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The African Development Challenge

"The basic strategy for achieving sustainable development through economic growth is now well established. The core components of the strategy include macroeconomic stability and a stable investment environment; integration into the international economy; a reliance on the private sector as the driving force for economic growth; long-term foreign direct investment, especially in support of export-oriented activities; adequate investment in human development areas such as health and education; a fair and reliable legal framework; and the maintenance of basic physical infrastructures. . . . Long-term success can be achieved only if African Governments have the political will not just to enact sound economic policies but also to persevere in their implementation until a solid economic foundation has been established." *Kofi Annan, UN Secretary-General, from "The Causes of Conflict and the Promotion of Durable Peace and Sustainable Development in Africa—Report of the Secretary-General of the United Nations to the Security Council", New York, USA, April 1998.*

After two decades of stagnation, from the mid-1990s, African economies started showing evidence of a turnaround. There is now convincing evidence of improved economic performance in a wide range of African countries, with recorded gross domestic product (GDP) growth rates in excess of 6 per cent in several of them. The progress has been largely due to improved policy performance, particularly the adoption of less-distorted macroeconomic frameworks, and the improvement in governance in many countries. Although the political news is largely mixed, the emergence of more participatory government regimes has improved confidence and modestly increased investment in more subregions of the continent. Aid has been critical to sustaining public investment in economic and social infrastructures. Promotion of the private sector has been a main element in the turnaround. The upsurge in economic activity has helped to sustain the improvement in human development indicators across most of the region, though clearly they lag behind those of other regions of the world. The progress is also undoubtedly still fragile, and the need to deepen, sustain, and spread its benefits to more countries is clear. The job ahead is monumental as key indicators below show.


United Nations

Investments in education are crucial to successful people-centred development.

According to the United Nations Development Programme (UNDP), some 80 per cent of the Low Human Development Countries—countries with high population growth rates, low income, low literacy, and low life expectancy—are in Africa. Africans account for one out of every four poor persons in the world. Within the continent, four of every 10 Africans live in conditions of absolute poverty. Recent evidence also suggests that poverty in the continent is increasing. Indeed, Africa is singled out as the only region in the world where both the absolute number and the proportion of poor people are expected to increase in the next millennium. This factor is exacerbated by the devastating impact of HIV/AIDS, which is reversing decades of gains in social indicators and throwing families—and children in particular—into sudden poverty.

The overriding development challenge and ultimate goal for every development intervention in Africa is therefore poverty reduction. The widespread and deep-seated poverty in Africa has macroeconomic, sectoral, and microeconomic dimensions. Studies have shown that to reduce poverty in Africa by half during 1999–2015, a scenario of balanced policies to enhance economic growth and reduce inequality and an average annual rate of growth of at least 7 per cent are minimum requirements. Policies and programmes that promote broad-based, labor-absorbing patterns of growth are critical to ensuring that the poor participate and benefit from income growth.

Poverty has a root in the interlinked population, environment, and development dimensions. Two basic pressures are known elements in the continued poor quality of life in Africa. The population growth rate by far exceeds that of per capita food production in most countries, even allowing for the HIV/AIDS epidemic, and the rapid deterioration of the environment has undermined productivity in agriculture. Successive international forums have called on policy makers to address the synergistic forces of high population growth, environmental degradation, low agricultural productivity, poor economic growth, and poverty as an urgent matter of public policy. The broad challenge to policy makers is to mainstream and integrate population, environment, science and technology, and agricultural productivity concerns into their national development planning and poverty-alleviation frameworks and policies. This is a key step towards the population, environmental, and agricultural transitions necessary for sustainable development and food security.

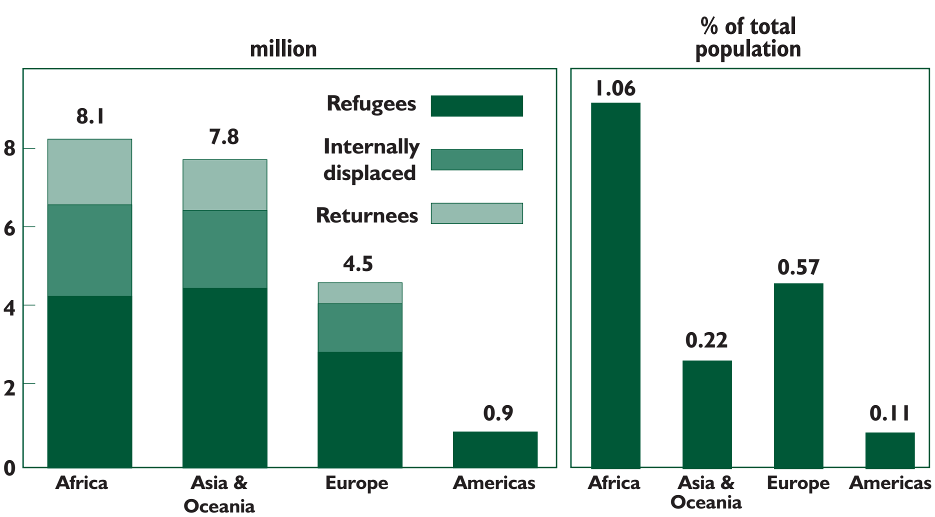
Development and investment policies should also target social development and improvement of the quality of life. Investment in education, health, social, and employment programmes that target and reach the poor are crucial to a successful people-oriented development strategy. The present situation, where primary-school enrollment rates in 16 countries are below 60 per cent, and where there are more children between the ages of six and 11 out of school than was the case in 1990, is unacceptable. The health services, which were recovering from decades of insufficient budgetary resources and poor management, are now under pressure from new epidemics, particularly AIDS, and old scourges, like malaria. In a region with the highest rates of fertility, maternal and childhood mortality, and malnutrition, two-thirds of the world's known AIDS cases, 90 per cent of the world's yearly malaria fatalities, and where half the female population is illiterate, the health challenges are monumental. Girls' education must be a plank of the basic education programmes. High unemployment must be addressed with labor-intensive, private-sector-led, employment-generating programmes, including support to informal sector activities, supplemented by well-targeted and efficient social safety nets for the poorest.

Poverty also has a gender dimension, which is a challenge that calls for calculated responses, including vigorous programmes to maintain the momentum of the global gender-awareness mechanisms, such as the Beijing Platform for Action. Although African women have made significant progress, in part because of successful awareness programmes, there is still a large gap between men's and women's opportunities and their participation in economic and social development. There is also a gap between rhetoric and actions to maintain the momentum of this progress. Legal and social discrimination still prevents women from achieving their full potential. Because of this, poverty-alleviation policies and strategies need to empower women to participate meaningfully in national affairs, and to close the gender gap in access to basic social services, as key steps to addressing the poverty problem in Africa. Promoting gender equality must be an integral part of the African challenge as the 21st century approaches.

Information poverty is an important component of the poverty profile in Africa. Human development encompasses not just access to schools, jobs, and clinics, but also the awareness that access to information brings. Access is a factor in changing attitudes and learning to seize opportunities. Weak communication and social infrastructure not only block information flows but ultimately stifle social and economic development. Lack of access to information hinders transparency, stifles compliance with norms of accountability, and is a damper on democratic processes. Information and communication technologies (ICTs), which are driven by the convergence of computers, telecommunications, and traditional media, are crucial for the knowledge-based society of the future and the nucleus of the globalized economy. The challenge is to join the information revolution, which will require that Africa develop capacity to tap into the global system of information and knowledge, and adapt it to solve its development and poverty problems.

Africa is the most subdivided continent—with 165 borders demarcating the region into 51 countries, 22 of which have a population of 5 million or less, and 11 of which have a population of under 1 million. The limitations of size are very real from demand

Figure 1. Uprooted by Conflict: Refugees, Displaced Persons, and Returnees, 1997



Source: UN High Commissioner for Refugees data and supply points of view, and this makes regional cooperation a *sine qua non* for competitive entry by any individual African country into world markets. There is also a need to broaden the concept of regionalism and accordingly rethink Africa's regional integration strategy. Africa's economic recovery and development, as well as its ability to be effectively integrated in the world economy, are intrinsically linked to its capacity to become an active player in the world economy. Whether it be among developing or developed countries, intraregional integration arrangements and active participation in the international economy are interdependent and should be pursued in parallel.

Industrialization is the key to increasing Africa's participation in world commerce and finance, is crucial to the structural transformation of Africa's economy, and provides the platform for enhancing Africa's competitiveness in an increasingly globalized economy. Yet the level of Africa's industrialization remains low, as illustrated by three key facts: first, there are only a handful of countries where manufacturing as a share of GDP exceeds 25 per cent—the benchmark for considering a country as having achieved the threshold of industrial take-off; second, the export composition of African countries continues to be dominated by primary rather than by processed or semi-finished products; third, the ratio of public expenditure and private investment in scientific research and development remains minuscule as a percentage of GDP in all African countries. Rapid and sustained industrialization is an essential element in achieving Africa's goals of accelerated development and poverty reduction. Some factors are critical to strengthening the process of industrialization, including policies and programmes that promote conducive and stable macroeconomic, legal, and regulatory frameworks; transparency and good governance; private-sector activities; financial-sector reforms and capital markets development; supportive economic and social infrastructures, particularly transport, communications, and human resources; and policies which attract foreign investment.

As Africa enters the next millennium, resource flows for development financing are one critical challenge the continent faces. Of utmost importance are measures to attract more foreign private investment—building on the recent positive trend and to improve domestic resource mobilization, so as to increase local participation in the investment and ownership processes. Adequate debt relief and official development assistance—which are critical to public investment support for private-sector development and social programmes—are key ingredients of the resource flow mix. Trade-related measures are also necessary to increase the competitiveness and market access of Africa's exports. In addressing the resource flow issues, aid, debt, and trade should be viewed by Africa and the donor community in a holistic and integrated framework for financing the continent's development.

In particular, efforts should be stepped up towards solving the debt question. Africa's debt problem needs to be seen in the context of the continent's development financing needs, and the impact of debt relief should be linked to the objective of poverty reduction. The resolution of Africa's debt problem is less of a technical problem than it is a question of political will on the part of creditor nations and institutions to address the crisis in full partnership with African nations. The partnership should be based on equitable burden sharing among creditors in the overall financial contribution to the debtor's development programme. The debtor countries should make a commitment to policy reforms and export growth, which are key to aid effectiveness, while the creditor countries should provide either additional debt reduction—that is, debt stock or interest rate reduction—or additional concessional money.

Establishing and sustaining good governance systems are critical to development and poverty reduction. Since the start of the 1990s, Africa has undergone a major social and political transformation—from closed autocracy to more open democracy, from centrally planned economies to decentralized open markets, from single-party dictatorships to multi-party pluralism, and in increasing cases, from conflict and civil strife to peace and reconstruction. Although the level of commitment and the speed of change vary across countries, the focus in the continent on participatory and democratic systems of government has become increasingly inevitable. In many African countries, previously cowed societies are now vibrant with organizations of civil society. This strengthening of the continent's social capital is fundamental to renewed confidence and economic recovery. The appropriate scope and role of the state are being re-examined, including the options to strengthen the state's capability to perform its legitimate functions, especially the preservation of peace.

All in all, serious challenges remain, and the long-term sustainability of economic and social progress of many African countries is at best fraught with uncertainty, as evidenced by ECA's *Economic Report on Africa, 1999*, to be published in June 1999. The Report looks at the issue of sustainability of policy and economic performance of several African national economies from three perspectives: the consistency of short-term performance with stated long-term goals; the capacity for continuous replicability of past good performance; and the foundations for accelerated take-off along a stable growth path. A sustainability index, which measures country potential to attain rapid and sustainable long-term development, was computed for 46 countries, featuring human capital development, structural diversification, aid dependency, transaction costs, and macroeconomic attributes. The Report concludes that nearly two-thirds of the countries have low sustainability capacity. It finds that on the basis of the aforementioned indicators—only five countries, which account for a mere 5.7 per cent of Africa's population and 27 per cent of GDP, possess the minimum conditions to sustain growth and development. This result would be even more dramatic if conflict, which was treated exogenously, were factored into the equation.

From the Report's analysis, it is clear that while macroeconomic policies are very important and necessary for growth, and have spurred the recent economic growth across an impressive array of African countries, they are by themselves inadequate to sustain it. Human capital, institutions, structural diversification, declining transaction costs and competitiveness, and stewardship of environmental and ecological resources are crucial elements in sub-Saharan economies' capacities to accelerate growth to 8 per cent per annum and sustain it at that level well into the second and third decades of the next millennium. Only an adequate response to these challenges will head off a situation whereby the majority of African countries—which are now on the verge of economic recovery, including the high performers—slip into relapse and stagnation. Thus, in spite of the recent good news, the challenges ahead for Africa to deepen economic and social progress and to sustain it over the next two decades are formidable, and no country can afford to be complacent.