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FIRST INTERNATIONAL FORUM ON AFRICAN PERSPECTIVES
"Emerging Africa"
jointly organised by the African Development Bank and the OECD Development Centre

Paris, 3-4 February 2000

SUMMARY

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SUMMARY

1. The need to establish a regular mechanism for analysis and dialogue on the growth prospects and policy challenges facing Africa led the African Development Bank (ADB) and the OECD Development Centre to launch, on 3-4 February the *First International Forum on African Perspectives*. The theme chosen for this First Forum, “Emerging Africa” refers to the idea that, at the regional level, the process of economic development entails a “snowball effect”. In other words, acceleration in the growth prospects for many, if not all countries, first requires a handful of reformers. The Forum provided a platform for the participants to debate if the current reforms being undertaken in certain African countries are succeeding in identifying major bottlenecks to growth; in addressing major distortions in the functioning of domestic markets; and in promoting their integration into the world economy.

2. The first day’s expert meeting was held at OECD headquarters and was attended by 130 participants including high-level experts from leading African and OECD Member country universities as well as the African Development Institute, the African Capacity Building Foundation, the IMF, the WTO, the Development Directorate of the EU Commission, the UN Conference on Trade and Development, and the OECD Club du Sahel. The second day’s policy dialogue meeting was hosted by the Ministry of the Economy, Finance and Industry at the Bercy Conference Centre and was filled to capacity with over 300 participants. Speakers included the Ugandan Minister of Finance, Planning and Economic Development; the Germany Secretary of State for Economic Development; the Secretary of the Nigerian Ministry of Finance, the Italian Deputy Minister for Foreign Affairs; the Executive Secretary of the West African Enterprise Network (Senegal); the Governor of the Central Bank of Egypt; the Portuguese Secretary of State for International Affairs and Co-operation; the Italian Minister of the Economy, Plan and Integration; the President of the French company Credit Risk International; and the Deputy Director of the French Treasury. Other policy dialogue participants included the Ambassadors of Germany, Italy, and Mexico to the OECD and members of the African diplomatic corps. The French Minister of the Economy, Finance and Industry met with some participants over the lunch break.

3. The discussions revealed a convergence of views among the policy makers present about where to set priorities in reforming domestic institutions and how to use development aid and co-operation to break standstills. The importance of creating more positive interaction between foreign assistance and domestic reform was a point on which everyone seemed to agree. Participants from Africa, however, also brought home the clear and powerful message that opening global commercial markets to African countries — by removing both trade impediments and all forms of subsidies — must proceed in parallel with efforts at improving the working of domestic markets. That the Forum played a valuable role in enabling frank and open debate was underlined in the closing remarks of the host.

4. The Annex presents a summary of the discussions and papers presented at the Forum. The material has been regrouped under three main topics: measuring progress in economic reforms in Africa for policy-making purposes; improving governance and enhancing human capital development; and identifying the conditions for sustainable and equitable growth. The Proceedings of the Forum will be published jointly by the Development Centre and the African Development Bank in May 2000.

ANNEX

I. The Reform Process in Africa: The Evidence

1. The progressive adoption of prudent macroeconomic policies coupled with structural reforms has been assisting most African economies in recording positive growth. But this recovery is threatened by the impact of the Asian crisis, by the shortcomings of governance mechanisms, and by the limited trickle-down that has occurred so far to alleviate the plight of extreme poverty.

2. To better identify the sources of vulnerability, the process of structural reform in Africa must be quantified. Dividing reform into five areas, a summary index for 23 countries over the period 1985-1997 was presented, showing that:

- The period after 1990 witnessed a significant opening of domestic financial markets, substantial progress in trade reform, and the introduction of a VAT almost everywhere; by 1997 there was widespread policy convergence in these three areas of reform.

- There is more variation in the two remaining areas (privatisation and international financial liberalisation). Various forms of private sector participation in the utilities have been introduced, but public ownership has been maintained in mining and petroleum. In only a few countries have there been significant sales of government enterprises and as monopolies still dominate in mobile telephones, the result is that the overall change in the regional index is still quite small.

- Botswana, Mauritius, and South Africa had a relatively neutral policy stance in the mid-1980s.

3. Participants suggested that the index should also include data on bilateral and multilateral aid flows to test whether domestic reforms are complementary to international support. They underlined that foreign aid may have unintended negative consequences when recipient countries fail to put in place the necessary policy measures to improve the process of market allocation of scarce resources.

II. Governance and Human Capital Development

4. One of the main challenges facing international development agencies today is to render the notion of good governance operational. Many African countries have attempted to reform their governance systems with policies that surpass simple political reform and are an attempt to modify the state-economy relationship as well as state-citizen relations. But the record is uneven and a few countries are experiencing a veritable governance crisis. Participants noted a need to move beyond general indices to more disaggregated indices of governance, particularly if effective policy instruments are to be developed and if the donor community is to use efficiently the scarce resources available in support of improving governance systems in African countries.

5. The discussions demonstrated that an effective strategy for poverty reduction calls for a sustained, broad-based, integrated approach which provides greater employment and entrepreneurial opportunities to promote accelerated economic growth and sustainable development at the level of nations and across the continent. This would also entail investing in building human capital through efficient

delivery of social services. Nevertheless, the role of human capital will be stunted unless investment is increased and growth accelerated to the rates that can absorb the increasing supply of labour.

III. Accelerating the Take-off

6. The East Asian growth experience, which took place over three to four decades, has been a step-by-step process involving the economic catching-up of a whole region, starting from conditions of underdevelopment that were considered severe in the 1950s. Although sub-Saharan Africa as a region cannot yet be seen as a full-fledged candidate for economic emergence, in a limited number of countries the GDP per capita could at least double in two decades. Then, under the right circumstances, this economic progress could spread to the rest of the continent. Attaining lower-middle income status would put the countries in question in a much better position to start eradicating poverty, as shown by the experience of other lower-middle income countries such as Morocco, Sri Lanka and Tunisia.

7. The emergence of parts of Africa means that some economies can escape from a poverty trap and then satisfy the preconditions necessary for long-term economic progress. Breaking free from a poverty trap entails large-scale development of secondary education as well as capital mobilisation through a modern financial system, both of which are often lacking in low-income countries. Apart from South Africa, Mauritius and Botswana, no sub-Saharan African economy has started a sustained convergence process but economic progress has been noticeable in several sub-Saharan African countries in recent years. It is therefore useful to continue to assess the durability of this process, and whether it can be considered a preliminary step towards economic emergence.

8. Given the servicing of the large debt accumulated by many African countries, which drains a significant part of export revenue and other capital inflows, aid and debt forgiveness remain important tools for assistance in Africa. External relations in the form of preferential trade agreements can also help African countries enhance the level of diversification, as shown by the example of Mauritius. In the forthcoming international trade negotiations, securing free access to the world markets for manufactured goods will be a major issue for African countries aspiring to economic emergence. Nevertheless, African countries themselves will determine the fate of their economies so that it makes sense for donor countries to concentrate aid in countries fulfilling certain criteria which ensures efficient use of the funds provided. Again, institutions have a critical role to play by limiting waste. In particular, sound financial institutions are needed to facilitate the channelling of inflows of funds to the most productive areas.