

67-480

PRELIMINARY ASSESSMENT
OF
THE PERFORMANCE OF THE AFRICAN ECONOMY IN 1995
AND PROSPECTS FOR 1996

END-OF-YEAR STATEMENT

BY

K. Y. AMOAKO
United Nations Under-Secretary-General,
Executive Secretary of the Economic
Commission for Africa

Excellencies,

Distinguished Ambassadors and Heads of Diplomatic Missions,

Distinguished Heads of African regional organizations and of United Nations Organizations and Specialized Agencies,

Representative of the media,

Ladies and Gentlemen,

Dear Colleagues,

1. It is my great pleasure and privilege to welcome you to Africa Hall, on the occasion of my first End-of-Year Statement as the Executive Secretary of the United Nations Economic Commission for Africa (UNECA). I would like to express my sincere thanks to you for honouring our invitation and for your presence here this morning to share with us our views and analysis on the state of the African economy.

2. When I assumed office as Executive Secretary of the ECA in April 1995, I did not underestimate the heavy responsibility entrusted to me by the Secretary General of the United Nations - Dr. Boutros-Boutros Ghali. Neither was I in any doubt of the support and co-operation that I will need from our governments and institutions in the gigantic task of renewing ECA to serve Africa better as a major source of intellectual leadership and technical support for African countries and institutions. On the contrary, I recognized the enormity of the task ahead and the good relationship between the ECA and the governments of Member-States that my predecessors have nurtured and sustained over the years, and which have been of immeasurable value to the institution in tackling the problems of Africa's development. I therefore take this opportunity to express the hope that this good relationship will continue in the years ahead and that sister organizations, the media in Addis-Ababa, the bilateral and multilateral development partners, will also join hands with us in a continuous and constructive dialogue on the major development issues confronting the continent.

3. The End-of-Year Statement is traditionally devoted to preliminary assessment of the economic and social situation in Africa in the year that is ending and the prospects for the coming year. Accordingly, I would like to share with you our assessment of the performance of African economies in 1995 and the region's prospects for 1996.

I. THE ECONOMIC AND SOCIAL SITUATION IN 1995

Your Excellencies

Ladies and Gentlemen

4. The world economy continued on the path of recovery from the political and economic upheavals of the last decade and the global recession of the early 1990s. Perhaps even more important, current trends in the world economy, such as the globalization of markets and production, rapid technological change, growing economic interdependence of nations and of production enterprises, and the proliferation and intensification of regional trade blocs, among others, have further gathered momentum. It is against this background that the performance of the African economies in 1995 must be examined. The struggle by African governments and people to regenerate their economies, to improve economic and social welfare, and to prevent

the marginalisation of the continent in the world economy, has continued unabated, though with varying degrees of success.

5. Preliminary estimates and revised figures of the UNECA show that the gross domestic product (GDP) of the African region, measured at constant 1990 prices and in US dollars, grew by 2.2 per cent in 1995, compared to 1.6 per cent in 1994 and only 0.8 per cent in 1993. The high growth, although salutary, was nevertheless insufficient to arrest the further diminution of per capita income which declined by 1.2 per cent. Average income per head in the 53 member-States of the Commission has in fact fallen by 2.0 per cent per year over the 1990-1995 period.

6. The impetus for growth in 1995 has come mostly from the good performance of the mining sector - from both its fuel and particularly the non-fuel subsectors. Overall, the value added in the mining sector is estimated to have increased by 3.5 per cent. There was also a respectable recovery in oil prices by about 12 per cent which also benefited from an increase of about one per cent in volume in 1995.

7. The growth rate of manufacturing value added declined from 3.7 per cent in 1994 to 2.8 per cent in 1995, due largely to a combination of adverse factors including poor levels of investment and the high cost of foreign exchange constraining the acquisition of spare parts and inputs.

8. With poor income growth, consumption recorded a modest increase while investment was adversely affected. Private consumption increased by 2.7 per cent compared with the 1.0 per cent achieved in 1994, while public consumption recorded zero growth in 1995 as in 1994, due to the ongoing bid to contain public expenditures as part of the economic reform programmes. Concomitantly, there was a decline of 3.8 per cent in capital formation. With a continued decline in investment and capacity utilization, unemployment inevitably increased. For Africa as a whole, about 50 per cent of the active labour force is presently either unemployed or grossly under-employed.

9. According to preliminary estimates, exports increased by 11.4 per cent in 1995, rising to US\$97.9 billion as against US\$87.9 billion in 1994, while imports increased by 15 per cent to US\$108.8 billion. Consequently, the trade balance showed a deficit of US\$10.9 billion. The increase in imports, although insufficient to satisfy both consumption and investment demand, was made possible partly by increased export revenues coming from the recovery in prices of primary commodities during the year as well as a modest increase in volume.

10. There has also been strong inflationary pressures in a number of countries in 1995, due mainly to continued budgetary deficits, the most prominent case being Zaire. The zone franc countries, which were previously characterized by very low inflation rates, experienced considerable price rises in 1995 as in 1994, following the 50 per cent devaluation of the CFA franc in January 1994. However, with tight monetary policies and wage restraint, inflation continued in most cases to be below the rate of devaluation.

11. For a continent as large and diverse as Africa, this review of global trends naturally masks wide differences in performance among subregions, and in individual countries. The West and East and Southern African subregions registered growth rates exceeding the regional average in 1995, owing to improved performance in the agricultural and mining sectors. GDP in West Africa grew by 4.0 per cent, compared with an increase of only 1.0 per cent in 1994; while East and Southern Africa grew at 3.0 per cent against 1.6 per cent in 1994. In contrast, the rate of growth fell from 2.2 to only 1.0 per cent in 1995 in North Africa due to falls of 5 per cent in Morocco, and of 6 per cent in the Sudan, as well as stagnation in Libyan Arab Jamahiriya. Growth was limited to a mere 0.3 per cent in Central Africa on account of continuing poor economic performance in the Congo, Cameroon, Burundi, Rwanda and Zaire.

12. As a group, the thirty-three African countries that are commonly referred to as "least developed" are yet to effect any structural transformation in their economies, mid-point through the Programme of Action for the Least Developed Countries (LDCs). Average per capita income declined by 3.1 per cent in the African Least Developed Countries during the period 1990-1995. As confirmed by the mid-term global review of progress in the implementation of that programme, these countries have experienced consistent degradation in their economic base, aggravated by natural calamities, in addition to structural weaknesses that undermine adjustment to internal and external shocks.

13. Country-wise, 6 African countries on the whole experienced negative growth rates in 1995; 25 countries registered positive growth rate of between 1.0 and 4.0 per cent; 10 countries experienced rates of growth of between 4 and 5 per cent; and, 9 countries recorded rates of growth of 5 per cent and above.

14. It is of paramount importance to examine the factors - both domestic and external - that underlie the performance of African economies in 1995. On the domestic front, the growth of output in the agricultural sector, the mainstay of the African economies, has been below expectations despite the considerable improvements in weather conditions. According to the Agriculture and Food Organization (FAO), overall agriculture output virtually stagnated in 1995, compared to the 3.5 per cent achieved in 1993/1994. The year 1995 also saw a drastic deterioration in per caput agricultural output by 2.6 per cent. The situation in Southern Africa was particularly serious, with per caput agricultural production declining by 16 per cent in the Republic of South Africa, 8.2 per cent in Zambia, 34.4 per cent in Lesotho and 18.8 per cent in Zimbabwe.

15. The food situation in the Africa region continues to give cause for anxiety. In some areas, drought in the third quarter of 1994 and the first quarter of 1995 precipitated famine conditions, affecting some 10 countries in the northern, eastern and southern African subregions. Cereals production is estimated to have fallen from 104.2 million in 1994 to 90.9 million tonnes in 1995, a 14.6 per cent decline. African wheat production was 13.6 million tonnes in 1995, against 15.6 million in 1994. The fall in output was particularly marked in Morocco and Tunisia because of severe-drought. However, output rose in Algeria and in Egypt, particularly in the latter. African rice production has remained virtually unchanged, increasing only marginally,

from 15.4 million in 1994 to 15.9 million tonnes in 1995. Livestock production also declined in 43 African countries due to the rebuilding of cow herds, a policy which has been in effect in many drought-affected countries since 1992/1993. The outcome of these development are that 23 million people in sub-Saharan Africa fare severe food shortages. Food security is especially precarious in Rwanda and Burundi, even though food production has picked up after the recent civil disorders.

16. As for cash crops, it is interesting to note that the price increase of about 12 per cent in world prices for tropical beverages had a favourable effect on coffee production and harvests which are reported to have increased to 1.1 million metric tonnes in 1995 against one million metric tonnes in 1994, that is a 10 per cent increase. Cocoa harvests increased by 4.1 per cent to 1.4 million metric tonnes in 1995; and tea output by 6.6 per cent to 355,520 metric tonnes. Because agriculture is still the mainstay of African economies, the current level of performance must heighten our concern about the sustainability of growth and development in the region.

17. Manufacturing industry recorded positive growth in 1995, mainly as a result of improvements in the importation of raw materials for agro-allied industries made possible by the favourable performance on the external account. This, together with a number of remedial policy measures, including the rationalisation of industries under SAPs, improved the level of capacity utilization. However, the industrial sector remained prone to a number of inherent structural weaknesses apart from the perennial shortage or high cost of foreign exchange for the importation of crucial inputs, spare parts and equipment.

18. In recent years, the government sector, which has played a critical role in many African countries, particularly in investments, employment and basic services, has come under mounting pressure and has been experiencing increasing difficulties in coping even with its traditional responsibilities of welfare provisioning (health, education) and economic infrastructure. Despite the enormous financial constraints, the curtailment of public expenditure has neither been easy nor feasible owing to various political and social pressures on governments in an increasingly demanding domestic and international environment. On the other hand, government revenues cannot increase fast enough following the reduction of tax rates and declining capacity for fiscal administration.

19. The social sector remains under great pressures in Africa not only because of rapid population growth in the face of slow pace of economic development, but also the severe cut-backs of expenditure on education and health and medical care. The spate of social unrest, civil conflicts and political crises have continued to disrupt and paralyse production in many countries (especially Burundi, Liberia, Rwanda, Somalia, the Sudan, Zaire, and recently, Sierra Leone), with important repercussions on the capacity of governments to deliver even the most basic of services. The domestic instabilities, particularly in countries with huge population movements, have in most cases spilled over into neighbouring countries. As a result, Africa continues to be plagued with the problem of refugees and displaced persons, in spite of the considerable humanitarian efforts at rehabilitation, repatriation and resettlement. Much of Africa's energies continue to be absorbed in coping with political crises and not enough is devoted to economic

development despite the overwhelming conditions of absolute poverty in which over 220 million Africans now live.

20. The key indicators of human well-being have continued to decline in Africa in 1995. Open unemployment was on the increase and is projected to reach a figure of 30 per cent by the year 2000. The unprecedented rates of migration of the rural population to urban areas as a result of civil strife, collapse of the rural economy, drought and degradation of the environment, have exacerbated the problem of unemployment in urban centres, currently estimated at about 20-25 per cent. A particularly disturbing feature of the unemployment situation is the growing number of young persons (15-24 years) among the unemployed, and the fact that women and girls tend to be the worse affected.

21. On the external front, Africa's trade performance continues to lag behind that of other developing regions, notably Asia. Provisional estimates for 1995 by UNECA shows some improvements in export earnings, which increased by 15.6 per cent to US\$ 97.9 billion after stagnating in 1994. The value of imports rose to about US\$ 108.8 billion from US\$ 94.6 billion in 1994, an increase of 15.0 per cent. Judging from these preliminary figures, the trade balance deficit of US\$ 6.7 billion in 1994 deteriorated further to an estimated US\$ 10.9 billion in 1995. The increase in export earnings can be attributed to a modest increase in oil prices, which on average, was between US\$16.5-US\$19.6 per barrel in 1995, and the sustained recovery in minerals and metal as well as beverage prices. For Africa as a whole, export prices rose by 10.5 per cent compared with 5.8 per cent in 1994, while import prices increased by 7.2 per cent in 1995 compared with 3.8 per cent in 1994. As a result, the terms of trade improved by 3 per cent in 1995 in comparison to an increase of only 1.9 per cent in 1994.

22. Based largely on the strength of oil and beverage prices, the ECA wholesale price index of African exports improved by 10.5 per cent. The beverage price index increased by 12.5 per cent, but cereals and other food prices increased at 5.5 per cent, almost the same rate as in 1994. Mineral and metal prices increased by an average of 28.3 per cent, reflecting the continued strength in demand as a result of sustained growth in the industrialized countries. The price of cobalt, aluminium, copper, lead and nickel, after many years of decline, stabilised in 1994/1995. According to the International Copper Study Group, world output of refined copper in the first four months of 1995 rose to 3.78 million tons, 190,000 tons higher than in the same period in 1994. The prices of metals and other minerals like zinc and tin stabilized due to the availability of stocks. However, African producers could not take advantage of this trend owing to supply difficulties, in particular labour problems in South Africa, political instability in Zaire and failure of Zambia to attract needed investment into the mining sector. The rise in the price of gold in 1995 was caused by speculative activity rather than by fundamental changes in supply and demand, and gold prices would indeed have risen much above the US\$400 per ounce benchmark but for the selling of stocks.

23. Most African countries have continued to rely on a few primary commodities for much of their export earnings. In 1994, primary commodities accounted for 86 per cent of Africa's foreign exchange earnings, as they did more than two decades ago. Africa exported around 57

per cent of her products to European Union (EU) market and EU provided Africa with 49 per cent of her imports. In fact, Africa has steadily lost its trade share in the EU market, which declined from 6.3 per cent in 1980 to only 3.3 per cent in 1992 and 2.8 per cent in 1995 in spite of the fact that more than 70 per cent of African trade is with the EU. In this regard, it is important to underline the need for the continued support of the EU in the efforts of African countries to diversify their export mix. Although the ECU 13.2 billion achieved under the long drawn-out renegotiations of the second financial package provided under the Lome IV Convention which ended in February 1995, falls way below the ECU 15.8 billion that ACP countries had expected, it would nevertheless go a long way in redressing the adverse impact of the international economic instabilities. At the same time, it is important that African countries should invest considerable efforts and take full advantage of the provisions for trade development in the Convention to improve their competitiveness. The coming into force of the Uruguay Round of Agreement and the creation of the World Trade Organization (WTO) at the beginning of the year ushered in a new international economic order. While trade liberalization remains a potent instrument for economic growth, there is need to monitor and evaluate its impact and implications for the fragile economies of Africa.

24. Foreign direct investment (FDI) in Africa has remained stagnant for the past five years, averaging US\$1.5 billion annually with its share of world investment flows declining from 10 per cent in the early 1980s to about 2.5 per cent in 1994. Excluding the Republic of South Africa, Africa's foreign investment stocks have also declined, from US\$ 23.3 billion 1980s to US\$ 19.4 billion in 1994. The flow of overseas development assistance (ODA) into Africa declined from US\$ 22 billion in 1990 to 19.7 billion in 1993 and have remained at that same level in 1994. What is more, the prospects for further increases are slim since the United States and European donor countries are committed to reducing their development aid budgets. Given the heavy reliance of African LDCs on development assistance, it is important that donors should at least maintain ODA flows to these countries in real terms in order to help sustain the process of ongoing reforms and the consolidation of development efforts. At the same time and to substitute for declining external resources, African countries must themselves redouble efforts at intensive domestic resource mobilisation, paying particular attention to the development of the formal and informal financial institutions, and linking and integrating the financial intermediation roles of both. While the reform of the financial sector in Africa has been very encouraging, the regulatory mechanism and framework must be strengthened to safeguard and increase the confidence of the consumers of their services, and to avert the spate of failures and near-failures that almost crippled the banking system of some African countries in 1995.

25. While the economic liberalization and policy reforms carried out in the 1990s have improved investment prospects substantially, Africa remains the only region that has not benefited from booming world trade and the surge in world investment flows. The numerous constraints to and the high cost of doing business in Africa, in particular the inadequate infrastructure and poor services, have caused the investor to be generally pessimistic. However, as a growing number of African countries pursuing reform programmes are beginning to show signs of sound recovery and profitability, there is increasing expectations that foreign investors would be attracted in large number. Studies on foreign direct investment in Africa conducted

by UNCTAD in 1995 shows that the rate of return on overseas direct investment is higher in Africa than in any other region in the world, and that the continent's investment potential is largely untapped. Indeed, the impressive track record of return on foreign direct investment in Africa belies the generally "miserable" image or pessimistic view that foreign investors have of Africa.

26. The external debt and debt-servicing obligations of Africa continued to pose a major threat to economic recovery in 1995, in particular through its negative impact on resource availability for economic development. With no significant improvements in Africa's international trading and financial environment, most African countries accumulated larger payment arrears and resorted to further rescheduling with the London and Paris Clubs. Africa's total identified debt has been growing by an average of about 1.5 per cent per year since 1990 to reach an estimated level of US\$ 312 billion at the end of 1994, accounting for roughly 71.6 per cent of total regional GDP. The proportion of export earnings required to meet the debt-servicing obligations remained at about 20 per cent in 1995. On the other hand, the share of multilateral debt in the total outstanding debt of the 41 heavily-indebted countries has risen from about 28 per cent to 30 per cent over the last ten years (1985-1995). Several initiatives have been undertaken to address the debt problem of the African countries, including the multilateral debt owed to the Bretton Woods institutions which are yet to embrace debt rescheduling or write-off. For any of these initiatives to make a significant impact on the debt burden and resolve the problem of debt overhang, the emerging arrangements must be of such an order that they result in improving the capacity of African countries to service their debt while sustaining their developments.

27. Economic integration remains very high on the agenda of African countries. One of the major means for facilitating the integration process is the development of transport and communications. The tenth meeting of African Ministers of transport and communications held in Addis-Ababa in March this year reaffirmed the continued relevance and critical importance of UNTACDA II, urging member-States to make every effort in support of the National Coordination Committees: facilitate, encourage and strengthen the activities of the national initiatives in fund raising and implementation, taking into account the environmental impact of transport and communications projects. The meeting decided to reactivate the Trans-African highways projects and to implement the Yamoussoukro Declaration on new African Air Transport Policy, urging the UN institutions as well as African financial institutions to lend their support to the achievement of the goals of UNTACDA II.

28. Let me now turn to the social scene, which in 1995 has been marked by a further exacerbation of some of the perennial problems of the region: unemployment, severe brain drain, growing immunisation, population explosion and displacement, refugees, civil conflicts, ethnic tensions and political violence. Even, the process of political transition in the region towards more democratic forms of governance and popular participation which has gathered momentum within the last three years has not been without some difficulties and setbacks. But there are silver linings on the horizon. The peace agreement in Angola and the democratic elections in Algeria, Cote d'Ivoire and the Republic of Tanzania which followed those in Benin

and the Congo, where the transfer of power to elected governments took place in conditions of relative peace and without bloodshed, promise to usher in more peaceful political milieu on the continent.

29. Needless to say, political instabilities and insufficient incentives have all conspired to deny Africa of its valuable human capital. To regenerate its economies and rehabilitate and expand the delivery of essential social services, it is important that African countries create environments that are conducive to attract back its engineers, doctors, economists and other professionals.

30. The year 1995, as with 1994, witnessed many important events that will have a salutary effect in advancing social development in Africa. The UN's Social Summit held in Copenhagen in March 1995, which brought together thirteen thousand delegates from more than 180 countries, 10,000 observers and 3,000 non-governmental organizations, agreed on a social contract to eradicate poverty and unemployment and build a new social solidarity across the world. Copenhagen was part of a series of UN Conferences -- including the Rio earth Summit (1992), the Vienna Human Right Summit (1993), the Cairo population Summit (1994) and the Beijing women's Summit (1995) -- which aimed to provide a manifesto on global social organization for the millennium. These different initiatives and particularly the Social Summit were important for Africa which, in spite of having 33 out of the 47 least developing countries in the world, attracted barely 6 per cent of the international investment that needed to fight growing poverty. Partly as a result of the awareness and deep concerns generated by these conferences, sub-Saharan Africa had by the end of 1995, emerged as the major development challenge in the world. The Copenhagen summit concluded by adopting the so-called "20-20 principle" according to which donor countries should reserve 20 per cent of their aid budgets for African social development, while the recipient countries correspondingly commit at least 20 per cent of their national budgets and match the external resources. The expectation is that this will act as a catalyst to the promotion of full employment, equality between men and women, universal access to education, adequate health care, and protection of workers' rights.

31. The Fourth World Conference on Women met in Beijing, China, from 4 to 15 September 1995, and adopted the Beijing Declaration on Women and the Platform for Action. The Platform for Action endorses and encompasses the African Platform for Action earlier on adopted in Dakar, Senegal, in November 1994, underlying the need to empower African women politically and economically, increase their education and training in science and technology, support their vital role in society and the family, and protect their legal and human rights. With the Beijing Declaration on Women and the Platform of Action, the world now has in place a comprehensive action plan for enhancing globally the social, economic and political empowerment of women, for improving their health and advancing their education and training, and for promoting their marital and sexual rights and putting an end to gender-based violence. Through the Beijing Conference, the world has come to recognize the crucial role of women in sustainable development and in the protection of the environment; to appreciate better the human rights of women as an inalienable, integral and indivisible part of universal human rights; and

access to health, maternal care and family-planning facilities, and education and information, as essential ingredients in the exercise of such rights.

32. In Africa, women are increasingly becoming the main income earners for a majority of households and the hub of development, particularly in agriculture where they play a key role in food production activities in addition to traditional domestic chores. Still, in many parts of Africa, cultural traits and taboos have continued to underpin the marginalization of women in the development process: low rate of participation of women in areas of education and labour force, their relatively high unemployment rate in the formal sector as compared to men, as well as their lack of access to credit facilities for investment in self-employment generating activities. These are some of the constraints that still inhibit gender equality in the African region, and it is to be hoped that genuine efforts will be made by African governments and peoples and their development partners to enhance the status of women and to improve their participation in the development process within the framework of the Beijing Declaration and the Programme of Action.

II. ECONOMIC POLICY DEVELOPMENTS IN AFRICA IN 1995

Excellencies

Ladies and Gentlemen

33. African countries continued to undertake major domestic reform measures in 1995 aimed at achieving greater coherence of fiscal and monetary management and reduction of unsustainable external deficits. Demand management, in the form of budgetary reform and restrictions on credit and monetary expansion constitute one of the widely used policy instruments. Containment of the growth of public expenditure and application of other austerity measures were pursued with vigour by virtually all the countries in the region, with the brunt of adjustment falling on development expenditures where public investment programmes were drastically curtailed and new projects postponed.

34. The emphasis in several of the reform programmes was on increased incentives for savings and measures to stimulate investment and empowerment of the private sector. A number of institutional reforms were instituted to improve management standards and to raise the level of productivity, particularly in agriculture and manufacturing. Privatization of inefficient public enterprises continued apace, as a result of which the share of private sector enterprises in development process has assumed an increasing proportion in several African countries.

35. In most African countries - except perhaps the CFA zone countries - monetary expansion took place in 1995 through increased recourse to deficit financing, and causing excessive credit expansion and inflationary spirals, the worst case being Zaire. A few African countries did of course succeed in moderating the rate of inflation in 1995, through monetary restraints and other measures, with salutary effects on productivity levels, as the example of Ghana well illustrates. The overall lesson of experience in the African countries in the last five years or so is that it is

extremely difficult to induce a significant reduction in monetary growth without moderating overall public sector deficits.

36. In many African countries, the institution of price support policies were discontinued in favour of price and exchange rate liberalisation aimed at ensuring remunerative prices and productivity incentives. For example, the economic and financial policy in Morocco in 1995 was based on further liberalization of prices and removal of remaining restrictions on imports. Egypt undertook liberalisation of interest rates, phasing out of subsidies, removal of price controls and constraints on imports. In Ethiopia important policy initiatives continue to be implemented to emancipate the economy from the shackles imposed on it by central planning. Several other measures were put in place by the countries in the region for the development of the industrial sector include the promotion of export-oriented and import-substitution industries, and the provision of economic and financial incentives to attract foreign capital.

37. As for the external sector, the policies of export promotion and import curtailment are yet to bear fruit in many African countries. Africa's exports have not increased significantly in the short-run owing to their inelastic structures and increased competition in the world market. Import curtailment has on the other hand been hamstrung by the high elasticity of imports to domestic economic output. Only 15 African countries managed to maintain or increase the ratio of exports to GDP during 1995 whereas majority of countries expanded import bills relative to GDP. Perhaps the most important demand management instrument that has been widely used in the external sector by virtually all adjusting countries, including, for the first time the CFA zone countries, is the foreign exchange rate. The magnitude of devaluation of African currencies has been quite large, reaching more than 50 per cent against the US dollar in many cases, and with some countries devaluing their currencies several times per year. African countries have progressively moved towards market determined exchange rates and interest rates. The liberalization of foreign exchange rates has resulted in a significant narrowing of the differential between "official exchange rates" and "parallel rates". As of mid-1995 nearly seventeen African countries had adopted an "independently floating" exchange rate regime; seven were on a "managed float" system; five on a "composite currency basket" system; and twenty-nine were still on a single currency, and the largest were those in the CFA franc zone. A number of African countries including Kenya, Tanzania, Uganda and Zimbabwe acceded to Article VII of the IMF Articles of Agreement, thereby committing themselves to the non-imposition of restrictions on transactions on the current and possibly capital accounts as well.

38. The New Agenda for the Development of Africa in the 1990s (UN-NADAF) which clearly specified the role and the commitment of the international community in helping Africa regain its growth momentum in the 1990s is still very much alive. The policy instruments recommended in the UN-NADAF include both the horizontal and vertical diversification of commodity exports. In addition, the UN-NADAF stresses the need to enhance and strengthen intra-African trade which still remains disappointingly low in spite of the various liberalization schemes designed to promote this trade. It also calls for more effort to promote South-South trade.

39. On their part, African governments have, through the Organization of the African Unity (OAU), expressed their commitment to relaunch and strengthen their development efforts in the Cairo Agenda for Action (1995) for the revival of Africa's development. They have expressed the need to enhance their cooperation in the implementation of the Abuja Treaty. Following the entry into force of the Abuja Treaty, in May 1994, the Joint ECA/OAU/ADB Secretariat initiated consultations on the modalities for operationalizing the Treaty through strengthening of the Regional Economic Communities, since these communities are considered to be the pillars of the African Common Market. Within the institutional framework provided by the African Economic Community, these subregional groupings which are implementing their cooperation programmes and projects need also to harmonize and coordinate their activities and policies at the regional level. The Cairo Agenda also made several proposals to Africa's development partners which, if seriously taken up, will help to reduce Africa's debt burden to a point where it ceases to inhibit investing in Africa. These include additional relief beyond the Naples Terms, particularly for severely-indebted low-income African countries, and innovative measures in dealing with multilateral debt along the lines proposed by the Government of the U.K regarding the sale of IMF gold, the aim being to ensure that multilateral debt relief is not achieved at the expense of official grant financing. The Agenda has also proposed a number of mechanisms at the national, subregional and regional and continental levels to follow up on these proposals.

III. PROSPECTS FOR 1996

Your Excellencies
Ladies and Gentlemen

40. I should now like to examine some of the available sign-posts for the African economy in 1996. As in the recent past, the prospects for Africa's economic performance will be strongly influenced by the out-turn in a number of domestic as well as external factors such as the weather, the progress in implementing effective policy reforms and developments in the international economic environment.

41. On the domestic front, prospects for Africa's agriculture in 1996 is based on the good distribution of precipitations that have been observed in the continent as a whole and on the easing of the drought conditions in eastern and southern Africa. It is forecast that value added in agriculture would increase by 3.1 per cent in 1996, although the per caput index is projected to decrease to 91.9 in 1996 from the already poor value of 92.6 in 1995, due to population pressure. The continental per caput food production index is expected to drop slightly from 94.5 in 1995 to a poorer value of 93.9 in 1996.

42. The manufacturing and the mining sectors are expected also to continue to register a positive growth rate (3.2 per cent) in 1996, provided there is political stability, substantial progress in the efforts of African countries to further diversification of the production structure and to promote regional and subregional cooperation, and improve and expand critical development supporting infrastructure and institutions.

43. The problems of external trade, debt and financial resource flows are so closely interwoven that none can be effectively resolved in isolation, and it is by now clear there can be no substantial progress on one front without corresponding on the other front. A lot will depend on the evolution of commodity prices and world demand, on the one hand, and on weather conditions and the resolution of civil conflicts and internal dislocations which have had, and continue to have, severe repercussions on the social and economic conditions in the member States of the region. While the current recovery in Western Europe, Africa's traditional markets and major development partners, can be expected to continue, the outlook regarding some key commodity markets and prices is less certain. According to the International Cocoa Organization (ICCO), the prospects for cocoa prices are likely to remain bright in 1995/1996 than in 1994, but in real terms prices will still be below the average for the last three years. Coffee prices are expected to fall by over 21 per cent in 1996 on account of declining consumption and lack of confidence in the coffee market in ACPC's retention programme. As the FAO warns the primary export price consolidation that took place in 1995 was confronted with lower stocks, particularly of basic food commodities, and that could become a problem in the long run. The global demand for oil is expected to rise to 71.2 million barrels a day in 1996 from 69.6 million in 1995, and OPEC countries are expected to increase their production beyond the 1995 official limit of 24.52 million barrels a day. Brent crude oil traded at US\$16.84 per barrel during the last quarter of 1995 but petroleum prices have since risen to US\$18.98 per barrel since the beginning of the new year. On the whole, however, current projections suggest that it may be highly unlikely that prices will remain at this high level in 1996, and that petroleum prices could on average turn out to be almost 3 per cent below their 1995 levels on account of possible increase in supply into the global market, and OPEC's desire for a greater market share in the face of the likelihood of OECD demand remaining flat.

44. Progress towards the restoration of peace and economic rehabilitation should launch countries previously embroiled in conflict towards recovery and sustainable development. The recently concluded peace agreement in Liberia will, hopefully, help create conditions for the relaunching of development in that country. It is hoped, similarly, that significant breakthroughs towards peace and reconciliation will be forthcoming in Sierra Leone, Somalia and southern Sudan, and that the fragile situation in Rwanda and Burundi will become more viable in 1996. It is also hoped that transition to democracy in the generality of African countries will be achieved under more peaceful conditions than hitherto. There are now strong hopes that the conflicts will come to a complete end in Angola as it has in Mozambique. There are also signs of a return to normality in Zaire. Also, the situation remains stable in the Republic of South Africa where domestic consensus on sustainable development in the context of a multi-racial society grounded in equity seems to be holding firm. In all these situations, substantial assistance will be needed from Africa's development partners to underpin the reconstruction and development process.

45. African countries will no doubt continue to intensify their economic reforms in the direction of growth and transformation in 1996. Efforts with adjustment policies should continue in 1996, and a good sign of that is that most national budgets are likely to indicate a reduction in deficits, and that the franc zone countries are likely to exhibit reductions in inflation needed

for the 1994 devaluation to give good results. It is to be hoped that the reform induced economic efficiency and macro-economic and social infrastructure will put Africa on sustainable footing and make it fully competitive in the modern world economy. In this respect, it is to be hoped that the UN System-Wide Special Initiative on Africa formally adopted by the UN Administrative Committee on Co-ordination at the instance of the UN Secretary-General will assist in arresting the continued deterioration of social and economic conditions in Africa when it is formally launched in February 1996. Under this Initiative, the major agencies, organizations and entities of the UN system, including the World Bank, have come together to fashion and commit themselves to the mobilization of resources for and the implementation of theme-oriented priorities in the areas of peace building, conflict resolution and national reconciliation; basic education for all; health sector reforms; enhancing food security with special emphasis on women; harnessing information technology for development; capacity building for governance; strengthening civil society for development; assuring sustainable debt relief; poverty reduction through the promotion of the informal sector; sustainable livelihoods in environmentally marginal areas; trade access and opportunities; partnership with Africa through South-South Co-operation; land degradation and desertification control; and soil quality improvement.

46. In addition to these substantive aspects, the UN system will lead in a number of fundamental reforms to improve the efficiency and impact of international development co-operation; and ensure, through the System-Wide Special Initiative that the previous initiatives on Africa -- U.N. New Agenda for Development in Africa, the U.N. System-Wide Plan of Action for African Recovery and Development -- are reinforced and given added practical expression. The three main reforms would focus on regional fora to create frameworks for cooperation; national sectoral programmes to base assistance in key sectors and key inter-sectoral goals requiring an integrated approach on agreed national plans of actions under government leadership; and broadening participation in consultative groups and/or roundtable meetings to include private for-profit and non-profit leaders to enhance the quality and support of these exercises. These reforms would place the UN in the forefront of donor innovation while reinforcing the centrality of African countries in their own development and as the foremost challenge of global development.

47. Altogether, there are modest grounds for optimism regarding the continental African economy in 1996. As in previous years, however, the vicissitudes of the weather and pests obviously continue to cast a cloud of uncertainty over future prospects, in view of the importance of agriculture's contribution to Africa's aggregate output, export revenues, and employment. Information at the beginning of 1996 however signals normal or good weather in most areas, including Southern Africa. Ethiopia and Eritrea hit by drought in 1994, all of which should enjoy improved climatic conditions in 1996. As a result of this and the trends and projections about growth in agriculture, manufacturing and mining outputs, as well as the performance in the external sector, the UNECA secretariat estimates that continental Africa's economic output should grow by about 2.5 per cent in 1996, a less favourable outcome than the earlier forecast of 3.2 per cent for developing Africa. The greater part of the impulse will come from private consumption, contributing 2.2 per cent of the 2.5 per cent expected growth. Oil exporting countries are also expected to grow at practically 2.4 per cent, mainly because of a rebound of

oil production after a net contraction in 1994 and a slight increase in 1995 in value-added terms. The situation in Central Africa will remain difficult because of continuous economic contraction in Zaire and poor growth in other countries of the subregion. In contrast, there will be a strong recovery in east and Southern Africa, an area severely affected by drought in 1992/1993. The African LDCs will grow less rapidly than the African average, at 3.2 per cent, while in the franc zone, output will not gain no more than 2 per cent, as the beneficial effects of devaluation will be felt mostly in the financial areas rather than in output growth.

Your Excellencies
Ladies and Gentlemen

48. Although the immediate prospects for the African economies are not as auspicious and robust as we would all have wanted it to be, we nevertheless entertain bright prospects in the medium and long-run. Many African governments have initiated necessary measures to resuscitate their economies. The process of rehabilitating and building up their human, physical and institutional infrastructure that they have inaugurated are there for every one to see. They have introduced market- and growth-friendly policies. I salute their courage for the arduous and often politically risky exercises they have embarked upon and which still need to be deepened and broadened to create a culture of efficiency and dynamism. To this end, African countries must persevere and continue to create the necessary critical mass of momentum to transform and situate their economic fundamentals on the path of a dynamic trajectory. They need to innovate and implement modalities that would effectively exploit the synergy between the public and private sectors. The road to reform may be hard and far from easy, but the pay-offs could be equally rewarding if reforms are properly managed.

I want to assure the member countries of UNECA of our continued support. I want them to know of the extensive process of reform we are embarking on in the Commission to revitalize and streamline the content and delivery of our assistance programme and efforts in support of Africa's development and socio-economic transformation, and that we are always available to serve them and to give our best. To our development partners, I would want to express my gratitude for their assistance in the past and invite them to recommit themselves in support of the efforts of the African people in the struggle for emancipation from the vicious circle of inordinate poverty and underdevelopment. It is only when the world is on the path of greater convergence of living standards and prosperity, and when people everywhere enjoy an acceptable and decent living and can see a bright future for themselves that peace and security of all nations are assured. We must all cooperate to create and sustain that condition and reality.

Table 1
Growth Rates of Real GDP for the African Region, 1990-1995
 (Annual Percentage)

Sub-Regions	1991	1992	1993	1994	1995E	1996P
Central Africa	-1.2	-4.1	-1.0	-4.7	0.3	0.0
East and Southern Africa	-0.4	-1.5	0.7	1.6	3.0	2.4
North Africa	3.5	0.5	1.1	2.9	1.0	2.4
West Africa	10.8	1.3	1.6	1.0	4.0	4.1
Southern Africa	-0.6	-1.6	0.4	1.0	2.7	2.7
East Africa	0.8	-1.4	2.3	4.6	2.3	2.3
Sub-Saharan Africa	2.7	-0.9	0.6	0.7	2.8	2.3
Total Africa	2.8	-0.4	0.9	1.6	2.2	2.5
Total Africa without South Africa	4.4	0.0	0.8	1.6	2.0	2.5
Sub-Saharan Africa without Nigeria	2.7	-1.0	0.6	0.8	3.1	2.3
Sub-Saharan Africa without South Africa and Nigeria	6.0	-1.8	1.0	0.2	3.0	2.6
Oil exporters	3.1	0.1	0.9	1.0	2.2	2.3
Non-oil exporters	2.6	-0.9	0.9	2.1	2.1	2.7
LDCs	2.4	-0.2	0.8	-2.1	2.4	1.4
Memorandum: South Africa	-2.1	-1.8	1.2	1.6	2.4	2.4

Source: ECA Secretariat. a=actual; e=estimated.

Table 2
African Trade and Price Indices

	1992	1993	1994	1995
World wholesale Indices	101.3	100.0	105.1	110.9
Food	80.5	85.6	149.7	168.4
Beverage & Tobacco	99.0	115.0	126.6	134.6
Agricultural raw materials	83.7	71.9	83.8	107.5
Metals and Minerals	82.6	73.2	70.2	77.8
Petroleum Price Index	85.1	79.0	84.5	94.7
African export price index, excluding fuels	90.2	90.6	113.0	128.2
African Export Price Index including fuels	85.1	79.0	84.5	94.7
Memorandum item: African comprehensive export price index	90.4	85.7	90.7	100.2
African import price index	103.3	102.4	106.3	114.0
Terms of Trade	87.6	83.7	85.3	87.9
Trade Balance: (US\$Billion)	-0.6	-5.4	-6.7	-10.9
Exports	93.2	87.3	87.9	97.9
Imports	93.8	92.7	94.6	108.8

Source: ECA Secretariat