

Foreword

Economic Report on Africa 2002 is the third in an annual series that reviews the continent's economic performance and near-term prospects. Targeted to African and global policy-makers, the reports are meant to stimulate a process of discussion and change. It is in this spirit that each report is disseminated and discussed with African leaders at our annual Joint Conference of African Ministers of Finance, Planning, and Economic Development.

This year's report builds on the work of the two previous reports in laying out an agenda for Africa based on systematic benchmarking of economic performance. The main message of the first report was that most African countries, despite significant progress in macroeconomic policy reforms, still lacked the fundamentals for sustained growth and poverty reduction. The chief message of the second report was that structural transformation—the key to sustained growth and poverty reduction—was not happening fast enough to make inroads on poverty. The report argued that many African economies dependent on the primary sectors in production need to graduate to high-value-added products that could compete in the global marketplace.

This year's report begins with a discussion of broad economic trends in 2001 and prospects for 2002. The main finding? Africa weathered the direct effects of the global slowdown in 2001. Some of the reasons were structural: Africa's weak integration into the world economy and the composition of African trade. Others were fortuitous: new access to the U.S. market and buoyant agricultural production due to good weather. Still others were a relief: lower oil prices and the reduction or cessation of conflict in several countries.

The report also reveals general improvements in policy. These are reflected in the Expanded Economic Policy Stance Index, which combines quantitative elements of fiscal, monetary, and exchange rate policies with the results of the Country Sustainability Assessment Survey. Those qualitative assessments take into account judicial independence, respect for property rights, the effectiveness of regulatory institutions, and policies to reduce poverty among women. Of the 23 countries assessed, 10 were rated as having good policies, up from 7 the year before. South Africa had the top score, just ahead of Botswana, followed by Namibia, Swaziland, and Mali.

In a new feature, this year's report supplements the traditional regionwide analysis with seven in-depth country studies. For South Africa, which has the potential to be the locomotive for the continent's growth, moving onto a higher growth path requires narrowing the gap between the modern and peripheral economies through training, broader job opportunities, and better social services. Neighbouring Zimbabwe faces the worst economic crisis of its history: after shrinking by 7% in 2001, the economy is expected to contract by another 5% in 2002. Basic political governance must be restored there to give major economic reforms a chance. Kenya, also suffering from weak governance, expects real GDP growth of 2.5% this year. But it could do even better if it were to patch up its relationships with the International Monetary Fund and the World Bank, sending signals to other

donors and to the private sector. Ethiopia, with its better policies, is reaping much better outcomes, with growth averaging 6% a year over the past few years. The future also looks good—if politics remain stable, the weather stays favourable, and the government exploits the many new opportunities.

For Nigeria the biggest threat is its structural vulnerability—problems of governance, volatile oil prices, and ethnic tensions. But countering this threat is the burgeoning enthusiasm of many Nigerians about rebuilding the economy. Guinea, richly endowed with natural resources, needs to work towards greater policy coherence as it manages the transition from a command to a market economy. Morocco, the fifth largest economy in Africa, did well last year, with good weather boosting growth to 6.5%. And as the government repositions for globalization, it is showing greater commitment to opening the economy—the key to sustaining growth. Future editions of the *Economic Report on Africa* will present in-depth studies of all other African countries—as part of our effort to capture best practices and identify special requirements.

Others of our reports provide indicators for additional aspects of performance, all to aid in monitoring and evaluation and to better inform the policy process. *Harnessing Technologies for Sustainable Development*, to be released in August, presents the Sustainable Development Indicators, which capture country achievements in economic transformation, institutional development, and environmental conservation. On overall sustainability, Mauritius, South Africa, and Botswana rank at the top. But they do less well on environmental sustainability. Of 38 countries, Mauritius is among the bottom three, Botswana is 33rd, and South Africa 17th.

Assessing Regional Integration in Africa, to be released later in the year, presents the Africa Regional Integration Indicators, bringing together different facets of integration to show how well—or poorly—countries are placed to benefit from external markets. The indicators reveal that integration has been slow and uneven. What's needed to progress faster? Political support for integration has to be solidified, with clear strategic priorities established. And the many overlapping regional economic communities need to be rationalized, both in their structure and in their interaction with national governments.

The *Africa Governance Report*, to be released early next year, will present indicators capturing three broad elements of development: political representation, institutional capacity, and economic management and corporate governance. The indicators are intended to help in monitoring efforts to create and sustain capable states—and to promote broader understanding of what constitutes such states. They should also aid in identifying gaps in institutional capacity.

A major focus of our work is thus on tracking performance and progress in Africa. But assessing country performance is clearly not enough. Credible mechanisms are needed to ensure that countries remain on track in implementing policy. That is why, in the context of the New Partnership for African Development, the African Peer Review mechanism is now being developed—to enhance the capability of states, to increase the effectiveness of aid, to stem policy reversals, and thus to accelerate development. The collective action,

mutual learning, and support implicit in such a mechanism can have great benefits, demonstrating to African citizens and the international community that African countries have the political will and commitment to abide by codes and standards that they set for themselves.

To be credible and effective, the peer review mechanism needs to be firmly anchored in rigorous monitoring and evaluation of performance. The Economic Commission for Africa is privileged to have the opportunity to provide support for the New Partnership for African Development and for the African Peer Review mechanism. Indeed, we see each year's *Economic Report on Africa*—with its analysis of trends and prospects and its in-depth country studies—as providing the technical and analytical underpinnings for the African Peer Review mechanism. And we see our other reports, such as those on governance and regional integration, as doing the same.

It is my sincere hope that our work in tracking the performance and progress of Africa's economies will contribute to accelerating the continent's development.

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June 2002
Addis Ababa