African leaders, and the importance of integration into the global economy through trade. The dynamism in mobile telecommunications has provided a vibrant source of growth for many African countries. Modernizing the banking system has also provided further sources of growth; with more products (such as mortgages) on offer for an emerging middle class.

19. African countries were among the top reformers on the World Bank Doing Business Index, with post-conflict Rwanda claiming the top spot in 2007 as the world's best reformer.

3.2 Challenges

20. Although tangible progress has been made, stronger recovery is still needed. To regain momentum on its effort to achieve the MDGs, Africa needs higher growth to renew investments in infrastructure and human capital, and boost employment. Improvements in governance, favorable commodity prices, better macroeconomic policies, higher investments in human development, health care and education, are needed to create jobs, boost GDP growth and reduce poverty. The key challenges are briefly examined below:

Poverty

21. The proportion of Africans living on less than $1.25 a day fell from 58 per cent in 1996 to 50 per cent in the first quarter of 2009 and was falling by one percentage point (equivalent to India's rate of poverty reduction) before the crises hit.

22. Despite recent progress, Africa is the only region of the world that has not been able to significantly reduce poverty. Africa is still home to a disproportionate 30 per cent of the world's poor, despite comprising merely 10 per cent of the world population. Worse still, the number of people in extreme poverty has doubled to some 300 million since the mid-1980s and is expected to reach as high as 400 million by 2015.

Unemployment

23. Africa is now being praised for a speedy recovery, in the wake of the global financial and economic crisis. Unfortunately, high GDP growth has not led to employment growth. Unemployment, especially among youths, remains a major challenge and is compounded by skills deficit. As reported by the International Labour Organization (ILO, 2010), about 11.9 per cent of Africa's youths are currently unemployed while a sizeable number is also underemployed or inactive.

24. African economies have to focus attention on employment generating growth. The political turmoil in the Arab world is an important reminder of why unemployment, more importantly, youth unemployment should be at the forefront of Africa's growth agenda over the next decade. Youth unemployment/underemployment is not just a threat to authoritarian regimes but also to democracies.

Climate Change

25. Another major challenge facing Africa is climate change. Climate-related hazards such as the floods that recently ravaged several West African countries, including Benin are now a common occurrence. Such hazards continued to cause worry in the agricultural sector, which is expected to decrease by 50 per cent, resulting in severe undernourishment as a result of unchecked climate changes. The health burden and conflicts will increase as populations fight over dwindling resources. The need for Africa to develop adaptation and mitigation strategies cannot be overemphasized.

26. The costs of adaptation and mitigation are, however, extremely high and beyond the means of most African countries. It is estimated that the cost of adaptation could be anywhere between 5 and 10 per cent of continental GDP. It is therefore important for the international community to help in financing the cost of climate change adaptation and mitigation in Africa.

Infrastructure

27. The lack of modern infrastructure is an impediment to Africa's economic development and a major constraint to poverty reduction, as well as the attainment of the MDGs. Africa's existing infrastructure falls short of its needs and it lags well behind infrastructure development in other poor regions. Poor maintenance has left much of the existing infrastructure in state of disrepait, further hindering economic growth and discouraging new investment. This is poignantly demonstrated in the energy sector. Despite sub-Saharan Africa's great potential in clean energy resources, such as

hydropower, solar, wind and geothermal, investment in new facilities has been inadequate, creating a chronic supply imbalance. Investment in maintaining existing infrastructure has also lagged behind, leaving many African countries with degraded and inefficient infrastructure services, poor quality roads, railways, and ports and an inadequate ICT backbone (Jerome, 2010).

IV. Key priorities in the next decade

Job creation

28. African countries must prioritize the creation of decent jobs as a central pillar of their development strategies and policies in order to attain the MDGs and eradicate poverty. The current global economic crisis offers African countries an opportunity to lay the foundation for sustainable, employment-intensive, high growth rates (ECA and AUC, 2010). ECA and the African Union Commission (AUC) (2010) call for structural transformation as the mechanism for achieving high employment growth.

29. For most African people, gainful employment is the only way out of poverty, especially for youth and other disadvantaged groups. Unfortunately, unemployment and underemployment rates in Africa are high and continued to rise even during the period of rapid economic growth, which came to an end with the global economic crisis in 2008.

30. Appropriate investment in infrastructure and human capital, renewed and creative efforts at domestic resource mobilization, factor market reforms, incentives to support private-sector employment and efforts to increase productivity and incomes in the informal sector are needed.

31. Africa needs to create mechanisms which would protect the most vulnerable segments of population against unexpected shocks. As the global financial crisis has turned into job crisis, countries throughout Africa have realized that more attention should be paid to public works programmes, especially where labour-intensive infrastructure building is involved.

32. In addition to short-term social safety nets, well-targeted longer-term protection programmes will support shared growth.[2] In practice, a key obstacle to reforming social safety nets is the limited knowledge of the existing ones and in particular, of prevailing best practices. Closing this knowledge gap and utilizing best practices from other developing regions will go a long way to reducing vulnerability and improving the well-being of people in Africa.

Resource mobilization

33. As Africa grapples with the fall-out from the financial crisis, it is imperative that it explores policy options to make up for expected short-falls in development finance. The recent global financial crisis affected donor budgets and reduced the levels of commitment of resources to developing countries. With donors accounting for over 50 per cent of collected public revenue in almost half of African countries[3], the fiscal implications of donor retrenchment are acute. While seeking to obtain as

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[2] The African Union adopted a social policy framework in 2008 for Africa to strengthen social protection systems, combat hunger, create decent work opportunities for all, and improve access to basic social services.

[3] See Report of the Workshop on Domestic Resource Mobilization for Poverty Reduction in East Africa: Lessons and Policy Options for Tax Policy and Administration by the African Development Bank in association with the Korea African Fund for Economic Cooperation, African Tax Administration Forum and the East African Community, November 2010.

much external financial support as it can, Africa must also look inward to its own available policy options to increase domestic resources for development.

34. Since 1980, Africa has had the weakest domestic resource mobilization recorded for any region. On average, foreign savings have been necessary for funding more than 35 per cent of the region's already low investment levels (Serieux, 2008).

35. A recent 50-country *African Economic Outlook 2010* survey however gives cause for hope. It indicated that:

- The trend of tax revenues on the African continent is positive. Relative to GDP, African countries generally collect tax revenues similar to those of countries at similar stages of development on other continents;

- However, this positive trend has been mostly driven by resource-related tax revenues that typically distract governments from generating revenue from more other forms of taxation such as corporate taxes on other industries, personal income taxes, value added taxes and excise taxes;

- Countries without large natural resource endowments have made relatively more significant efforts in improving the quality and balance of their tax mix.

36. The Outlook identified three key challenges, which African economies are facing with respect to further mobilization of public resources. These include:

- Cross-cutting structural bottlenecks: high levels of informality, a lack of fiscal legitimacy and administrative capacity constraints, against which donor support has hardly been enrolled;

- The already shallow tax-base is further eroded by excessive granting of tax preferences, inefficient taxation of extractive activities and inability to fight abuses of transfer pricing by multinational enterprises;

- The tax mix of many African countries is unbalanced: they rely excessively on a narrow set of taxes to generate revenues. Declining trade taxes leave a critical gap in public resources.

37. In forging ahead, there is need for the recognition that taxation is integral to sustainable growth and poverty reduction. As highlighted in the Monterrey Consensus, tax receipts provide developing countries with a stable and predictable fiscal environment to promote growth and to finance their social and public investment needs. Combined with economic growth, efficient tax systems will progressively reduce aid dependency. More generally, taxation plays a supportive role in improving governance by promoting the accountability of government to citizens.

38. Effective ways to raise domestic tax revenues – in particular, broadening of the tax base through strengthening tax administration and formalizing the informal sector – should be pursued vigorously. It is less clear how private savings could be raised, and methods vary from country to country. In addition

to the banking sector reforms, some innovative ways such as leveraging the local wealth (land, houses) or securitizing future flows (remittances, oil revenues) are already being explored in countries like Ghana.

39. As measures aimed at domestic resource mobilization will take time to implement, many African countries, especially the low income countries, will rely on aid to supplement their resources. To be effective, donors need to provide aid on a timely, predictable and sustained basis. For their part, countries need to ensure that a substantial portion of the aid received is used to finance domestic investment.

40. Nevertheless, given the substantial development needs to reach the MDGs, especially when combined with the climate change financing needs, tax revenue mobilization and foreign aid will not be sufficient. Countries will need to increasingly rely on private-public partnerships and private capital flows. In this context, debt sustainability and development objectives need to be carefully balanced to achieve strong, sustainable and shared growth. In particular, greater flexibility of the international financial institutions' debt sustainability framework agreed at the end of 2009 is a step in the right direction.

Meeting the infrastructure challenge

41. The investment needs in Africa's infrastructure are quite substantial. The Africa Infrastructure Country Diagnostic Study (AICD) estimates the cost of addressing Africa's infrastructure at about $93 billion a year, about 15 per cent of GDP, one-third of which is for maintenance. However, unlike the debates on the reforms of the 1990s which were shaped by ideological orientation and blame game, there is a gradual coalescing of opinions on the reform agenda in addressing Africa's infrastructure. Much learning has taken place in the past two and a half decades and substantial efforts have been invested in data in recent years. The choice is no longer simply on a dichotomy between public and private provision, but on how to forge mutual cooperation between these two sectors, defined by areas of competence. There is growing consensus that the public sector must retain a much more important role in financing than previously admitted, while the private sector is expected to help in meeting the significant needs associated with infrastructure construction, operation, and to some extent, financing in sectors such as telecommunications, energy generation and transport services in which commercial and political risks are much lower. Small-scale operators are also assuming an increasing, yet generally underestimated role in catering to the needs of the populations not supplied by operators with higher visibility. Access, affordability and quality of services rendered by small providers are still not clearly understood and deserve more research and analysis.

Building human capital

42. As Africa confronts profound challenges in education, health, and social protection, efforts must be channelled towards investment in human capital through expanded and improved education at all levels and by strengthening health systems for better outcomes.

43. The past decade has seen a lot of progress in Africa's education systems, especially at the primary level. The primary enrolment rate was boosted by 14 percentage points, rising from 59 per cent in 2000 to 73 per cent in 2008. The primary completion rate has also surged, rising from 53 per cent to 65 per cent over this period (World Bank, 2010). Yet, governments must step up efforts to provide basic education to the millions of children left behind, while also finding efficient ways to provide

secondary, vocational, and tertiary education. In a region where just 5 per cent of the relevant age group is enrolled in tertiary institutions, economic success partly depends on the availability of tertiary education and its relevance to the needs of the job market.

Regional integration and intra-Africa trade

44. Regional integration is an integral part of Africa's development efforts, particularly in light of the continent's poor international trade competitiveness and the current impasse at the Doha Round of trade negotiations that seeks to accord developing countries unrestricted access to high-income markets.

45. There has been notable progress in that regard, with the Common Market for East and Southern Africa (COMESA), the Southern African Development Community (SADC) and East African Community (EAC) moving to common-market status. These Regional Economic Communities (RECs) tackle trade facilitation through measures like the one-stop border posts, as is the case between Zambia and Zimbabwe, and a planned one on the Zimbabwe-South Africa borders (Leautier, 2011). The Economic Community of West African States (ECOWAS) has been lauded for stemming the subregion's vulnerability to military coups and political instability. ECOWAS recently moved swiftly to resolve the Guinea and the Niger crises and mediation is ongoing in the Ivorian post elections impasse.

46. Furthermore, the AUC has proposed the establishment of three-pan-African financial institutions: the African Central Bank, the African Monetary Fund and the African Investment Bank. Other pan-African research and development institutions, notably, AfDB, ECA and the RECs are providing support to the institutional setup for improving macroeconomic and financial convergence on the continent. Work is also ongoing on the preparation of a continental Programme on Infrastructure Development in Africa (PIDA).

47. Africa, however, still needs to do more to accelerate regional integration. The continent will soon be home to about 26 regional trade agreements. These include 14 regional groupings. Of the 14 regional groupings, the African Union recognizes eight as building blocks towards the African Economic Community. The numerous and overlapping regional trade agreements carry substantial flaws that should be streamlined.

48. Currently, the AUC is focusing on its Minimum Integration Programme (MIP), in line with previous AU Conferences of African Ministers in Charge of Integration (COMAI). This focus underscores the need for rationalizing resources and harmonizing the activities and programmes of RECs. The MIP is in line with a broader undertaking, namely the realization of the African Economic Community (AEC), as envisaged in the Abuja Treaty and the Constitutive Act of the African Union.

49. Fresh impetus should be given to addressing the cost of regional integration by developing a transparent, equitable, and rule-based system for sharing gains and resolving disputes. Moreover, regional agreements should be incorporated in national strategies and policies, with involvement of civil society in their formulation and implementation. Finally, regional strategies have to focus on developing areas of industrial complementarity to boost intra-Africa trade, which stood at about 10 per cent of Africa's total trade in 2010 and the capacity to trade.

Private sector growth and industrialization

50. African policymakers have recognized that for growth to be sustainable over the longer term, it needs to be underpinned by a vibrant private sector. However, the formal private sector in Africa remains limited and encumbered by several constraints including the high cost of doing business, infrastructure bottlenecks and critical skills shortages. Although considerable variations exist across Africa, five distinctive structural deficits of the region's enterprise structure that command the attention of policymakers have been identified. These are (a) widespread and rising informality; (b) a "missing middle" and limited upward mobility of enterprises; (c) weak inter-firm linkages; (d) low levels of export competitiveness; and (e) lack of innovation capabilities. Government has a central role to play in private sector development beyond deregulation, through learning, industrial and technology policies. The crisis has also underscored the importance of export diversification to mitigate adverse external shocks. Africa's past experience suggests that lowering barriers to competition alone is not enough. Also, rather than picking winners, policymakers need to design industrial strategy to identify high-potential export sectors. African industrial strategies should target the sectors that are: (i) "nearby" (requiring capabilities similar to those in current production so as to increase economic density); (ii) relatively sophisticated (raising the level of technology); and (iii) facilitating exports of other sophisticated products (having strategic value) (AfDB *et al*, 2010).

51. Measures should also be designed to improve State-business relations, support innovative entrepreneurship, strengthen intra-firm specialization and linkages, promote exports and improve financial services, with a view to addressing the deficits of Africa's private sector.

South- South Cooperation

52. South–South cooperation has become an effective way to increase Africa's trading and finance opportunities as well as its voice and representation in the world economy. The formation of alliances with other developing countries in the Doha Round and climate change negotiations no doubt altered the pace and dynamics of the negotiations and enhanced the region's bargaining power. The need for African countries to enter into these alliances has become even more urgent, with the rapid pace of globalization and concerns that Africa has so far not derived sufficient benefits from the process.

53. As noted by the United Nations Conference on Trade and Development (UNCTAD) 2010 report, an effective strategy on South–South cooperation requires African countries to exploit the complementarities between Southern trade, investment and official flows. It also requires policies at the national level to ensure that Africa–South cooperation does not replicate the current pattern of economic relations with the rest of the world, in which Africa exports primary commodities and imports manufactured goods. In this regard, it would be desirable if African countries and their developing country partners manage their growing and evolving relationships in a manner that supports and enhances technological progress, capital accumulation and structural transformation on the continent.

Good governance

54. The political crises in Ivory Coast and Libya have generated a flurry of reactions and stated positions from regional and continental bodies as well as from the wider international community. The overarching issue between these countries signals a major problem throughout the African continent pertaining to challenges in entrenching good governance. The tenets of good governance include

upholding the rule of law, accountability, transparency, participatory governance and an effective judicial system. The situations in Ivory Coast in particular show a very specific type of governance problem: the inability of the country to adequately accommodate the voices of their citizens.

55. The separation of the Sudan, while not a suggested solution for other nations, illustrates how important it is to have a voice in a strongly divided nation. In some cases, more decentralized systems of governance may be necessary, but regardless, solutions that are designed around indigenous norms need to be incorporated. The implementation of the recommendations of the recent AU Summit's on "Towards Greater Unity and Integration through Shared Values" provides a key opportunity for African countries to work together in seeking appropriate good governance solutions. About 17 countries in Africa are set to hold presidential and legislative elections this year. Peaceful conclusion of these elections will be a step forward for good governance in Africa year.

56. The African Union, the United Nations and various regional groups in Africa, like ECOWAS, have performed admirably in mediating governance problems in recent months. However, finding ways to proactively deal with issues brewing on the ground should also be a priority. The enthusiasm and expectations that characterized the launching of the New Partnership for Africa's Development (NEPAD) 10 years ago needs to be revived. The African Union, through NEPAD, already has in place systems like the African Peer Review Mechanism (APRM) that could be useful if scaled up. Effective use of the APRM could help keep a pulse on situations like the recent outburst and eventual change in Tunisia and Egypt, by ensuring that proactive policy solutions are being made to address concerns as they arise.

Scaling up support for the MDGs

57. Africa has made notable progress in attaining some of the MDGs, especially in relation to education and gender equality, but poverty rates and maternal and child mortality rates remain unacceptably high in many countries. Indeed, the majority of African countries are off track for meeting most of the MDGs. African governments, supported by international donors, must scale up both short-term and long-term efforts to accelerate progress towards achieving the MDGs by accelerating and sustaining broad-based growth, reducing inequality, and enhancing social protection and services delivery, among other policies. With concerted efforts by African governments, civil society, the private sector, and the international community, Africa should meet most, if not all, of the MDGs by 2015.

Creating the foundation for a Green Economy

58. In addressing the energy and climate crises, Africa needs bold plans for building a stronger and greener economy, propelled by green growth. Green growth is about addressing climate change in an aggressive manner while, making the green technologies and industries needed to combat it. This entails a new paradigm shift from the business assumptions and lifestyles of the industrial age to a new path that satisfies the need for economic growth, social and corporate responsibility, and the integrity of the environment. It is a shift in thinking that no longer pits "green" against "growth".

59. Africa is well positioned to embark on a low carbon growth and development path, given its abundant natural and biological resources. Investment opportunities in Africa's renewable energy sources, such as solar, hydro, wind, thermal and biomass could draw international financing. They

would not only help address global climate change and local energy shortage problems, but also create a new global market. Yet, public resources alone cannot fully cover the costs of climate change and set clean development schemes customized for each African country; private financing will have to be mobilized as well. Moreover, African countries should actively utilize projects such as clean energy or green agriculture, initiated by multilateral or regional institutions to boost green industries. The African Development Bank's issuances of clean energy bonds in 2010 are clearly steps in the right direction.

Trade negotiations and Economic Partnership Agreements

60. The Doha talks, which began in 2001 with a focus on dismantling obstacles to trade for poor nations have been dogged by intractable disagreements. Successive deadlines to conclude the talks have been repeatedly missed. Efforts are ongoing to resuscitate the talks and there is optimism among African and other developing countries that the mantle of the negotiations would remain a development round.

61. A positive outcome of the Doha Round of negotiations is critical to Africa's efforts towards increasing its share in global trade which is still oscillating around 3 per cent. The "credibility" of the global trading system rests on how it treats poor countries in Africa and elsewhere. The final outcome of the Doha Round must hinge on the principle of "reciprocity" that would require proportional commitments between developing countries and developed countries.

62. In the area of economic partnership agreements (EPAs), if events go as planned, Africa will soon be home to about 26 regional trade agreements (ECA and AUC, 2010). These include 14 regional groupings; five regional EPAs; free trade areas between Europe and the North African countries and the South Africa Southern African Customs Union (SACU) trade agreements with Europe and Mercosur. The most challenging of the African regional trade agreements are the North-South ones, especially the EPAs, given the inclusion of the Least Developed Countries (LDCs) in the African subgroups. This is why the EPA negotiations have the potential of affecting Africa's development agenda for many years to come.

63. Contrary to expectations, none of the five regional EPAs under negotiation in Africa has been concluded, owing to unresolved conflicts. Concerns remained that if the comprehensive EPAs were to follow the outlines of the interim EPAs that were initiated towards the end of 2007, they would significantly affect the continent's regional integration agenda and the drive for South-South cooperation and industrialization strategy. In addition, the development agenda for some countries would likely be affected negatively because of the strong adjustments that African economies would have to undergo to fit in the new EPA environment. The lack of congruence in the EPA groupings with the RECs memberships continues to pose challenges due to the non-harmonized and uncoordinated market access offers by African subregions to the European Union. Also, the need to deepen South-South cooperation, which might include preferential trade arrangements, remains a challenge because of the Most-Favoured Nation clause in the interim EPAs. The potential for deep liberalization in efforts to be compatible with World Trade Organization articles governing regional trade agreements might also expose nascent African industries. The lack of agreement to match development funding with the level of economic adjustments remains a crucial question that will determine the willingness to conclude the comprehensive EPAs.

64. Explicitly recognizing a linkage between the WTO Doha Round and the EPAs will be vital. The question as to whether the Doha Round should be concluded before finalizing the comprehensive EPAs

remains relevant. This question is especially significant because the comprehensive EPAs foresee the possibility of finalizing agreements in important areas, such as services and rules, currently under negotiations in the Doha Round. Also, the fundamental questions in relation to EPAs and African regional integration must be resolved. Given the dynamism in Africa's integration agenda as evidenced by the COMESA-EAC-SADC proposed grand free trade area and the African Union's Minimum Integration Programme, the EPAs need to take account of these developments (ECA and AUC, 2009).

V. Conclusion

65. Africa has demonstrated greater than expected resilience through the global economic crisis and has become one of the fastest-growing regions in the world.

66. Improved political and macroeconomic management, capital inflows and strengthened political commitment to private sector investment and better access to basic education and social services are among the key drivers behind this trend. The urgent task ahead is to sustain this momentum and translate Africa's growth into inclusive and sustained social development and poverty reduction especially through decent employment. This is a complex process. Increasingly, Africa needs to own and sustain its development process. In forging ahead in the next decade, success would depend not only on the efforts of the region's leaders and citizens but also on effective development plans, articulated and owned by all stakeholders in Africa.

67. The continent also needs to make its voice heard in the global economic arena, to mobilize attention and support to offset long-standing obstacles to its development. It must further seize opportunities. The current international financial and economic architecture remains dominated by the major economies. There is a need for continental and regional representation in the key policy and decision-making international structures. Greater scope is also needed for African-led institutions to engage on equal terms in global discussions, put forward African perspectives, and draw attention to the implications of decisions by global bodies for Africa. In this regard, Africa's institutionalized representation on the G-20 is a priority.

Issues for discussion

1. How can Africa sustain the growth momentum and translate this growth to inclusive and sustained development?
2. How can it further attract global and regional investment, and sustain its growth path through greater industrial diversification and innovation and structural diversification?
3. How can Africa create green economies?
4. How can Africa promote regional integration and use economic cooperation arrangements to foster growth and global competitiveness?
5. How can Africa take on a leadership role in its development process to ensure inclusiveness and adequate stakeholder participation as well as transparency and accountability in policy implementation and guard against emerging global and regional risks?

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