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REGIONAL COOPERATION IN THE ECONOMIC, SOCIAL AND RELATED FIELDS

Summary of the survey of economic and social conditions in Africa, 1995

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I. OVERVIEW

1. In 1995, Africa experienced, for the second consecutive year, modest economic growth. The gross domestic product (GDP) of the region increased by 2.3 per cent, compared with a revised figure of 2.1 per cent for 1994 (table 1). Despite this modest recovery, GDP growth is yet to keep pace with population growth, as a consequence of which per capita income declined by 0.6 per cent in 1995.

Table 1

African economic indicators, 1990-1995
(Percentage change)

	1990	1991	1992	1993	1994	1995
GDP growth - Africa	0.7	3.0	-0.5	0.7	2.1	2.3
Agriculture production (FAO index 1979-1981 = 100)	127.9	133.9	130.9	135.7	138.6	..
Oil production (millions of tons)	321.4	336.4	343.4	339.2	338.2	..
Mining production index (1990 = 100)	1.0	-4.0	-8.0	-7.0	..	..
Consumer price index (1990 = 100)	16.6	31.5	44.9	37.2	60.6	43.4
Oil prices, Brent crude ($ per barrel)	24.0	20.0	19.3	17.0	15.8	17.1
Export prices index (1990 = 100)	12.4	-9.4	-0.2	-5.2	5.3	6.8
Import prices index (1990 = 100)	4.5	-0.1	3.4	-0.8	4.1	5.2
Terms of trade index (1990 = 100)	7.5	-9.3	-3.4	-4.5	1.2	1.5
Exports ($ billion)	99.2	95.0	92.9	87.3	87.9	97.9
Imports ($ billion)	91.6	90.1	93.6	92.7	94.6	108.9
Current account ($ billion)	-0.1	-1.7	-5.4	-8.5	-0.5	-2.1

Source: ECA secretariat.

2. There were wide differences in performance among group and individual countries, however. The West, Eastern and Southern African subregions registered growth rates in excess of the regional average in 1995, owing to the improved performance in their agricultural and mining sectors. In West Africa, GDP grew by 4.1 per cent in 1995, compared to an increase of only 1.0 per cent in 1994, while in Eastern and Southern Africa it grew, respectively, by

4.8 per cent and 2.9 per cent, as against 4.2 per cent and 2.6 per cent in 1994. GDP growth has been limited to a mere 1.1 per cent in Central Africa on account of continuing poor economic performance in the Congo, Cameroon, Burundi, Rwanda and Zaire. As a group, the least developed countries experienced a market improvement, the first since 1992. Real GDP growth rate for the 33 African least developed countries stood at 2.4 per cent in 1995, against -1.6 per cent, in 1994 (table 2). At the country level, only three countries experienced negative growth rates in 1995 compared to 14 in the previous year, while eight countries exceeded 6 per cent growth in 1995, compared to only two in 1994. With regard to sectoral performances, the growth in regional GDP was derived from the good performance of manufacturing and a modest rebound in the mining sectors.

3. Despite the recovery of the past two years, many of the factors responsible for a weak economic performance in Africa over the years are still at work, as are the development problems and challenges facing the continent. But the prospects of the continent emerging from them are now better than ever.

4. There was a lull in monetary expansion in most African countries in 1995 due in part to reduced recourse to credit, finance deficits and the rise in interest rates, but the excessive liquidity associated with high levels of monetary expansion in previous years was strong enough in some cases to fuel inflation in 1995. In Zaire where deficit financing through money creation was the main determinant of hyperinflation in recent years, money supply contracted greatly in 1995 and, together with rationalization of public finances, succeeded in bringing down the rate of inflation from 9,797 per cent in 1994 to 370.3 per cent in 1995. In Ghana, on the other hand, there was a budget surplus of 52.6 billion cedis, or 1.1 per cent of GDP, in 1995 and further modulations in money supply, but average inflation more than doubled, from 34.2 per cent in 1994 to 70.8 per cent in 1995, due to inadequate levels of food supply, especially during the first quarter of the year, and adverse price effects resulting from the introduction of the value-added tax (VAT) in March 1995. Foreign direct investment (FDI) in Africa, in general, and in the sub-Saharan countries, in particular, is very unstable. After a slight increase in 1994, FDI flows to sub-Saharan African countries declined by almost 27 per cent in 1995, from US $2.9 billion in 1994 to $2.2 billion. Only a few middle-income countries recorded encouraging volumes of inflows over the past two years.

5. Trade performance improved in 1995. Provisional estimates by the Economic Commission for Africa (ECA) show that export earnings increased by 11.1 per cent, compared to 4.9 per cent in 1994. The increase in export earnings can be attributed to a modest increase in oil prices, which fluctuated between $16.4 and $19.2 per barrel in 1995, and the sustained recovery in mineral and metal prices. However, many African producers, it would seem, were unable to take full advantage of the rising export prices for oil, metals and minerals in 1995 due to supply difficulties and structural constraints, political instability and lack of adequate investment in the sectors.

6. Policy reforms have made some impact in terms of economic stabilization, but most African countries have yet to acquire sufficient volume of external resource inflows to stimulate and significantly accelerate their economic

Table 2. Output share and growth rate, by subregion and economic grouping

	Per capita GDP, 1994 (1990 $US)	GDP percentage regional share, 1994	Growth rate at 1990 prices (percentage)						
			1990	1991	1992	1993	1994	1995 a/	1990-1994
Central Africa	438	8.7	0.1	-1.0	-2.4	-5.9	-2.5	-1.1	-3.0
East Africa	190	6.4	2.8	1.1	-1.3	2.5	4.2	4.8	1.6
North Africa	1 249	40.8	2.6	3.5	0.5	1.1	2.9	1.0	2.0
Southern Africa	1 371	27.4	0.2	-0.1	-2.3	1.7	2.6	2.9	0.4
West Africa	362	16.8	-3.4	10.8	1.2	1.4	1.0	4.1	3.5
Sub-Saharan Africa	513	61.4	-0.6	3.0	-1.0	0.3	1.5	3.0	0.9
Sub-Saharan Africa without Nigeria and South Africa	363	30.8	-2.8	6.2	-1.4	-0.2	-0.3	3.0	1.0
Sahel zone	368	5.9	0.7	6.7	3.2	-1.3	1.9	1.9	2.6
Oil exporters	882	46.4	2.9	2.9	0.1	0.6	1.6	2.3	1.3
Non-oil exporters	538	53.6	-1.1	3.1	-1.1	0.8	2.5	2.3	1.3
LDCs	229	16.0	1.1	1.8	-0.0	-2.4	-1.6	2.4	-0.6
Non-LDCs	1 020	84.0	0.6	3.3	-0.7	1.3	2.8	2.3	1.7
Franc zone	574	10.7	-0.7	0.6	-1.9	-0.3	1.5	3.6	-0.0
Mineral exporters	1 034	30.4	0.4	-0.9	-1.7	-1.0	1.5	2.8	-0.5
Beverage exporters	260	10.0	-9.4	13.2	-0.5	1.4	1.8	5.5	3.9
All Africa	657	100.0	0.7	3.0	-0.5	0.7	2.1	2.3	1.3

Source: ECA secretariat.

a/ Estimated.

LDCs = least developed countries.

growth. Net flows of official development assistance (ODA) to Africa declined from $25 billion in 1992 to $23.5 billion in 1994, due to both the growing demand for aid from countries in transition, the reorientation of donor countries' aid policies and the fiscal constraints in donor countries. A very limited number of countries in Africa attracted resources from the international private capital markets. Tunisia and South Africa appear to have fared better than other African countries because of their high level of credit ratings. They also appear to offer the most attractive environment for foreign private investment.

7. The external debt and debt-servicing obligations of Africa continued to pose a major threat to economic recovery in 1995, in the sense that the debt overhang is still having a negative impact on availability of resources. A number of middle-income African countries rescheduled their commercial debt through the London Club, while Nigeria succeeded in debt conversion. Morocco, Ethiopia, Chad, Comoros, and Côte d'Ivoire were granted various cancellations from bilateral creditors.

8. The food situation in some parts of Africa remained a serious source of concern and anxiety in 1995, despite good overall harvests. The region as a whole experienced a food deficit of 19.6 million metric tons in cereals in 1995, while incidence of drought in the third quarter of 1994 and the first quarter of 1995 precipitated famine conditions, affecting some 10 countries in the Northern, Eastern and Southern subregions. For a number of other countries - notably Angola, Burundi, Liberia, Rwanda, Sierra Leone and Somalia - the decline in food production was simply a consequence of civil strife, population displacements and insecurity, since agriculture is reduced largely to subsistence activities.

9. Civil conflicts and political stalemates in governance have continued to disrupt and paralyse production (especially in Burundi, Liberia, Rwanda, Somalia, the Sudan, Zaire and Sierra Leone), with important repercussions on the availability of even the most basic of social services. Endemic instability in countries with huge population movements and displacement has often spilled over into neighbouring countries, disrupting production and economic activities in general, and further paralysing an already overburdened physical infrastructure, notwithstanding considerable humanitarian efforts at rehabilitation, repatriation and resettlement of refugees. High unemployment also remained a major social problem in 1995. A particularly disturbing feature of the unemployment situation is the growing number of street children and young persons (15-24 years old) among the unemployed.

II. SECTORAL PERFORMANCES

10. Growth of output in agriculture - the mainstay of the economy - was lacklustre. The growth rate of value-added in agriculture decelerated from 4.2 per cent in 1994 to 1.5 per cent in 1995. Such a deceleration was much more pronounced in North, Eastern and Southern Africa, with agricultural growth estimated at -0.7 per cent in 1995, as against 6.1 per cent in 1994 in North Africa, and 1.1 per cent and 3.0 per cent in Eastern and Southern Africa, respectively. West Africa performed much better, with value-added in

agriculture growing by 4.2 per cent in 1995, although this represented a deceleration from the 5.8 per cent achieved in 1994. There was an overall improvement in Central Africa's agricultural growth performance, from -1.9 per cent in 1994 to 0.9 per cent in 1995. However, rice production in Africa increased in 1995 from 14.2 million tons in 1994 to 14.9 million tons. Also, the production of roots and tubers, which constitute some 20 per cent of the total food supply in the region, increased by 2.6 million tons or 1.7 per cent: from 154.7 million tons in 1994 to 157.3 million tons in 1995. Livestock production was, however, on the decline in 43 African countries due to the policy of rebuilding cow herds in many drought-affected countries since 1992-1993. The production of pulses, a key part of the diet in many areas around the region, has not shown any significant rise since 1990, remaining roughly between 6.5 million tons and 7.0 million tons, while fruits and vegetable production has increased by less than 2 per cent annually.

11. The manufacturing sector recorded a positive growth rate of 4.2 per cent in value-added in 1995, mainly as a result of better input supplies and improvements in the importation of raw materials for agro-allied industries (see table 3). It performed poorly in Northern Africa in 1995, especially in Algeria and the Sudan, where negative growth rates prevailed in manufacturing value-added (MVA) due in part to internal political difficulties and shortages of foreign exchange for the importation of basic industrial inputs. The growth performance of the sector in West Africa was adversely affected by the unsettled situation of Nigeria where problems of a battered infrastructure, collapsing consumer demand, inflation and internal political difficulties arising from a stalled transition programme have forced manufacturers to cut output and jobs sharply. On average, in the Southern Africa subregion the manufacturing sector continued to perform better than those in other subregions, recording MVA growth rates of 6.9 per cent in 1995, compared with 2.6 per cent in 1994. In South Africa, the largest economy of the subregion, the manufacturing sector recorded its highest growth since 1990, with the motor industry, which includes the manufacture of parts and accessories, being among the fastest growing industries. During the first half of 1995, the manufacturing production index rose by a seasonally adjusted and annualized 12.8 per cent, in comparison to the preceding six months. Capacity utilization in manufacturing also increased steadily in the country, from a low of around 77 per cent in 1992 to a high of approximately 83 per cent in the first quarter of 1995. Another country in the subregion, Namibia, performed relatively better in 1995 than in 1994, with an MVA growth rate of 13.5 per cent, as against 4.1 per cent in 1994. But manufacturing production declined in Zimbabwe due to high input costs, weak domestic demand, loss of competitiveness in textile export markets and cash-flow problems of manufacturing firms.

12. In the mining sector, there was an increase of 2.7 per cent in value-added in 1995, as against -3.7 per cent in 1994 and -0.7 per cent in 1993. As a result of the extensive reforms in the mining sector in recent years, exploration and mining investment have increased in several countries, particularly in precious metals and minerals, including gold, diamonds and other gem stones. But the improved performance in production volumes in 1995 was attributable mostly to oil production, as output figures for major non-fuel minerals during the first three quarters of the year suggest that their total annual production may have increased only modestly, if at all. Output of crude

oil increased by 4.4 per cent in 1995, in comparison with a virtual stagnation in production in 1994, largely because of higher production figures in non-OPEC African countries such as Angola, Egypt and Libyan Arab Jamahiriya.

Table 3. Indicators of manufacturing sector performance, by subregion and economic groupings, 1992-1995

Subregions and economic groupings	Share of MVA in regional MVA (percentage)				Share of MVA in GDP (percentage)				MVA growth rates (percentage at 1990 prices)			
	1992	1993	1994	1995 a/	1992	1993	1994	1995 a/	1992	1993	1994	1995 a/
Total Africa	100.0	100.0	100.0	100.0	15.2	15.1	15.4	15.7	-1.0	-0.1	4.1	4.2
North Africa	39.1	40.1	40.9	41.9	15.0	15.2	15.7	15.7	1.5	1.9	6.6	0.9
Central Africa	6.4	5.8	5.2	4.9	9.0	8.7	8.8	8.6	-10.0	-9.8	-1.4	-0.4
East Africa	4.0	4.2	4.4	4.5	10.9	11.1	11.4	11.5	2.8	4.7	6.1	3.9
Southern Africa	41.3	40.5	40.4	39.8	23.6	23.1	23.2	24.1	-2.8	-0.5	2.6	6.9
West Africa	9.2	9.4	9.2	9.0	8.1	7.8	7.7	8.2	1.5	-2.4	1.9	9.8
Sub-Saharan Africa	61.7	60.9	60.2	59.2	15.0	14.8	14.9	15.4	-2.3	-1.1	2.4	6.4
LDCs	10.4	10.5	10.1	9.9	9.4	9.3	9.6	9.7	0.1	-4.3	2.1	3.4

Source: ECA secretariat.

a/ Estimated.

LDCs = least developed countries.

MVA = manufacturing value-added.

III. THE EXTERNAL SECTOR

13. Africa has failed to take advantage of the dramatic growth in world trade, due to its diminutive and declining share in world trade and its continued dependence on primary commodities. The effect of the failure to diversify and graduate to secondary and tertiary commodities has increasingly marginalized Africa's share of world trade and trade among developing countries. Between 1990 and 1995 Africa's share in world trade declined by a staggering 30 per cent, from 3.1 per cent to 2.2 per cent. The loss in market share is even more spectacular relative to trade of the developing countries, declining from 11 per cent in 1990 to 6 per cent in 1995, a loss of 45 per cent.

14. In spite of this, the value of exports in 1995 was $98 billion, an increase of 11 per cent over the 1994 level. The growth in the export receipt was due to an increase in volume and higher prices for some exports. On the whole there was a 4 per cent increase in volume which, along with 7 per cent increase in unit value, jointly contributed to the higher foreign exchange earnings. The increase in prices did not cover the whole range of Africa's exportable commodities. Mineral prices were generally on the upward trend, while for other commodities the increase was mediocre. The aggregate price index for metals were 19 per cent higher than their 1994 levels, reflecting higher unit values for a spectrum of products, of which copper was the star performer with a price increase of more than 27 per cent. Beverage prices increased by less than 1 per cent, owing to slight increases in coffee (6 per cent) and cocoa (3 per cent) but overshadowed by the continued decline in the price of tea, which fell by more than 10 per cent. Food prices increased by an average of 8 per cent, reflecting tight supply conditions. Real petroleum prices continued to experience pronounced instability in 1995 but averaged $17 per barrel, an increase of 8 per cent over the previous year. The higher unit value, along with a 4 per cent growth in volume, pushed up the export earnings of the oil-exporting countries by 12 per cent in 1995, relative to 1994.

15. The commodity composition of the region's exports continue to be dominated by primary commodities and the import of manufactured goods. Most countries continue to rely on the same primary commodities they did in the 1960s and 1970s. Countries heavily dependant three decades ago on the export of coffee and cocoa continue to source their foreign exchange earnings from these commodities in the 1990s, as do the exporters of petroleum and minerals. The failure to transform the nature and content of their exportable commodities has had a detrimental impact on their foreign exchange earnings and their market share.

16. Despite the 11 per cent increase in the value of exports, the trade balance registered a deficit of $11 billion, on account of the 15 per cent increase in the value of imports. In a similar vein, the service balance recorded a deficit of $8.4 billion. Net factor incomes were among the major factors responsible for the deficit in service accounts amounting to an outflow of $13.6 billion on a net basis, and are indicative of the dependency of African countries on external capital. The total of these payments pushed the current account deficit to $16.8 billion, an increase of 46 per cent over the previous year. This deficit would have been much larger had it not been tempered by an inflow of $16.3 billion in unrequited transfers.

Table 4. Balance of payments, 1990-1995

(Billions of US$)

	1990	1991	1992	1993	1994	1995
Exports f.o.b.	99.2	95.0	92.9	87.3	87.9	97.9
Imports f.o.b.	91.6	90.1	93.6	92.7	94.6	108.9
Trade balance	7.6	4.9	-0.7	-5.4	-6.7	-11.0
Services net	-11.6	-10.7	-8.7	-10.1	-7.8	-8.4
Unrequited transfers	17.6	17.7	19.5	18.8	15.9	16.3
Income net	-14.6	-15.6	-13.6	-13.1	-12.8	-13.6
Current account	-1.0	-3.7	-3.5	-9.8	-11.4	-16.7
Capital account, including errors	-12.0	-1.2	-3.0	-4.2	-2.6	-1.2
Overall balance	-13.0	-4.9	-6.5	-14.0	-14.0	-17.9
Change in reserves (-increase)	-6.8	-9.7	-1.4	-4.8	-4.5	0.4
Net external financing	19.8	14.6	7.9	18.8	18.5	17.5

Source: IMF, World Economic Outlook and International Financial Statistics (Washington, D.C.), various years; Economic Intelligence Unit; national sources; and ECA secretariat estimates.

IV. THE SOCIAL SECTOR

17. The crisis in the social sector remained severe in most African countries in 1995, despite the modest economic recovery that is taking place on the continent. This situation once again highlights the critical needs for the African countries to restructure and reorient their policies towards enhanced social development and poverty reduction. The health sector continues to bear a disproportionate burden of the ongoing socio-economic crisis. In many countries, the exodus of doctors, nurses and technicians, compounded by declining or stagnating public expenditure on health, has culminated in a virtual collapse of the health infrastructure. The health policies of most African countries are yet to be grounded in preventive and primary health care (PHC), and a large proportion of public expenditure on health, sometimes as much as 60 per cent, continues to go for curative services in a few teaching hospitals. The district and community focus in health-care provision, which underpins the framework of the Africa Regional Office of the World Health Organization (WHO) for health policy development and for achieving health for all by the year 2000, is yet to receive universal endorsement in Africa.

18. In the education sector, the crisis has intensified. Rapid population growth rates and severe cut-backs in public expenditure, often in connection with debt rescheduling and economic restructuring, among other factors, have culminated in a near collapse of the educational infrastructure. Public expenditure on education in sub-Saharan Africa is the lowest in the world. The most severe cuts in education have been made in capital and recurrent expenditures for new construction, supplies, furniture, equipment for science laboratories and for repair and maintenance. In the light of the continuing socio-economic crisis, rehabilitation of decaying educational institutions has become daunting for most countries. Moreover, the public expenditure for all levels is disproportionately skewed in favour of higher education. Nevertheless, this has not spared the infrastructure of those institutions from dilapidation and decay. The quality and propensity of education were further aggravated by low pay and poor working conditions; the flight of teachers and industrial disputes have kept classrooms and laboratories closed for months, if not years. On the other hand, data from many African countries indicate that at the primary level, there is practically no funding from central Governments except for teachers' salaries and allowances. As a result, non-formal education and literacy programmes have not grown fast enough to compensate for the shortfalls in the formal educational system. In addition, the surge in unit costs is not accompanied by a marked improvement in the quality of education as a result of devaluation and rising inflation rates. Consequently, the contribution that education is expected to make to Africa's recovery and socio-economic development is not yet clearly on the horizon.

19. The problem of unemployment remains critical in Africa, particularly among educated people, including university graduates. The implications of large numbers of unemployed educated youth and university graduates are serious for Africa's social and political stability. The number of refugees and displaced persons in Africa remains extremely high. About 7 million are directly categorized as refugees. This does not include many internally displaced persons, forced to flee their homes but not registered in camps or with any institutions, nor persons who have privately sought asylum in other countries. The primary causes of this phenomenal wave of human displacement are political unrest (ethnic conflicts, civil wars), drought and famine. The latter is responsible for large-scale displacement of persons now termed "environmental refugees".

20. Women are increasingly becoming the hub of development and the main income earners for a majority of households in Africa, particularly in agriculture, where they play a key role in food production activities as well as traditional domestic chores. Still, in many African countries, cultural traits and taboos continue to underpin the marginalization of women in the development process, manifested by their low rates of participation in education and the labour force, their relatively high unemployment rate in the formal sector, and their lack of access to credit facilities for investment in self-employment activities. These are some of the constraints that still inhibit gender equality in the African region, and it is to be hoped that genuine efforts will be made by African Governments and peoples and their development partners to enhance the status of women and improve their participation in the development process, within the framework of the Beijing Declaration and the Platform for Action. 1/

Table 5. Some health indicators in selected African countries

Country	Percentage of population with access to safe water, 1990-1995		Percentage of population with adequate sanitation, 1990-1995		Percentage of population with access to health services, 1985-1995		Percentage of fully immunized 1-year-old children, 1990-1994			
	Urban	Rural	Urban	Rural	Urban	Rural	TB	DPT	Polio	Measles
Algeria	96	60	93	61	100	95	92	72	72	65
Egypt	97	61	80	26	100	99	95	90	91	90
Cameroon	57	43	64	36	44	39	46	31	31	31
Kenya	67	49	69	81	..	40	92	84	84	73
Namibia	87	42	77	12	87	47	100	79	79	68
Nigeria	63	26	40	30	85	62	46	41	35	41
Niger	46	55	71	4	99	30	32	20	20	19
Mozambique	44	17	61	11	100	30	78	55	55	65
Uganda	47	32	94	52	99	42	100	79	79	77
Zaire	37	23	46	11	40	17	43	29	29	33

Source: UNICEF, The State of the World's Children, 1996 (New York, Oxford, 1996).

V. MAIN POLICY DEVELOPMENTS IN 1995

21. African countries undertook major domestic reform measures in 1995, concerning fiscal, monetary and trade policy, with the objective of reducing governmental intervention in the economy. The emphasis in several of the reform programmes in Africa hinges on incentives for savings and measures to stimulate investment and the empowerment of the private sector. Indeed, financial-sector reforms in countries such as Kenya, Nigeria, Uganda and Zambia included the strengthening of the regulatory framework and prudential guidelines for banking and non-banking financial institutions, calculated to safeguard public confidence and streamline the operational viability and effectiveness of the financial sector. Privatization and commercialization of poorly run public enterprises was also contemplated in some countries, although concrete achievements and outcomes fell far short of plans in many cases.

22. Fiscal policy in the majority of African countries centred on the persistent problem of huge budget deficits, the financing of which contributed to inflation and inflationary expectations in the economy. There is an increasing realization in African countries that greater fiscal discipline is essential in controlling inflation which, in the past, was a major factor in the stagnation of many African economies and falling standards of living. Some Governments introduced measures designed to improve the productivity of public expenditure and investment through prioritization, streamlining and rationalization of the government budget. Tax reform was a key component of the economic stabilization and revenue-generation programmes of many Governments, involving rationalization of the tariff structure and a lowering of import

duties and excise taxes with a view to discouraging evasion and limiting disincentive effects; fiscal decentralization policies, including the devolution of tax collection to lower levels of government, and the introduction of value-added tax (VAT) and presumptive taxation in order to broaden the tax base - e.g., in Ghana, Nigeria and Zambia.

23. In the mining sector, the deregulation and liberalization that began in African countries in the late 1980s continued in 1995, with some Governments introducing new land and mineral legislation and fiscal reforms aimed at enhancing the role of the private sector. Particular attention was given to issues such as the degree of public-sector participation in the development of mineral resources; the proper balance between national and foreign private sectors, including the role of small and medium-sized enterprises; and, the appropriate regulatory framework for the encouragement of foreign investment. Emphasis is increasingly placed on the integration of the mineral sector with other production sectors and the service subsector at the national, subregional and regional levels, and on avoiding damage to the environment.

24. Price support policies were discontinued in a few African countries in 1995, in favour of price and exchange rate liberalization aimed at ensuring remunerative producer prices and productivity incentives. The liberalization of foreign exchange rates has resulted in significant creeping depreciation of currencies and the narrowing of the differential between "official exchange rates" and "parallel rates". As of mid 1995 nearly 17 African countries had adopted an "independently floating" exchange rate regime; 7 were on a "managed float" system; 5 on a "composite currency basket" system; and 29 were still on a "single currency reserve system", with the largest of these in the CFA franc zone. A number of African countries, including Kenya, United Republic of Tanzania, Uganda and Zimbabwe, acceded to article VII of the IMF Articles of Agreement, thereby committing themselves to the non-reimposition of restrictions on transactions on the current and, possibly, capital accounts.

25. For the social sector, there has been a marked and salutary momentum towards democratic forms of governance and popular participation. The peace agreement in Angola and the democratic elections in Algeria, Côte d'Ivoire and the United Republic of Tanzania, which followed those in the Congo, where the transfer of power to elected governments took place in conditions of relative peace and without bloodshed, are powerful portents of a more peaceful political milieu on the continent.

VI. TRENDS AND PROSPECTS FOR 1996

26. Overall growth prospects in Africa indicate that the region has begun to gather momentum towards the recovery evident in the global economy. The capacity of African societies and economies for real and sustained growth are being increasingly realized, as most economic policies are now focused on the creation of an enabling environment for the private sector and efficient operation of the market economy.

27. Barring adverse weather conditions, the progress made in enhancing political and social stability in some countries and the benefits accruing from

the impact of domestic economic-policy reforms, coupled with favourable developments in the international economic environment, lead to estimates of regional growth in output of 2.9 per cent in 1996, as against 2.3 per cent in 1995. The efforts to implement more prudent fiscal and monetary management, so as to reduce macroeconomic imbalances, will contribute to lower inflation in several countries and a return of investors' confidence.

28. Total agricultural production is expected to increase by more than 3 per cent in 1996. This encouraging prospect is based on good distribution of precipitation on the continent as a whole, in particular easing the drought conditions in North Africa, drought-prone Southern Africa and countries in the Horn of Africa. The manufacturing subsector is expected to register growth in 1996, on account of the expected good performance in agriculture. Given the changes in the operating environment and the substantial reforms that have taken place in the mining sector in many African countries, a considerable boost to foreign investment seems likely in the sector. In any case, in 1996 a lot will depend on the evolution of commodity prices and world demand.

29. Globalization and liberalization present a number of potential challenges and opportunities to Africa. The ability of African countries to take advantage of the emerging opportunities in world markets depends crucially on their ability to foster the development of internationally competitive industries which can meet exacting standards of cost, quality, reliability and delivery schedules. The supply capacities of African countries, which are very weak for a variety of reasons, are likely to be the major constraints on their ability to exploit the opportunities arising from globalization. In particular, the private enterprise sector, which is the key agent of development, is not well developed in most African countries, and its growth is constrained by shortages of capital and of entrepreneurial, managerial, technical and marketing skills. Consequently, African countries will face intensified competition in their major export markets in the industrialized countries.

30. A lasting solution to the vexing issue of debt needs to be sought both by the debtors and creditors. In principle, debtor countries should strive to increase their foreign-exchange earnings and service their debt, but the immediate prospect does not render this option viable. Export revenues, already inadequate, have failed to register the level of growth that would enable African countries to effectively address the worsening debt burden. In the short and medium term, the onus of innovating debt reduction mechanisms rests on the creditor nations.

31. More than any other region, Africa is heavily dependent upon external finance to fund trade deficits, supplement governmental budgets and finance investment. With declining ODA flows and difficulties associated with debt servicing, African countries should encourage non-debt-creating external resource flows. Since private capital flows are becoming a major source of financing for developing countries, African countries that seem to be involved in a process of adjusting their financial structures and liberalizing their economies are likely to attract foreign resources, both for portfolio, and more particularly, direct investment. Creation of domestic capital markets, as complementary measures to the process of economic liberalization and privatization, is essential if the countries need to broaden and improve the

savings/investment process. But the most important prerequisites for the successful mobilization of foreign and domestic resources are confidence in the financial system and appropriate macroeconomic policies, a well-established and clear legal and regulatory framework, a transparent and non-distortionary taxation system, a stable domestic financial system, and adequate infrastructure.

32. Mobilization of domestic financial resources has become a central issue in the current vision and strategy of African development. With declining ODA flows and difficulties associated with debt servicing, African Governments need to provide the necessary resources to finance the additional expenditure by increasing the supply of investable domestic resources, creating an environment conducive to the retention of savings within their countries, reversing capital flight, reducing inefficiency, and above all, by encouraging savings through appropriate policies and the necessary institutional mechanisms. Fiscal policy - especially tax policy - has an important role to play in increasing governmental revenue and creating an environment conducive to resource mobilization. Stabilization of prices and exchange rates would ensure positive rates of return on domestic assets, while a more aggressive drive by the formal financial institutions through intensive branch expansion, the broadening of the menu of saving instruments and the forging of strong linkages with the informal financial institutions, would have a positive impact on the volume of resources mobilized. The development of capital markets could supplement and enhance domestic resource mobilization.

Notes

1/ Report of the Fourth World Conference on Women, Beijing, 4-15 September 1995 (A/CONF.177/20), chap. I, resolution 1, annexes I and II.
