

Foreword

The *Economic Report on Africa 2003* is the fourth in an annual series that reviews the continent's economic performance and near-term prospects. Targeted to African and global policymakers, the reports are meant to stimulate discussion and change.

This year's report builds on the work of the three previous reports in laying out an agenda for Africa based on systematic benchmarking of economic performance. It finds that growth slowed in Africa, to an average of 3.2% in 2002, from 4.3% a year before. That modest performance reflects the slower than expected recovery in world trade, the drought and AIDS in southern and eastern Africa, and the political and armed conflicts in several countries. Even so, well-managed countries, with solid reform agendas and good governance, performed well. Mozambique grew at 12%, among the fastest in Africa. And other well-managed reformers—Ethiopia, Rwanda, and Uganda—grew at 6% or more.

This mixed performance underscores the point that stop-go growth in Africa is not conducive to poverty reduction or sustainable improvements in living standards, and that one of the biggest challenges facing African countries is to sustain growth over a long period.

The report also identifies policies that are the best catalysts for sustained growth and development. The main message is that success in accelerating the pace of development will come to countries that maintain fiscal discipline, address deep pockets of poverty, provide opportunities for private entrepreneurs to flourish, and modernize their bureaucracies.

The report continues the innovation of last year's by supplementing the traditional regionwide analysis with seven in-depth country studies. Those studies show the strong relationship between poverty and agroclimatic conditions—that poverty is more severe in rural Africa than in urban Africa. For example, Uganda's solid economic growth has been accompanied by substantial poverty reduction, but within-country disparities are vast and the incidence of poverty is much higher in the north. And in Egypt, one of Africa's emerging modern economies, poverty has declined overall, but it rose in southern Egypt between 1996 and 2000.

Drawing insights from the in-depth country studies, the report sharpens the policy prescriptions, making them much more relevant and practical for policymakers. First, sound economic governance creates an environment that encourages private groups and individuals to take risks, invest capital, and export. Second, governance is the result of strong public institutions—including the bureaucracies essential for policy formulation and implementation. Another major message: only sound governance can

stop poverty from becoming entrenched, investment from dwindling, chronic fiscal deficits from draining and then driving away international resources, and precious human resources from fleeing a country.

Strengthening the rules and institutions to sustain growth is thus central to Africa's quest for sustained long-term development. The issues highlighted in this year's report are central to that quest, but confronting them will require vision and courage—from African leaders, from the African people, and from all others with a stake in Africa's future.

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