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Measures taken to initiate the preparatory process for the final review and appraisal of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s

Report of the Secretary-General*

* The footnote requested by the General Assembly in its resolution 54/248 was not included in the submission.

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Abbreviations

ACP	African, Caribbean and Pacific (group of States)
AEC	African Economic Community
AERC	African Economic Research Consortium
CI	competitiveness indicator
DAC	Development Assistance Committee (of OECD)
ECA	Economic Commission for Africa
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAOSTAT	Food and Agriculture Organization of the United Nations statistical database
FDI	foreign direct investment
FUGI	Future of Global Interdependence (model)
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GNP	gross national product
GSP	generalized system of preferences
HIPC	heavily indebted poor country
IMF	International Monetary Fund
LDCs	least developed countries
MENA	Middle East and North Africa (region)
NIEs	newly industrializing economies
OAU	Organization of African Unity
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RSA	Republic of South Africa
SSA	sub-Saharan Africa
TNCs	transnational corporations
TRIMs	trade-related investment measures
TRIPs	trade-related intellectual property rights
UN-NADAF	United Nations New Agenda for the Development of Africa in the 1990s
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WTO	World Trade Organization

A. Introduction

It is recalled that the Trade and Development Board considers at its annual sessions a substantive report by the UNCTAD secretariat on African development in the context of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF). The General Assembly, in its resolution 55/182, requested the initiation by UNCTAD of a contribution, in areas falling within its mandate, to the preparatory process for the final review and appraisal of the implementation of the UN-NADAF. The present report is being submitted both to the Trade and Development Board at its forty-eighth session and to the General Assembly at its fifty-sixth session.

The New Agenda had as its priority objectives the accelerated transformation, integration, diversification and growth of the African economies in order to reduce their vulnerability to external shocks and increase their dynamism, internalize the process of development and enhance self-reliance. It considered that an average real growth rate of at least 6 per cent per annum was required for the continent to achieve sustained and sustainable economic growth and equitable development, increase income and eradicate poverty. The agenda reflected a mutuality of commitments and accountability by the African countries on the one hand and the international community on the other.

In 1996, the General Assembly conducted a Mid-term Review of the implementation of the UN-NADAF, wherein it was recognized that the majority of African countries had embarked on a process of structural adjustment and a wide range of economic reforms.

Nevertheless, many of the critical social and economic problems which had led to the adoption of the UN-NADAF remained, including an increase in the level of poverty and the fact that key development targets and goals had not been met.

African countries remain by and large dependent on the export of a few commodities, and terms of trade losses have further aggravated their capacity to invest in human and physical infrastructure. Present levels of national savings and investment are insufficient to ensure a process of accumulation necessary to place Africa on a sustainable growth path. Despite commitments by the international community to assist Africa in its efforts to achieve accelerated growth, the support provided has fallen far short of expectations. Indeed, official development assistance has suffered a continuous downward trend, representing less than one-third of the internationally agreed targets. Furthermore, despite recent action for the reduction of African debt, including the enhanced HIPC initiative, a permanent exit from debt problems is proving elusive.

This report reviews Africa's development in the 1990s and analyses the domestic and external impediments to sustained and rapid growth in Africa. It discusses *inter alia* policy options for enhancing growth and development in Africa in order to meet the objectives set forth by the international community, including that of reducing poverty by half by the year 2015 as contained in the Millennium Declaration. It draws on previous research done in UNCTAD on African development, as well as on new research, particularly with respect to investment, savings and growth, and trade performance and terms of trade.

B. Recent economic performance

1. Output growth

Africa as a whole experienced moderate growth from the mid-1960s until the end of the 1970s. While the average growth rate was well below the rate achieved by a handful of East Asian economies, it equalled or exceeded the growth rates attained by many developing countries in other regions. In particular there was a notable acceleration of growth in sub-Saharan Africa (SSA)[1] during the 1970s (table 1), supported by a boom in commodity prices and foreign aid. Investment in many countries in the region exceeded 25 per cent of GDP, and the savings gap remained relatively moderate.

Economic performance deteriorated rapidly in SSA in the late 1970s and early 1980s, whereas the slowdown of growth was relatively moderate in North Africa. Unlike many countries in other developing regions which managed to restore growth after the lost decade of the 1980s, stagnation and decline continued in SSA during the first half of the 1990s due to a combination of adverse external developments, structural and institutional bottlenecks and policy errors, examined in some detail in earlier work undertaken by the UNCTAD secretariat.[2] As socio-economic conditions deteriorated and spilled over into political and civil unrest, the international community launched various initiatives including UN-NADAF, to address the problems faced by the countries in the region. At the same time, more and more African countries came to adopt structural adjustment programmes supported by the Bretton Woods institutions, encompassing rapid and extensive liberalization, deregulation and privatization of economic activity in search for a solution to economic stagnation and decline. However, while structural adjustment programmes have been applied more intensely and frequently in Africa than in any other developing region, barely any African country has exited from such programmes with success, establishing conditions for rapid, sustained economic growth. This is true not only for countries which are said to have slipped in the implementation of stabilization and adjustment programmes (the so-called non-adjusters or bad-adjusters), but also most of the core- and good-adjusters.

The widespread pessimism about African prospects was somewhat dispelled by a fairly broad-based economic upturn which started in the mid 1990s and allowed the average income growth rate to exceed the population growth rate for four consecutive years, thereby resulting in gains in per capita income across the continent for the first time for many years (table 2). The performance of SSA was even stronger without Nigeria, where growth remained below the average of the other countries in the region. Similarly the Republic of South Africa (RSA) had a relatively poor performance, particularly towards the end of the decade. Growth in RSA and Nigeria together, which account for about 50 per cent of the total GDP of the continent excluding North Africa, was about 2.2 per cent per annum during

[1] In this report, unless otherwise specified, the term sub-Saharan Africa (and the abbreviation "SSA") refers to all countries in Africa other than South Africa and the countries in North Africa (Algeria, Egypt, Libyan Arab Jamahiriya, Morocco and Tunisia).

[2] Press, Geneva, Oxford and Trenton NJ, 1999. This work is based on UNCTAD, *Trade* See *African Development in a Comparative Perspective*, UNCTAD, James Currey and Africa World *and Development Report, 1998*, Part Two, United Nations, New York and Geneva. In what follows, references will be given to the former.

1995-1999, while the remaining countries in SSA had a moderate growth rate of 4.2 per cent per annum over the same period. Nevertheless, there was a generalized slowdown at the end of the decade throughout the region, including North Africa, which appears to have continued through 2000, when the growth rate of SSA fell to 2.7 per cent, barely matching the growth rate of population.[3]

Despite the recent upturn, per capita income in SSA at the turn of the new century is 10 per cent below the level reached in 1980, and the gap is even larger compared to the level attained three decades earlier. Economic growth remains well below the UN-NADAF target of 6 per cent per annum. For the region as a whole, only two countries, i.e. Mozambique and Uganda, met this target during the past decade. Growth rates needed to attain the more recent target of reducing African poverty by half by 2015 are estimated to be even higher than the UN-NADAF target of 6 per cent. On the basis of recent trends, these targets are unlikely to be reached.[4]

2. *Sectoral developments*

Industrial growth has fallen behind GDP growth in SSA since 1980. Taking period averages, the elasticity of industrial value added with respect to GDP was 1.10 and 1.03 during the 1960s and 1970s respectively, but it declined to 0.75 for the 1980s and to 0.65 for the 1990s. This constitutes an important shift from the emphasis on industrialization associated with the much-criticized "urban bias" of the earlier decades. De-industrialization, at least in some African countries, appears to have been associated with trade liberalization and the decline of state-owned enterprises which, in many countries, had constituted the major segment of large-scale industry. As things stand now, industrial growth in SSA is becoming more and more dependent on agricultural growth either through backward linkages or through demand originating from rural population.[5]

Agriculture has always been crucial for African economic growth. For the 1990s, average annual agricultural growth rates for Africa, SSA and North Africa were 2.6, 2.5 and 2.8 per cent respectively (table 3). While the growth rate of agricultural output was slightly below the growth rate of population in SSA (2.6 per cent per annum), it exceeded by a large margin the population growth in North Africa (1.6 per cent per annum), thereby producing a significant increase in per capita agricultural output. Cereal output, on the other hand, fell behind population growth in both SSA and North Africa.

Figures in table 4 show that there is considerable variation among countries regarding agricultural growth. While 30 countries experienced declines in per capita agricultural output between 1990 and 2000, in 10 countries there were moderate increases

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[3] Population growth rates in SSA declined from 2.8 per cent in the 1970s to 2.6 per cent in the late 1990s. North Africa, on the other hand, experienced a sharper decline, from 2.4 per cent to 1.7 per cent, over the same period.

[4] ECA's regional and subregional estimates for required annual growth rates up to 2015 to attain the foregoing poverty-reduction target are 5-6 per cent for North and Southern Africa, 6-7 per cent for Central Africa, 7-8 per cent for West and East Africa and 6.8 per cent for all Africa (ECA, Economic Report on Africa 1999, Addis Ababa, p. 24).

[5] ECA, *Transforming Africa's Economies: Overview*, Addis Ababa, 2001, p. 4. On the policies contributing to de-industrialization in SSA, see F. Noorbakhsh and A. Paloni, "Structural Adjustment Programs and Industry in Sub-Saharan Africa: Restructuring or De-industrialization", *The Journal of Developing Areas*, Vol. 33, Summer 1999.

(i.e. less than one per cent per annum) and in 12 countries[6] increases exceeding one per cent per annum. Good weather in most of SSA from 1993 until 1998 (with the exception of 1997) made a significant contribution to agricultural growth, which averaged 3.9 per cent per annum for 1993-1996 and 3.1 per cent for 1995-1998. Egypt attained an average of 4.2 per cent agricultural growth during the same period, while for North Africa as a whole the highest growth rate was reached in 1996.

There appears to be a very weak relation between agricultural policy reforms and output growth. Deregulation of agricultural markets seems to have failed to trigger the expected supply responses in most countries.[7] Increases in agricultural output in the mid-1990s were associated with improved terms of trade, which also played a major role in the acceleration of overall growth in the second half of the 1990s. But agricultural performance generally deteriorated with adverse weather conditions towards the end of the decade, as well as with the worsening of the terms of trade after 1997. The current situation has, once again, become precarious, particularly for food crops. Drought, prolonged dry spells and floods in 2000 and 2001 have undermined optimism, raised doubts about the sustainability of rising crop yields and resulted in much lower agricultural and especially cereal output in the continent. Low prices at planting time are seen by FAO as another factor behind declining cereal production, and FAO has warned the international community that 28 million Africans are facing severe food shortages in 2001.[8]

Moderate growth in agriculture and the poor performance of industry has meant that much of the African growth in the past decade came from the services sector. Comparing 1997 with 1980, the share of services within GDP rose from 38.7 to 48.6 per cent as shares of agriculture and industry declined from 22.3 to 19.5 per cent and from 39 to 31.9 per cent respectively.[9] Such a steep decline in the share of industry at an early stage of industrialization and development suggests that the growth process in the region is highly fragile.

C. Factors affecting growth prospects

No process of growth can be sustained without capital accumulation. While considerable productivity gains could be attained by more intensive and efficient use of existing resources, such gains would be one-off and unlikely to lead to rapid and

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[6] Benin, Burkina Faso, Chad, Egypt, Ghana, Libyan Arab Jamahiriya, Malawi, Nigeria, Sao Tome and Principe, Seychelles, Sudan and Togo.

[7] Out of the 10 countries in SSA where agriculture grew significantly faster than population during the 1990s, only Ghana, Malawi and Nigeria were considered by the World Bank to be among the "core group of adjusters" in 1993 (*African Development in a Comparative Perspective*, UNCTAD, James Currey and Africa World Press, Geneva, Oxford and Trenton NJ, 1999, table 1, p. 12). Another criterion of reform used by the World Bank (*Adjustment in Africa*, Oxford, Oxford University Press, 2001, p. 239, table A.13) is the degree of intervention in agricultural markets. Three of the countries with significant agricultural growth during the 1990s (Benin, Ghana, Burkina Faso) are among the "high intervention" countries and three (Chad, Nigeria, Malawi) among the "low intervention" countries, while one (Togo) is on the borderline. As also pointed out by ECA: "Reforms did not elicit the expected supply response... Agricultural development should therefore go beyond 'getting the prices right' and focus more on increasing productivity by removing the institutional and structural constraints." (*Transforming Africa's Economies: Overview*, Addis Ababa, 2001, p. 39)

[8] FAO, Africa *Report No. 1*, April 2001.

[9] ECA, Economic *Report on Africa 1999*, Addis Ababa, p. 7.

sustained growth unless translated into investment in productive capacity, including physical and human infrastructure.[10] The difficulties in raising domestic savings to support rapid capital accumulation and growth in low-income economies unable to provide the basic needs of the population are well known. While appropriate policies may help raise the savings rate once sustained growth is under way, in such countries sizeable increases in domestic savings cannot be expected to take place as a pre-condition for acceleration of investment and growth.

The problem of inadequate resources for accumulation and growth is further aggravated in Africa by the adverse terms of trade movements that the continent has been suffering in the past two decades. Declines in real commodity prices, particularly for agricultural commodities, and terms of trade not only syphon off the resources needed for investment and growth, but also constitute disincentives for private capital accumulation, particularly where government intervention in agricultural pricing and marketing boards have been dismantled and producers are left to face constantly falling real prices. Under such conditions, attaining rapid and sustained growth would depend on the provision of external financing, not only to compensate for the resource drain through terms of trade losses but also to supplement domestic savings. Given that private capital flows, including FDI, lag rather than lead economic growth, such financing would have to rely on official sources.[11] On this score too the recent trend is not very encouraging; not only has the region been unable to participate in the recovery of private capital flows to developing countries that began in the early 1990s, but it has also faced stagnant or falling official financing.

There can be little doubt that, even under a favourable external trading and financial environment, considerable domestic policy efforts would be needed to ensure that economies gradually become self-reliant in sustaining rapid growth. Successful examples of growth in East Asia show that while foreign savings play and important role in the earlier stages of capital accumulation, subsequently high rates of investment need to be supported by rising domestic savings. Again, foreign markets play a crucial role in this process. Export growth supports investment because it helps to earn foreign exchange needed for capital goods imports and advanced technology. New investment supports exports by providing the basis for productivity growth and increased competitiveness and by allowing production to be shifted towards products with high income elasticity, thereby helping to avert terms of trade losses. Successful examples of industrialization and growth are thus underpinned by rising rates of savings, investment and exports.

While African countries have in the past experienced surges of investment and growth, they have not in general been able to establish a virtuous circle of investment, savings and exports.[12] The post-colonial growth surges in SSA mentioned above were too often followed by widespread investment slumps, rather

[10] On the importance of investment in infrastructure in Africa, see World Bank, *Can Africa Claim the 21st Century?*, Washington, D.C., 2000, pp. 132-142; UNCTAD, "African Transport Infrastructure, Trade and Competitiveness", TD/B/46/10, Geneva, 1999; and African Development Bank, *African Development Report 1999*, Part 2, Oxford University Press.

[11] For evidence on the relation between growth and private capital flows, see UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000.

[12] For an analysis of the investment-savings-export nexus and a comparison of African and East Asian experiences, see Y. Akyüz and C. Gore, "African Economic Development in a Comparative Perspective", *Cambridge Journal of Economics*, Vol. 25/3, May 2001.

than being translated into a virtuous growth process through complementary increases in domestic savings and exports. A close look at the recent trends and patterns in investment and savings and external trade and financing suggests that the current configuration of domestic and external factors is also far from establishing mutually reinforcing impulses of economic growth and structural change.

1. *Investment and savings: trends and patterns*

For the continent as a whole, both domestic savings and investment ratios dropped significantly in the 1980s compared to the 1970s, and the recovery in the latter half of the 1990s was not strong enough to restore the levels attained during the latter half of the 1970s (table 5). Indeed, both savings and investment rates of the 1990s are below the levels attained in the difficult years of the 1980s.

This trend has been greatly influenced by sharp drops in North Africa and RSA. In the former subregion both investment and savings rates show almost continuous declines since the 1970s; in particular the investment ratio underwent a sharp decline from more than one-third of GDP in the late 1970s to less than one-quarter in the late 1990s. The deterioration in the savings and investment ratios since the 1970s is greater for the rest of the region taken together (that is, SSA plus RSA) than for SSA alone. For SSA, both savings and investment rates experienced sharp declines during the 1980s, and while the investment rate registered a moderate recovery in the 1990s, the savings rate lagged considerably behind, resulting in a larger savings-investment gap and increased dependence on external financing. Moreover, even at the levels attained by the late 1990s, capital accumulation and savings rates in SSA were much lower than the levels reached two decades earlier and significantly below the levels required to meet the 6 per cent growth target.

There are considerable variations among the countries in the region regarding the evolution of their savings, investment and growth rates. Tables 6a and 6b classify countries according to changes in their average growth rates and savings and investment ratios between the 1980s and 1990s. The number of countries with better and worse performance during the 1990s in terms of savings and growth rates is roughly equal. On the other hand, investment rates show declines in 23 countries and increases in only 16 countries. A comparison between the first and second half of the 1990s shows a more favourable picture, with 29 out of 39 countries attaining higher GDP growth rates in the second half. However, this acceleration of growth is not accompanied by an equally widespread improvement in investment and savings rates; countries with higher investment and savings rates in the second half of the 1990s number 18 and 20 respectively, compared to 21 and 19 countries with declining investment and savings rates respectively.

A closer examination of tables 6a and 6b reveals different configurations of savings, investment and growth rates, with different implications for growth prospects:

- A small number of countries show a virtuous process of accumulation, combining faster growth with rising savings rates. This group includes Mozambique, Uganda, Ghana, Mali and Nigeria, where acceleration of growth is quite significant, exceeding 2 percentage points per annum. A further group, consisting of Madagascar, Central African Republic and Benin, also falls into this category, but with moderate improvements in growth. In the majority of countries in this group, the recovery in investment rates exceeds the increases in savings rates, implying rising external deficits and increased dependence on external financing.

- A second group combines rising investment and growth rates with falling savings rates: Namibia with strong improvement in growth and Seychelles with moderate improvement. Clearly, such a process is not sustainable in so far as there are limits to external financing to meet the domestic savings gap.

- A number of countries combine increased growth rates with declining investment ratios, with savings rates rising or falling. These include Niger, Côte d'Ivoire, Gabon, South Africa, Togo, Malawi, Mauritania and Tunisia, with the first three countries showing strong improvement in GDP growth rates. Clearly, such growth results from improved or fuller utilization of the existing resources, but cannot be sustained unless translated into increased investment.

- A group of countries had declining growth rates despite rising investment ratios (Zimbabwe, Burkina Faso and Chad). While this is often explained in terms of increases in capital-output ratios and rising inefficiency and wasteful accumulation,[13] it can also reflect continued policy emphasis on accumulation despite under-utilization of existing production capacity due to balance-of-payments or demand constraints. Such a phenomenon was quite widespread in the 1980s, when external aid was made available for investment but not for general balance-of-payments support.

- Finally, a large number of countries combine declining growth rates with lower investment ratios. Some of these had experienced relatively high growth and investment rates in the 1980s, and despite the subsequent slowdown these countries attained positive per capita income growth rates in the 1990s (Botswana, Egypt and Morocco).[14] For others, deceleration in accumulation meant stagnation or decline in per capita incomes (Algeria, Kenya, Democratic Republic of the Congo, Cameroon, Burundi, Rwanda, Zambia, Comoros, Guinea-Bissau, Swaziland and Congo).[15] Most of the latter countries also experienced declines in savings rates.

Thus, the recent trends in investment and savings rates in SSA suggest that a large majority of the countries in the region have not been able to move into a faster and sustainable growth path despite the improvement in their overall growth performance in the 1990s. Of the 39 countries included in tables 6a and 6b, only 5 have been able to combine a significant acceleration in growth with rising investment and savings rates in the 1990s compared to the 1980s. The rest show either stagnant accumulation and growth rates, or a one-off surge in growth not underpinned by rising investment and/or savings.

2. *External financing and debt*

The international community has repeatedly emphasized the role of external financing in closing the resource gap in Africa and raising investment levels so as to meet various targets set with respect to GDP growth and poverty alleviation, including the United Nation's growth target of 6 per cent per annum. However, while the gap between the level of investment needed and the domestic resources available

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[13] See ECA, Transforming *Africa's Economies: Overview*, Addis Ababa, 2001, p. 29.

[14] Between the early and late 1990s, all three countries moved into higher growth despite declining investment rates.

[15] Between the early and late 1990s, Comoros, Guinea-Bissau and Swaziland experienced declines in investment and growth rates; growth in Congo continued to fall despite rising investment rates; Democratic Republic of the Congo, Cameroon, Rwanda and Zambia moved into a rising investment and growth path; and Algeria and Kenya attained higher growth despite declining investment rates.

has tended to rise during the past two decades, total net capital inflows to the region have stagnated or fallen.

Unlike many developing countries which experienced sharp declines in capital flows in the 1980s as a result of a drastic cutback in bank lending, total net capital inflows to SSA as a proportion of GNP registered a moderate increase in the 1980s compared to the 1970s, but they fell somewhat in the 1990s. Excluding Nigeria, total net capital inflows were lower in the 1990s than in the 1970s.[16] The decline is even more striking when capital flows are expressed in per capita terms or in real terms (i.e. deflating the current values by the import price index in order to express them in terms of their purchasing power over foreign goods). In per capita terms, capital inflows to SSA reached a peak in 1981, fluctuated around a declining trend until 1990 and fell thereafter almost continuously (chart 1). In real terms, the decline is even more pronounced; by 2000, real per capita inflows were less than one-third of the level reached two decades earlier. The share of SSA in total capital inflows to developing countries declined to a mere 10 per cent in the 1990s from more than 20 per cent in the 1980s.

In the 1990s private capital inflows, as a proportion of GNP, were on a downward trend both for SSA and North Africa despite efforts to attract such capital, notably FDI. While they averaged more than 4 per cent of GNP for emerging markets, the proportion has remained less than 2 per cent in SSA. Much of these flows consists of FDI in a handful of oil and mineral rich countries, even though some North African countries have received portfolio inflows.

Total official inflows as a proportion of GNP in SSA rose during the 1980s. For the 1990s the figure was again higher, but the rise occurred only in the first half of the decade, with a sharp increase in ODA grants. After 1994, total official inflows fell sharply as a percentage of GNP with the decline in ODA grants. Multilateral lending as a percentage of GNP rose slightly in the 1980s but stagnated thereafter, whereas bilateral lending declined throughout the 1990s. Per capita official inflows of SSA rose both in nominal and real terms in the second half of the 1980s, but fell almost constantly during the 1990s. In per capita terms, real official flows at the end of the past decade were less than half of those of the early 1980s.

These trends partly reflect the overall decline in official flows to developing countries. According to the latest figures from the World Bank,[17] such flows to developing countries as a whole (excluding technical cooperation grants) declined from more than $55 billion in 1990 to less than $39 billion in 2000. While ODA grants stayed relatively constant at some $40 billion, official loans declined from $27 billion to some $9 billion. The average ODA/GNP ratio of the DAC countries declined dramatically from 0.33 per cent in 1992 to 0.24 per cent in 1999, and by the end of the decade only the Netherlands was attaining the 0.7 per cent target. The decline in aid flows was steeper for SSA; the share of SSA in total aid flows to developing countries fell from more than 37 per cent in 1990 to some 27 per cent at the end of the decade, with an increased proportion being diverted to Europe and Central Asia.

As in many other developing countries, in Africa too an increased proportion of net capital inflows from non-residents has been absorbed by offsetting financial

[16] UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000, table 1.
[17] World Bank, *Global Development Finance* 2001, Washington, D.C., tables 4.1-4.3, pp. 89-91.

transactions such as net capital outflows by residents and accumulation of excessive reserves as a safeguard against speculative attacks on the currency, instead of financing imports. According to estimates for the 1990s by the UNCTAD secretariat, only 62 per cent of net capital inflows are used for current account financing.[18] This means that external financing needs exceed the resource gap by a wide margin because of the need to finance offsetting transactions.

Estimating the external financing needed to attain a given target rate of growth or to reduce poverty to a target level over a time period is a complex exercise requiring detailed analysis at the country level of factors such as the extent and efficiency of the use of existing productive capacity; the impact of investment on production capacity, productivity, exports and imports, and balances of payments; the domestic savings rate and its response to income growth; and the impact of capital flows on investment. However, some estimates indicating the order of magnitude involved have been provided by various institutions and private researchers. A recent UNCTAD study suggests that a combination of a doubling of official capital inflows into SSA with policies designed to raise the efficiency of investment, the propensity to save and the proportion of capital inflows retained and used for real resource transfers from abroad could set off an accelerated growth process, at some 6 per cent per annum, that would reduce, in a decade or so, both the resource gap of the region and its dependence on aid. In this process, official financing would play a catalytic role for domestic savings and private capital inflows, and this role is enhanced and the reliance on aid is reduced by a greater domestic policy effort.[19]

Similarly, ECA has recently developed a scenario to estimate the external financing needed to reach the growth rate for reducing African poverty by half in 2015.[20] It has estimated that a doubling of ODA is required to move into the new growth path needed to attain the poverty-reduction target. Yet another study by the World Bank on the feasibility of achieving the goal of halving world poverty by 2015 has found that such a goal in Africa would require, *inter alia*, some additional $10 billion per annum, the same order of magnitude as in the UNCTAD and ECA studies.[21] Commenting on the UNCTAD and World Bank studies, a Technical Report of a High-Level Panel on Financing For Development (Zedillo Report) commissioned by the Secretary- General of the United Nations noted that "these studies provide a reasonable basis for estimating the costs of reducing world poverty by half", adding that the UNCTAD figure "would need to be at least doubled to allow for a parallel effort in the lower-income countries outside of Africa".[22]

Indeed, regardless of the scenarios used and the assumptions made in such studies, there appears to be increased consensus that, despite the recent economic

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[18] *Capital Flows and Growth in Africa*, New York and Geneva, 2000, p. 25 and table 6.

[19] UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000.

[20] ECA, *Economic Report on Africa 1999*, Addis Ababa, pp. 23-24. In this exercise, the growth rate needed to attain the poverty target is estimated at 6.8 per cent per annum.

[21] P. Collier and D. Dollar, "Can the World Cut Poverty in Half?", Washington, D.C., World Bank, 2000. See also R. Gotschalk, "Growth and Poverty Reduction in Developing Countries: How much External Financing will be Needed in the New Century?" (mimeo), Institute of Development Studies, Brighton, U.K., December 2000. In this study the poverty target is estimated to require a growth rate of 8.2 per cent for SSA, and an external financing/GDP ratio of 16 per cent initially and 12.7 per cent thereafter.

[22] *Technical Report of a High-Level Panel on Financing For Development* (Zedillo Report), United Nations, New York, 22 June 2001, p. 59.

upturn, current African growth rates are too low to make a dent in poverty and to make a tangible improvement in living standards, and that a significant injection of official financing would be needed, combined with improved policies to jump start the African economies. Much of the additional resources would need to be allocated to investment in infrastructure. It is also important to ensure that any acceleration of investment and growth be accompanied by sustained increases in domestic savings rates in order to reduce dependence on external financing.

Clearly, elimination of the external debt overhang, as well as fresh money, could play a significant role in the provision of resources needed to raise investment and growth, particularly for African low-income countries. SSA's external debt stood at $206 billion in 2000, $10 billion below the level reached in 1999. This decline is explained partly by debt write-offs in the context of HIPC and Paris Club initiatives, and partly by the appreciation of the dollar against other major reserve currencies. The latter effect is particularly important, since almost 50 per cent of SSA's external debt is denominated in currencies other than the US dollar. Furthermore, despite the decline in the absolute nominal level of African debt, the conventional debt indicators of the region (debt/export and debt/GNP ratios) remain highly unfavourable in comparison with other developing countries (table 7). Indeed, while Africa had a lower debt-export ratio in 1990 than South Asia and Latin America, it had the highest ratio at the end of the decade among all developing regions. Again, while the ratio of debt to GNP fell or remained relatively stable in other regions, it tended to increase in Africa during the 1990s; at the end of the decade it was above the level attained at the beginning.

Although SSA's external debt is high in relation to GNP and export earnings, the debt service ratio is relatively low because of the concessional nature of a large proportion of this debt. However, the debt-service ratio deteriorated in the 1990s, and at the beginning of the new millennium it remained above the ratios observed in East Asia and in the Middle East and North Africa (MENA) region. Meeting debt servicing obligations, including principal and interest payments, remains a major problem in SSA. Indeed the problem of arrears has grown to unmanageable proportions during the 1990s; at the beginning of the 1990s, the share of arrears in total debt of SSA was 15 per cent and moderately above the Latin American ratio of 11 per cent, but it rose rapidly and reached a peak of 27.7 per cent in 1998. The conversion of arrears on interest liabilities into debt accounts for a substantial portion of the increase in the debt stock of SSA during the past two decades. In effect a substantial portion of debt-generating flows from donors have consisted of the addition of arrears to existing debt stock rather than fresh money.

The HIPC initiative, which includes a large number of countries in SSA, has thus received considerable support from the international community not only as a comprehensive and coordinated approach but also as a crucial step in recognizing that losses on bad loans should not be borne by the debtors alone but shared by the creditors. But, as discussed in some detail in the secretariat reports submitted in recent years to the General Assembly, the initiative continues to suffer from shortcomings, including underfunding, excessive conditionality, restrictions over eligibility, and inadequate debt relief.[23] While certain steps were taken in the context of the enhanced HIPC initiative in 2000, the initiative has not so far

[23] See, *for* instance, "Recent developments in the debt situation of developing countries", Report of the Secretary-General, United Nations General Assembly (A/55/422), September 2000.

succeeded in removing the debt overhang from a large majority of highly indebted poor countries in SSA. As of mid-2001, of the 33 African countries in the list of HIPCs, only Uganda had reached the completion point, and no more than a couple of countries may be expected to be added by the end of the year.

It should also be noted that it would not be correct to rely on debt relief initiatives alone for the provision of external financing needed in Africa. According to UNCTAD estimates noted above, there is a need to double the existing level of official financing in order to sustain a growth rate of 6 per cent. This would mean raising net official capital inflows by about 7 per cent of the combined GDP of the countries in the region. On the other hand, principal repayments and interest payments on official debt by these countries amounted to just under 3 per cent of their combined GDP in the past 5 years. This means that if countries in SSA were all to be brought under HIPC and granted full and immediate relief on their official debt, the amount thus released would be less than half of the external financing requirement for achieving the rate of growth needed. Thus, the international community cannot rely on HIPC alone for poverty alleviation even if the initiative were to be fully and rapidly implemented.

3. International trade

(a) Dependence on primary commodities and export performance

As in most other parts of the developing world, the emphasis on trade liberalization and exports in the past decade has meant an increased importance of international trade in economic activity in Africa. As a consequence, trade (merchandise exports plus imports) in SSA as a share of GDP increased from 38 to 43 per cent between 1988-1989 and 1999-2000.[24] However, despite the increased trade orientation of SSA, the share of the region in world trade has declined because its exports have grown much more slowly than world exports, a phenomenon often seen as the marginalization of the region in world trade (table 8).

The composition of African exports has continued to be dominated by primary commodities, despite some progress in moving to manufactures (table 9). The increase in the share of manufactures in African exports partly reflects the effect of declines in the prices of commodities relative to manufactures in the past two decades, as well as increases in the volume of manufactured exports. Despite the increase in the share of manufactures in African exports during the 1990s, more than 80 per cent of the region's exports consists of oil and non-oil commodities. Progress in diversification has not been particularly impressive: IMF estimates of measures of diversification for 14 African countries for which data are available show that only six countries had improvements on this count between 1988 and 1996.[25] The UNCTAD secretariat's calculation of export concentration for seven African countries between 1990 and 1997 shows rising and declining concentration

[24] The MENA region appears to be an exception to this trend; see IMF/WB Development Committee, "Leveraging Trade for Development: World Bank Role" (mimeo), 3 April 2001, figure 1.

[25] IMF, "Trade and Trade Policies in Eastern and Southern Africa", Occasional Paper 196, Washington, D.C., 2000, pp. 22-23.

coefficients in four and three countries respectively.[26] Export dependency on primary commodities becomes more striking as one moves from regional averages to individual countries. The share of 28 non-oil primary commodities in total exports has been estimated at 75 per cent or above in 17 countries in SSA; if crude oil is added to the list, the number of such countries rises to 22.[27]

(b) Competitiveness of African non-traditional exports

In order to reduce dependence on traditional commodity exports, an increased number of African countries has been moving into exports of processed goods and manufactures. However, efforts have not always been successful in improving international competitiveness in such products, in large part because of low productivity and inappropriate exchange rates. Table 10 summarizes the findings regarding changes in international competitiveness of manufactured exports for nine African countries between 1980 and the late 1990s in terms of the evolution of unit labour costs in dollars, which vary positively with labour productivity and the real exchange rate and inversely with real wages.[28] In such an assessment, it should be kept in mind that while the growth rate of exports is a key performance indicator, for countries which start from a very low base of exports of manufactures, high growth may be misleading. For this reason, table 10 also includes the share of manufactures in total merchandise exports. Hence, successful performance is defined not only in terms of a high growth rate of manufactured exports but also a significant rise in their shares in total exports.

Of the nine countries in table 10, Algeria and Cameroon show no significant sustained progress in manufactures exports during the two past decades. For most of the other seven countries, phases of successful performance in manufactured exports usually correspond to years with positive change in the competitiveness indicator (CI). The only exception is RSA, which shows a high average growth rate of manufactured exports (and a significant rise in their share in total exports) during 1990-1997 despite a declining CI, essentially due to real appreciation. However, the lifting of international sanctions was probably a more important factor in the surge of exports than the movement in the CI.

Among the variables affecting overall competitiveness, it is labour productivity which has a lasting, permanent impact on manufactured exports. Countries with a more dynamic and stable export performance throughout the past two decades are those which have also shown significant improvements in productivity growth throughout: Mauritius with an average growth rate for labour productivity in manufacturing of 4.5 per cent per annum for a period of 18 years,

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[26] Concentration ratios rose in Egypt, Morocco, Tunisia and Zimbabwe and declined in Libyan Arab Jamahiriya, Madagascar and Mauritius (*UNCTAD Handbook of Statistics 2000*, table 4.5).

[27] A. Deaton, "Commodity Prices and Growth in Africa", *Journal of Economic Perspectives*, Vol. 13/3, Summer 1999, table 1, p. 26.

[28] In this decomposition of unit labour costs real exchange rate (ρ) is defined as national currency per dollar deflated by the domestic price index; thus rising ρ means depreciation of the national currency. Real wages (ω) are obtained by deflating nominal wages with the domestic price index, and labour productivity (y) is defined as value added at constant prices per worker. The competitiveness indicator is defined as ($\rho y/\omega$), that is the reciprocal of unit labour cost in dollars. A similar analysis for North Africa was undertaken in UNCTAD, TD/B/44/12, table 4, p. 12; and for seven African countries in *African Development in a Comparative Perspective*, op. cit., tables 21 and 22, pp. 87-88.

and Egypt with an average 3.5 per cent productivity growth for 16 years. These countries have kept up the momentum of manufacturing exports despite sustained real appreciations of their domestic currencies. Further, thanks to rising labour productivity, competitiveness has been maintained without depressing real wages.

Other countries seeking to raise competitiveness but facing stagnant or falling productivity have had to resort to wage suppression and sharp depreciations. The end result is that, by the late 1990s, real wage levels in manufacturing in all countries in table 10, except Egypt, Mauritius and RSA, were lower than the levels reached in 1980, and for most of them the cumulative erosion in real wages was within a range of 25-45 per cent. Wage suppression of such dimensions to promote exports generates not only social costs, but also adverse effects on longer-term productivity growth.

Investment and productivity have been further undermined by exchange rate misalignments and instability. There have been frequent and large-scale adjustments in nominal exchange rates in order to correct real appreciations. During the 1980s, for the countries included in table 10 there were seven episodes involving nominal exchange rate adjustments in excess of 25 per cent. Opening of the capital account to all kinds of capital flows aggravated this situation during the 1990s; sharp changes in exchange rates not only became more frequent (11 episodes) but the rate of adjustment was also much greater (on average 77 per cent, compared to 33 per cent in the 1980s).

These results indicate that the long period of stagnation in investment in Africa has taken its toll on industrial productivity and undermined sustained improvement in the competitiveness of non-traditional exports. Another adverse development has been the impact of capital account liberalization on exchange rates. Corrections to low productivity and currency appreciations have often been sought through wage suppression without bringing sustained improvements in competitiveness. It appears that the social and economic limits to neutralizing these adverse factors through real wage erosion have been reached in most African countries. Establishing competitiveness of non-traditional exports would depend very much on investment and productivity growth, combined by a judicious management of exchange rates through regulation and control of destabilizing capital flows.

(c) Terms of trade

(i) Overall trends and effects

Africa enjoyed an upturn in its terms of trade during the commodity price booms of the 1970s, but the trend from the early 1980s has been downward (chart 2). This is true not only for the region as a whole but also for various subregions including SSA and North Africa. Indeed the downturn has been sharper for the latter region in large part because of sharp declines in oil prices in nominal as well as real terms. The levels of terms of trade at the end of the 1990s were 24 and 21 per cent below those attained in the early 1970s for North Africa and SSA respectively. While the overall trend after the early 1980s was downward, there were short-lived surges in commodity prices and terms of trade. The more recent one started after 1993 and made a significant contribution to economic recovery in SSA. This lasted only three years; the terms of trade of SSA in 1998 was 15 per cent below the peak reached in 1996.

The secular decline in African terms of trade is an important reason for the marginalization of the region in world trade. Indeed, a significant part of the decline in the share of SSA in world exports in the past two decades can be explained by declines in the prices of African exports relative to those of the rest of the world. It can be estimated that, if the terms of trade of SSA had stayed at the level of 1980, its share in world exports today would have been almost twice as high.

A recent World Bank study has estimated that between 1970 and 1997, cumulative terms of trade losses for non-oil-exporting countries in SSA amounted to 119 per cent of the regional GDP in 1997 and 51 and 68 per cent of the cumulative net resource flows and net resource transfers to the region respectively.[29] If these numbers are combined with leakages from capital inflows into outflows and accumulation of reserves (i.e. the offsetting financial transactions noted above), it turns out that in the past two decades SSA has not received any net transfer of real resources from the rest of the world. It can be estimated that for each dollar of net capital inflow to SSA from the rest of the world, some 25 cents went back as net interest payments and profit remittances abroad, more than 30 cents leaked into capital outflows and reserve build-up,[30] while 51 cents made up for terms of trade losses. These figures indeed imply a net transfer of real resources from SSA to the rest of the world.

Resource losses due to terms of trade declines have certainly been a major factor in the poor economic performance of the region in the past two decades. If such resources had been available for domestic uses and invested productively, African growth during the past two decades could have been much faster and its current level of income much greater. A simple simulation on "unchanged terms of trade" counterfactual carried out by the UNCTAD secretariat based on the World Bank's estimates of cumulative terms of trade losses suggests that the addition of such resources would have raised the investment ratio by nearly 6 percentage points per annum in non-oil-exporting countries in Africa and added to annual growth by 1.4 per cent per annum. This would give a per capita GDP of $478 for 1997 instead of the actual level of $323. In other words, if non-oil exporters in Africa had not suffered from continued terms of trade losses in the past two decades, the current level of per capita income would have been higher by as much as 50 per cent.

(ii) Primary commodities

A major factor behind the downward trend in the African terms of trade is the decline of prices of primary commodities relative to manufactures. At the beginning of the new millennium, the prices of major categories of non-oil commodities relative to manufactures were lower by between one-third and two-thirds compared to prices prevailing three decades earlier (table 11).

This downward trend in relative prices of primary commodities vis-à-vis manufactures is accompanied by a high degree of volatility. Commodity terms of trade calculated on the basis of world prices of broad categories of primary commodities (chart 3), as well as of prices of African coffee, cocoa, cotton and

[29] World Bank, *Can Africa Claim the 21st Century?*, Washington, D.C., 2000, table 1.4, p. 22.

[30] As noted above leakages during the late 1990s through these channels were higher, amounting to 38 per cent of total net capital inflows to SSA. The above calculations are based on a smaller proportion as they refer to both 1980s and 1990s; see UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000, table 3.

copper exports, vis-à-vis unit export prices of manufactures of developed countries (chart 4) show a more volatile pattern than the overall terms of trade depicted in chart 2.

As noted above, world commodity markets have been experiencing another major price cycle since 1993, the upward phase of which lasted two to five years depending on the commodity. The downturn phase which started after 1996 should be expected to continue due to the economic slowdown in the major industrial countries.[31] In this cycle, the volatility of real prices received by African exporters reached unusual dimensions. Between the trough and the peak of the price cycle in the 1990s, real prices for African exports of coffee, cocoa, cotton and copper rose by 128, 116, 28, 30, and 49 per cent respectively (chart 4).[32] On the other hand, between the peak and 1999, these prices showed declines of 35, 15, 28, 70 and 13 per cent respectively, and the downward movement is still continuing.

Problems due to the deterioration in terms of trade for commodity-dependent SSA countries are thus aggravated by extreme fluctuations in real export prices. As put by a recent IMF/World Bank document, "sub-Saharan exports experienced roughly twice the volatility in terms of trade that East Asia's exports did in the 1970s, 1980s and 1990s, and nearly four times the volatility... that the industrial countries experienced."[33] No doubt such volatility not only leads to serious difficulties for macroeconomic management but also discourages investment by creating uncertainties regarding the future course of these economies.

(iii) Manufactures

Recent empirical research suggests that the expansion of manufacturing exports from developing countries has also been associated with a downward trend in their terms of trade. Such a trend is much more pronounced with respect to exports of labour-intensive manufactures than skill- and technology-intensive products. This poses an additional problem for Africa where manufactured exports have little technology content.

A study has provided empirical evidence in this respect by focusing on the manufacturing terms of trade of the European Union with five groups of countries: LDCs, ACP countries, Latin American countries, Mediterranean Basin countries and East Asian NIEs.[34] According to this study, while the manufacturing net barter terms of trade of developing countries as a whole declined at an average rate of 2.2 per cent per annum from 1979 to 1994, the decline was largest for LDCs and ACP countries – 5.7 and 4.7 per cent per annum respectively. Furthermore, in the case of LDCs, the deterioration in manufacturing terms of trade was more than the decline in their primary commodity terms of trade. Since the majority of these two groups consist of SSA countries, these results strongly suggest that African terms of trade

[31] On the World Bank's prognosis of the current cycle of primary commodities, see *Global Development Finance* 2001, Washington, D.C., Appendix 6.

[32] Chart 4 and the related analysis covers 16 countries in SSA and five commodities. In 1999, the average (unweighted) share of these commodities within the total exports of the 16 countries equalled 30 per cent.

[33] IMF/WB Development Committee, "Leveraging Trade for Development: World Bank Role" (mimeo), 3 April 2001, p. 3.

[34] A. Maizels, K. Berge, T. Crowe and T.B. Palaskas, "Trends in the Manufactures Terms of Trade of Developing Countries" (mimeo - Leverhulme project F527/B), March 1998.

in manufacturing are also subject to downward pressures. They are also supported by another study on manufacturing terms of trade of the United States with developing countries, which found that, between 1981 and 1997, net barter terms of trade on manufacturing exports of developing countries to the United States declined by 15.6 per cent, or by almost 1.1 per cent per annum.[35]

This is bad news for African countries which are struggling to overcome their dependence on primary commodities by gradually moving into exports of manufactures, particularly since the foregoing research suggests that the rate of deterioration of manufacturing terms of trade is strongly associated with the general level of scientific and technological development of each country group. This fallacy of composition problem (that is, rising export volumes being associated with sharp falls in export prices) threatens most developing countries concentrating on labour- and resource-intensive exports, and is aggravated by increased competition among these countries as well as continued protectionism in the major industrial countries in markets for such products. But, given its level of development, SSA is even more exposed to this threat than many other developing regions.

(d) Market access

After nearly seven years of implementation of agreements reached in the Uruguay Round of multilateral trade negotiations, a consensus is emerging among Africans that, while the continent has gained little in terms of market access, African Governments are facing extremely heavy multilateral obligations. The competitive edge enjoyed by many African countries under Lomé and GSP schemes is undergoing substantial erosion. The already weak and insufficient provisions on special and differential treatment for some of the African economies have been eliminated, in many cases, by the conditionalities imposed by Bretton Woods institutions and creditors.[36]

As things stand now, African countries are facing a number of extremely serious barriers in terms of access to Northern markets. As emphasized by an UNCTAD study, "total transfers by consumers and budgets to agriculture and highly protected industries [in OECD countries] may be estimated at about $470 billion in 1997. Developed countries could save 2.2 per cent of their GDP annually on subsidies, corresponding to almost 10 per cent of the GDP of developing countries. Total subsidies amount to more than half of developed country imports from developing countries and 10 times their concessional ODA."[37] In the context of SSA, the annual transfers mentioned above are the equivalent of 241 per cent of the regions combined GDP. Peak tariffs and quotas, anti-dumping and countervailing duties imposed (at times arbitrarily) on imports, unjustified sanitary and phytosanitary import restrictions, export subsidies for agricultural and industrial products, various production and investment subsidies for both agricultural and industrial

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[35] A. Maizels, "The Manufactures Terms of Trade of Developing Countries with the United States, 1981-97" (mimeo), Queen Elizabeth House Working Paper Series, University of Oxford, Oxford, January 2000.

[36] See ECA, *Africa and the Multilateral Trading System and the World Trade Organization: Seattle and* Beyond, Addis Ababa (no date); and R. Ricupero, "Africa and a New Round of Multilateral Trade Negotiations", paper presented to the Centre for the Study of African Economies, Oxford, March 2001.

[37] E. Supper, *Is There Effectively a Level Playing Field for Developing Country Exports?*, UNCTAD, Policy Issues in International Trade and Commodities Study Series, No.1, United Nations, New York and Geneva 2001, p. 5.

production, and finally, anti-competitive practices implemented by TNCs are the measures which not only generate distortions against African and other developing country exporters but also have adverse effects in the domestic markets of these countries.

The net impact of the elimination of all distortions operating against developing country producers in external and domestic markets has not, as yet, been estimated. There are, however, more limited estimates. The gains to economies in SSA from the elimination of agricultural protection in OECD countries is estimated to be $6 per capita.[38] Another piece of research on the market penetration impact of full duty-free access for LDCs in the Quad only for tariff-peak products (i.e. covering only those items with tariff rates above 15 per cent) comes up with an estimate of an 11 per cent increase in LDC exports to the Quad.[39] This conservative estimate should be revised significantly upwards when extended to all commodities and all developed countries. Finally, another study covering 37 countries in SSA on the impact of duty- and quota-free access to the Quad in all products gives an estimate of a 13.9 per cent (i.e. $2.5 billion) increase in non-oil export revenues.[40]

It is clear that if all of the above-mentioned distortions in developed economies are eliminated, the market penetration potential for LDCs and African economies will be substantially higher. These are, however, temporary gains which would probably affect, in part, non-LDC developing economies (including those in Africa) adversely at the initial stages,[41] and which are likely to face erosion if and when similar concessions are extended to the latter as well.

Some progress has recently been made towards improving market access conditions for LDCs, the majority of which are African. This includes the "Everything but Arms" initiative of the European Union launched in March 2001. Its effectiveness will depend on generating new trade opportunities for LDCs without restricting market access of other developing countries.

D. Policy conclusions

Despite the recovery in the second half of the past decade, economic conditions in Africa remain highly fragile. Only a handful of countries in SSA have been able to combine relatively rapid growth with rising domestic investment and savings, but even in their case economic performance continues to depend heavily on conditions beyond their control, including commodity prices, capital flows, weather and political stability in their neighbourhood. Projections for the region under recent trends with respect to key variables such as capital flows, terms of trade, and investment and savings rates, as well as growth prospects in the rest of

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[38] H. Binswanger and E. Lutz, "Agricultural Trade Barriers, Trade negotiations, and the Interests of Developing Countries", UNCTAD X, High-level Round Table on Trade and Development: Directions for the Twenty-first Century, December 1999, p. 5.

[39] B. Hoekman, F. Ng and M. Olarreaga, "Tariff Peaks and Least Developed Country Exports" (mimeo), February 2001.

[40] E. Ianchovichina, A. Mattoo and M. Olarreaga, "Unrestricted Market Access for SSA: How much is it worth and who pays?", World Bank Working Paper 2595, April 2001. The EU's free access to LDCs under the "Everything but Arms" programme, according to the same authors, would be expected to generate an export increase of $513 million, i.e. 2.8 per cent of non-oil exports to the 37 countries in SSA.

[41] If such concessions are extended to LDCs in respect of textile products together with unchanged overall quotas, the net incidence will be on the non-LDC developing country exporters.

the world economy, give around 3 per cent growth per annum for the first decade of the new millennium.[42] Not only is this well below the rate of growth needed to attain the poverty reduction target set by the international community, but it is also considerably less than the growth rates projected for other developed and developing regions, implying further marginalization of Africa in the world economy.

The foregoing analysis, as well as the earlier work undertaken by the UNCTAD secretariat, clearly indicates that without a major reorientation of international and domestic policies it would be almost impossible to change the fortunes of the region. In this context, it is important to keep in mind that international and domestic actions are complementary rather than being substitutes. Just as greater domestic policy efforts cannot make up for shortcomings in the external trading and financial environment, increased aid and better trading conditions cannot offset the adverse consequences of misguided domestic policies. While the primary responsibility for achieving the conditions for rapid and sustained growth lies with the countries themselves, the international community has also responsibility in securing consistency and coherence between international and domestic policy actions. This is because international actions exert a major influence not only on the external conditions facing Africa, but also on domestic policies through aid conditionality and stabilization and adjustment programmes supported by the Bretton Woods institutions.

1. External financing, aid and debt

The first area of action relates to aid. As noted above, there is now increased consensus that, even under the best possible policy regimes, African countries cannot generate the resources needed to sustain satisfactory growth and development. Various estimates of external resource requirements made in UNCTAD, the World Bank, ECA and elsewhere suggest that at least an additional $10 billion per annum would need to be maintained for a decade or so in order to lift the region onto a faster growth path. There can be little doubt that, in a number of countries, Governments can do a lot to help create the conditions conducive to inflows of the kind of private capital that can help close the resources gap. Nevertheless, except for oil- and mineral-rich economies, it would be unrealistic and even counterproductive to pin hopes on private capital to meet the external financing requirement of African development. This has been clearly recognized by the Zedillo Report: "Even if great strides are made in trade liberalization, domestic policy reform, and capital inflows into developing countries, international development cooperation will retain four vital roles in which it has essentially no substitute." What is under discussion here is the first of these roles, namely: "Helping to initiate development in countries and sectors that do not attract much private investment, and that cannot afford to borrow extensively from commercial sources. This is the traditional role of official development assistance and of lending by multilateral development banks."[43]

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[42] These projections are made using the FUGI Global Model developed at Soka University. For a detailed description of the FUGI global model, including its historical background, methodology, scope and structure, see A. Onishi, *FUGI Global Model 9.0 M200/80: Integrated Global Model for Sustainable Development*, Soka University, Institute of Systems Science, Tokyo, 31 March 1999.

[43] *Technical Report of a High-Level Panel on Financing For Development*, (Zedillo Report), United Nations, New York, 22 June 2001, p. 8.

Thus, at least initially, the additional external financing would have to come from official sources. These could play a catalytic role over time for domestic savings and private capital inflows. The grant element in such financing should be large in order to compensate for terms of trade losses that the region is likely to continue to incur as long as it depends on primary commodities and labour- and resource-intensive manufactures for exports. Consideration should also be given to building an automatic compensatory element into the aid mechanism so that growth is not interrupted by sudden external shocks.

There is also increasing agreement that aid needs to be made more effective. While this calls for improvements in policies and institutions in the recipient countries, an important part of the problem also lies with the donors, who often pursue their own interests in the distribution and use of aid by promoting their exports and companies. Better coordination as well as untying of aid appears to be the key for improving aid effectiveness. In these respects the recent initiatives by the OECD countries regarding tied aid and the efforts by the Bretton Woods institutions to coordinate aid around country programmes are welcome and need to be pursued rigorously.

As noted above, debt relief has an important role to play in the provision of adequate external financing in Africa. Indeed, the international community has not been indifferent to the debt problem of Africa. North Africa has benefited from major debt rescheduling operations since 1985. With respect to heavily indebted countries in SSA, a bolder approach is needed than has so far been adopted in the context of the HIPC initiative.

In 1998 the UNCTAD secretariat made a proposal for "a comprehensive assessment of the sustainability of African debt ... [to] be carried out by an independent body that would not be unduly influenced by the interest of creditors. Such a body could be composed of eminent persons experienced in questions of finance and development who could be appointed by mutual agreement between creditors and debtors, with a commitment by creditors to implement fully and swiftly any recommendations that may be made."[44] This proposal appears to continue to be equally valid today in view of the problems associated with the implementation of the HIPC initiative and shortcomings in debt sustainability exercises, as mentioned above. Such an approach should not be limited to HIPCs but should incorporate a broader spectrum of countries, including the so-called middle-income debtors, in need of special measures to overcome their debt overhang. Consideration should also be given to the suspension of debt payments by all African HIPCs without additional consequent interest obligations until final agreement is reached on debt reduction, also to be extended subsequently to non-HIPC countries found eligible for debt relief.[45] Needless to say, a debt relief initiative structured around such principles could make a significant contribution to growth and poverty reduction provided that it is combined with additional official financing to fill the external resource gap.

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[44] UNCTAD, *Trade and Development Report, 1998*, Overview, United Nations, New York and Geneva, p. XII.

[45] For further elaboration of these proposals, see "Recent developments in the debt situation of developing countries", Report of the Secretary-General, United Nations General Assembly (A/55/422), September 2000.

2. *Key international trade policy issues for Africa*

The asymmetries and imbalances in the global trading system, including in a number of WTO agreements, constitute serious impediments to growth and development in Africa, as reiterated by African countries on several occasions in recent years.[46] Many of these countries, including the large majority of LDCs, continue to face difficulties in implementing the agreements, including adapting national laws and regulations and improving their institutional capacities to meet their WTO obligations. Their access to industrial country markets remains restricted in areas in which they have competitive advantages, including agricultural products and labour- and resource-intensive manufactures. They have yet to draw significant benefits from their participation in the multilateral trading system.

More fundamentally, there is a need for a review of current agreements and practices with a view to assessing their impact on African development, and for action to broaden and extend the existing provisions for special and differential treatment in areas where they hamper African development, and to translate them into explicit obligations. The areas where such action may be needed include a re-evaluation of the concept of transitional period particularly in the context of TRIPS and TRIMs; a review of the Agreement on Subsidies and Countervailing Measures to take into account the specific circumstances and requirements of African countries; measures for the realization of the technology transfer objectives envisaged in the TRIPS Agreement and other relevant provisions of the WTO agreements; and effective implementation of Article IV of GATS for building services capacity, access to technology and distribution channels. It is also important to safeguard the understanding that no provisions of TRIPS should be used to prohibit action to provide access to medicine at affordable prices to promote public health. Technical assistance can certainly play an important role in improving the capacity of these countries to better evaluate the costs and benefits of various agreements and practices, as well as to participate more effectively in multilateral trade negotiations and the dispute settlement mechanisms.

Tariffs, peaks and escalation, non-tariff barriers such as export subsidies and domestic support measures, the application of stringent sanitary and phytosanitary measures in industrial countries restricting African exports should be reviewed. There is also need for a genuine improvement in market access for African agricultural products and in the implementation of the Agreement on Agriculture, including in meeting core development concerns such as food security, poverty reduction and rural development, as well as the implementation of special measures in favour of LDCs and net food-importing countries. Improved market access facilities should be supported and supplemented by specific capacity building programmes to help these countries to diversify their exports and improve competitiveness.

3. *Domestic policy issues*

The experience of many countries in SSA in the 1970s strongly suggests that a positive external environment regarding trade and resource flows does not automatically translate into self-sustained growth. During the period in question, favourable terms of trade and aid flows allowed investment and growth to be raised

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[46] Third Ordinary Session of OAU/AEC Ministers of Trade, Cairo, September 2000; OAU Council of Ministers, Tripoli, February 2001; High-Level Brainstorming Meeting for African Trade Negotiators Preparatory to the Fourth WTO Ministerial Conference, Addis Ababa, 26-29 June 2001.

in much of the region, but the failure to increase domestic savings and diversify and expand exports meant that, once the external environment deteriorated from the late 1970s onwards, African growth could not be sustained. As discussed at some length in previous UNCTAD research on Africa, these problems originated in development strategies which were pursued without inadequate attention to agricultural productivity and industrial competitiveness.[47] Policies were underpinned by a strong bias against nascent private entrepreneurs, accompanied by extreme optimism about the capacities of the state in promoting development.

The subsequent experiments with structural adjustment programmes have not been successful in establishing the conditions for sustained growth. These programmes have sought to leave accumulation and growth to free market forces without paying adequate attention to shortcomings of domestic markets and enterprises, physical and human infrastructure, and institutions. Again, pragmatism has been trumped by ideology, this time by a bias against state intervention *per se*. Adjustment programmes have dismantled the state-mediated mechanisms of capital accumulation, but have not succeeded in putting viable alternative mechanisms in their place. Unleashing market forces through liberalization and deregulation has often led to greater instability and failed to generate appropriate incentives, while institutional weaknesses and structural constraints have prevented incentives from being translated into a vigorous supply response through new investment for the expansion and rationalization of production capacity. There has been a remarkable failure to take proper account of external conditions in policy design. As in the earlier period, policies have been founded on excessively optimistic expectations regarding the evolution of the international economic environment.

A bold vision is now needed in policy design and implementation, drawing on the experience of both post-colonial and adjustment periods as well as on lessons from successful industrialization and development in East Asia and elsewhere. There is now a consensus over certain objectives, including monetary and fiscal discipline, macroeconomic stability, private initiative, good governance and effective institutions. There is also convergence of views regarding the role of the state in developing human and physical infrastructure and promoting effective market and regulatory institutions, as well as a competent, professional and autonomous bureaucracy, which has seen considerable erosion after two decades of emphasis on a small state.

A key policy issue is the respective roles to be assigned to public and private sectors in economic activity and to government intervention and free market forces in generating incentives and guiding private sector behaviour. There can be little doubt that there is a need for a greater role for markets than had been allowed under the policy regimes of the post-colonial period. However, in certain respects the pendulum seems to have swung too far, and it is important to redress the balance between the role of the Government and that of markets. There is a certain degree of inconsistency in the argument often advanced that Governments in Africa are not capable of effective intervention, while at the same time burdening them with a daunting array of measures under adjustment programmes.

[47] See, in particular, UNCTAD, *Trade and Development Report, 1998*, op. cit.; UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000; and Special Issue on African Economic Development in a Comparative Perspective, *Cambridge Journal of Economics*, May 2001. The account above draws to a large extent on these studies.

Agriculture, international trade and finance are the three principal areas where the role for government intervention needs to be reconsidered. Certainly, such intervention should be designed to animate and guide the private sector and shape the structure of incentives so that the energy and effectiveness of business is channelled towards meeting developmental goals. Encouraging agrarian capital formation and productivity growth requires a policy which increases the profitability of investment and lowers risk by providing a stable environment and lowering technical and financial constraints on the capacity and willingness to invest. In this respect there may be important roles for public investment, price policies and provision of services unlikely to be forthcoming from other sources. An objective assessment needs to be made of the impact of dismantling agricultural marketing boards on incentives and supply constraints.

The marginalization of SSA in world trade is an outcome of the interaction of falling terms of trade with the inability of the region to expand productive capacity and move to dynamic products, rather than the resistance of the region to open trade regimes. Thus, for most countries in SSA there is a need to focus on growth-enhancing policies, including promotion of exports of dynamic products, rather than concentrating on trade liberalization. It should also be kept in mind that exporting unskilled-labour-intensive manufactures does not always promise better price and earning prospects than certain resource-intensive products and primary commodities. A trade regime that provides exporters with incentives to move into products with greater market and productivity dynamism, including easy access to credits and inputs at duty-free prices, needs to be built on the basis of a differentiated approach. The international community should give serious consideration to removing impediments to such selective intervention on a time-bound, multilateral basis. Indeed, "legitimating limited, time-bound protection for certain industries by countries in the early stages of industrialization" is among the proposals of the Zedillo Report: "However misguided the old model of blanket protection intended to nurture import substitution industries, it would be a mistake to go to the other extreme and deny developing countries the opportunity of actively nurturing the development of an industrial sector. A requirement for international approval of such protection could be a help to the governments of developing countries in resisting excessive demands from their domestic lobbies (and from multinationals) considering local investment.[48]

The exchange rate is the single most important price affecting trade performance, and should not be left to shallow and volatile markets and to the vagaries of destabilizing capital flows. Stable and appropriately aligned exchange rates are difficult to achieve under an open capital account regardless of the exchange rate regime adopted, even in countries with more sophisticated and deeper financial markets and effective regulatory mechanisms.[49] Thus, capital account regimes would need to be reassessed with a view to introducing effective control over short-term, destabilizing capital flows. Regulation and management of capital movements are also needed in order to ensure that a large proportion of capital inflows are allocated to real resource transfers rather than being diverted to

[48] *Technical Report of a High-Level Panel on Financing For Development* (Zedillo Report), United Nations, New York, 22 June 2001, p. 17.

[49] For a discussion of this issue, see UNCTAD, *Trade and Development Report, 2001*, United Nations, New York and Geneva, chap. V.

unproductive uses such as capital outflows and build-up of reserves as a safeguard against speculative attacks.

If the targets set by the international community for growth and poverty reduction are to stand any chance of realization, it is important to make a reassessment of the policy approach in such key areas, identifying their shortcomings and revising them when needed. Such a reassessment is particularly important in light of the recent shift to poverty reduction as the single most important objective of international development cooperation. This shift appears to have been triggered by the concern that adjustment programmes have not had a significant impact on poverty alleviation. Consequently, new facilities have been established at the Bretton Woods institutions (the Poverty Reduction and Growth Facility, the Poverty Reduction Support Credit), and debt relief under the HIPC initiative is explicitly linked to programmes designed to reduce poverty. Furthermore, emphasis has been placed on "country ownership" in designing Poverty Reduction Strategy Papers.

Structural adjustment and macroeconomic policies can affect poverty mainly through two channels: growth and income distribution. If policies fail to lift growth while creating greater inequalities in income distribution, the outcome would be rising poverty. For instance, between 1980 and 1995 per capita GDP in SSA declined by a rate of 1 per cent per annum. More importantly, this regression was associated with worsening income distribution; the decline in average per capita income for the poorest 20 per cent of the SSA population during the same period is estimated to have been two per cent per annum, that is twice the rate of decline in the average per capita income. Thus, poverty rose in the region not only because average per capita income fell but also because the share of the poor in national income declined.[50] Indeed, because of rising inequalities, poverty seems to have increased even in countries with positive per capita income growth.[51]

It thus follows that to yield tangible and sustained results, the new emphasis on poverty alleviation should be founded on a careful and frank assessment of the effects of structural adjustment policies on growth and income distribution.

[50] "Submission of the North-South Institute to the Sub-Committee on Human Rights and International Development of the Standing Committee of Foreign Affairs and International Trade: House of Commons, December 1, 1999", http://www.nsi-ins.ca/ensi. Another study comparing poverty incidence in seven countries in SSA between 1987 and 1993 reports rising and declining poverty in five and two countries respectively; the share of population below the head-count poverty line rising from 38.5 per cent to 39.1 per cent, and the poverty gap index (i.e. the mean shortfall below the poverty line as a percentage of the poverty line income) also rising from 14.4 to 15.3 per cent; M. Ravallion and S. Chen, "What Can New Survey Data Tell Us about Recent Changes in Distribution and Poverty?", *World Bank Economic Review*, Vol. 11, No. 2, 1997.

[51] According to a study by A.A.G. Ali and E. Thorbecke ("The State and Path of Poverty in Sub-Saharan Africa: Some Preliminary Results", *Journal of African Economies*, Vol. 9, AERC Supplement 1, 2001), this may have been the case for Nigeria and Uganda in 1986-1992 and 1989-1992 respectively, when positive growth in per capita GDP did not prevent significant increases in head-count poverty ratios due to regression in income distribution. Côte d'Ivoire (between 1985 and 1988) and Ghana (1988-1992), on the other hand, experienced reduced incidence of poverty, but in different ways: negative per capita growth combined with improved income distribution in Côte d'Ivoire, while positive growth was associated with improved distribution in Ghana.

However, there are as yet no signs of such an exercise.[52] Rather, the emphasis appears to be on redirecting public spending and aid flows towards areas which are expected to yield quick results in the alleviation of poverty, including health and education. While useful, such an approach may not have a lasting impact on poverty as long as policies in such areas as agriculture, trade, finance, public enterprise, deregulation and privatization do not succeed in raising growth while at the same time exerting adverse effects over income distribution. It can also create serious inter-temporal trade-offs in so far as spending designed to have an immediate impact on poverty slows capital accumulation, particularly when resources, including aid, remain in short supply. Thus, poverty reduction programmes need to be associated not only with greater resources but also with structural adjustment and macroeconomic policies conducive to faster growth and better income distribution.

[52] However, mention is made of the need to undertake an analysis of the social impact of macroeconomic policies in "Poverty Reduction Strategy Papers - Progress in Implementation", prepared by the Staffs of the IMF and the World Bank, 20 April 2001, pp. 13-14.

Table 1
Average annual GDP growth in Africa, 1965–1999
(Per cent)

	1965–1969	*1970–1979*	*1980–1989*	*1990–1999*	*1990–1994*	*1995–1999*
Africa	4.5	4.2	2.5	2.3	0.9	3.5
North Africa	5.3	6.7	4.2	3.1	2.1	4.2
Sub-Saharan Africa	2.4	4.0	2.1	2.4	0.8	3.9
Including South Africa	4.2	3.3	1.7	2.0	0.4	3.2
Excluding Nigeria	3.5	3.9	2.5	2.3	0.3	4.2

Source: For 1980–1999: UNCTAD secretariat calculations, based on World Bank, World Development Indicators 2001.
For 1965–1979: World Bank data as reported in the 2000/2001 Annual Report, Global Coalition for Africa.

Table 2
Annual rates of GDP growth in Africa, 1990–1999
(Per cent)

	1990	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
North Africa	3.4	2.0	2.0	0.5	3.9	1.5	6.5	2.6	5.6	3.9
Sub-Saharan Africa	2.5	1.8	-0.3	0.0	0.9	4.3	5.3	3.8	3.2	2.7
Including South Africa	1.1	0.4	-1.2	0.6	2.1	3.7	4.7	3.2	2.0	2.0
Excluding South Africa And Nigeria	1.4	1.2	-1.0	-0.5	1.1	4.7	5.5	4.1	3.7	3.1

Source: World Bank, World Development Indicators 2001, Washington, D.C.
Note: Growth rates are calculated from regional aggregates of GDP in constant (1995) dollars.

Table 3
Total agricultural and cereal output, 1992–2000
(Index numbers, 1989–1991 = 100)

	1992	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
Africa									
Agriculture	104.2	107.1	109.7	112.8	124.0	122.1	126.8	129.2	128.8
Cereals	98.0	101.6	110.2	105.5	129.3	115.1	123.5	121.0	118.0
North Africa									
Agriculture	105.3	107.1	106.6	105.1	132.3	120.7	129.3	132.9	130.8
Cereals	105.1	86.1	94.2	82.5	155.5	89.0	122.8	106.5	94.2
Sub-Saharan Africa									
Agriculture	104.2	107.4	110.4	115.0	121.5	122.0	125.8	128.0	127.9
Cereals	98.4	106.1	109.9	112.0	123.4	119.3	123.2	123.0	122.0

Source: FAOSTAT database. Indices for agriculture and cereals in North Africa are weighted aggregates of country data.

Table 4
Distribution of agricultural growth in Africa, 1990–2000

	Number of countries in which agricultural output growth is			
	negative	*positive, but negative per capita*	*positive, below one per cent per capita*	*higher than one per cent per capita*
Africa	12	19	10	12
North Africa	1	0	2	2
Sub-Saharan Africa (including South Africa)	11	19	8	10

Source: FAOSTAT.

Table 5

Investment and savings in Africa, 1975–1999

(Per cent of GDP)

	1975–1979	*1980–1984*	*1985–1989*	*1990–1994*	*1995–1999*	*1980–1989*	*1990–1999*
Africa							
Investment	26.1	23.6	20.2	18.7	19.6	21.9	19.1
Savings	23.9	22.5	19.1	17.3	17.6	20.8	17.5
North Africa							
Investment	33.7	31.3	28.5	25.4	22.5	30.0	23.9
Savings	30.4	31.5	23.8	21.6	19.5	22.7	20.5
Sub-Saharan Africa							
Investment	23.1	17.7	16.0	17.4	19.1	16.9	18.2
Savings	19.3	13.6	13.7	13.8	15.3	13.6	14.5
Sub-Saharan Africa (including South Africa)							
Investment	22.2	19.5	15.7	15.5	18.0	17.6	16.7
Savings	20.6	17.6	16.5	15.3	16.5	17.1	15.9
Sub-Saharan Africa (excluding Nigeria)							
Investment	21.0	17.4	16.3	16.7	18.9	16.8	17.8
Savings	15.8	11.2	13.0	11.6	13.1	12.1	12.3

Source: World Bank, World Development Indicators 2001, CD-Rom.

Table 6a

Changes in investment ratios and GDP growth in African countries between the 1980s and the 1990s

(Percentage points)

		Deterioration in investment ratios by			*Improvement in investment ratios by*		
		more than 4 per cent of GDP	*between 2 and 4 per cent of GDP*	*less than 2 per cent of GDP*	*less than 2 per cent of GDP*	*between 2 and 4 per cent of GDP*	*more than 4 per cent of GDP*
GDP growth higher by	*more than 4 Percentage Points*						Uganda Mozambique
	2–4 Percentage Points	Gabon Niger Côte d'Ivoire				Namibia Nigeria	Ghana Mali
	less than 2 Percentage Points	South Africa Mauritania	Togo	Tunisia Malawi	Central African Rep. Madagascar Benin		Mauritius Senegal Seychelles
GDP growth lower by	*less than 2 Percentage Points*	Algeria Egypt	Kenya Morocco Zambia		Gambia	Zimbabwe	Burkina Faso
	2–4 Percentage Points	Comoros Guinea-Bissau		Swaziland			
	more than 4 Percentage Points	Congo, Dem. Rep. Burundi Sierra Leone Cameroon	Botswana Congo, Rep.	Rwanda			Chad

Source: World Bank, *World Development Indicators 2001*, Washington, D.C.

Table 6b

Changes in savings ratios and GDP growth in African countries between the 1980s and the 1990s

(Percentage points)

		Deterioration in savings ratios by			Improvement in savings ratios by		
		more than 4 per cent of GDP	between 2 and 4 per cent of GDP	less than 2 per cent of GDP	less than 2 per cent of GDP	between 2 and 4 per cent of GDP	more than 4 per cent of GDP
GDP growth higher by	more than 4 Percentage Points				Uganda	Mozambique	
	2–4 Percentage Points	Niger	Gabon Côte d'Ivoire	Namibia		Ghana	Nigeria Mali
	less than 2 Percentage Points	Togo South Africa Malawi		Seychelles	Madagascar Tunisia	Mauritius	Central African Rep. Senegal Benin Mauritania
GDP growth lower by	less than 2 Percentage Points	Algeria Zambia	Kenya Egypt	Gambia	Morocco Zimbabwe		Burkina Faso
	2–4 Percentage Points				Comoros	Guinea-Bissau	Swaziland
	more than 4 Percentage Points	Burundi Botswana Rwanda Cameroon	Congo, Dem. Rep Sierra Leone			Congo, Rep.	Chad

Source: See table 6a.

Table 7
External debt indicators for developing countries, 1990, 1998–2000
(Per cent)

		All developing countries	*East Asia*	*Latin America*	*Middle East & North Africa*	*South Asia*	*Sub-Saharan Africa*[a]
Ratio of debt to exports	1990	162.5	108.4	254.5	112.5	327.4	209.4
	1998	147.9	104.9	210.5	129.1	189.1	238.9
	1999	141.0	95.5	208.4	111.5	174.5	210.8
	2000	114.3	74.8	172.6	93.8	156.0	180.2
Ratio of debt to GNP	1990	30.9	29.8	44.6	45.7	32.3	63.0
	1998	42.1	40.2	40.8	36.1	29.2	72.3
	1999	40.5	36.4	41.8	34.9	28.4	70.5
	2000	37.4	32.6	38.5	31.2	26.5	66.1
Ratio of debt service to exports	1990	18.1	15.7	24.4	14.9	28.9	12.9
	1998	18.4	13.3	33.6	14.0	18.9	14.7
	1999	21.4	15.8	41.6	13.7	15.5	13.9
	2000	17.0	10.8	35.7	10.9	13.1	12.8
Arrears on debt service as a percentage of outstanding debt	1999	5.0	3.1	1.4	5.9	0.6	26.7

Source: World Bank, *Global Development Finance*, various issues.
[a] Including South Africa.

Table 8
Africa's share in world exports and imports, 1980–1999
(Per cent)

	1980	1990	1995	1999
Exports				
Africa	4.6	2.3	1.6	1.6
North Africa	2.2	1.1	0.7	0.7
Sub-Saharan Africa	2.5	1.2	0.9	0.9
Imports				
Africa	3.6	2.4	1.8	1.9
North Africa	1.5	1.2	0.9	0.9
Sub-Saharan Africa	2.1	1.1	0.8	1.0

Source: UNCTAD database.

Table 9
Composition of exports from sub-Saharan Africa, 1980, 1990, 1997
(Per cent share of total exports)

	1980	1990	1997
Crude petroleum	75.6	61.3	54.7
Non-oil primary commodities	19.7	22.8	26.6
Manufactures	4.0	15.5	18.4
Unclassified	0.7	0.4	0.3

Source: UNCTAD database.

Table 10
Competitiveness and manufactures exports, 1985–1998
(Index numbers, 1980 = 100)

	1985	*1990*	*1993*	*1996*	*1997*	*1998*
Algeria						
Real exchange rate	84.7	92.6	120.8	142.5	138.5	137.8
Real wages	108.6	81.0	77.5	75.1	70.9	
Labour productivity	112.6	101.3	115.3	94.8	104.4	
Competitiveness indicator	87.9	115.8	179.8	180.0	204.0	
Manufactures exports	436.8	769.0	799.7	1700.2	885.8	602.8
Share of manufactures in total exports *(per cent)*	1.5	2.6	3.5	6.0	2.8	2.6
Cameroon						
Real exchange rate	120.3	59.1	63.5	71.2	80.4	81.2
Real wages		89.8	77.6	50.5	55.5	
Labour productivity		69.9	46.9	51.5	56.2	
Competitiveness indicator		46.0	38.4	72.7	81.5	
Manufactures exports		327.8		272.1		
Share of manufactures in total exports *(per cent)*		8.5		8.0		
Egypt						
Real exchange rate	58.6	51.9	78.2	65.7	63.0	62.1
Real wages	132.6	91.5	84.1	98.3		
Labour productivity	136.7	144.3	165.7	172.2		
Competitiveness indicator	60.5	81.8	154.1	115.0		
Manufactures exports	55.5	329.1	306.3	335.7	473.9	422.0
Share of manufactures in total exports *(per cent)*	10.1	42.5	32.9	31.6	40.3	44.0
Kenya						
Real exchange rate	118.4	100.9	112.8	78.5	72.1	70.0
Real wages	93.5	71.2	43.0	55.0	59.5	
Labour productivity	93.6	95.0	58.2	64.0	64.0	
Competitiveness indicator	118.5	134.6	152.8	91.3	77.6	
Manufactures exports	72.2	199.7	250.2	361.2	344.2	314.3
Share of manufactures in total exports *(per cent)*	11.4	29.2	28.3	26.4	25.3	23.6
Mauritius						
Real exchange rate	130.2	87.9	84.4	70.7	77.7	82.9
Real wages	83.5	100.7	129.8	151.3	170.0	187.6
Labour productivity	95.3	127.7	152.9	185.4	199.2	219.9
Competitiveness indicator	148.2	111.5	99.3	86.7	91.0	97.1
Manufactures exports	168.5	666.4	771.2	1038.2	964.0	1046.7
Share of manufactures in total exports *(per cent)*	45.6	65.8	70.0	67.9	71.0	72.6
Morocco						
Real exchange rate	159.8	103.8	97.5	79.6	86.1	84.4
Real wages	82.6	76.1	75.7	77.9	77.6	
Labour productivity	88.6	113.7	107.1	116.6	124.6	
Competitiveness indicator	171.4	155.2	138.0	119.0	138.2	
Manufactures exports	149.4	380.2	386.4	590.5	592.9	
Share of manufactures in total exports *(per cent)*	26.8	32.6	32.4	35.9	36.5	

		1985	1990	1993	1996	1997	1998
Senegal							
	Real exchange rate	121.3	73.0	77.8	95.9	107.5	107.4
	Real wages	113.8	105.2	126.0	84.0	96.1	
	Labour productivity	129.0	112.6	135.5	98.7	123.5	
	Competitiveness indicator	137.5	78.1	83.7	112.6	138.3	
	Manufactures exports		238.1	325.6	661.2	581.4	708.6
	Share of manufactures in total exports *(per cent)*		22.5	33.1	48.2	46.2	52.8
South Africa							
	Real exchange rate	148.7	84.7	74.3	76.9	75.9	85.2
	Real wages	105.0	106.7	109.4	117.0	118.6	118.1
	Labour productivity	99.5	100.4	100.8	111.7	112.5	112.0
	Competitiveness indicator	141.0	79.7	68.4	73.4	72.0	80.8
	Manufactures exports		110.9	202.2	347.8	385.8	305.0
	Share of manufactures in total exports *(per cent)*		21.9	38.7	55.3	57.8	53.7
Zimbabwe							
	Real exchange rate	125.0	103.8	122.7	104.0	106.1	157.4
	Real wages	105.1	106.5	79.1	75.6	78.2	74.2
	Labour productivity	106.0	136.0	125.0	107.7	111.6	108.8
	Competitiveness indicator	126.0	132.5	193.9	148.1	151.3	230.7
	Manufactures exports	64.3	105.3	117.4	140.4	160.2	
	Share of manufactures in total exports *(per cent)*	29.3	30.9	37.9	29.5	31.9	

Source: UNCTAD secretariat estimates, based on UNIDO, World Bank and IMF databases.

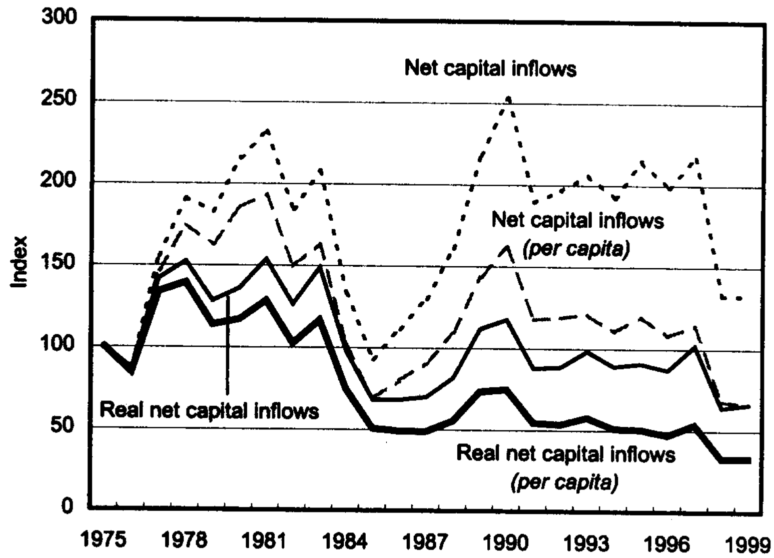
Note: For definitions see the text and footnote 28.

Table 11
World prices and terms of trade by commodity group, 1975–2000
(Index numbers, 1970 = 100)

	1975	*1980*	*1985*	*1990*	*1995*	*2000*
Price indices:						
Manufactures	185.3	294.1	252.9	400.0	438.2	361.7
Tropical beverages	143.2	318.9	270.3	167.6	248.7	159.5
Vegetable oilseeds	166.7	216.7	185.2	137.0	218.5	131.5
Agricultural raw material	180.9	326.2	238.1	338.1	383.3	245.2
Minerals	141.9	227.4	161.3	238.7	240.3	195.2
Food	278.7	393.4	163.9	247.5	265.5	204.9
Index of terms of trade against manufactures:						
Tropical beverages	77.3	86.2	106.9	45.3	56.8	44.1
Vegetable oilseeds	90.0	73.7	73.2	34.3	49.9	36.4
Agricultural raw material	97.6	110.9	94.2	84.5	87.5	67.8
Minerals	76.6	77.3	63.8	59.7	54.8	54.0
Food	150.4	133.8	64.8	61.9	60.6	56.7

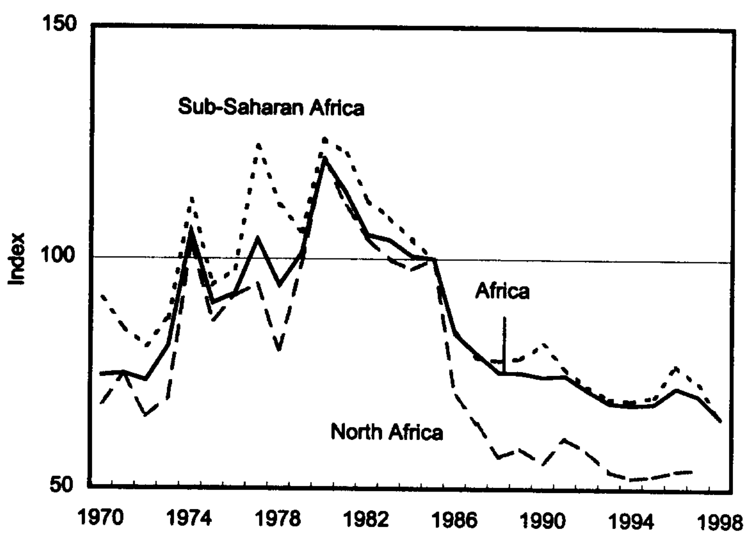
Source: UNCTAD database.

Chart 1
Total and per capita net capital inflows, 1975–1999
(Index numbers, 1975 = 100)



Source: World Bank, *Global Development Finance 2001,* Washington, D.C.

Chart 2
Terms of trade for Africa, 1970–1998
(Index numbers, 1985 = 100)

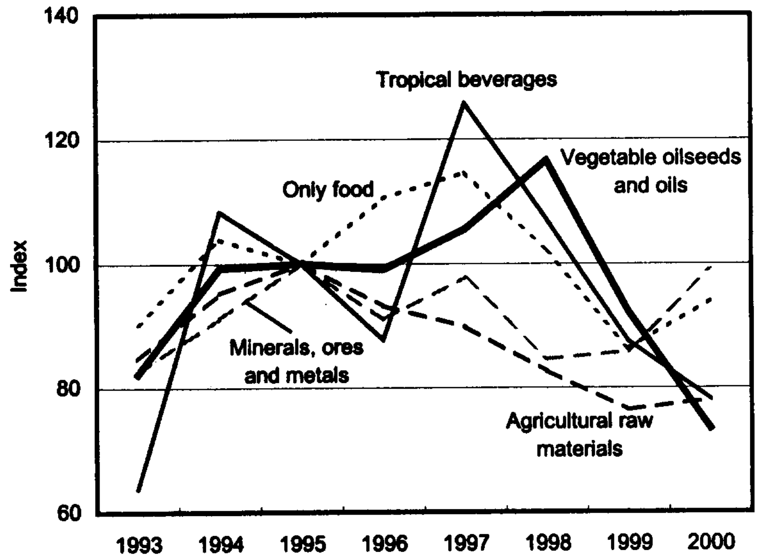


Source: UNCTAD secretariat estimates, based on World Bank database.

Chart 3

World terms of trade of selected groups of primary commodities against manufacture 1993–2000

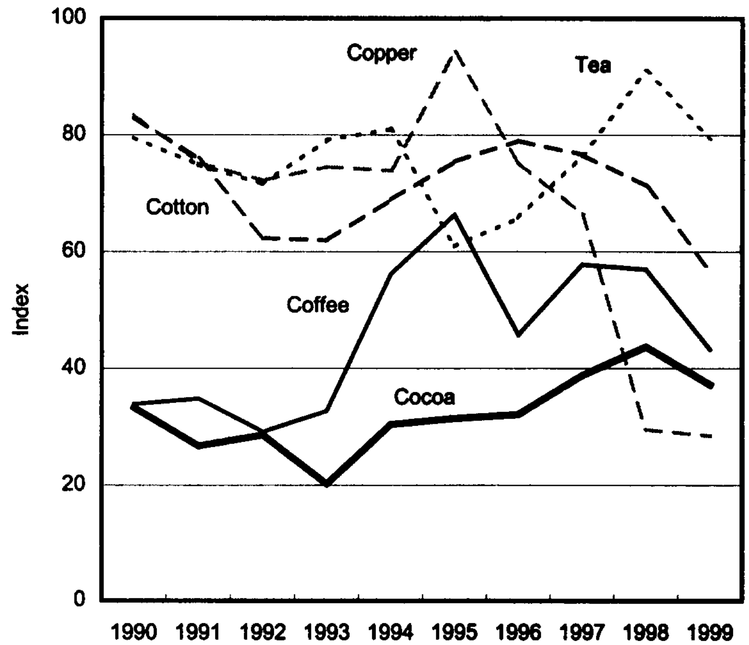
(Index numbers, 1995 = 100)



Source: UNCTAD database.

Note: Manufactures prices refer to unit value index of world manufactured goods exports.

Chart 4
African terms of trade for selected primary commodities against manufactures, 1990–1999
(Index numbers, 1980 = 100)



Source: FAOSTAT database.

Note: Primary commodity price index numbers are based on the unweighted average unit export prices (export values in US$ divided by export volumes in physical quantities) for the following countries: Cocoa: Cameroon, Côte d'Ivoire, Ghana; coffee: Côte d'Ivoire, Ethiopia, Kenya, Madagascar, Rwanda, Uganda, United Republic of Tanzania; cotton: Burkina Faso, Chad, Mali, Sudan, United Republic of Tanzania; tea: Burundi, Kenya, Rwanda; copper: Democratic Republic of the Congo, Zambia.