Appendix 1: OAU Charter, 25 May 1963 (Extract)

Purposes

Article II

1. The Organization shall have the following purposes:
(a) To promote the unity and solidarity of the African States;
(b) To coordinate and intensify their cooperation and efforts to achieve a better life for the peoples of Africa;
(c) To defend their sovereignty, their territorial integrity and independence;
(d) To eradicate all forms of colonialism from Africa; and
(e) To promote international cooperation, having due regard to the Charter of the United Nations and the Universal Declaration of Human Rights.
2. To these ends, the Member States shall coordinate and harmonize their general policies, especially in the following fields:
(a) Political and diplomatic cooperation;
(b) Economic cooperation, including transport and communications;
(c) Educational and cultural cooperation;
(d) Health, sanitation and nutritional cooperation;
(e) Scientific and technical cooperation; and
(f) Cooperation for defence and security.

Appendix 2: Organization of African Unity Treaty Establishing The African Economic Community, June 3 1991, Abuja, Nigeria (Extracts)

Chapter II: Establishment, Principles, Objectives, General Undertaking and Modalities

Article 2: Establishment of the Community

THE HIGH CONTRACTING PARTIES hereby establish among themselves an African Economic Community (AEC)

Article 3: Principles

THE HIGH CONTRACTING PARTIES, in pursuit of the objectives stated in Article 4 of this Treaty, solemnly affirm and declare their adherence to the following principles:

(a) equality and inter-dependence of Member States;
(b) solidarity and collective self-reliance;
(c) inter-State cooperation, harmonization of policies and integration of programmes;
(d) promotion of harmonious development of economic activities among Member States;
(e) observance of the legal system of the Community;
(f) peaceful settlement of disputes among Member States, active cooperation between neighbouring countries and promotion of a peaceful environment as a pre-requisite for economic development;
(g) recognition, promotion and protection of human and peoples' rights in accordance with the provisions of the African Charter on Human and Peoples' Rights; and
(h) accountability, economic justice and popular participation in development.

Article 4: Objectives

1. The objectives of the Community shall be:

(a) to promote economic, social and cultural development and the integration of African economies in order to increase economic self-reliance and promote an endogenous and self-sustained development;

(b) to establish, on a continental scale, a framework for the development, mobilization and utilization of the human and material resources of Africa in order to achieve a self-reliant development;

(c) to promote cooperation in all fields of human endeavour in order to raise the standard of living of African peoples, and maintain and enhance economic stability, foster close and peaceful relations among Member States and contribute to the progress, development and the economic integration of the Continent; and

(d) to coordinate and harmonize policies among existing and future economic communities in order to foster the gradual establishment of the Community.

2. In order to promote the attainment of the objectives of the Community as set out in paragraph 1 of this Article, and in accordance with the relevant provisions of this Treaty, the Community shall, by stages, ensure:

(a) the strengthening of existing regional economic communities and the establishment of other communities where they do not exist;

(b) the conclusion of agreements aimed at harmonizing and coordinating policies among existing and future sub-regional and regional economic communities;

(c) the promotion and strengthening of joint investment programmes in the production and trade of major products and inputs within the framework of collective self-reliance;

(d) the liberalization of trade through the abolition, among Member States, of Customs Duties levied on imports and exports and the abolition, among Member States, of Non-Tariff Barriers in order to establish a free trade area at the level of each regional economic community;

(e) the harmonization of national policies in order to promote Community activities, particularly in the fields of agriculture, industry, transport and communications, energy, natural resources, trade, money and finance, human resources, education, culture, science and technology;

(f) the adoption of a common trade policy *vis-à-vis* third States;

(g) the establishment and maintenance of a common external tariff;

(h) the establishment of a common market;

(i) the gradual removal, among Member States, of obstacles to the free movement of persons, goods, services and capital and the right of residence and establishment;

(j) the establishment of a Community Solidarity, Development and Compensation Fund;

(k) the granting of special treatment to Member States classified as least developed countries and the adoption of special measures in favour of land-locked, semi-land-locked and island countries;
(l) the harmonization and rationalization of the activities of existing African multi-national institutions and the establishment of such institutions, as and when necessary, with a view to their possible transformation into organs of the Community;
(m) the establishment of appropriate organs for trade in agricultural and cultural products, minerals, metals, and manufactured and semi-manufactured goods within the Community;
(n) the establishment of contacts and the promotion of information flow among trading organizations such as State commercial enterprises, export promotion and marketing bodies, chambers of commerce, associations of businessmen, and business and advertising agencies;
(o) the harmonization and coordination of environmental protection policies; and
(p) any other activity that Member States may decide to undertake jointly with a view to attaining the objectives of the Community.

Article 5: General Undertakings

1. Member States undertake to create favourable conditions for the development of the Community and the attainment of its objectives, particularly by harmonizing their strategies and policies. They shall refrain from any unilateral action that may hinder the attainment of the said objectives.
2. Each Member State shall, in accordance with its constitutional procedures, take all necessary measures to ensure the enactment and dissemination of such legislation as may be necessary for the implementation of the provisions of this Treaty.
3. Any Member State which persistently fails to honour its general undertakings under this Treaty or fails to abide by the decisions or regulations of the Community may be subjected to sanctions by the Assembly upon the recommendation of the Council. Such sanctions may include the suspension of the rights and privileges of membership and may be lifted by the Assembly upon the recommendation of the Council.

Article 6: Modalities for the Establishment of the Community

1. The Community shall be established gradually in six (6) stages of variable duration over a transitional period not exceeding thirty-four (34) years.
2. At each such stage, specific activities shall be assigned and implemented concurrently as follows:

(a) First Stage:

Strengthening of existing regional economic communities and, within a period not exceeding five (5) years from the date of entry into force of this Treaty, establishing economic communities in regions where they do not exist;

(b) Second Stage:

(i) at the level of each regional economic community and within a period not exceeding eight (8) years, stabilizing Tariff Barriers and Non-Tariff Barriers, Customs Duties and internal taxes existing at the date of entry into force of this Treaty; there shall also be prepared and adopted studies to determine the time-table for the gradual removal of Tariff Barriers and Non-Tariff Barriers to regional and intra-Community trade and for the gradual harmonization of Customs Duties in relation to third States;
(ii) strengthening of sectoral integration at the regional and continental levels in all areas of activity particularly in the fields of trade, agriculture, money and finance, transport and communications, industry and energy; and
(iii) coordination and harmonization of activities among the existing and future economic communities.

(c) Third Stage:

At the level of each regional economic community and within a period not exceeding ten (10) years, establishment of a Free Trade Area through the observance of the time-table for the gradual removal of Tariff Barriers and Non-Tariff Barriers to intra-community trade and the establishment of a Customs Union by means of adopting a common external tariff.

(d) Fourth Stage:

Within a period not exceeding two (2) years, coordination and harmonization of tariff and non-tariff systems among the various regional economic communities with a view to establishing a Customs Union at the continental level by means of adopting a common external tariff.

(e) Fifth Stage:

Within a period not exceeding four (4) years, establishment of an African Common Market through:
(i) the adoption of a common policy in several areas such as agriculture, transport and communications, industry, energy and scientific research;

(ii) the harmonization of monetary, financial and fiscal policies;
(iii) the application of the principle of free movement of persons as well as the provisions herein regarding the rights of residence and establishment; and
(iv) constituting the proper resources of the Community as provided for in paragraph 2 of Article 82 of this Treaty.

(f) Sixth Stage:

Within a period not exceeding five (5) years:
(i) consolidation and strengthening of the structure of the African Common Market, through including the free movement of people, goods, capital and services, as well as, the provisions herein regarding the rights of residence and establishment,
(ii) integration of all the sectors namely economic, political, social and cultural; establishment of a single domestic market and a Pan-African Economic and Monetary Union;
(iii) implementation of the final stage for the setting up of an African Monetary Union, the establishment of a single African Central Bank and the creation of a single African Currency;
(iv) implementation of the final stage for the setting up of the structure of the Pan-African Parliament and election of its members by continental universal suffrage;
(v) implementation of the final stage for the harmonization and coordination process of the activities of regional economic communities;
(vi) implementation of the final stage for the setting up of the structures of African multi-national enterprises in all sectors; and
(vii) implementation of the final stage for the setting up of the structures of the executive organs of the Community.

3. All measures envisaged under this Treaty for the promotion of a harmonious and balanced development among Member States, particularly, those relating to the formulation of multi-national projects and programmes, shall be implemented concurrently within the time period specified for the attainment of the objectives of the various stages outlined in paragraph 2 of this Article.

4. The transition from one stage to another shall be determined when the specific objectives set in this Treaty or pronounced by the Assembly for a particular stage, are implemented and all commitments fulfilled. The Assembly, on the recommendation of the Council, shall confirm that the objectives to a particular stage have been attained and shall approve the transition to the next stage.

5. Notwithstanding the provisions of the preceding paragraph, the cumulative transitional period shall not exceed forty (40) years from the date of entry into force of this Treaty.

Chapter XIX: Relations between the Community and regional economic communities, regional continental organizations, african non-governmental organizations and other socio-economic organizations and associations

Article 88: Relations between the Community and regional economic communities

1. The Community shall be established mainly through the coordination, harmonization and progressive integration of the activities of regional economic communities.
2. Member States undertake to promote the coordination and harmonization of the integration activities of regional economic communities of which they are members with the activities of the Community, it being understood that the establishment of the latter is the final objective towards which the activities of existing and future regional economic communities shall be geared.
3. To this end, the Community shall be entrusted with the coordination, harmonization and evaluation of the activities of existing and future regional economic communities.
4. Member States undertake, through their respective regional economic communities, to coordinate and harmonize the activities of their subregional organization, with a view to rationalizing the integration process at the level of each region.

Article 89: Relations between the Community and African continental organizations

The Community shall closely cooperate with African continental organizations including, in particular, the African Development Bank and African Centre for Monetary Studies in order to ensure the attainment of regional and continental integration objectives. It may conclude cooperation agreements with these Organizations.

Article 90: Relations between the Community and African non-governmental organizations

1. The Community, in the context of mobilizing the human and material resources of Africa, shall establish relations of cooperation with African Non-Governmental Organizations, with a view to encouraging the involvement of the African peoples in the process of economic integration and mobilizing their technical, material and financial support.
2. To this end, the Community shall set up a mechanism for consultation with such Non-Governmental Organizations.

Article 91: Relations between the Community and socio-economic organizations and associations

1. The Community, in the context of mobilizing the various actors of socio-economic life, shall establish relations of cooperation with socio-economic organizations and associations including mainly, producers, transport operators, workers, employers, youth, women, artisans and other professional organizations and associations with a view to ensuring their involvement in the integration process of Africa.
2. To this end, the Community shall set up a mechanism for consultation with such socio-economic organizations and associations.

Chapter XX: Relations between the Community, Third States, and international organizations

Article 92: Cooperation agreements

1. The Community may conclude cooperation agreements with third States.
2. In the pursuit of its objectives, the Community shall ensure the establishment of relations of cooperation with the United Nations System, particularly, the United Nations Economic Commission for Africa, specialized agencies of the United Nations and any other international organization, with a view to attaining the objectives of the Community.
3. Cooperation Agreements to be concluded pursuant to the provisions of Paragraphs 1 and 2 of this Article shall be submitted to the Assembly for approval upon the recommendation of the Council.

Chapter XXI: Relations between Member States, Third States, regional and sub-regional organizations and international organizations

Article 93: Agreements concluded by Member States

1. Member States may conclude economic, technical or cultural agreements with one or several Member States, and with Third States, regional and sub-regional organizations or any other international organization, provided that such agreements are not incompatible with the provisions of this Treaty. They shall transmit such agreements to the Secretary-General who shall inform the Council thereof.
2. In the event of incompatibility of agreements concluded, prior to the entry into force of this Treaty among Member States or between the Member States and Third States, sub-regional or regional organizations or any other international organization, with the provisions of this Treaty, the Member State or Member States concerned shall take the appropriate

steps to eliminate such incompatibility. To this end, Member States shall, where necessary, assist each other and adopt a common position.

Article 94: International negotiations

1. Member States undertake to formulate and adopt common positions within the Community on issues relating to international negotiations in order to promote and safeguard the interests of Africa.
2. To this end, the Community shall prepare studies and reports designed to help Member States to better harmonize their positions on the said issues.

Article 95: Protocols on Chapters XIX, XX and XXI

Member States hereby agree to conclude the Protocols relating to Chapters XIX, XX and XXI of this Treaty.

Appendix 3: Constitutive Act of the African Union (Extract), 11 July 2000

Article 3

Objectives

The objectives of the Union shall be to:

(a) achieve greater unity and solidarity between the African countries and the peoples of Africa;

(b) defend the sovereignty, territorial integrity and independence of its Member States;

(c) accelerate the political and socio-economic integration of the continent;

(d) promote and defend African common positions on issues of interest to the continent and its peoples;

(e) encourage international cooperation, taking due account of the Charter of the United Nations and the Universal Declaration of Human Rights;

(f) promote peace, security, and stability on the continent;

(g) promote democratic principles and institutions, popular participation and good governance;

(h) promote and protect human and peoples' rights in accordance with the African Charter on Human and Peoples' Rights and other relevant human rights instruments;

(i) establish the necessary conditions which enable the continent to play its rightful role in the global economy and in international negotiations;

(j) promote sustainable development at the economic, social and cultural levels as well as the integration of African economies;

(k) promote co-operation in all fields of human activity to raise the living standards of African peoples;

(l) coordinate and harmonize the policies between the existing and future Regional Economic Communities for the gradual attainment of the objectives of the Union;

(m) advance the development of the continent by promoting research in all fields, in particular in science and technology;

(n) work with relevant international partners in the eradication of preventable diseases and the promotion of good health on the continent.

Article 4

Principles

The Union shall function in accordance with the following principles:

(a) sovereign equality and interdependence among Member States of the Union;
(b) respect of borders existing on achievement of independence;
(c) participation of the African peoples in the activities of the Union;
(d) establishment of a common defence policy for the African Continent;
(e) peaceful resolution of conflicts among Member States of the Union through such appropriate means as may be decided upon by the Assembly;
(f) prohibition of the use of force or threat to use force among Member States of the Union;
(g) non-interference by any Member State in the internal affairs of another;
(h) the right of the Union to intervene in a Member State pursuant to a decision of the Assembly in respect of grave circumstances, namely: war crimes, genocide and crimes against humanity;
(i) peaceful co-existence of Member States and their right to live in peace and security;
(j) the right of Member States to request intervention from the Union in order to restore peace and security;
(k) promotion of self-reliance within the framework of the Union;
(l) promotion of gender equality;
(m) respect for democratic principles, human rights, the rule of law and good governance;
(n) promotion of social justice to ensure balanced economic development;
(o) respect for the sanctity of human life, condemnation and rejection of impunity and political assassination, acts of terrorism and subversive activities;
(p) condemnation and rejection of unconstitutional changes of governments.

Appendix 4: A New African Initiative (Extract), 11 July 2001

C. Mobilising resources

54.7 The capital flows initiative

To achieve the estimated 7 per cent per annum growth rate needed to meet the IDGs – most importantly, to halve poverty incidence by the year 2015 – Africa needs to fill an annual resource gap of 12 per cent of its GDP, or US $64 billion. This will require increased domestic savings, as well as improvements to the public revenue collection systems. However, the majority of the needed resources will have to be obtained from outside the continent. The African initiative focuses on debt reduction and ODA as complementary external resources required in the short to medium term, and addresses private capital flows as a longer-term concern. A basic principle of the Capital Flows Initiative is that improved governance is a necessary accompaniment to increased capital flows, so that participation in the Economic and Political Governance Initiatives is a prerequisite for participation in the Capital Flows Initiative.

(i) The debt initiative

The African initiative seeks to extend debt relief beyond its current levels (based on debt 'sustainability'), which still require debt service payments amounting to a significant portion of the resource gap. The African initiative's long-term objective is to link debt relief with costed poverty reduction outcomes. In the interim, debt service ceilings should be fixed as a proportion of fiscal revenue, with different ceilings for IDA and non-IDA countries. To secure the full commitment of concessional resources – debt relief plus ODA – that Africa requires, the African initiative leadership will negotiate these arrangements with creditor governments. Countries would engage with existing debt relief mechanisms – the HIPC and the Paris Club – before seeking recourse through the African initiative. The Debt Initiative will require agreed poverty reduction strategies, debt strategies and participation in the Economic Governance Initiative to ensure that countries are able to absorb the extra resources. In addition to seeking further debt relief through the interim debt strategy set out above, the African initiative leadership will establish a forum in which African countries will exchange experiences and mobilise for the improvement of debt relief strategies.

Actions.

- The African initiative heads of state will seek to secure an agreement, negotiated with the international community, to provide further debt relief for countries participating in the African initiative, based on the principles outlined above.
- The African initiative leadership will establish a forum in which African countries may share experiences and mobilise for the improvement of debt relief strategies. They will exchange ideas that may end the process of reform and qualification in the HIPC process.

(ii) The ODA reform initiative

The African initiative seeks increased ODA flows in the medium term, as well as reform of the ODA delivery system, to ensure that flows are more effectively utilized by recipient African countries. The African initiative will establish an ODA forum of African countries so as to develop a common African position on ODA reform, and to engage with the Development Assistance Committee (DAC) of the OECD and other donors in developing a charter underpinning the development partnership. This charter will identify the Economic Governance Initiative as a prerequisite for enhancing African countries' capacity to utilize increased ODA flows, and will propose a complementary, independent assessment mechanism for monitoring donor performance. The African initiative will support a Poverty Reduction Strategy Paper (PRSP) Learning Group to engage in the PRSP process together with the IMF and the World Bank.

Actions.

- Constitute an ODA forum for developing a common African position on ODA reform, as a counterpart to the OECD DAC structure;
- Engage, through the ODA forum, with donor agencies to establish a charter for the development partnership, which would embody the principles outlined above;
- Support the ECA's efforts to establish a PRSP Learning Group;
- Establish an independent mechanism for assessing donor and recipient country performance.

(iii) The private capital flows initiative

The African initiative seeks to increase private capital inflows from outside Africa, as an essential component of a sustainable long-term approach to filling the resource gap.

The first priority is to address investors' perception of Africa as a 'high risk' continent, especially with regard to insecurity of property rights, regulatory weakness and markets. Several elements of the African initiative will help to lower these risks gradually, and include initiatives relating to peace and security, political and economic governance, infrastructure and poverty reduction. Interim risk mitigation and reduction measures will be put in place, including credit guarantee schemes and the strengthened investment-related regulatory and legislative frameworks. The next priority is the implementation of a PPP capacity-building programme through the African Development Bank and regional development banks, to assist national and subnational governments in structuring and regulating transactions in the provision of infrastructural and social services. The third priority is to promote the deepening of financial markets within countries, as well as cross-border harmonization and integration, via a Financial Market Integration Task Force. Initially, this will focus on the legislative and regulatory environment for the financial system.

Actions.

- Establish a task team to carry out audits of investment-related legislation and regulation, with a view to risk reduction and harmonization within Africa;
- Carry out a needs assessment of and feasibility study on financial instruments to mitigate risks associated with doing business in Africa;
- Establish an initiative to enhance the capacity of countries to establish PPPs;
- Establish a Financial Market Integration Task Force that will serve to fast-track financial market integration through the establishment of an internationally competitive legislative and regulatory framework and the creation of a single African trading platform.

Appendix 5: Declaration of the Assembly of Heads of State and Government of the Organization of African Unity on the Political and Socio-Economic Situation in Africa and the Fundamental Changes taking place in the Rest of the World, Addis Ababa, 11 July 1990

We, the Heads of State and Government of the Organization of African Unity, meeting at our Twenty-sixth Ordinary Session of our Assembly in Addis Ababa, Ethiopia, from 9–11 July 1990, have undertaken a critical review of the political, social and economic situation of our Continent in the light of the rapid changes taking place in the world and their impact on Africa as presented in the Report of the Secretary-General on the fundamental changes taking place in the world and their implications for Africa: Proposals for an African Response.

2. In particular, we have noted the changing East–West relations from confrontation to cooperation, the socio-economic and political changes in Eastern Europe, the steady move towards political and monetary union of Western Europe, the increasing global tendency towards regional integration and the establishment of trading and economic blocs as well as the advances in science and technology. These, we found, constitute major factors which should guide Africa's collective thinking about the challenges and options before her in the 1990s and beyond in view of the real threat of marginalization of our continent.

3. We noted with satisfaction, the achievements of Africa in the struggle for the decolonization of the Continent and in the fight against racism and apartheid, as well as the positive role played by the OAU in this respect. The independence of Namibia has pushed further Africa's frontiers of freedom.

4. We took note of the measures taken by Mr de Klerk, which provide ground for optimism. We caution however, that these changes fall far short of our common objective of totally dismantling apartheid. Unless and until the

racist minority Government is irreversibly committed to the eradication of this anachronistic system, the International Community must continue to exert all forms of pressure including, in particular, economic sanctions against South Africa. This, our collective view, is also the demand of the National Liberation Movements of that country. We wish at the same time to reaffirm our solidarity with the oppressed people of South Africa and to assure them of our undivided support at this crucial phase in their struggle. At the same time, we urge them to close their ranks and unite their forces.

5. The socio-economic situation in our continent remains precarious today despite the many efforts made by our countries, individually and collectively. At our second Extra-Ordinary Assembly in Lagos, Nigeria in April 1980, we adopted the Lagos Plan of Action for the Economic Development of Africa up to the Year 2000 and the Final Act of Lagos. At the Twenty-first Ordinary Session of our Assembly held here in Addis Ababa in July 1985, we also adopted the Africa's Priority Programme for Economy Recovery 1986–1990. Equally, in the face of the excruciating external debt burden, we convened the Third Extra-Ordinary Session of our Assembly and adopted the African Common Position on Africa's External Debt Crisis. In all these endeavours, we were guided by the principle of collective self-reliance and self-sustaining development.

6. These represented our collective attempt to institute measures to arrest and reverse the steady decline in Africa's economic performance. Despite these attempts and strong political commitment to them, it has not so far been possible to achieve our objective of laying a firm foundation for self-sustained development of our countries. On the contrary, throughout the decade of the 1980s most of our productive and infrastructural facilities continued to deteriorate. The per capita incomes of our peoples fell drastically and so did the volumes of our exports as well as imports. There has been sharp decline in the quality of life in our countries as spending on public health, housing and education and other social services had to be severely curtailed. Food production has also fallen in proportion to the expanding population. All this contrasted sharply with the alarming rise in Africa's external debt stock which shot up from about US$50 billion in 1980 to about US$257 dollars by the end of 1989. As a result of this combination of acute economic problems and external indebtedness, the number of African Member States classified as least developed rose from 21 to 28 during the same period.

7. Our countries have made serious efforts to cope with the most adverse consequences of this difficult economic situation. Most of our countries have entered into structural adjustment programmes with the international financial and monetary institutions, mostly at heavy political and social costs. But we realize that these are short-term measures and are by themselves insufficient to completely restore our economies to a sound footing and lay firm foundation for future growth. We are very much concerned that, in addition to these problems, there is an increasing tendency to impose conditionalities of a political nature for assistance to Africa.

8. We reaffirm that Africa's development is the responsibility of our governments and peoples. We are now more than before determined to lay a solid foundation for self-reliant, human-centred and sustainable development on the basis of social justice and collective self-reliance so as to achieve accelerated structural transformation of our economies. Within this context we are determined to work assiduously towards economic integration through regional cooperation. We are also determined to take urgent measures to rationalize the existing economic groupings in our continent in order to increase their effectiveness in promoting economic integration and establishing an African Economic Community.

9. These are objectives we set for ourselves in Lagos in 1980. We reaffirm their continued validity as well as the fundamental principles of the Lagos Plan of Action and Africa's Priority Programme for Economic Recovery, including the sectoral priorities contained in them; in particular, the urgent need to attain self-sufficiency in food production, to promote science and technology for development and to establish a viable industrial base on the continent. In this context, we commit ourselves to the pursuit of sound population and environmental policies conducive to economic growth and development of our continent.

10. We are fully aware that in order to facilitate this process of socio-economic transformation and integration, it is necessary to promote popular participation of our peoples in the processes of government and development. A political environment which guarantees human rights and the observance of the rule of law would assure high standards of probity and accountability particularly on the part of those who hold public office. In addition, popular-based political processes would ensure the involvement of all, including, in particular, women and youth in the development efforts. We accordingly recommit ourselves to the further democratization of our societies and to the consolidation of democratic institutions in our countries. We reaffirm the right of our countries to determine, in all sovereignty, their system of democracy on the basis of their socio-cultural values, taking into account the realities of each of our countries and the necessity to ensure development and satisfy the basic needs of our peoples. We therefore assert that democracy and development should go together and should be mutually reinforcing.

11. We realize at the same time that the possibilities of achieving the objectives we have set will be constrained as long as an atmosphere of lasting peace and stability does not prevail in Africa. We, therefore, renew our determination to work together towards the peaceful and speedy resolution of all the conflicts on our continent. The resolution of conflicts will be conducive to the creation of peace and stability in the continent and will also have the effect of reducing expenditures on defence and security, thus releasing additional resources for socio-economic development. We are equally determined to make renewed efforts to eradicate the root causes of the refugee problem. It is only through the creation of stable conditions

that Africa can fully harness its human and material resources and direct them to development.

12. At this crucial juncture when our continent is emerging with difficulty from a phase in its history that focused mainly on political liberation and nation building, and is about to embark on a new era laying greater emphasis on economic development, we need to strengthen the Organization of African Unity so that it may also become a viable instrument in the service of Africa's economic development and integration. Consistent with this goal, we rededicate ourselves to the principles and objectives enshrined in its Charter, to our faith in ourselves and to our continent with greater determination to be masters of our destiny. In this spirit, we reaffirm our commitment to revive the ideals of Pan-Africanism and commit ourselves, individually and collectively, on behalf of our governments and peoples to maintain and strengthen our unity and solidarity and to pool our resources and wisdom in order to face the challenges of the decade of the 1990s and beyond, change the bleak socio-economic prospects of our continent and guarantee a better life for all peoples and future generations yet unborn. These objectives are well within our capabilities. We, therefore, pledge to apply ourselves fully to the achievement of these objectives.

13. The achievement of these objectives will also require international cooperation and solidarity as well as fundamental changes in the international economic system. The continuing plummeting of the prices of Africa's commodities, skyrocketing of prices of manufactured goods and the growing burden of external debt and the attendant reverse flow of resources constitute external factors which severely constrain our efforts for economic recovery. The developed countries bear a major responsibility for the transformation of the present inequitable international system. On our part, we will continue to strive for the establishment of a just and equitable international economic system. In this connection, a revitalized Non-Aligned Movement can play a decisive role.

14. We recommit ourselves to strengthen the North–South Cooperation and to play a lead role in this regard. We also wish to express our readiness to work in concert with other countries and regions of the developing world to reactivate North–South dialogue and cooperation. We do believe that an increasingly interdependent world calls for greater international solidarity and that peace and prosperity should be shared for the common good of humanity.

15. We request the Secretary-General to monitor the implementation of this declaration and to take all necessary actions in this respect in collaboration with the United Nations Economic Commission for Africa, African Development Bank and other African and International Institutions. We also request him to ensure the widest possible dissemination of this Declaration and to sensitize African public opinion and the International Community on its content.

Appendix 6: Relaunching Africa's Economic and Social Development: The Cairo Agenda for Action. Adopted by the Thirty-First Ordinary Session of the Assembly of Heads of State and Government of the Organization of African Unity, 26–28 June, 1995, Addis Ababa, Ethiopia

I Preamble

1. We, the Heads of State and Governments of the Organization of African Unity Meeting at the Thirty-first Ordinary Session of the Assembly of Heads of State and Government in Addis Ababa, Ethiopia, from the 26th to 28th of June, 1995, have undertaken an in-depth and critical review of the political, economic and social situation in our continent, as presented in the Report of the Secretary-General to the Special Session of the Council of Ministers on Economic and Social Issues in African Development.

2. Since the beginning of the 1990s, changes have occurred in the world, particularly in the political, economic and social arena. These include a growing tendency, especially in the developed countries, to establish, strengthen and enlarge economic groupings in the form of trading blocs such as the Single European Market; the conclusion of the Uruguay Round Agreements; the establishment of the World Trade Organization; and the further advances in information science and production technology. These developments have been buttressed by the dominance of the free market economic system based on competition, efficiency and productivity. These criteria were emphasized in both the bilateral and multilateral conditionalities of the Structural Adjustment Programmes. Consequently, Africa must take new steps to ensure that it becomes an active partner in the world economic system. In this regard, Africa must adopt a new vision for its development and translate this vision into appropriate programmes. This approach will place Africa in a position to fully participate, as a credible partner, in the world system. In this new spirit, Africa will be able to promote its fundamental interests and concerns.

3. For many years, we have adopted at the national, regional and continental levels many plans, strategies and programmes for the development of our countries, individually and collectively. Unfortunately, these plans and programmes were not adequately implemented by the majority of our countries and in some cases were completely paralysed and jeopardized by incessant civil strife and natural calamities. To rectify this situation, African countries must take effective measures within a specified time frame to ensure the satisfactory implementation and follow-up of decisions that we have made for the development of the continent. In this context, people should be the centre and object of development of our continent. To this end, governments should ensure the involvement of the people in the conception, implementation and monitoring of development plans, programmes and projects. Special attention should be paid to the full involvement of women in the social and economic development efforts. We should make all efforts to attract and retain African expertise and reverse the 'brain drain' from our countries.

4. At the international level, numerous plans and programmes have been adopted by the UN General Assembly and other fora with the expressed intention of providing greater support for the development of Africa. Unfortunately, the achievements in this area have been unsatisfactory due particularly to the lack of adequate external resources.

5. We are deeply concerned that the socio-economic situation in Africa has remained precarious despite the many efforts made by our countries, individually and collectively, to lay a solid foundation for Africa's development. In all these endeavours, we have been guided by the principle of collective self-reliance in order to achieve self-sustaining development of our countries. We reaffirm our commitment to this principle.

6. These and other recent developments have prompted us to meet in Cairo in an Extra-Ordinary Session. It is an opportune occasion to seriously review, analyze and reassess the root causes of economic and social problems with a view to recommending remedial measures and lasting solutions that should be taken by African governments and peoples, with the support of the international community.

7. In assessing these problems, we are convinced that Africa's underdevelopment can be overcome. Africa is a resilient continent. Indeed, Africa is a continent in transition. It has immense human and natural resources. With a strong will, more determination, planning and vision, we can make Africa the economic power that it ought to be.

8. We reaffirm that Africa's development is first and foremost the responsibility of our governments and peoples. We are determined to lay a firm foundation for a human-centred, equitable and sustainable development on the basis of sound economic policies, social justice and collective self-reliance, in order to achieve accelerated structural transformation of our economies.

9. On the basis of the above considerations, while reaffirming our commitment to the Lagos Plan of Action, we have adopted The Cairo Agenda for Action which offers recommendations for consideration and action by our governments and peoples, as well as by the international community for relaunching Africa's economic and social development.

II What we can do for ourselves

(a) Democracy, governance, peace, security, stability and sustainable development

10. We recognize and resolve that democracy, good governance, peace, security, stability and justice are among the most essential factors in African socio-economic development. Without democracy and peace, development is not possible; and, without development, peace is not durable. In this regard, we recall the relevance of the Declaration of the Assembly of Heads of State and Government of the OAU of 11 July, 1990 on the Political and Socio-economic Situation in Africa and the Fundamental Changes Taking Place in the World. We are, therefore, committed to take the following actions:

(i) launch programmes to promote national unity especially through the politics of inclusion and a culture of tolerance among the various segments of our people and among the countries of Africa, based on the principles of respect of human rights and dignity, free and fair elections, as well as respect for the freedom of the press, speech, association and conscience;

(ii) ensure the speedy promotion of good governance, characterized by accountability, probity, transparency, equal application of the rule of law, and a clear separation of powers, as an objective and a condition for rapid and sustainable development in African societies.

A policy of regionalization and decentralization is essential for ensuring the full participation of all the people, particularly the rural population at the grass-roots level, in their own development, and for promoting a feeling of belonging;

(iii) it is essential to clearly define the role of government and the private sector in development. Governments should make special efforts to encourage the participation of the private sector in the development process;

(iv) take measures for the eradication of the root causes of refugees and displaced persons in our continent as well as for their speedy return and re-settlement in their countries of origin and expediting the search for lasting solutions to this problem of refugees;

(v) give the maximum political and financial support to the OAU Mechanism for Conflict Prevention, Management and Resolution, for its effective peace-making operations, by involving all segments of the population and mobilizing adequate official and private resources for the OAU Peace Fund.

(b) Food security

11. Africa is essentially an agricultural and pastoral continent. Yet, food and agricultural output has declined substantially since the 1960s. Consequently, most of our countries are net food importers. While civil strife, drought, desertification and other environmental factors have contributed to the decline in food production, policies which did not give enough attention to food crops are an important part of the explanation.

12. An improvement in agricultural performance is required to provide food supplies essential to raising nutritional standards and to feeding the rapidly growing population without excessive dependence on external sources. The benefits of economic growth should be expanded to the whole population particularly in the rural areas where poverty is more pronounced. In this regard:–

(i) agricultural promotion should not be excessively centred on traditional export commodities. Food crops, especially those produced and/or consumed by poor people should be given special attention;

(ii) Appropriate measures should also be made to develop and extend livestock and fisheries as part of the overall food security strategy and the African Regional Nutrition Strategy (1993–2003);

(iii) efficient and standardized means of stock-piling of surplus food should be devised for use in times of famine, drought and other hardships;

(iv) appropriate means should be made for the national management of the water resources and the preservation of water against pollution;

(v) reforestation programmes should be vigorously pursued as a means of checking the rate of desertification of arable lands and preserving their fertility; and

(vi) current initiatives to formulate a framework for the development and operationalization of a Common African Agricultural Programme (CAAP) should be finalized as soon as possible.

(c) Capacity-building and human resources development

13. The development of human resources is fundamental to the sustainable and equitable development of Africa. The primacy of human resources development must, therefore, be maintained in all African Member States' economic and social policies. In this connection, the educational and training systems which remain the key to economic and social development should be adapted to the needs of our societies, with emphasis on technical, scientific and technological education, thereby ensuring that education and training are commensurate with the exigencies of the 1abour market.

Priority focus should be given to increasing Africa's capacity to implement its development plans. Human resource development also entails the elimination of gender-based discrimination. Necessary legislation needs to be passed at national level to remove all such discriminatory practices that exist to provide for the protection of the girl child and women in Africa while extending to them equal opportunities as regards health, education, employment and other civic rights. In the same vein, the situation of children should be seriously addressed in compliance with the African Charter on the Rights and Welfare of the Child as well as the Consensus of Dakar.

14. Member States should give priority in their development programmes to the basic needs of the people by developing appropriate infrastructure (such as rural roads, potable water supply), meeting basic food requirements, providing primary health services, education and skills and generating productive and remunerative employment opportunities as a means of eradicating poverty. African countries should endeavour to implement the African Common Position on Human and Social Development; the OAU Declaration of 1991 on the Employment Crisis in Africa; the Dakar/NGOR Declaration on Population, Family and Sustainable Development; the Programme of Action of the ICPD (1994); the Plan of Action for the Promotion of Cultural Industries (1992); the Declaration of the Heads of State and Government on Health as a Basis for Development (1987), as well as the Declaration and Programme of Action of the Copenhagen World Summit for Social Development (1995). African countries should also endeavour to protect their cultural heritage as provided for in the African Cultural Charter (1976).

15. Africa's low science and technology base is highly inadequate for the requirements of modern development processes such as agriculture, health, etc. There is therefore an urgent need to build up and strengthen Africa's capacity in the field of science and technology, if Africa is to be efficient and competitive in its production and thus participate in the increased flows of advanced technologies and globalization of production processes. African governments are therefore called upon to:

(i) give high priority to building national and regional capacities in the area of science and technology as the basis and means for all development activities and hence create conditions for more vigorous adaptation and application of science and technology for sustainable development. Each Member State should therefore devote a minimum of one per cent of its GDP to the development of science and technology and foster co-operation between national and regional institutions. Special attention should be given to the strengthening of the existing centres of excellence and other specialized technical institutions;

(ii) formulate effective national policies for education and training in science and technology for development, with emphasis on liberalization of technology flows, including advanced technologies and the promotion of indigenous technologies. To this end, African experts should be encouraged to remain in Africa and contribute to its developments.

(d) Structural transformation of African economies industrialization

16. Industrialization is of great importance as we move into the 21st century. Industrial development is central to structural change and transformation of African economies, to the increase in incomes and employment, to the diversification of our exports and to the satisfaction of the needs of the African peoples. African industrialization is still at a rudimentary stage, with outmoded processes and low technology input and high operating costs. In this connection, African governments are called upon to give priority attention to the following:

(i) the formulation of a programme for industrial restructuring, recognizing the changing world economy, in particular the implications of the Uruguay Round Agreements, globalization of production processes, and the need for Africa to be competitive, if it is to participate in the world economy;

(ii) the effective implementation of the Programme for the Second Industrial Development Decade for Africa and strengthening subregional and regional institutions that are capable of supporting our efforts in the fields of engineering, technology, management and standardization, and related fields;

(iii) the contribution and support of UNIDO to Africa's industrialization will continue to be crucial to our industrial development. The current extraneous attempts to abolish UNIDO and UNCTAD are, therefore, of serious concern to our countries. We, therefore, call upon all our Member States to strongly resist such attempts. In this respect, the international community is called upon to respect and fully implement commitments made in the Yaoundé Declaration adopted by the 5th General Conference of UNIDO.

17. Member States who have not done so should formulate policies and programmes for the development and strengthening of indigenous entrepreneurial capability with special focus on the establishment of micro, small and medium-scale enterprises so as to develop the industrial middle class which is the engine for sustained development.

Mineral resources and energy

18. In order to promote their industrial development, African countries should build and strengthen their capacity for exploration, development and utilization of the continent's abundant energy and mineral resources, and the formulation of effective cooperation policies in this regard. In particular, African countries are called upon to:

(i) promote the exports of high value-added mineral exports;
(ii) encourage private sector investment in the extraction and downstream processing of mineral resources;
(iii) encourage specialized training in mineral processing technology, mineralogy, and extractive metallurgy, foundry technology, material science and metal fabrication.

19. In Africa, a major hindrance to industrial development is the inadequacy of energy resources. The Secretary-General of the OAU, in close cooperation with the Executive Secretary of the ECA and the President of ADB should therefore undertake, urgently, measures for establishing the African Energy Commission, stipulated in the Lagos Plan of Action, taking into account, inter alia, the ADB Study on the African Energy Programme.

Transport and communications

20. The importance of the transport and communications sector for Africa's development cannot be overemphasized. African countries have in the past accorded priority to this sector in their development plans as a *sine qua non* for national social and economic development as well as for the integration of regional markets. However, despite the substantial progress made over the past 30 years of concerted efforts by African countries individually and collectively, Africa's transport and communications capacity is still inadequate to support sustainable development. In view of the critical importance of this sector, especially with regard to regional integration, action must be taken immediately in the following areas for the implementation of the Programme of the United Nations Transport and Communications Decade in Africa (UNTACDA II):

(i) undertake reforms of the sector including granting autonomy to the operators and introducing competition in order to improve efficiency;
(ii) encourage both private local and foreign investment, with particular attention to expanding services to the rural areas;
(iii) organize sub-regional consultations on coordination of airlines operations, as called for in the Yamoussoukro Declaration on a New African Air Transport Policy (1988);
(iv) make all efforts to complete the missing sections in the Trans-Saharan Highway. To this end, every effort should be made to mobilize the required resources to promote closer cooperation and integration across the Sahara;
(v) establish as soon as possible the single bureau of the Trans-African Highways Authorities in order to integrate the African roads network;
(vi) establish linkages between our telecommunications systems and RASCOM as well as with the other systems, especially the ARABSAT, in order to participate effectively in the information superhighway;
(vii) African countries should sign and ratify the African Maritime Transport Charter so that African policies in all areas connected with

International Maritime Transport and Ports are harmonized and coordinated as soon as possible, including the harmonization of maritime legislation and regulations in the continent.

Trade

21. The Uruguay Round Agreements will certainly worsen the situation with the erosion of the preferences that Africa's exports have been enjoying under the Lomé Convention and the Generalized System of Preferences as well as the negative impact on net food-importing countries. In fact, the impact of the Uruguay Round Agreements goes beyond trade to cover such issues as technology and investment flows. In recognition of Africa's special handicaps, in particular its commodity-based economy and inadequate capacities for participating and benefiting from the anticipated increases in global trade, technology and investment flows, we call on African governments to take the following actions:

(i) assess the full implications of the Uruguay Round Agreements, including policy, legal and administrative requirements for compliance, as well as the new market access conditions facing the exports of individual African countries;

(ii) launch a programme to restructure Africa's export and expand intra-African trade in particular through trade liberalization programmes. Special attention should be given to the development of tourism in view of its development potential. The Regional Economic Communities (RECs) should play an increasingly important role in this matter;

(iii) support and effectively utilize AFREXIM BANK. In this connection, we call on the Member States and the Board of Directors of AFREXIM BANK to make it fully operational;

(iv) national banks should also establish innovative instruments to promote trade and development; they should also cooperate among themselves.

Environment

22. Equally important are the environmental factors in African development. The rate of degradation of Africa's environment and loss of genetic resources and biodiversity threaten the very survival of the peoples of Africa. The rapid population growth, increased poverty, displaced people as a result of conflicts, coupled with frequent droughts, have increased pressure for improved management of the environment. African countries are called upon to give priority to the elaboration of the Protocol on Environment as called for in the Abuja Treaty and establish a national coordinating machinery to ensure integration of environmental issues into national development programmes, as defined in *Agenda 21* and the African Common Position on Environment and Development.

(e) Effective mobilization and efficient utilization of resources

23. Africa faces problems in effective *mobilization of both domestic and foreign resources* for its development. Domestic resource mobilization and its effective utilization have not been carried out optimally. This resulted in a marked decline in both the volume and productivity of investment in our countries.

24. To reverse this situation, African governments should take the following measures:

(i) create an enabling environment for domestic resource mobilization so as to encourage our people to have more confidence in the economies of our countries, including setting up saving systems built on the basis of population practices and capacities, especially for rural areas;

(ii) enact specific legislation to enhance the autonomous power of the central banks on monetary policy, including monitoring of credit creation and its allocation; and the supervision and regulation of financial institutions and instruments, so as to ensure and maintain a stable macroeconomic environment implying price, interest rate and exchange rate stability;

(iii) institute measures that increase public sector revenues through an effective tax collection and government securities; and to rationalize government expenditures through practices of programmes-performance budgeting, and adequate auditing;

(iv) refrain from entering excessively into internal debts as a way of financing budget deficits, particularly those directed towards speculative and unproductive activities, so as to maintain fiscal stability while promoting economic growth;

25. To promote private domestic investment in Africa, the following measures should be taken:

(i) strengthen the country reform programmes, so as to encourage investments in productive sectors and harmonize these programmes and investment codes so as to facilitate the process of regional economic integration;

(ii) create an enabling environment that encourages human and physical investment and help retain human capital in African countries;

(iii) steps should be taken to strengthen capital markets institutions where they exist and to create new ones where they do not exist in order to promote equity investment and achieve internal resource mobilization and utilization;

(iv) in order to enhance the capacity of the financial sector to effectively channel the resources into productive investment, governments should intensify efforts to secure the full monetization of African economies; to widen the instruments and services offered by financial institutions; and to ensure an effective link between the informal and formal sectors.

26. The Foreign Direct Investment (FDI) inflows to Africa account for only about 2 per cent in the total FDI inflows to developing countries. In order to reverse the trend and attract more FDI to Africa, measures should be instituted by African governments to ensure a favourable investment climate including the following:

(i) provide clear procedures and rules regarding registration, protection and transferability of property rights in all their forms and efficient enforcement of contractual obligations by the judicial system;

(ii) define clear incentives for investors in investment priorities in areas such as agro-food processing, conservation, storage, improvement of the transport and communication infrastructure, better linkages within industry and between energy, minerals and industry, with strategic targeting of both external and domestic resources towards these priorities.

27. To counter the negative perceptions about the continent and the misinformation that investors receive on Africa, governments should endeavour to undertake an information campaign by highlighting the progress in economic reform and growth in our countries.

(f) Regional economic cooperation and integration

28. Our review of the economic condition in Africa shows that African countries need to pool their resources and enhance cooperation, in order to achieve regional economic cooperation and integration in order to be competitive in world trade. In this respect, African countries should take full advantage of the opportunities of South/South Cooperation and forge partnerships with the countries of the South. This process can be enhanced through a firm commitment to honour the obligations we enter into in our continental and regional cooperation institutions, implement the programmes we collectively adopt and provide them with the required moral, material and financial support they deserve. Furthermore, the strengthening of the RECs, the intended building blocs of the African Economic Community (AEC) should be insured. In order to achieve this aim, African countries are urged to take the following steps:

(i) to accelerate the process of rationalizing the institutional framework for economic integration at the regional level;

(ii) for the RECs to be on a strong financial footing and secure their viability, their Member States should establish as soon as possible for each one of them a self-financing mechanism, with the support of the Joint OAU/ECA/ADB Secretariat and a self-enforcing mechanism to ensure prompt payment of assessed contributions;

(iii) in the same spirit, African countries are invited to direct financial assistance destined to economic integration activities in Africa, including Regional Fund under Lomé Convention to furthering relevant regional programmes and projects and to pay special attention to regional integration for mutual benefit in human and natural resources development as well as in the area of infrastructure, particularly transport and communications, information, electricity grids and hydraulic power generating stations;

(iv) for the purpose of ensuring a proper coordination of national sectoral policies and effective follow-up, implementation and monitoring of regional and continental decisions, African States which have not yet done so should set up at the national level a machinery in charge of all questions related to economic integration;

(v) the special circumstances of the African small island countries should be given due recognition in Africa's integration efforts;

(vi) in order to operationalize the Abuja Treaty as soon as possible, Member States should adopt and ratify the priority Protocols by the end of 1997, at the latest, and to take necessary measures at the national level, including integrating the Protocols into their legislations, to make these Protocols applicable by competent authorities;

(vii) Member States should popularize the Abuja Treaty and all relevant documents in order to make African populations the genuine actors in the process and facilitate cross-border dialogue towards the attainment of pan-Africanist ideals. To this end, they must engage all media, both public and private, in their endeavours to increase awareness of the larger public *vis-à-vis* the aims, mechanisms and requirements of economic integration. To facilitate the efforts of Member States, the OAU is requested to expeditiously finalize and distribute to Member States a popular version of the Abuja Treaty.

29. In order to set up the much needed regional productive capacities, the Member States and the Regional Economic Communities (RECs) are urged to:

(i) speed up African integration through the implementation of common projects that will form an integrated development pattern leading to sustained economic growth, based on common interests and mutual benefits;

(ii) formulate lists of common projects that can attract international, governmental and private investments. The projects and programmes to be promoted by the Regional Economic Communities should be under the co-ordination of the OAU Secretary-General;

(iii) in this regard the African Development Bank is urged to play a leading role in financing regional studies, programmes and projects.

III What we require from our development partners

(a) Understanding, appreciation and support of Africa's development efforts

30. A new international system is evolving. This development offers a unique opportunity for the international community to agree on a set of

principles governing international relations. On our part, we firmly believe that some of the most important principles include the democratization of the international system, the right of our countries to decide on their own priorities and programmes, respect for and implementation of international commitments. Member States of the United Nations should refrain from any unilateral measures not in accordance with international law and the Charter of the United Nations that create obstacles to trade relations among States. These principles should be incorporated in the UN Secretary-General's Agenda for Development.

31. Development aid that had been provided had not always been used for the priority programmes of countries assisted. What is more, we are witnessing an increasingly marked trend of rivalry between African governments and Non-governmental Organizations (NGOs). Sometimes the governments were even robbed of their responsibilities. The NGOs should play a supportive role by complementing government efforts but, given their fragility and lack of requisite resources, these organizations cannot assume the responsibility for the development of the continent. There is, therefore, an urgent need for our development partners to significantly increase resource in-flows to African countries especially through Official Development Assistance (ODA) and foreign direct investment.

32. The United Nations New Agenda for the Development of Africa (UN–NADAF) has not received all the expected support from the international community, especially in the areas of external debt and resource flows. Specifically, the commitment to establish a Diversification Fund for African Commodities has not yet materialized. Also, the UNECA should be strengthened to fully play its coordinating role in the mobilization of the UN System for the implementation of UN–NADAF.

(b) Trade and development

33. The recently concluded Uruguay Round of negotiations and the establishment of the World Trade Organization constitute a new development in world trade relations, with serious implications to Africa. We are seriously concerned about the potential impact of the Agreements on Africa. Our preliminary assessment of the impact of this development is that Africa will stand to lose heavily because of the stringent conditionalities imposed by the Agreements and which African countries will not be able to meet. There is a need to ensure that transparency in the liberalized world market, devoid of conditionalities and other non-tariff barriers, is applied universally and in a sustainable manner. To mitigate the negative impact of the Uruguay Round Agreements on Africa's development, we appeal to our development partners to discuss with us those aspects of the Agreements, which are detrimental to the development of our countries. In this regard, the outcome of the International Conference on the implications of the Uruguay Round Agreements on Africa, held in Tunis, Tunisia

on 27 October 1994, could serve as a framework for action. Meanwhile in implementing the provisions of the Final Act, off-setting measures must be adopted to obviate likely adverse effects that will arise from the erosion of special preferences currently enjoyed by African countries.

34. We *call upon* the international community to ensure that the UN Agenda for Development addresses the urgent development needs of Africa as one of the most seriously affected continents by the present international economic environment and support the diversification programmes in Africa and the establishment of the Commodity Diversification Fund.

(c) Africa's external debt

35. Africa's external debt stock and its rapid growth are a deterrent to increased non-debt generating resource flows. It diverts the resources generated by African economies already negatively affected by the continuous deterioration of terms of trade. In spite of the efforts made by African States, by adopting structural reforms and promoting alternative programmes with the assistance of multilateral and bilateral financial institutions, and in spite of the various initiatives (Toronto, Brady, France and USA initiatives, etc.) the debt problem still remains one of the main constraints in the renewal with economic growth.

36. Africa's external debt affects negatively, in the long run, not only the African economic capacity to meet the basic needs of the African population, but also its capacity to contribute significantly to the revival of world growth, by increasing the African economic capacities to absorb more goods and services from outside, and by reversing the declining trends of transfers to Africa.

37. The need to reverse the declining trends of transfers to Africa has been stressed. Even in African countries where some progress has been registered in 1994, increased inflows of resources are still required to generate sustainable development. For this to happen, coordinated action on debt and flows from multilateral financing institutions should take place, with particular emphasis on the provision of concessional resources, through the International Development Association (IDA), African Development Fund (ADF) and the European Development Fund (EDF), which are the three major multilateral windows through which concessional resources are channeled to Africa. Furthermore, the rules of international relations should be observed, and there should be no attempt to destabilise the economies of African countries by imposing embargoes and economic blockades, freezing assets, preventing them from obtaining technology and starving them for political reasons.

38. For economic reforms to succeed in Africa, all creditors including multilateral institutions should adopt enhanced measures, which should go beyond debt re-scheduling. International commitment to Africa's recovery can be shown by reducing the debt burden to a point where it ceases to

inhibit investing in Africa. In this regard, while subscribing to the recent *Jakarta Non-Aligned Movement's Declaration on Debt and Development: Sharing of Experience*, Africa calls on its bilateral and multilateral creditors including the former Soviet Union countries to enter into a dialogue in order to coordinate their efforts for identifying ways and means by which they could reduce the continent's debt burden, particularly for the current debt servicing levels. Specifically, African governments call on the G7 through the Paris Club to extend additional relief beyond the Naples Terms particularly for severely-indebted low income countries. Further, we call on G7 to consider innovative ways to deal with multilateral debt along the lines proposed by the UK regarding the sale of IMF gold and to ensure that multilateral debt relief is not achieved at the expense of official grant financing. Within this context, urgent support and assistance from International Development Agencies and Donor Countries to war and natural disaster affected countries are particularly needed to generally move them from a state of reliance on relief and humanitarian assistance to sustainable development. To this end, Africa should approach the G7 Summit, scheduled for June 1995 in Halifax, Canada, on this matter.

IV Follow-up mechanism

39. The follow-up and implementation mechanism to these recommendations lies largely with the Member States at the national, sub-regional, regional and continental levels. At the national level, governments should institute measures for increased national dialogue in order to reach broad consensus on development objectives and how to reach the goals sought. The following specific measures are proposed:

(a) the Cairo Agenda for Action should be tabled in the national cabinets of African governments, in order to involve the entire government machinery in the implementation of the Agenda;

(b) the Agenda should also be tabled by the government in national parliaments for debate in order to allow parliamentarians to deliberate on the development issues contained in the Agenda, thereby giving the Agenda wide publicity and national attention;

(c) the governments should involve various groups in organizing national and regional seminars and workshops on the Cairo Agenda, with participants drawn from all segments of society: organized private sector groups, especially the African Chambers of Commerce, the African Business Round Table, Employers and Workers Organizations, political and professional organizations, women groups, youth, NGOs, teachers, university professors, etc.

40. At the regional level, the Cairo Agenda for Action should be submitted to the RECs and their respective authorities for implementation.

41. At the continental level, we request the OAU Secretary-General to work together with the ECA Executive Secretary and the President of the ADB, within the framework of the Joint Secretariat, to monitor and report regularly to the Council on the implementation of these decisions. Specifically, the Economic and Social Commission (ECOSOC) and the Specialized Technical Committees established under the Abuja Treaty should monitor the implementation of these matters.

42. Political will and determination of the Member States will be required to effectively tackle and solve the economic and social problems facing our continent. Close personal attention of Heads of State and Government of the OAU is indispensable in the solution of these problems.

Appendix 7: Declaration of the Third Extra-Ordinary Assembly of Heads of State and Government of the Organization of African Unity on Africa's External Debt Crisis, Addis Ababa, December 1987

1. We, the Heads of State and Government of the Organization of African Unity, meeting at our Third Extra-ordinary Assembly in Addis Ababa, Ethiopia, from 30 November to 1 December, 1987, have examined in depth the African debt crisis with a view to adopting, on behalf of our governments and peoples, a common position in the spirit of solidarity and unity of our people. We are gravely concerned that Africa's external debt and excessive debt-service payment is a major impedient to the full implementation of the Africa's Priority Programme for Economic Recovery 1986–1990.

2. We have, since 1984, persistently urged the international community to address, in a comprehensive manner, the critical economic situation confronting our countries as a result of the mounting debt-service burden. Considering the seriousness of the external debt crisis, successive chairmen of the OAU have, since 1985, pleaded our case with our partners for the convening, as a matter of urgency, of an International Conference on Africa's External Indebtedness to provide a forum for international creditors and African debtor countries to discuss the debt problem with a view to arriving at appropriate emergency, short, medium and long-term concrete and comprehensive measures to alleviate the excruciating debt-service crisis that our countries are faced with.

3. We continue to believe that a viable debt strategy should take fully into account our economic and social development needs and, in particular, the need to mobilize the necessary resources required for the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986–1990, which was adopted by the 13th Special Session of the United Nations General Assembly.

4. We wish to recall solemnly that, for our part, the economic and social development of our peoples remains our primary objective. We reaffirm further that our external debt constitutes contractual obligations entered into individually by our Member States, and which they intend to honour. However, despite our willingness to pay, our present economic crisis,

particularly the low level of our export earnings, makes it extremely difficult for us to honour our obligations. The problem of indebtedness is historically linked with that of development; its solution lies primarily in Africa's ability to engender real development. Consequently, developed countries and international financial institutions have the duty and responsibility to contribute to the solution of Africa's external debt problem through, in particular, a substantial increase in resource flows to African countries on concessional terms.

5. We believe that the debt crisis of Africa will only be solved by an overall and equitable approach within the framework of an integrated, co-operative, development-oriented strategy that takes into account the particular characteristics of the debt crisis in Africa. In view of the inter-dependence between the economies of the debtor and the creditor countries, the strategy for the solution of the debt problem will need to be based on co-operation, continuous dialogue, and shared responsibility, and should be implemented with flexibility in an environment of strengthened international co-operation, bearing in mind the General Assembly and UNCTAD Resolutions adopted in that respect.

6. In full solidarity with the Group of 77 and the Non-Aligned Movement, we reiterate our common position that a lasting solution to the external debt problem of developing countries can only be found within the framework of comprehensive and parallel actions in the major economic sectors, in recognition of the interdependence among the external debt issues, flow of development assistance, improved international trading system, improved commodity prices and the reform of the international monetary system.

7. We wish to recall that the present economic backwardness of our continent is the direct result of colonialism, the effects of which are still being felt. We reaffirm that the development of our continent is the primary responsibility of our governments and peoples. In fulfilling this responsibility, we adopted in 1985 the Africa's Priority Programme for Economic Recovery 1986–1990. We have taken appropriate measures to implement the commitments we made individually and collectively in that programme. We have instituted reforms at great social and political costs to our peoples and governments. We have adopted economic reforms and structural adjustment measures that are aimed at redressing our present weak economic structure and have re-ordered our priorities and have also adopted strategies to facilitate an accelerated recovery and long-term development of our economies. However, our efforts are being undermined by the exasperating and excruciating debt service payments, the hostile international economic and political environment, including destabilization acts of *Apartheid* South Africa against Southern African States and the failure of the international community to live up to its commitment to provide Africa with substantial increase in resources.

8. We note, with appreciation, that governments of a few developed creditor countries have taken or announced measures to cancel debt owed to

them by some African countries. We urge all governments of creditor countries to extend to all African countries and particularly, to the least developed and low-income countries, these measures, which should be implemented unconditionally, as a matter of urgency. We further urge the creditor countries, which have not yet done so, to emulate this example.

9. We, therefore, call upon the international community, in particular the developed countries, international and regional financial institutions and private commercial banks to take immediate measures, as set out in the African Common Position on Africa's External Debt Crisis, to alleviate the debt burden of our countries and, in particular, to reduce the stock of our debt in order to help our countries resume growth. Such measures should include:

(a) contributing effectively to improved international economic environment that will be conducive to economic recovery and accelerated development, through, in particular, improved export prices for African primary commodities and the removal of protectionist, quota and tariff measures impeding the export of African raw materials, manufactured and semi-processed goods to developed countries and freezing of African funds in foreign banks;

(b) increase resource flows to Africa through:
- increase in grants in bilateral assistance;
- increase in the grant element in the financing of International and Regional Financial Institutions;
- reduction in interest rates and extension of the repayment period and grace period of financial and commercial loans for all types of new loans;
- granting 50 years repayment and 10 year grace period for the repayment of all new loans;

(c) the total amount of the debt service of a debtor country should not exceed a reasonable and bearable percentage of its export earnings;

(d) conversion of all past official bilateral loans into grants;

(e) suspension of external debt service payments for a period of 10 years, starting from 1988, the scheduled date for the holding of the International Conference on Africa's External Debt;

(f) adoption of the following principles within the framework of the renegotiation of Africa's debt payment of part of official bilateral debt in loan currency, reduction of real interest rates on existing loans;

(g) multi-year rescheduling of a minimum of 5 years should be the norm, with maturities of at least 50 years, 10 years grace period, and at zero rate of interest.

10. With a view to having a constructive dialogue that should lead to the adoption and implementation of the measures embodied in the African Common Position on Africa's External Debt Crisis, we renew our call for the convening of an International Conference on Africa's External Indebtedness.

11. We mandate the current chairman of the OAU to bring the African Common Position on Africa's External Debt Crisis to the attention of the international community, with a view to convening an International Conference on Africa's External Indebtedness in 1988.

12. We request the Permanent Steering Committee, with the assistance of the Secretariat of the OAU, the Secretariat of the ECA, the ADB and ACMS to intensify the technical preparations for the international conference.

Appendix 8: African Common Position on Africa's External Debt Crisis, Addis Ababa, December 1987

African common position on Africa's external debt crisis

Preamble

1. We, the Heads of State and Government of the Organization of African Unity, meeting at our Third Extra-ordinary Assembly in Addis Ababa, from 30 November to 1 December, 1987, having examined in depth the African debt crisis, have adopted the following common position:

2. The magnitude of the debt of developing countries (1,020 billion US dollars) and the burden of the debt servicing (250 billion US dollars) are a glaring manifestation of the imbalances currently existing in the international monetary and financial relations which, if not corrected, will continue to jeopardise future development prospects. Africa is the most impoverished continent in the world, with twenty-seven out of the world's thirty-seven least developed countries, and a constantly declining per capita income. At a time when Africa is involved in the implementation of Africa's Priority Programme for Economic Recovery (APPER) and the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD), we are still in no position to mobilize adequate resources to honour our obligations. In the majority of our countries, the question is not that of a liquidity crisis but of solvency. Our Ministers of Finance and in solidarity with other members of the Group of 77 have continuously attempted to impress it upon the creditor countries and international financial institutions to view the debt crisis from the concept of shared responsibility.

3. Since the early 1980s, we have been concerned about the external debt situation of our countries. In 1984 our Ministers of Finance adopted the Addis Ababa Declaration on Africa's External Indebtedness, which we endorsed. The escalating debt burden has progressively grown from bad to worse, to a point where the magnitude of the debt and debt-service obligations have threatened the very foundation of our economies. We have taken steps to improve and rationalize external debt management. We sought to address this serious problem by calling for an international conference on African external debt when adopting the Africa's Priority Programme for Economic Recovery during our Twenty-First Summit, July 1985. Since then, we have been trying to persuade the creditor countries and international financial institutions to sit together with us to find solutions to the excruci-

ating debt problems of our countries. Despite our persistent efforts, our endeavours have not been responded to. We decided, during our Twenty-third Summit, to meet in an Extra-ordinary Session to exchange views and adopt a common position on Africa's external indebtedness.

4. When we adopted Africa's Priority Programme for Economic Recovery 1986–1990 (APPER), we pledged, (to take concrete actions and measures individually and collectively for the achievement of the economic development of our continent in unity and solidarity of African peoples and Member States.) We reaffirm that the development of our continent is the primary responsibility of our governments and peoples. It is now recognized by all that we are living up to our commitments. We have instituted significant reforms at great social and political costs to our peoples and governments. We have reordered our priorities and adopted new strategies to facilitate an accelerated development of our economies. We have adopted economic reforms and structural adjustment measures. We have taken measures to improve our economic efficiency and our macro-economic management. We have rationalized our public sector and reduced the share of public expenditure as a proportion of GDP.

5. In response to the serious debt situation facing our countries, we immediately took radical policy measures aimed at the reduction in our current account balance of payments deficits in order to generate foreign exchange for debt service payments. These measures included drastic cuts in our imports and also sought to substantially increase our exports. Due to structural rigidities of our economies, worsening terms of trade, inelasticity of demand for our commodities and protectionist measures practised by the developed countries, most of the resources needed to honour our debt service obligations had to be raised through reduction of imports which, in some cases, were as high as 55 per cent. We have also reduced drastically our new commitments to external debt and have strengthened our debt management machinery. Despite these drastic measures, our debt service ratio continues to rise.

6. The general international economic environment in which we were carrying out these measures has continued to be unfavourable. The prices of our main export commodities have suffered a serious collapse resulting in a loss in our export earnings in 1986 of more than US$19 billion. Official development assistance to some countries has decreased and, to some others, has stagnated in real terms. The developed countries and international financial institutions have, in general, not lived up to their commitments entered into in UNPAAERD.

7. The magnitude of our debts, which we have to service from drastically reduced foreign exchange earnings, is estimated to have reached US$200 billion by the end of 1986. The greater part of this debt was simply the result of fluctuations in exchange rates and increases in interest rates based on decisions in which our countries did not participate in making and over

which they had no control. In 1985 our debt-service obligations stood at about US$24 billion. The average debt service ratio has reached over 40 per cent per annum with many of our Member States having debt-service ratios exceeding 100 per cent. Furthermore, our projections, based on the continuation of the current trend, indicate that unless comprehensive measures are taken to deal with the African debt issue by 1995, our total debt will reach US$313 billion, our annual debt repayment US$31 billion, and our debt service ratio over 48 per cent, with the debt service ratio for some of our countries far exceeding 100 per cent. By the year 2000, the situation is expected to be even more serious, our total debt service on both short- and long-term loans will reach about US$46 billion, and our debt service ratio is projected to reach an average of about 72 per cent of our export earnings, with ratios for some of our countries far exceeding 100 per cent. Most ominous still is the fact that this high level of indebtedness will be a reflection of past loans, capitalization of interest arrears and accumulated charges, rather than new loans intended to promote development.

8. Clearly, this situation cannot be allowed to continue; yet current remedies are inadequate. Debt rescheduling, as currently carried out, while providing temporary relief, add to the medium- and long-term debt problem. Official and commercial debt rescheduling are adding over a billion US Dollars annually to the total African debt, as a result of service charges and higher interest rates arising from them. The substantial increase of rescheduling our countries had to go through is a further indication of the seriousness of the African debt problem. The excruciating debt service burden is depriving our economies of resources needed not only for development but also in many countries for the survival of our peoples. The result of this devastating debt burden is that our economies are grinding to a halt and in many cases are actually regressing.

9. Our position has all along been that external debt is a commitment made individually by Member States and which they have to honour. We are also still convinced that the developed countries and international financial institutions have the duty and responsibility to contribute to the recovery of the economies of African States to enable the latter service their debts. It is also our considered view that current international strategies have failed to address the core of the African debt issue. We believe that to deal with the structural nature of the African debt, new and bold initiatives and measures have to be taken by the creditor community to deal with the African debt in a context that will allow the continent to implement its priority programme for economic recovery and development. In the absence of such a comprehensive approach, we might eventually find ourselves in a situation where we could no longer honour our debt obligations, in spite of all our good intentions.

10. We believe that the debt crisis of Africa will only be solved by an overall and equitable approach within the framework of an integrated, co-operative, development-based strategy that takes into account the particu-

lar characteristics of the debt crisis in Africa. The strategy for the solution of the Africa's debt problem should be based on co-operation, continuous dialogue and shared responsibility, and should be implemented with flexibility in an environment of strengthened international co-operation, bearing in mind the UN General Assembly and UNCTAD resolutions adopted in that respect.

11. It is with a spirit of international co-operation and interdependence that we are presenting this common position to the international community. We acknowledge, with appreciation, the efforts of some developed countries, which have adopted measures to alleviate the debt burden of African countries and hope that more countries will follow their example. It is our hope that this common position will open a constructive dialogue between us and our partners.

Part I: Evolution, magnitude and structure of Africa's external debt

(a) Definition

12. Africa's external debt is defined broadly as all its external financial obligations outstanding at a particular point in time. These financial obligations are those contracted either by the government or are guaranteed by the government for a public corporation, or are contracted directly by public corporations and by the private sector. This definition is understood to cover such items as principal on public and publicly guaranteed debts; long, medium and short-term commercial loans and credits; suppliers' credit; private non-guaranteed debts; undisbursed debts; obligations to multilateral institutions including the International Monetary Fund and the World Bank; arrears on interest; and other related payments.

(b) Evolution and magnitude

13. The analysis of the evolution and magnitude of the debt indicates that Africa's total external debt increased from US$128 billion at the end of 1982 to US$169 billion by the end of 1985. The ratio of debt to GDP increased from 40 per cent to 50 per cent, and the ratio of debt to exports of goods and services increased from 194 per cent to 260 per cent, over the same period. The lack of up-to-date and adequate statistics on all African countries makes it difficult to estimate accurately the magnitude of Africa's external debt beyond 1985. However, at the end of 1986, Africa's total debt was estimated to be US$200 billion. This represented 45 per cent of the Gross Domestic Product (GDP) and 293 per cent of export earnings. The rise in the debt to export ratio shows that the growth in export earnings was exceeded by that of debt.

14. The total debt service obligations for all countries for which data were available increased from US$19.0 billion in 1982 to US$24 billion in 1985. For nearly all African countries, the debt service as a percentage of exports of goods and services is now well over 40 per cent and in some cases it

exceeds 100 per cent. Given the bleak prospects in export expansion, the number of countries with the latter debt service ratio is expected to rise significantly by the end of 1995. By this date, the annual average debt service payments are expected to reach about US$31 billion or 48 per cent of export earnings, with some of our countries far exceeding 100 per cent.

15. The fact that debt service payments have increased faster than actual disbursements means that the net resource transfer has declined sharply and it did so from US$20 billion in 1978 to US$3 billion in 1985. As for commercial banks, there was a net resource transfer from Africa of US$3 billion in 1984 alone. The IMF also extracted more resources from Africa than it provided in 1986 and this situation persisted up to February 1987. The clear implication of these developments is that a large and increasing portion of Africa's export earnings and new disbursements are going into servicing debt, leaving little or nothing for rehabilitation and new investments required to fully implement Africa's recovery programme.

(c) Structural changes in Africa's debt

16. The developments mentioned above have been accompanied by structural shifts in Africa's external debt. First, there has been a shift from non-debt creating to debt creating flows, particularly over the period from 1970 to 1982. Although this shift appears to have been reversed since 1982, the seeds for the debt-servicing crisis had already been sown. Of the debt outstanding, official sources constituted 63 per cent at the end of 1978 and 47 per cent by the end of 1983. Thus, there was a shift from official to private sources. Within official bilateral sources, concessional flows as a percentage of the total from this source declined from 84 per cent in 1975 to 62 per cent in 1985 for Sub-Saharan African countries only. This shift towards non-concessional debt was reinforced by the fact that, while financial market sources accounted for 15 per cent of the total debt in 1974, the share from this source rose to 36 per cent by the end of 1985. However, the concessionality of debt appears to have increased between 1983 and 1985. This improvement has not been adequate to alleviate the debt-servicing problem of African countries. This notwithstanding, the above shifts implied the hardening of the terms and conditions of new loans. For instance, the average interest rates on new lending increased from 5 per cent to 10 per cent between 1974 and 1985, while the grant element dropped from 32 per cent to 16 per cent, over the same period.

17. All the above mentioned adverse developments contributed to a situation where African countries were forced to reschedule their external debts at the Paris and London Clubs 83 times between 1979 and 1986.

Part II: Major causes of Africa's external debt crisis

18. Several factors have combined to precipitate the African debt crisis. They are both external and domestic in nature, and the debt phenomenon initially manifested itself in the structural dis-equilibrium, between import

requirements and export earnings which forced many African countries to resort to increased borrowing from external sources in order to meet the resource gap. As was indicated in APPER, the following are the major causes, which have aggravated the external debt crisis.

(a) External causes:

(i) Decreased flows of concessional resources to African countries resulting in a dramatic shift in debt structure from concessional to non-concessional loans, with their hardened lending terms.

(ii) The significant flight of capital and other resources resulting in net outflow of resources from Africa.

(iii) Insistence of the creditor community that African countries meet their debt service obligations without consideration to their ability to do so.

(iv) Unprecedented collapse of the prices of Africa's commodities and the consequential deterioration in the terms of trade which have undermined Africa's capacity to service its debt.

(v) Deteriorating terms of borrowing including sudden increases in the real interest rates paid on long term debts, particularly commercial loans, and reduced grace and repayments periods.

(vi) Subsidies, mounting protectionist measures and restrictive business practices in the markets of the developed countries against exports from Africa.

(vii) Strict conditionalities, high cost and short term nature of some IMF facilities.

(viii) Activities of transnational corporations in African countries, especially inflated contracts, over-invoicing of imports and under-invoicing of exports; manipulations of commodity prices and of transfer pricing; excessive transfer of profits and other capital gains; and their preference for external borrowing instead of bringing in new equity capital.

(ix) Exchange rate fluctuations, especially the volatility of the US dollar *vis-à-vis* the other vehicle currencies, particularly as witnessed in the recent international financial and monetary turmoil.

(x) Consequence of past reschedulings which only serve to increase the debt burden, since such reschedulings are done at market related interest rates.

(xi) Aggressive economic destabilization policies by external forces and freezing of African funds in foreign banks.

(xii) Military, economic and political destabilization by the racist South African regime against the Frontline and other independent States in Southern Africa.

(b) Domestic causes:

(i) Rigidities in production structures, dependence on the export of a few raw materials and commodities and low complementarity of the African economies.

(ii) Excessive reliance on external sources for financing development and balance of payments.
(iii) Loan funds channeled to low-return projects.
(iv) Inadequate external debt management capacity at the national level.
(v) Excessive resort to budget deficit financing through external borrowing both for recurrent and developmental expenditures.
(vi) Poor design, execution and monitoring of projects that lead to increased costs.
(vii) Low level of domestic resources mobilization due to lack of appropriate incentives to encourage savings.
(viii) Drought, natural calamities and environmental degradation, resulting in reduced food production and leading to increased food import bills.
(ix) Economic dislocations that distort economic projections and necessitate diversion of resources, because of national disasters.
(x) Inadequate negotiating capacity of African countries *vis-à-vis* complex international financial mechanisms with respect to debt contracting and renegotiations.
(xi) Difficulties for African countries to adopt appropriate exchange rate policies.

Part III: Impact of external debt of African economies

19. The vast majority of African countries have adopted far-reaching measures to deal with the rapidly deteriorating external debt situation. Recovery and rehabilitation plans have been drawn up and follow-up mechanisms have been established by many governments. Twenty-eight African countries accounting for three-fourths of Africa's population are implementing structural adjustment and reform programmes at considerable social costs, resulting in intolerable political pressures. These programmes, in the absence of adequate external resources to support them, have not achieved their objectives; rather, they have imposed severe conditions and constraints on African economies, thus worsening the socio-economic conditions. The impact of external debt on African economies can briefly be summarized as follows:

(i) External shocks

The impact of external shocks (such as variable interest rates, fluctuations in exchange rates of major currencies, increase in import bills and the decline in export earnings) was estimated to result in a loss of well over US$43 billion, particularly between 1980 and 1984. This means that African countries incurred heavy losses of foreign exchange greater than is indicated here, a development which seriously undermined the capacity of our countries to service their external debt and to implement their economic recovery programmes.

(ii) Reduction and distortions in growth rates

As a result of mounting debt servicing obligations (principal plus interest) which presently stand at over US$24 billion annually, substantial resources are diverted from essential development projects for debt servicing. Agricultural projects, on which both APPER and UNPAAERD are anchored, cannot be implemented in the face of dwindling resources. These factors have significantly slowed down the rate of capital formation in African countries, many of which have registered stagnant or negative growth rates. This has been particularly so in rural areas where growth has hardly taken place.

(iii) Problems of structural adjustment and policy reforms

It is a fact that many African countries have put in place wide-ranging structural adjustment programmes and economic reforms. However, these efforts are being thwarted by the diversion of resources to service debts, and their economies are, therefore, still unable to generate or sustain reasonable economic growth. This is being aggravated by the lack of additional resources, especially on concessional terms. Consequently, this situation has created serious problems in implementing economic policy reforms, which would have engendered self-sustaining growth and recovery.

(iv) Disruption of the social and cultural structures

Increasing external debt servicing obligations within the present international constraints will result in serious disruption of the present socio-economic, political and cultural structures. The 1980s have witnessed a further reduction in the living standards of African countries. This is explained partly by the curtailment of social and infrastructural investment programmes in the wake of net transfer of resources out of Africa through debt servicing. Mass unemployment and poverty, which were largely confined to rural areas, have now spread to most major urban centres thereby threatening the very foundation of the African social and cultural structures, retarding the effective development of human resources and reducing the level of involvement of the population in national development projects.

(v) Creditworthiness

The creditworthiness of many African countries has been put to severe test in the wake of mounting debt servicing obligations. Many African countries are experiencing great difficulties in borrowing on reasonable terms and conditions, at the very time when external resources are most needed.

Part IV: Measures to alleviate Africa's external debt crisis

A Measures to be implemented by African countries

20. We reaffirm our determination to implement at the national, regional and continental levels, all the measures likely to contribute to an effective

solution of the debt problem, particularly those contained in APPER. In addition, we express our commitment to examine and implement, as appropriate, new or supporting measures as may be dictated by the growing burden of Africa's external debt and the demands for economic recovery and accelerated development.

21. More specifically, we propose to adopt and implement the following measures at the African level to deal with the external debt crisis:

(i) The external debt management mechanisms at the national level should be strengthened with the active support of the international community, so as to enable all African countries to exercise more effective and centralized control of external borrowing by the public sector, and to monitor private sector borrowings. To this end, sub-regional and regional organizations, in particular the African Centre for Monetary Studies (ACMS), African Development Bank (ADB), the Economic Commission for Africa (ECA) and the Organization of African Unity (OAU) are called upon to organize themselves, so as to contribute to a better harmonization of African countries' positions and assist the Permanent Steering Committee in deciding upon the guidelines on which such positions should be based. They are also called upon to organize, in cooperation with UNCTAD, training workshops, courses and seminars on management of external debt for African countries.

(ii) We fully recognize that no economy can achieve a fast and self-sustaining growth rate, if it depends entirely or largely on uncertain external resources. We hold the view that Africa's economic recovery and development will be enhanced largely by increased use of domestic resources. Therefore, we are determined to adopt appropriate policies and measures for domestic resource mobilization, in accordance with the commitment made by Africa in its submission to the Special Session of the United Nations General Assembly. We shall also continue our efforts to reduce inflation and improve efficiency in our economic and financial management. We, therefore, count on African countries with longer experience in this area to be willing to assist others to launch new and more effective domestic resource mobililization programmes. A change in policy and attitude should be introduced in African development planning, to ensure that we depend primarily on domestic resources for our economic recovery and growth. We reconfirm our commitment to intensify efforts to use more efficiently our domestic resources for development. To this end, concrete measures should be taken to improve the quality of investment in both the public and private sectors. Further, we should give adequate incentives to projects that generate or save foreign exchange, and should also formulate and implement programmes on the development and effective utilization of human resources, with a view increasing labour productivity and to promoting scientific and technological development.

(iii) Within the framework of African solidarity, African countries with net surpluses should endeavour to invest part of these surplus funds in Africa through, for instance, participation in joint investment projects and the establishment of multinational companies. African governments are urged to support and assist these multinational joint ventures, with a view to encouraging the expansion of such activities. As a long-term objective, another approach to this end is that sub-regional capital markets need to be developed as an effective mechanism for tapping African surplus funds currently invested abroad. We express satisfaction with the solidarity shown by other developing countries towards our continent and hope they would keep it up in this crucial phase of our economic development and take into account the real situation of the least developed countries.

(iv) The system of incentives should be improved to encourage African public investors as well as individual private investors, to invest their resources in other African countries, either on a bilateral basis or through projects being implemented by existing sub-regional, regional and continental financial institutions. This would not only improve the liquidity of the borrowing country, but would also promote further cooperation as envisaged in the Lagos Plan of Action and Final Act of Lagos. The possibility of establishing an African investment guarantee scheme or company should be studied for this purpose.

(v) African governments should adopt new measures aimed at increasing their trade through the existing sub-regional and regional payments and clearing arrangements and credit insurance in all intra-African trade transactions, thereby reducing the need for foreign exchange and hence external borrowing. This implies that the regional payments and clearing houses should find new ways of encouraging the use of these arrangements; and efforts aimed at facilitating the establishment of an African Monetary Fund should be pursued.

(vi) Joint ventures among African countries provide new opportunities for developing Africa's capabilities for diversifying Africa's export base. Therefore, we intend to encourage African parastatal organizations through appropriate incentives, to participate in sub-regional and regional joint ventures. To this end, African development finance institutions are urged to increase their financing of sub-regional and regional projects, especially those that directly contribute to the increase in exports. They should also play an increasing role in the identification and preparation of sound and economically viable investment projects in the Member States. In this regard, the ADB, as the Continental financial institution, should accord special attention to strengthening its role as a catalyst for mobilizing financial resources to Africa.

(vii) We commit ourselves to intensify intra-African co-operation and consultation through the exchange of information and harmonization of positions on debt negotiations and reschedulings. The Permanent Steering Committee should, therefore, expedite its in-depth study of all aspects of establishing an African Debtors Club which should serve as a forum for these matters.

(viii) We direct the Secretary General of the OAU, the Executive Secretary of ECA, the President of ADB, the Director General of ACMS, to increase their efforts in collecting, disseminating information on African indebtedness and in harmonizing an African position in this regard. These institutions should continue to assist the Permanent Steering Committee in monitoring the African debt situation. We urge all Member States to provide the Joint Secretariat of these institutions regularly with all available information on their external indebtedness.

B. Measures to be implemented by the developed countries and international financial institutions

22. We note, with appreciation, that a few developed creditor governments have taken or announced measures to cancel debts owed to them by some African countries. We strongly urge that these measures be extended to all African countries, particularly the Least Developed Countries and low-income countries, and be implemented as a matter of urgency without imposing undue conditions. Those developed creditor countries, which have not yet done so are strongly urged to emulate this example.

23. However, other initiatives announced, such as those relating to debt rescheduling and interest rate reduction, would not be adequate to address the African debt problem, both in its nature and magnitude. The developed creditor countries are called upon to demonstrate the needed political will to implement the relevant resolutions of the United Nations General Assembly and UNCTAD on debt relief and transfer of resources, and to provide effective support and positive responses to Africa's economic recovery effort, as agreed in the UN Programme of Action for African Economic Recovery and Development 1986–1990. They are also invited to bring about a more appropriate international economic environment by increasing the growth rate of the world economy and by promoting a more equitable international monetary and trading system.

24. In order to alleviate the heavy debt burden of African countries and enable them devote a bigger share of their export earnings to development efforts, the ratio of their debt servicing to their export earnings should not exceed a reasonable proportion of their foreign exchange earnings. To this end, we urge the creditor countries and international financial institutions to adopt the following measures as a matter of urgency.

(1) Official bilateral and officially guaranteed loans

(i) Creditor countries are urged to waive the repayment of past loans by converting them into grants.

(ii) We call upon the creditor countries to allow African countries to repay part of their bilateral debts in local currencies which should be used for financing development projects and programmes under agreed conditions.

(iii) The terms of officially guaranteed debts should be adjusted to the currently prevailing terms of the African Development Fund Credits.

(iv) Developed creditor countries are urged to take urgent measures to consolidate non-ODA officially guaranteed debt and debt service payment due from January 1987 into long-term loans at lower interest rates, in real terms.

(2) Multilateral loans

25. The share in debt-service obligations of multilateral institutions has grown rapidly in many countries over the past few years and is expected to continue to grow; this situation clearly calls for action with respect to debt alleviation. At the same time, we recognize that multilateral institutions provide the best potential for increasing future financial flows to African countries. It is, therefore, essential that the potential be mobilized for the effective solution of the debt problem of African countries and for the resumption of economic recovery and growth.

26. Multilateral development institutions, including the World Bank Group, that provide long-term funds should ensure increasing and positive net flows to African countries at conditions compatible with their economic situation. These resources should, as a matter of priority, be directed to projects, sectoral programmes and quick disbursing non-project lending for recovery and development. This mode of financing will generally ease the pressure on balance of payments and strengthen economic growth, thereby increasing the capacity of African countries to service their debt. The concessionary windows of these institutions should play a much greater role in Africa. In view of the rising debt service burden from this category of loans, we urge these institutions to explore, as a matter of urgency, all possible ways and means for alleviating the African debt burden, including the creation of Special Funds to refinance maturing loans of African countries on more concessional terms.

27. With regard to the IMF, we are gravely concerned that it has become a net recipient of resources from Africa precisely at a time when net financial inflows to Africa are most critically needed. The IMF should, therefore, as a matter of urgency, accelerate its efforts to reverse the negative flow of funds from Africa. It is in this spirit that we support the initiative of the Managing Director of the International Monetary Fund to triple

the resources of the Structural Adjustment Facility, even though this might not be adequate. The IMF should also seek innovative ways to increase net flows of its ordinary resources to Africa, at terms and conditions appropriate to African economies. As the cost of these funds also remain high, we call for the enlargement of the interest–subsidy facility and the softening of the conditions thereof, in order to lower the cost of IMF funds, especially to the low-income countries. In recognition of the severe hardships these low-income countries are going through, the IMF is strongly urged to grant those members with overdue obligations, the benefit of lengthened or extended repurchase period of Fund resources as provided for in Article V, Section 7(g) of the Articles of Agreement. In addition, the following measures should be taken:

(i) The IMF should urgently consider rescheduling the credits it has extended to developing countries in general and African countries in particular;
(ii) Establishment of an additional mechanism for concessional financing in order to compensate developing countries for increased debt service payments arising from the increase in interest rates, without increasing conditionality;
(iii) Conditionality applied by the multilateral institutions should be responsive to the growth and development needs of African countries.

(3) Commercial loans

28. We are seriously concerned that, in spite of the recognition of the serious situation of African countries, the commercial banks still impose stringent conditions on African countries during debt renegotiations. We, therefore, call for the following measures in respect of commercial loans:

(i) The governments of industrialized countries should adopt appropriate regulatory measures to encourage their commercial banks to apply more flexible conditions, including lower interest rates, longer maturity and grace periods on rescheduling, and provision for loan losses.
(ii) Commercial Banks should adjust to lower level of interest rates and longer periods of amortization that take account of funds available in African countries for debt repayments. Such funds should be assessed on the basis of overall resource requirements needed for countries to recover and resume normal growth.
(iii) Commercial debts should be converted into transferable securities, with maturities of at least 25 years and at lower interest rates.
(iv) Arrears on short-term loans should be converted into long-term loans as a way of debt relief.

(4) Reschedulings

29. Official bilateral and commercial bank debt reschedulings have become the most widely used method of debt relief for African countries.

During the period 1980 to 1986, not less than 22 African countries have negotiated debt rescheduling under the Paris and London Clubs. The large number of reschedulings within these few years, and their frequency, reveal a serious problem of debt servicing by many African countries. As was stated earlier, this indicates deep structural problems requiring more effective and comprehensive long-term solutions. Our experience, however, has shown that reschedulings do not in themselves provide real debt relief, but merely postpone debt service payments while at the same time increase the debt burden by applying market-related interest rates. The reschedulings also do not adequately deal with the issue of how the portion of the principal not rescheduled should be financed in future; nor do they always, provide for rescheduling of previously rescheduled loans. Moreover, reschedulings carry heavy costs in terms of fees and additional interests on rescheduled debts.

30. We strongly urge that the rescheduling method adopted should be based on the development and investment needs of each country, as well as on a realistic assessment of the country's repayment capacity, taking into consideration expected growth of export earnings, import requirements, and expected financial inflows as well as budgetary situation. We specifically urge that:

(i) in the event of the need to reschedule, multi-year rescheduling of a minimum of five years should be the norm, with maturities of at least 50 years, ten years grace and zero rate of interest;

(ii) mechanisms should be explored whereby debt service payments agreed after rescheduling could be applied to effectively address both the interest rate and the principal; for example, the creation of Sinking or Redemption Fund to amortize the principal;

(iii) the removal of the conditionality of implementation of stabilization programmes with IMF in order to obtain debt relief from creditors;

(iv) within the framework of debt rescheduling, the creditor countries should not require African debtor countries to adopt measures and economic doctrines that are incompatible with their economic and social systems;

(v) individual creditor countries which are members of the Paris Club should be allowed to negotiate and grant better rescheduling terms to African debtor countries than those obtainable within the framework of the Club;

(vi) previously rescheduled debts in general should be made eligible for further rescheduling to ease the debt servicing burden of the debtor countries;

(vii) action should be taken to expedite the bilateral negotiations which follow, and which give validity to agreements reached in the multilateral fora; action should also be taken for improving the internal procedures and systems.

(5) *Resources for development*

31. One of the most critical aspects of the solution to Africa's external debt crisis is to increase the flow of external resources to the continent, especially on concessional terms. We, therefore, urge the developed countries to recognize the high degree of interdependence between Africa and the industrialized countries in addressing the African external debt problem. In particular, action should be taken to reverse the decline in net capital inflows to a number of African countries, especially since 1982; the stagnation of official development assistance (ODA); the contraction in financial flows from commercial banks and foreign direct investment; and the net outflow of resources from Africa.

32. We, therefore, urge the international community to adopt the following measures as a matter of urgency:

(i) Developed countries should take action to substantially reduce international rates of interest on existing and future loans. There should also be an agreed formula for stabilizing exchange rates of the major currencies in which external debt is denominated; and where a debt burden increases as a result of the appreciation of the donor countries' currencies (exchange rate volatility) through no fault of the borrowers, that percentage of exchange rate appreciation should be treated as debt relief, so as to control the random growth of the borrowers' debt burden.

(ii) For African countries, ODA continues to play an important role in their development efforts. Therefore, the internationally agreed target of 0.7 per cent of the Gross National Product of industrialized nations should be implemented as a matter of priority preferably before 1990. To this end, there should be a substantial increase in quick-disbursing lending by the Development Assistance Committee (DAC) countries as well as the East European countries.

(iii) Creditor countries and multilateral development and financial institutions such as the World Bank and the IMF should adopt urgent measures to avoid their becoming net recipients of resources from Africa.

(iv) The World Bank should raise the eligibility ceiling to enable more African countries to qualify for IDA resources. We urge that at least 50 per cent of these resources should be set aside for assistance to Africa. Measures should be taken to complete the contribution under IDA–7 which are still outstanding. We are also concerned that the present US$ 12.4 billion level of IDA–8 resources is inadequate to meet the needs of African countries. We urge that the approval procedures and commitments should be speeded up, taking into account Africa's urgent needs for resources. Furthermore, we deplore the shortening of the repayment period for IDA loans from 50 years to 40 years for low income countries, and from 50 years to 35 years for other IDA eligible countries. We, therefore, appeal to the World Bank to restore the earlier terms of IDA loans, that is, 10 years grace and 50 years repayment period and a service charge of 0.75 per cent. We also call on the World Bank to review its practice of suspending disbursements to other Bank-funded projects, simply because of arrears on one project.

(v) In order to ease the liquidity shortage experienced by developing countries, a new and substantial SDR allocation totaling not less than 15 billion SDRs should be agreed upon. The unconditional nature of SDRs should be assured and their allocations linked to the development needs of developing countries.

(vi) The conditionality criteria of the international financial institutions should be substantially eased and any coordination between the IMF, the World Bank and other multilateral financial institutions should not lead to cross-conditionality.

(vii) The capital of the World Bank should be doubled in order to enable the bank to increase its lending to levels commensurate with the needs of developing countries.

(viii) There should be a predictable and higher replenishment of the resources of the International Fund for Agricultural development (IFAD) through increased contribution by developed countries.

(ix) The World Bank should re-establish the Special Facility for sub-Saharan Africa with additional resource commitments from donor countries.

(x) We urge the countries and international financial institutions to contribute to the replenishment of the African Development Fund at an adequate level and to contribute also to funds existing in other African institutions.

(6) Improving African primary commodity export earnings

33. The most critical aspect of Africa's external debt crisis continues to be the considerable reduction in Africa's export earnings as a result of the low prices of primary commodities which collapsed in 1980 and have continued since then to deteriorate steadily. African countries have lost huge amounts of revenue due to the deterioration of terms of trade, and this has increased the need for external borrowing. We, therefore, call upon the international community to adopt and implement urgently, measures agreed to in the Final Act of UNCTAD VII, including, in particular, the following measures:

(i) Concrete efforts should be exerted to stimulate the growth of the world economy in order to improve the demand for Africa 's exports and thus increase Africa's export earnings. Developed market economy countries should implement their commitments to halt and reverse protectionism and to eliminate the escalation of tariff and non-tariff barriers affecting exports of African countries.

(ii) Developed countries should negotiate with the major producing countries with a view to stabilizing the prices of the major export commodities at remunerative levels as well as the revision and strengthening of the existing commodity agreements and concluding new ones.
(iii) Financing agricultural diversification programmes and projects by increasing investments in agriculture, including the use of private capital.
(iv) Facilitating access of African products to world markets at sufficiently remunerative prices.
(v) Industrialized countries should support new programmes for agricultural processing, including food production, not only for the domestic markets, but also for export, and access to world markets for these products should be improved.
(vi) More advanced technology should be made available to African countries at reasonable costs to facilitate the local processing of Africa's commodities and to take the necessary measures to encourage industrial and commercial partnership between African enterprises and those of the North.
(vii) The Compensatory Financing Facility (CFF) of the International Monetary Fund (IMF) constitutes an additional source of income to compensate for short-falls in commodity earnings. We welcome the general review of the CFF to make it responsive to existing conditions in the world economic and trading environment, and we urge that such a review should take into account the serious short-falls in Africa's export earnings at a time when more resources are needed to finance the recovery programme. We, therefore, urge the IMF to increase substantially the resources available under this facility. At the same time, there should be a relaxation in the conditionality, so as to enable African countries to have timely access to these resources. We also urge the IMF to revoke the 'cross-conditionality' requirement by which access to CFF is sometimes lined with the approval of Stand-by Agreements and further appeal for the lengthening of the repayment period and the introduction of concessionality in the CFF especially for the poor African countries.
(viii) The developed countries should take urgent action to allow an increased volume of Africa's exports into their markets especially agricultural processed and semi-processed goods.
(ix) Developed countries should take urgent measures to eliminate subsidies they give to agriculture which impede exports from African countries.
(x) In order to alleviate the commodity export problem facing African countries, consultations should be instituted between African governments and the industrialized countries on policy issues relating to the disposal of national strategic stockpiles, production of other sub-

stitutes, with a view to safeguarding the African exports which are now threatened by these developments. This should be done in the context of a policy framework which could encourage competitiveness of African exports.

(xi) We welcome the possibility of the implementation of the Agreement on the Common Fund for Commodities following the signing of the agreement by some of the major industrialized countries, and other countries, thereby enabling all conditions required for its coming into operation to be fulfilled. We call upon the Secretary-General of UNCTAD to speed up the measures to bring the Common Fund into operation. At the same time, we urge that the coverage of the Common Fund be extended to include all African primary commodities.

(xii) We urge the developed countries to establish a global scheme, parallel to the STABEX, that will ensure the stabilization of earnings of all primary commodities.

(7) Measures to support efforts of the least developed and other disadvantaged countries in Africa

34. The debt problems of the least developed, landlocked, Sahelian, Island and the Frontline countries in Africa are indeed very serious and require special treatment in dealing with their external debt problems. We note that the Venice Summit gave recognition to the poorest countries, particularly those in Sub-Saharan Africa, which are exceptionally difficult and deserve special treatment. In the LDCs in particular, the debt-service ratios are very high and a substantial portion of their export earnings goes to service their external debts. In addition, per capita incomes continue to be very low and, in some cases, declining; domestic savings are almost nonexistent; the ability to attract external resources from commercial sources is highly limited; and investment opportunities are limited, both in the public and private sectors. In order to alleviate the problems of external debt of these countries, we call on the international community to implement, urgently, the measures contained in paragraphs 134–140 of the Final Act of UNCTAD VII.

(i) While we greatly appreciate the cancellation of ODA debts and the adoption of other equivalent measures by some developed countries under the terms of UNCTAD's Trade and Development Board Resolution 165 (S-IX) of 1 March 1978, we feel that more needs to be done for the poorer and the LDCs in Sub-Saharan Africa. Therefore, we earnestly urge other donor countries from both the OECD and the socialist countries of Eastern Europe which have not yet done so, to implement their commitments undertaken under this resolution to cancel the debts of all African Least Developed Countries, as defined by the United Nations without any discrimination in implementing the above resolution.

(ii) Bearing in mind the structural adjustment and economic reforms being undertaken by these African countries, creditors should accord longer maturity and grace periods to their loans by granting credits on very concessional terms similar to ADF. All Assistance to the LDCs should be in the form of grants.
(iii) Suitable schemes, such as interest subsidies and refinancing on very concessional terms, should be considered as part of the debt relief package.
(iv) Immediate implementation by the international community of the recommendations adopted during the evaluation of the Substantial New Programme of Action for the Least Developed Countries.
(v) Donor countries should increase the transfer of financial resources to the LDCs on concessional terms in order to reach the target of 0.15 per cent of the Gross National Product as agreed in UNCTAD VI. This would enable the recipient countries to stimulate economic growth and solve their debt problems. Special investment programmes should be envisaged with non-debt-creating capital flows in order not to exacerbate an already difficult debt servicing situation.
(vi) Special effort should be made on behalf of these countries with a view to cancelling all debts relating to endangered projects on account of external constraints and natural disasters.
(vii) Donors should endeavour to finance project studies, designs and technical assistance in the form of grants as well as the total cost of social projects.
(viii) Donor agencies should delete the cross-default clause used when a borrower country fails to meet date-limits of payment under a given project.

Conclusion

35. In putting forward the above-mentioned measures, we are convinced that the international community, especially the developed creditor countries and their commercial banks as well as the multilateral institutions, will give them urgent and careful consideration, in recognition of the seriousness of Africa's external debt crisis. We stress that the solution to this crisis must be situated within the general context of Africa's accelerated socio-economic development, as the Priority Programme will come to an end in three years. We urge developed creditor countries and international financial institutions to envisage suspending Africa's External Debt Service obligations for a period of 10 years, starting from 1988, the date scheduled for the holding of the International Conference on Africa's External Debt.

36. The measures we have proposed in this Common Position are, indeed, the minimum that we feel are necessary to enable our countries recover and resume normal growth. We note, with appreciation, the mutuality of interests with our creditors, in terms of the objectives of African

economic recovery for the resumption of normal growth and accelerated developments, and in particular, the individual initiatives they have taken in this direction. It is important, therefore, that we, together with our creditors, intensify our efforts in this direction, in a spirit of North–South co-operation for development, within an appropriate forum that will be fully representative of the interests of all African debtor countries, the developed creditor countries, the private commercial banks and the multilateral institutions. Such a forum will facilitate frank and constructive dialogue that will take into account the various proposals, initiatives and actions on the part of Africa's creditors as well as the measures that are contained in the African Common Position. Furthermore, we believe that the elements of a new external debt strategy as defined in the Final Action of UNCTAD VII should be speedily implemented so as to find a just, lasting and mutually acceptable solution to the external debt crisis of developing countries.

37. It is in this spirit of constructive dialogue, and with the objective of finding an effective solution to the external debt crisis of African countries, that we renew our call for convening, in 1988, an International Conference on Africa's External Indebtedness.

Appendix 9: The African Debt Crisis: Strategies Towards Sustainable African Debt Relief Addis Ababa, 31 January 1997 (Extract)

Executive Summary

Triggered by Latin American countries, led by Mexico, the global debt crisis of the early 1980s posed a systemic threat to the global banking system. This was because the inability of such countries to honour their debts generated a liquidity crisis which threatened the collapse of the banking system. On the other hand, the debt of African countries, which constituted 17 per cent of all developing countries' debt, seemed relatively small to warrant threat to the banking system. African debt has been seen as more of a structural problem than one of liquidity.

The African debt crisis has been heightened by her marginalization following the collapse of the Soviet Union. The emergence of the new Eastern European states which have considerable need for financial flows and economic support has relegated the African debt problem to the background. Donor fatigue seems to be creeping in and there has been the doubt that forgiveness of African debt will create a 'moral hazard' which will reward the bad conduct of countries which have failed to reform their economies.

It is within this scenario that the African debt problem, which has grown, seeks solutions for its amelioration, within the constraints of several factors which are internal and external to Africa. African countries have continued to abide by Structural Adjustment Programmes, yet the debt problem has continued to worsen. The African debt has grown from US$ 111 billion in 1980 to US$ 306 billion in 1995. The debt to export ratio for all developing countries in 1995 was 170 per cent, for Africa it was 239 per cent. While the debt service ratio for all developing countries was 16 per cent in 1995, that for Africa was 27.3 per cent.

Since 1980, the OAU has been raising issues concerning the streamlining of aid and the cancellation of the debts of African countries. The OAU has since 1985 suggested an International Conference on Africa's External Indebtedness as a matter of urgency. To date, aside from the Cairo International Seminar of 1989, no forum has been held by creditors and debtors on the continent's debt crisis.

The third Extraordinary Session of the Assembly of Heads of State and Government of the OAU adopted the African Common Position on Africa's

External Indebtedness in 1987. The objective of the Common Position was to find a long-lasting solution to Africa's debt crisis. In connection with this, an OAU Contact Group on the African Debt Crisis of 12 member states was formed to sensitize creditor countries, institutions and non-creditor groups for support on the International Conference on Africa's External Indebtedness. The Contact Group worked at several levels: heads of state, ministerial and experts levels.

It is fairly evident that the Contact Group has worked fervently and assiduously at all levels to address the African debt problem. Sensitization efforts have been fairly positive; however, the work of the Contact Group has seemed to wane. It has faced difficulties as indicated by the OAU Secretary-General's Report to the 64th Ordinary Session in Yaoundé in July 1996. Prior to this, the envisaged Kampala International Seminar of 1990 could not take place for reasons beyond the control of the OAU. The last OAU Summit in 1996, however, recommended the expansion of the Contact Group membership to 24, and the strengthening of its activities.

The African Common Position of 1987 has been the continent's clearest and most explicit policy framework on the African debt problem. It was received enthusiastically by African countries but generated heated debate in other fora. Much of the misapprehension exercised in its reception may have originated from the aversion for a 'debtor's cartel'. However, it can be said that the African Common Position has been an important catalyst for new creditor initiatives today. The major shortcoming of the Position is its 'accusatory tone' and exceptional demands from the viewpoint of creditors. The call for an International Conference on the African debt has not been openly welcomed by creditors.

Creditors have, however, come forward recently with new initiatives on debt relief on a global basis. Initiatives on Official External Debt relief have been pioneered by the Paris Club, offering up to 80 per cent debt relief in recent instances. It has been realized now that such debt relief is quite marginal. Uganda, for example, after going through the Paris Club mechanism of 67 per cent debt stock reduction, earned only a 17.3 per cent reduction in its Paris Club debt but was left with an outstanding debt comprising 77 per cent multilateral debt. The most recent initiative in this class is the Highly Indebted Poor Countries (HIPC) Initiative advocated by the Bretton Woods Institutions. It draws its strength from Paris Club stock of debt reduction of a hopeful 90 per cent, but is adamant about its own multilateral debt forgiveness.

Other initiatives in the area of commercial debt are the 'Brady type' which involve debt-swaps such as debt for development, cash and nature swaps. African countries have partaken in a number of such swaps. The cash swaps have often imposed liquidity strain on fragile economies and have often been a windfall for creditors.

It is now becoming clearer to Africa to avail itself of strategies to reduce the debt burden. First, Africa needs to harness the new initiatives advocated by creditors, and secondly Africa must look inwardly for self-reliant strategies which will provide a sustainable solution. This report looks at some of these strategies, such as international lobbying, the attraction of private capital flows, strengthening internal macroeconomic and debt management, and regional and sub-regional initiatives.

An important conclusion of the report is the recommendation of the setting up of an OAU/African Economic Community Debt Management and Coordination Unit (OAU/AEC-DMCU) within the OAU Secretariat. The vacuum of its need was realized during an OAU Mission on the African External Debt (November 1996 to January 1997). Much of the problems of the Contact Group stems from its inability to coordinate activity between its various levels and the time constraint it faces. It is inevitable that without a central coordination unit and with a membership which is constrained by busy non-debt related issues, the OAU may be faced with repeated enthusiasm at the subject matter and repeated slumps and failure to operationalize its agenda.

Appendix 10: Report of the Meeting of Ambassadors and Experts of Members States of the OAU Contact Group on the African Debt Crisis, Addis Ababa, 16 June 1999 (Extract)

Recommendations

With increased debate and openness on the HIPC Initiative by the Bretton Wood institutions, recommendations on strategies for debt relief from the perspective of the Bank and the Fund, G7 countries, other creditors, multilateral development banks and civil society have increasingly been linked to the HIPC Initiative. This is more so because much of the debt owed by very poor developing countries are owed to the Bank and Fund. It is recommended that:

1. Countries should make full use of traditional debt-relief mechanisms to be eligible for debt relief under the HIPC Initiative. Six African countries, namely, Ghana, Kenya, Liberia, Malawi, Somalia and Sudan have never received a concessional rescheduling from the Paris Club and should make use of the opportunity in the face of global advocacy to lower debt sustainability indicators for the inclusion of a greater number of debtor countries in the Initiative.
2. Three African countries, Liberia, Somalia and Sudan possess very poor debt databases and will have to take steps to improve their databases to be included in debt relief schemes.
3. Eight African countries, Angola, Burundi, Democratic Republic of the Congo, Equatorial Guinea, Liberia, São Tomé and Principe, and Sudan are yet to meet their entry requirements for the HIPC Initiative. The countries will need to have Fund and Bank supported programmes in place by year 2000 to qualify for the HIPC Initiative.
4. Formal debt sustainability analysis (DSAs) by the Bank and Fund are unavailable or currently out-of-date for Burundi, Democratic Republic of the Congo, Liberia and Somalia. Available data is unreliable and renders DSAs uncertain. These countries will require assistance to improve their debt database.
5. Following the return of Nigeria to democracy, the lifting of sanctions and the impending return to Fund and Bank programmes, Nigeria would need to review its eligibility for the HIPC Initiative.

6. African countries are encouraged to make use of traditional debt relief mechanisms, especially the Paris Club, to qualify for the HIPC Initiative in the face of proposals of changes to the Initiative.
7. Following the Initiatives tabled by the G-7 countries, it is proposed that African countries which have special bilateral relations with them explore the possibilities of bilateral debt relief to lower their debt burdens, and also make a case for countries emerging from crises.
8. African countries should support their multilateral development banks such as the BCEAO and the AFDB in advocacy of debt relief especially from the human development and poverty reduction dimensions.
9. African countries should continue to support civil society in the quest for outright cancellation of debt by the next millennium.
10. African countries should continue to press for wider actions to support debt relief, such as large ODA flows and trade liberalization, which will allow them access to industrial countries' markets.
11. African countries should continue to lobby the major creditor countries on greater and better reforms on debt relief frameworks if not outright cancellation of debt by the next millennium.
12. African countries should continue to advocate for an international conference on the African External Debt Crisis to find a lasting solution. The current global environment favours such a dialogue.

Appendix 11: Meeting on Africa's External Debt Crisis. Brief on the Implementation of the Sirte Declaration on Africa's External Debt Crisis, Addis Ababa, 13 January 2000

A. Background

1. At the Extraordinary OAU/AEC Summit in Sirte, Libya on 9 September 1999, the Assembly of OAU/AEC Heads of State and Government mandated the Current OAU/AEC Chairman, President Abdelaziz Bouteflika of Algeria and President Thabo Mbeki of South Africa, to engage Africa's creditors on the issue of Africa's external indebtedness, with a view to securing total cancellation of Africa's external debt, as a matter of urgency and to coordinate their efforts with the OAU/AEC Contact Group on Africa's External Debt. They also requested the Secretary-General of the OAU/AEC, as a matter of priority, 'to take all appropriate measures to follow up the implementation of these decisions'.

2. In compliance with the above decisions and directive, the OAU/AEC Secretariat convened a meeting of the experts of the Joint OAU/UNECA/ADB Secretariat in Addis Ababa over 29 November–1 December 1999 to deliberate and prepare a paper on the issues and matters relating to the mandates of the Contact Group and the Heads of State and Government. This paper, by the Group of Experts, will therefore highlight the nature of the problem, its impact and advocacy for debt cancellation as well as strategies to be adopted.

B. The nature of Africa's external debt problem

3. Of all the developing regions of the world, the African Region has been the most adversely affected by the problem of external debt. The growth and development of African countries, with the exception of a few, has been constrained by this problem. In spite of various efforts to address the crisis at the national, regional and international levels, the crisis has been deepening. Africa's external debt, which stood at 111 billion US dollars in 1980, increased to 350 billion US Dollars in 1998; this reflects a very high rate of growth of about 12 per cent per annum over that period. In addition, Africa's debt as a percentage of GNP almost doubled from 38 per cent

in 1980 to 66 per cent in 1998. The associated debt to export ratio more than doubled from 126 per cent to 303 per cent over the same period. The debt service to export ratio also nearly doubled from 16 per cent to 31 per cent in the same period.

4. The deterioration in the debt/export ratio is a reflection of, *inter alia*, the poor performance of African exports on the world markets. The terms of trade for primary products have been declining over the longer term. In addition, limited capacity to attract non-debt creating capital inflows such as foreign direct investment (FDI), lapses in domestic policy reforms and debt management, and the decline in official development assistance (ODA), have contributed to the accentuation of the debt problem. In recent years, a significant contributive phenomenon in the deterioration of the African debt crisis has been the capitalization of arrears. There is evidence that, in nominal terms, Africa has more than repaid the debt owed to its creditors.

C. The composition of Africa's external debt

5. In earlier years, the bulk of Africa's external debt was owed to official bilateral lenders. Over the years the debt structure has changed. In 1980, the composition of Africa's external debt was 14 per cent multilateral, 33 per cent bilateral and 53 per cent private. In 1987 this had changed to 20 per cent multilateral, 41 per cent bilateral and 39 per cent private. Since then this structure has remained virtually the same over the years. However, in 1997 there was a marked change in the composition of Africa's total debt stock, which now stood at 28 per cent multilateral, 48 per cent bilateral and 24 per cent private. This trend indicates that, historically, the multilateral and bilateral composition of Africa's debt has been increasing at the expense of private debt. It further illustrates and confirms that Africa has become increasingly less creditworthy and has less access to private capital markets and investment flows.

D. Impact

6. The debt crisis has had a devastating effect on the growth and development of African economies. A significant amount of available resources devoted to debt servicing has been at the cost of investment in infrastructure and social services, which are critical for sustainable development. This diversion of resources for debt servicing has also led to the retrenchment of critical imports to satisfy basic consumer needs.

7. The consequences of the above have been the deepening of poverty, rising unemployment, social conflict and political instability. For most African countries the Human Development Index (HDI) has deteriorated while an increasing number of African countries have been reclassified as

'Least Developed Countries', and a number of others are not far from that category. In addition, the high indebtedness of African countries erodes investors' confidence and leads to a very limited flow of FDI to African countries.

E. Advocacy

8. Unless the African debt crisis is resolved, and soon, all attempts to eradicate poverty and achieve sustainable development will remain inconclusive.

9. Over the last two decades, in an attempt to eradicate poverty and to achieve sustainable development, most African countries have embarked on the painful implementation of the structural adjustment programme (SAP). African countries also have increasingly shown their commitment to good governance, a critical element in creating a conducive environment for attracting FDI and encouraging private sector participation in developing the domestic economy.

10. The commitment of the international community to reduce extreme poverty, by at least half by the year 2015, will require, *inter alia*, providing adequate levels of ODA, promoting an increase in the inflow of foreign investment to Africa, improving market access of African products and, most importantly, seeking lasting solutions to Africa's external debt burden. The lasting solution must be the cancellation of Africa's external debt. This will require significant improvements and deepening of the existing debt initiatives as well as the search for more creative solutions.

11. The eradication of poverty and promotion of sustainable development call for additionality of resources. Debt cancellation must not be at the expense of official development assistance. According to United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF), for the continent to attain an average growth rate of 6 per cent per annum of GNP, it will require, (i) the provision of a minimum of 30 billion US Dollars after which the real net ODA receipt will need to grow at an average rate of 4 per cent per annum and (ii) the allocation of 0.7 per cent of GNP to ODA by DAC countries. The attainment of these targets requires greater efforts by development partners in view of the need to support African economic recovery especially in the prevailing circumstances of high debt service, non-cancellation of debt by creditors, the precarious situation of African economies, and very low resource flow to the continent.

12. The idea that debt cancellation will create a moral hazard as argued by some creditors is not strictly valid because African countries have shown their commitment to pursue credible domestic policies designed to prevent the re- emergence of another serious debt crisis. The growing political will on the part of creditor countries, as evidenced in their support of the enhanced-HIPC Initiative tabled at the 1999 IMF/World Bank Annual

Meetings, should be firmed up and concluded through the cancellation of the African debt to support the efforts of the continent. For example, much of African official debt is valued at 10 per cent of its book value or less. These debts would have been written off banks' books if they were commercial debt. There is also an urgent need to address Africa's debt owed to multilateral institutions in view of the fast growth of that category of debt.

F. Recommendations

13. Economic Reform, Poverty Eradication and Debt Cancellation: Debt cancellation is a fundamental condition for growth and the eradication of poverty in Africa. At the same time, for sustainable development, African countries have to continue with the implementation of economic policy reforms, the institution of good governance and the creation of an enabling environment for the mobilization and efficient utilization of resources, and for the effective participation of the private sector in the development process. It is important that African countries continue to prepare their programmes of poverty eradication (in conjunction with their economic reform programmes) in a transparent, democratic and participatory manner, involving the relevant stakeholders and in partnership with African regional institutions, and the Bretton Woods Institutions.

14. To ensure that debt cancellation has the desired positive effect, African countries are committed to ring-fencing of debt relief savings for the rehabilitation of infrastructure and the improvement of social sectors.

15. It is proposed that the Contact Group should recommend the following actions for consideration by the two designated Heads of State and Government:

(i) Letter to the Chairman of the *G7/G8:* A letter signed by the two mandated Heads of State and Government, between December 1999 and January 2000, should be addressed to the Chairman of the *G7/G8* raising the issue of Africa addressing the June 2000 *G7/G8* Meeting in Okinawa, Kyushu, Japan.

(ii) Letters to the *G7/G8:* Letters are to be addressed jointly by the two leaders, between December 1999 and January 2000, to the individual Heads of State and Government of the *G7/G8* countries in which they would, *inter alia*, raise the issue of support for the cancellation of the African debt at the June 2000 *G7/G8* meeting. It is to be recalled that the Cologne Initiative of June 1999 for substantial debt relief to eligible highly indebted poor countries was at the instance of Heads of State and Government of the *G7/G8* countries. They provided the political momentum that resulted in the enhanced commitment to debt relief by bilateral, multilateral and commercial creditors.

(iii) **Content of Letters**: Elements to be included in the *letters* are the following:

a) A review of the African debt problem and its impact on growth and poverty and the attainment of the OECD/DAC 2015 targets;
b) The current international financial situation; its impact on commodity markets and prices; market access; supply-side constraints, and the availability of resources;
c) The expression of appreciation for the efforts of the creditor countries, in particular the various initiatives, especially as culminating in the HIPC Initiative;
d) The need to consider the Initiative's shortcomings, which include:

   1) the country coverage is restrictive;
   2) the work out period for the Initiative is quite long;
   3) the inadequacy and limitations of the Initiative in reducing the debt burden;
   4) the inadequacy of resources for funding the Initiative.

e) These problems call for the total cancellation of the African debt. In this regard, an African Specific Fund is being proposed and the *G8* countries are being called to consider this within the African debt cancellation initiative. Other new mechanisms are welcomed.
f) The commitment of Africa through ongoing efforts to reform its economies and improve governance.

4. **OAU mission of foreign/finance ministers:** An OAU Mission of Foreign/Finance Ministers from Algeria and South Africa should discuss the African debt problem with their counterparts in the *G8* (USA, UK, Canada, France, Italy, Germany, Japan and Russia) between *March and April 2000*. Consideration should be given to the inclusion of Ministers from other Member States, selected on certain agreed criteria such as experience with the HIPC Initiative, continuity, and the level of indebtedness.
5. **Contact with NGOs and Bretton Woods institutions:** The OAU Ministerial delegation should engage other stakeholders such as the NGOs and the Bretton Woods institutions.
6. **Other creditor countries:** Following the engagement of the *G8*, action should be initiated to engage non-*G8* creditors. With regards to creditors from developing countries, action should be situated in the context of South-South Cooperation. The Joint ECA/OAU/ADB Secretariats should carry out a study on the level of debt owed to non-*G8* creditor countries.
7. **Advocacy at international fora:** The African debt issue should continue to be raised at subsequent *G8* meetings and other fora such as the UN General Assembly, the Bretton Woods institutions' meetings, and the Millennium Fora, to ensure that Africa's message is consistent and well disseminated.

8. **Commercial debt**: The principle of burden-sharing should apply and action in this regard should be a natural follow-up to any understanding reached with the *G8* countries on the issue.

9. **Multilateral debt**: With regard to the debt owed to multilateral institutions, a special mechanism such as an African Specific Fund should be established to provide debt relief, including debt cancellation.

10. **African panel of experts on debt:** To provide the necessary technical support to the Contact Group on Africa's External Debt, a panel of experts should be set up as soon as possible. Such a panel should co-opt experts from Member States as the need arises. The panel should provide technical support to the OAU Mission and be available to undertake technical studies and analyses in support of the continent's efforts.

11. **International Conference on Africa's Debt Crisis**: In the event that the current efforts to engage creditors for total debt cancellation do not succeed, the decision to hold an international conference on Africa's External Debt Crisis in 2000 should be vigorously pursued.

Appendix 12: OAU Assessment of the Implementation of the United Nations New Agenda for the Development of Africa (UN–NADAF)

A. Introduction

1. The Forty-sixth Session of the United Nations General Assembly unanimously adopted the New Agenda for the Development of Africa in the 1990s (UN-NADAF, General Assembly resolution 46/151), following an in-depth terminal review of the United Nations Programme of Action for African Economic Recovery and Development [(UN-PAAERD), 1986–1990 (Resolution *S-13/2,* Annex). The UN-NADAF represents a unique agreement between African States and the international community, with both sides committing themselves to specific and far-reaching efforts to accelerate Africa's development process. In this programme, the international community has accepted the principle of shared responsibility and full partnership with Africa, and has expressed its commitment to give full and tangible support to the African effort. The UN-NADAF recognizes that Africa's development is primarily the responsibility of Africans, and that the international community can lend support to the African endeavours. Although the goals and commitments stated in the UN-NADAF, were defined in a general form, they constituted policy guidance and points of reference for further action.

2. The circumstances which led to the adoption of UN-PAAERD and UN-NADAF are as valid in 1996 as they were in 1986 and 1991. Assessments made by African countries themselves or by other organizations and independent observers point to the fact that Africa's social and economic conditions actually deteriorated over the past decade. Poverty and unemployment have increased and these have been accentuated by increasingly restricted access of the majority of Africans to basic social services, such as education and health. To reverse this negative trend and promote development, there is need for solidarity among Member States of the United Nations to act in concert to address and find lasting solutions to the socio-economic problems facing Africa. The UN-NADAF provides an important framework for cooperation between Africa and the international community to address these problems. The international community and the countries of Africa should therefore renew their determination and commitment

to the implementation of the UN-NADAF so as to achieve its social and economic development goals set for Africa in the 1990s and beyond.

3. The New Agenda, which is founded on the principles of shared responsibility and global partnership between Africa and the international community, is specific and focuses on goals and targets to be achieved during the period 1991–2000, as follows :

(a) African countries should attain an average real growth rate of at least 6 per cent per annum of gross national product (GNP) throughout the period of the UN-NADAF;

(b) There should be accelerated transformation, integration, diversification and growth of the African economies;

(c) Special attention should be paid to human development and increased productive employment, and to the promotion of rapid progress towards the achievement of human-oriented goals by the year 2000 in the areas of life expectancy; integration of women in development; child and maternal mortality; nutrition and health; water and sanitation; basic education; and shelter.

(d) The New Agenda calls for the achievement of peace in Africa as a prerequisite for Africa's development. The international community as a whole is called upon to cooperate with and support the efforts of African countries for a rapid restoration of peace, normalization of life for uprooted populations and national socio-economic reconstruction.

4. In order to achieve these objectives, the international community entered into a new accord with Africa, which spelled out clearly the firm commitment of the international community to support and assist Africa in its efforts to implement successfully its development agenda and to reduce, if not eliminate, external impediments and obstacles to Africa's accelerated socio-economic transformation. The UN-NADAF reflects a mutuality of commitments and accountability. It is composed of two parts: what Africa commits itself to do, and what the international community commits itself to do.

5. A critical element of the support from the international community is the provision of adequate resource flows to Africa to achieve a set of quantitative targets agreed upon as follows:

(a) To attain the stipulated 6 per cent growth rate in GNP, the UN Secretariat estimated that the international community would be required to provide a minimum of US$ 30 billion in net ODA, in 1992, after which the real net ODA would need to grow at an average rate of 4 per cent per annum; and

(b) The international community also reaffirmed its commitment to attain the United Nations targets of devoting 0.7 per cent of GNP to ODA.

6. The UN-NADAF calls for a Mid-Term review of its implementation. As stated in the Agenda – Paragraph 46 – the OAU is expected to make an assessment and recommendations on the implementation of the New

Agenda to be submitted to the General Assembly and the Economic and Social Council. This document constitutes the OAU's submission as required.

7. Since UN-NADAF is only in its fourth year, it would be difficult to state in precise terms the degree to which the various set objectives have been met. Nonetheless, an analysis of the commitments entered into, against what was actually done to implement the Agenda over the period 1992–5, may provide insights into the level of involvement by African countries and the international community in the quest for economic recovery and sustainable development. Accordingly, the first section of this document deals with commitments entered into, and the initiatives taken, on the part of African countries to reform their political and economic situations. The second section focuses on an assessment of the implementation of the UN-NADAF by the international community. The third section is devoted to conclusions and recommendations.

B. International agenda

I Africa's responsibility and commitment

1.1 Achievement of sustained and sustainable growth and development

8. In UN-NADAF, African countries committed themselves to the implementation of policies for the transformation of the structure of their economies in order to achieve growth and development on a sustained and sustainable basis. To this end, they committed themselves to persevere with necessary reforms and pursue improvement of domestic economic management, including effective mobilization and utilization of domestic resources.

9. Many African countries have endeavoured to live up to their commitment. During the last decade or so, African countries have carried out economic reforms, sometimes at great political risks and social hardships. Since the adoption of the UN-NADAF, African countries have intensified their efforts to institute market-friendly macroeconomic policies and reforms. They have continued to undertake major domestic reform measures aimed at achieving greater coherence and prudence in fiscal, monetary and trade policy. They have undertaken budgetary reforms and have introduced restrictions on credit and monetary expansion. They have also contained the growth of public expenditure and have applied austerity measures and civil service reforms aimed at the rationalization of the structure of the public sector.

10. The fiscal policy reform in African countries has been concerned with trying to solve the persistent problem of huge budget deficits, in order to contain inflation and inflationary expectations in the economy. African governments recognize that greater fiscal discipline is essential for controlling inflation, which has been a major factor in the stagnation of many

African economies and falling standards of living. However, the curtailment of public expenditure has never been easy. The difficulty emanates from various political and social pressures on governments to provide some minimum levels of social welfare to the population and to maintain military spending in an increasingly turbulent and insecure socio-political environment. Some governments have introduced measures designed to improve the productivity of public expenditure and investment through prioritization, streamlining and rationalizing the government budget.

11. Positive rates of growth in government revenue have been experienced in some African countries, but the performance generally fell short of budgetary estimates and targets, owing to the continued poor GDP growth rates in many economies and the erosion of the taxable base for excise duties, indirect taxes and direct income taxes. Tax reform has been a key component of the economic stabilization and revenue generation programmes of many governments, involving rationalization of tariff structure, fiscal decentralization, the introduction of value added tax (VAT) and presumptive taxation in order to broaden the tax base. Some of the other revenue policy measures undertaken in African countries included the introduction of government debt instruments, including bonds and treasury bills, for sale to the public.

12. The economic reform programmes in Africa are based on incentives for savings, on measures to stimulate investment, and on the empowerment of the private sector. To promote savings, the financial sector reforms in many African countries have included the strengthening of the regulatory framework and prudent guidelines for banking and non-banking financial institutions intended to safeguard public confidence and streamline operational viability and effectiveness of the financial sector. To promote investment, African governments have made efforts to create enabling environment and conditions conducive to both domestic and foreign investment. To empower the private sector, almost all African governments have embarked on privatization programmes and have enacted laws to create an atmosphere favourable for the private sector expansion and operation.

13. Privatization of public enterprises continued apace in many countries, with many of them scaling down the number of inefficient enterprises. This has resulted in the increase of the share of private sector enterprises in the development process. However, privatization programmes fell far short of plans and expectations in many cases. African governments have preferred deregulation of trade and businesses as policy packages for boosting investment under the government privatization programme.

14. Many African governments have continued to undertake institutional reform in order to improve management standards and raise the level of productivity. Many of them have continued price decontrol; removal of import licensing; removal of exchange controls; liberalization of pricing and movement of certain commodities; and liberalization of the petroleum market.

15. The deregulation and liberalization of the mining sector that began in some African countries in the late 1980s have continued, with some governments introducing new land and mineral legislation as well as fiscal reforms aimed at enhancing the role of the private sector. However, despite the reform in the mining sector in many African countries, mineral production has remained export-oriented, with little or no forward linkages.

16. These economic reform measures were intended to deepen the process required to create conditions necessary to achieve the desired rapid and sustainable economic growth. They have been far-reaching and have produced positive results in terms of GDP growth. However, the situation is still very fragile and faces problems of sustainability. Although the objective of the new agenda was not realized, the African economy experienced in the last four years steadily increasing annual growth rates. The gross domestic product (GDP) of Africa, at constant 1990 prices, grew by 2.3 per cent in 1995, compared to 2.1 per cent for 1994 and 0.7 per cent in 1993. Consequently, this turnaround has influenced positively the per capita growth rates in the countries south of the Sahara as a whole in 1995, excepting only three countries which experienced negative growth rates. Furthermore, 19 countries in Africa have been enjoying real GDP growth in excess of their population growth rates through 1995. More than a third of these countries recorded growth rates of 6 per cent and above in the same year. This development is a vindication of the economic reforms and sound policies which African countries have been struggling to implement at considerable political and social costs in the last decade or so. It is a further confirmation of the recovery that has taken place in Africa in recent years and a sign that overall growth trends in Africa are beginning to gather momentum towards the recovery evident in the global economy. It is also a source of optimism on the prospects for economic growth and development in Africa during the coming decade.

17. Despite this improvement, African countries are not yet out of the rut. Africa's share in world trade has deteriorated steadily from 5 per cent to 2.3 per cent during the period 1990–5. The debt burden continued to play a significant role in Africa's development constraints. Debt grew by an average rate of 1.5 per cent between 1992–5. Regarding resource flows, net ODA declined from US$ 25 billion in 1992 to US$ 21.5 billion in 1995 contrary to what was anticipated in 1992. In addition, the food situation still represents a serious problem in the continent. The value added of agriculture dropped from 4.2 in 1994 to 1.5 in 1995. Structural transformation of African economies is yet to take root. Many of the factors responsible for the weak economic performance in Africa over the years are still at work, and so are the development problems and challenges facing the continent. But the prospects of the continent emerging from them are now better than ever before. The current indications are that the capacity of African societies and economies for real and sustained growth are being increasingly realized. In the Cairo Agenda for Action, African countries have

reaffirmed their determination to keep up their efforts in implementing the reform programmes.

1.2 Promotion of regional and sub-regional economic cooperation and integration

18. African countries recognize that regional and sub-regional cooperation and integration will bring about effective transformation of their economies. They have reiterated their commitment and determination to pursue with vigor the policy of achieving effective regional and sub-regional economic cooperation and integration as their collective strategy for sustainable and self-reliant development. To this end, on 3 June 1991, in Abuja, Nigeria, they signed the Treaty establishing the African Economic Community (AEC). The Abuja Treaty entered into force in May 1994, following its ratification by two-thirds majority of the Organization of African Unity (OAU) Member States. The Treaty stipulates that the Community shall be established mainly through the coordination, harmonization and progressive integration of the activities of the Regional Economic Communities (RECs). The Treaty also stipulates that the Community shall be established gradually in six stages of variable duration over a transition period not exceeding thirty-four years. The activities to be undertaken during the first stage are to focus on strengthening of existing Regional Economic Communities, and establishing new ones in regions where they do not exist. In viewing these provisions in the Abuja Treaty, the OAU, in cooperation with the ECA and the African Development Bank, has given priority attention to building close working relations between the AEC and RECs. A draft protocol on this crucial subject has been finalized, so that it will provide a framework for all the parties concerned to coordinate their efforts in the implementation of the Treaty.

19. To galvanize the efforts of the various regional economic groupings as well as of different segments of society to ensure popular participation in the integration process, African governments convened the Seventeenth Extra-Ordinary Session of the OAU Council of Ministers in March 1995 in Cairo, Egypt, to relaunch and strengthen Africa's economic and social development efforts. The Council adopted the Cairo Agenda for Action which was endorsed by the Assembly of OAU Heads of State and Government in June 1995. In the Cairo Agenda for Action, African governments have reaffirmed that the development of Africa is the responsibility of the African peoples themselves. Accordingly, they have underscored in particular what the African countries can do by themselves, especially by creating the enabling environment for peace and for the development of the economies of their countries; they have also indicated what Africa expected from the international community. The Agenda reaffirms the commitment of African countries to cooperate among themselves in the

implementation of the Abuja Treaty and to firm up the modalities for operationalizing the Treaty through strengthening of the RECs.

20. Within the institutional framework provided by the African Economic Community, the regional economic groupings have also recommitted themselves to taking practical steps to harmonize and coordinate their activities and policies at the regional level for the effective implementation of trade liberalization and cooperation programmes and projects. Some Regional Economic Communities have recently reorganized their priorities and functions to put them in line with the requirements of the African Economic Community. In 1994, the Preferential Trade Area of Eastern and Southern Africa (PTA) was transformed into the Common Market of Eastern and Southern Africa (COMESA); in the same year, the Southern African Development Coordination Conference (SADCC) transformed itself into the Southern African Development Community (SADC). The Economic Community of West African States (ECOWAS) has recently changed its constitution to be in line with the terms and provisions of the African Economic Community. The Economic Community of Central African States (ECCAS) is in the process of being rejuvenated and reactivated into a viable regional economic entity. With respect to the Arab Maghreb Union (UMA) there is an ongoing programme to review the practical conditions and procedures of coordination between the OAU/AEC General Secretariat and the Secretariat of UMA.

21. In the Cairo Agenda for Action, African countries have reiterated their commitment to provide the Regional Economic Communities with requisite political, financial and institutional support to carry out the tasks assigned to them by their respective treaties and by the Abuja Treaty. African countries have further committed themselves to continue to cooperate closely among themselves and to open their markets to African products as well as to develop and expand their production base.

22. The Cairo Agenda for Action recognizes that the process of integration of the continent also involves the participation of all African peoples, particularly the economic operators, both public and private, trade unions, NGOs, women and youth organizations. African countries have, therefore, recommitted themselves to taking practical steps to galvanize the efforts of all these various groups for the implementation of the Abuja Treaty.

23. Following the signing and ratification of the Abuja treaty, the General Secretariat of the OAU embarked on a number of activities regarding the implementation of the Treaty. At the beginning, most of those activities were concentrated in the preparation of the protocols to be annexed to the Treaty. To date, 19 protocols have been prepared, six of which have been discussed by the OAU Permanent Steering Committee (PSC).

24. To prepare modalities for and to work out a strategy and approach to the implementation of the Treaty, experts of the OAU/AEC Economic and Social Commission (ECOSOC) met in June 1996 in Addis Ababa. The

Experts reviewed the Draft Rules of Procedure, the draft work programme for ECOSOC and the draft protocol on the relations between the OAU/AEC and the RECs prepared by the Joint OAU/ECA/ADB Secretariat together with the RECs. The recommendations on these drafts will be submitted to the Ministers for consideration and for further submission to the Assembly of Heads of State and Government for decision.

25. The implementation of the Abuja Treaty is a matter of priority to the OAU, ECA, ADB and the Regional Economic Communities. The Joint OAU/ECA/ADB Secretariat, established by the Assembly of Heads of State and Government of the OAU, has since 1991 held several meetings jointly with the RECs to exchange views on ways and means of facilitating the speedy implementation of the Treaty. The Chief Executives of the OAU, ECA, ADB, and those of the RECs have been holding consultative meetings as well. A major issue discussed by the Chief Executives has been how to jointly put together resources of their respective institutions to bear on the implementation of the Treaty.

26. During their seventh meeting in June 1996, the Chief Executives reiterated their commitment to do everything in their power to support the efforts of African countries towards economic integration as called for by the Abuja Treaty and the treaties of the Regional Economic Communities. They also indicated that, to be effective in carrying out their mandate regarding the implementation of the Treaty, they were restructuring their respective organizations accordingly.

27. African governments recognize that a major means of facilitating the integration process in the continent is the development of transport and communications. Accordingly, the Tenth Conference of African Ministers of Transport and Communications, held in Addis Ababa in March 1995, reaffirmed the continued relevance and critical importance of the Second United Nations Transport and Communications Decade in Africa (UNTACDA II), and urged Member States to make every effort to support the national coordination committees and to facilitate, encourage and strengthen the activities of the national initiatives in fund-raising and implementation, taking into account the environmental impact of transport and communications projects. The meeting decided to reactivate the Trans-African Highways Bureau and to implement the Yamoussoukro Declaration on a new African air transport policy, urging United Nations institutions as well as African financial institutions to lend their support to the achievement of the goals of UNTACDA II.

28. In addition to their commitment to the reactivation of cooperation in the fields of traditional means of communication, African countries realize the importance of electronic communication facilitated by the growing influence of the information technology revolution. But movement towards full connectivity remains a big challenge since it requires concerted political action for reshaping of the existing telecommunications regulatory frame and adequate financial resources for upgrading communication

infrastructure. Thirteen pioneer countries in Africa which are now fully linked to internet have been experiencing reforms of their communication systems as they transferred some of their prerogatives to the private sector.

29. In order to set up the much needed regional productive capacities, the African countries and the Regional Economic Communities agreed, in the Cairo Agenda for Action, to speed up integration through the implementation of common projects that will form an integrated development pattern leading to sustained economic growth, based on common interests and mutual benefits, as well as formulate lists of common projects that can attract international, governmental and private investments. There is an increasing need for rationalization and coordination of the existing cooperation organizations for more effective economic integration. Today there are more than 200 African cooperation organizations, 80 per cent of them are intergovernmental organizations, created and financed by Member States.

30. Funding the economic integration process represents a serious problem. All RECs face common problems of funding their programmes. So does the AEC itself. This is an important issue to be addressed in the mid-term review of the implementation of the UN-NADAF. It should be noted that the African RECs have well elaborated programmes and projects, which, if implemented, will contribute to the establishment of a solid base for Africa's economic integration. To this end the other Regional Organizations, the UN Development System, and all development partners of Africa should include in their Agenda actionable programmes and mobilize resources for Africa's economic integration and the implementation of the AEC.

1.3 Intensification of the democratization process

31. The importance of peace in advancing Africa's development cannot be overemphasized. Without peace, security, stability, and democracy, other development factors could have only a limited impact. The democratization process that is currently underway in many African countries is the key to achieving peace, security, and stability. Africa cannot be expected to advance further if wars and civil strife continue, and if many of its people are still unable to participate fully and freely in the democratic process. The recognition of this fact prompted the Assembly of Heads of State and Government of the OAU, in July 1990, to adopt a Declaration on the Political and Socio-Economic Situation in Africa and the Fundamental Changes Taking Place in the World.

32. In the past five years, there has been a marked momentum towards democratic reforms, governance and popular participation in the political process in African countries. More than 30 African countries have recently held presidential and/or legislative elections and more are in the process of doing so. This development is a source of hope for the continent, as it augurs well for the participation of the civil society in the political process. To keep up the momentum, African countries recommitted themselves, in

the Cairo Agenda for Action, to further intensify their efforts to institutionalize multipartism in their societies as a way of ensuring popular participation and deepening of democracy.

33. For democracy to take root, other conditions must be met. A major pre-requisite to democracy is good governance, which refers to the degree of government accountability, openness, predictability, transparency, tolerance, and respect for the rule of law. The imperatives of good governance require that the leadership should not reserve privilege and power for itself, or for ethnic or religious elites. In the Cairo Agenda, African governments have committed themselves to ensuring the speedy promotion of good governance, characterized by accountability, probity, transparency, equal application of the rule of law, and a clear separation of powers, as an objective and a condition for rapid and sustainable development in African societies.

34. Democracy also requires a machinery that ensures its survival and facilitates its operations. Effective national agencies should therefore be put in place to ensure the equitable allocation of services and resources to all citizens, ensure fairness in economic transactions and civil procedures of all kinds. In the absence of such a machinery, democracy will founder on the shores of social distrust and ethnic conflict. The lack of either political or economic institutions in some African countries has resulted in the disintegration of social peace when there was a political opening up of Africa in the 1990s. In order to institute such a mechanism, African countries reaffirm their commitment, in the Cairo Agenda, to establish a policy of regionalization and decentralization to ensure the full participation of all the people, particularly the rural population at the grassroots level, in their own development, and to promote a sense of belonging.

35. In the Cairo Agenda for Action, Africa reaffirms its determination to press ahead with the democratization of development and the full implementation of the African Charter of People's and Human Rights, the African Charter for Popular Participation in Development and Transformation, and the Declaration of the Heads of State and Government of the Organization of African Unity (OAU) at their 1990 Summit on the Political and Socio-Economic Situation in Africa and the Fundamental Changes Taking Place in the World. Africa is convinced that growth and development on a sustained and sustainable basis can come about only as a result of the full participation of the people in the development process, and to this end continues to be committed to pursuing the process of democratization.

36. While the majority of African countries have embarked on the path to democracy, in a few other countries, civil conflicts and political stalemates in governance have continued to aggravate the social and economic infrastructure, and disrupt and paralyse production, with important repercussions on the availability of even the most basic of social services. Recent wars in Africa have destroyed much of the socio-economic infrastructure. Countless African citizens have seen their lives and livelihoods disrupted

by marauding armies, dislocated markets, and collapsed public services. The famine and hunger that have accompanied these wars have been reflected in Africa's increasing share of emergency and humanitarian food aid. The wars have also increased malnutrition and have inhibited domestic and foreign investment. More than six million people have been driven to seek refuge in neighbouring countries and another 18 million displaced people within the borders of their own countries. The build-up of military capabilities to meet perceived internal or external threats has diverted resources that could otherwise have gone towards essential social sectors. In some African countries, there have been wanton abuses of human rights.

37. The effects of instability in one country have always spilled over to the neighbouring states, resulting in huge population movements and displacement of persons; disrupting production and economic activities in general; and further paralysing already overburdened physical infrastructures, notwithstanding considerable humanitarian efforts at rehabilitation, repatriation and resettlement of refugees.

38. Africa is determined to take concrete steps to address the problem of conflicts in the continent. In 1993, the Assembly of Heads of State and Government of the OAU established within the OAU Secretariat the OAU Mechanism for Conflict Prevention, Management and Resolution. This is a bold and useful measure for the enhancement of peace, which should be supported. The international community is therefore invited to work closely with the OAU and lend support to this initiative by supplementing the African efforts in this undertaking. For more improvement in peace making operations, more resources should be mobilized for the OAU Peace Fund. Such mobilization of resources is first of all the duty of African governments and people but it should also involve the whole international community.

1.4 Investment promotion

39. The achievement of rapid growth requires a high rate of investment in economic and social infrastructure as well as in human capital, backed up by high rates of domestic savings in both the public and private sectors. With the fall in the inflow of external resources in real terms and with little prospect for any major improvement in access to external savings, African countries need to maximize the availability of domestic savings and to invest them productively.

40. Domestic savings and investment in Africa have been inadequate. Although the overall investment ratio in Africa has recently risen to 21 per cent of GDP in the past few years, in about half of the African countries south of the Sahara it was actually less than 16 per cent. This ratio is inadequate for the attainment of an aggregate GDP growth rate of the 6 per cent per annum stipulated in the UN-NADAF. Private savings in Africa have been historically low, not for lack of investible resources *per se*, but more so

because of inadequacy in its mobilization and use for productive and growth-inducing investment. Greater efforts must be made by African governments to mobilize and manage public revenue through adopting appropriate policies, institutional arrangements and incentive structures.

41. In the Cairo Agenda for Action, Africa reiterates its commitment, to the creation of an enabling environment that attracts foreign and domestic direct investment, encourages savings, induces the return of flight capital and promotes the full participation by the private sector, including non-governmental organizations, in the growth and development process.

42. In recent years, many African countries have established mechanisms to ease the bureaucratic procedures in granting licences and permits for the establishment of business enterprises, including the simplification of investment approval processes through 'one-stop' investment centres, establishment of investment promotion institutions and increased use of representative offices abroad to publicize local investment opportunities.

43. In an attempt to create a more conducive environment for foreign investments in small and medium-scale enterprises, many African governments have established export processing zones (EPZs), offering a special package of incentives including reductions in corporate tax, special tax exemptions and incentives, reduction in import duties and utility tariffs and tax holidays.

44. Many African countries have discontinued price support policies in favour of price and exchange rate liberalization aimed at ensuring remunerative producer prices and productivity incentives. They have undertaken measures for further liberalization of prices and removal of remaining restrictions on imports. Retail prices have been freed from control, leaving only a small number of items of domestic consumption under control. Some countries have undertaken liberalization of interest rates. Important policy initiatives continued to be implemented to reduce central planning.

45. Most African countries have instituted policies for the promotion of export-oriented and import-substituting industries and have made provisions for economic and financial incentives to attract foreign capital. In an effort to improve the investment climate and encourage the flow of foreign direct investment into their countries, many African countries have done away with certain restrictive laws and national regulatory frameworks, thus permitting easier repatriation of profit and providing tax concession and other incentives to attract such investments.

1.5 Human dimension

46. In the Cairo Agenda for Action, African countries emphasize that the development of human resources is fundamental to the sustainable and equitable development of Africa. The primacy of human resources development must therefore be maintained in the economic and social policies of

all African countries. They underscore the need for technical, scientific and technological education and reaffirm their commitment to giving priority in their development programmes to the basic needs of the people by meeting basic food requirements, providing primary health services, education and skills and generating productive and remunerative employment opportunities as a means of eradicating poverty.

47. Reduction and eradication of poverty is a major challenge facing Africa. Poverty has been increasing in some African countries at an alarming rate. Between 1985 and 1990, the number of people living in absolute poverty in Africa increased from 105 million to 216 million. The number of African people living below the poverty line has increased to nearly 50 per cent of the total population in recent years. The United Nations has projected that the number of poor African people will rise to 304 million by the year 2000. Therefore, the scourge of poverty is the one social malaise that Africa must tackle in order to succeed in its quest for sustainable development. While African countries are committed to improving the living standards of their people, including the reduction of poverty, it is imperative that African governments place increased emphasis on social services and adequately targeted interventions in favour of the poor, especially infrastructure-targeted rural development.

48. The labour force in Africa is growing at about 3 per cent per annum while productive employment lags behind at 2 per cent annually. According to the 1995 *African Employment Report*, unemployment in the early 1990s was estimated at 20 per cent for the urban areas. The number of urban unemployed has been growing at the rate of 10 per cent annually and was estimated to have reached a staggering 18.6 million in 1994. To arrest this trend, economies of the region will have to grow at a rate of about 5 to 6 per cent per annum in order to meet the employment needs of fresh entrants into the labour force.

49. The unemployment problem remains critical in Africa. It is particularly high among educated people including university graduates, and is alarmingly high in a number of African countries. The implications of large numbers of unemployed educated youth and university graduates are serious for Africa's social and political stability. Youth unemployment rates are about three to four times higher than for older workers, rising to some 40–50 per cent in some countries. Among women, it is two to three times higher than among men, partly through gender bias, but also because about 60 per cent of African women over 15 are illiterate, compared to 40 per cent of men.

50. The creation of modern employment opportunities depends crucially on the relevant education and skills of the young people. However, for the last two decades, the educational facilities in African countries have drastically deteriorated leading to a fall in standards. To reverse this trend African countries recommit themselves to allocate the necessary resources

in their development plans and programmes for education and skills training. In the Cairo Agenda for Action African countries committed themselves to create the conducive working environment and adopt employment policies that would attract back its engineers, doctors, economists and other professionals.

51. Africa is further committed to ensuring equality of opportunity for women at all levels. In pursuit of this goal, most African countries have paid special attention to the gender issue and have taken measures to enhance women's contribution to social and economic development of their countries. They have committed themselves to ensuring the effective implementation of the regional and global platforms for action by strengthening the gender dimension in their programmes and by working toward achieving the gender balance in managerial positions.

52. In November 1994, African countries adopted the African Platform for Action in Dakar, Senegal. The fourth World Conference on Women, held in Beijing, China, from 4 to 15 September 1995, adopted the Beijing Declaration on Women and the Platform for Action. The Platform for Action endorses and encompasses the African Platform for Action. The Platform underscores the need to empower African women politically and economically, increase their education and training in science and technology, support their vital role in society and the family and protect their legal and human rights.

53. Women in Africa are increasingly becoming the hub of development in some countries and the main income earners for a majority of households. However, in many parts of the continent, cultural traits and taboos have continued to underpin the marginalization of women in the development process: low rate of participation of women in areas of education and labour force their relatively high unemployment rate in the formal sector, as compared to men as well as their lack of access to credit facilities for investment in self-employment generating activities. 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.

1.6 Environment and development

54. Africa faces many unique environmental problems, as presented by various African countries during the United Nations Environmental Conference in Rio de Janeiro in 1992. The preparation of National Environmental Action Plans in many countries clearly documented extensive environmental damage in Africa. Migration to the coastal areas of West Africa by people seeking employment and the resulting increase in population densities has placed stress on the natural resource base. Further, in many countries, the combination of distorted economic policies, popu-

lation pressures, and low incomes are causing ever more fragile lands to be cultivated. As a result, environmental damage is increasing and agricultural productivity has declined. In several African countries, land and water degradation now seriously threatens the sustainability of growth. The rate of degradation of Africa's environment and loss of genetic resources and bio-diversity threaten the very survival of the peoples of Africa.

55. These unique environmental problems have been compounded by rapid population growth and poverty. The nexus between poverty, population and the environment is already one of the most important social and economic issues in Africa's future. The impact of continued high levels of poverty and high rates of population growth will be especially severe for the fragile and increasingly depleted natural resource base. Indeed, under conditions of increasing population and a larger number of the poor, efforts to protect or restore the environment will be increasingly costly. African countries must therefore take urgent measures to address the problem of poverty reduction and of reduction of environmental degradation.

56. Africa is fully committed to the promotion of sustainable development at all levels of socio-economic activity. Through the Bamako Convention, Africa took the decisive step of banning the import of toxic waste into Africa. Africa keenly participated in international negotiations on climate change, bio-diversity and the preparatory process of the United Nations Conference on Environment and Development, held in 1992. In all these negotiations, Africa was fully convinced that the problems of environment and development should be tackled in an integrated and balanced manner, fully taking into account the 'polluter pays' principle. In the Cairo Agenda for Action, African countries agreed to establish national coordinating machineries to ensure integration of environmental issues into national development programmes as defined in Agenda 21 and in the African Common Position on Environment and Development. Moreover, the Plan of Action to Combat Desertification remains a viable framework for cooperation in the field of desertification. The international community is called upon to contribute more effectively to the implementation of the Plan.

1.7 Population and development

57. In 1996, the population of Africa was estimated at 728 million. It is projected to grow at around 3 per cent per annum, and is forecast to decline only slightly (0.1 per cent) by the year 2000. At this rate, Africa's population will be about 856 million at the end of the century and by 2025, could more than double to 1600 million.

58. The projected population increase will place a huge strain on the region's natural resource base and the ability of the people to provide adequate food and the governments to provide a minimum of social services, such as education and health. The increase in the labour force resulting

from increases in population and the high proportion of young people will also place a considerable strain on the labour market.

59. To address the adverse consequences of the rapid population growth rates, most African countries have been pursuing an active population policy. While there has been a remarkable success in reducing fertility in a large number of countries over the last decade, the population of Africa is still growing at a high rate of around 3 per cent per annum. African countries should therefore continue to place emphasis on family planning service delivery to achieve higher contraceptive use and on the promotion of programmes such as social marketing and community-based delivery to address demand for these services. To ensure better coverage of the population in the delivery of these services, greater reliance should be placed on private and other non-government entities.

60. Africa is committed to the deliberate and systematic integration of population factors into the development process in order, *inter alia,* to contain the tremendous strain and stress that a rapid rate of population growth puts on development. To that end, Africa will continue the efforts initiated under the *Kilimanjaro Programme of Action for African Population and Self-Reliant Development* in 1984, which currently constitutes Africa's framework for devising and implementing national population policies, in all their interrelated aspects, including a reduction in maternal and child mortality and provisions for family planning and female education and the achievement of substantial and sustained increases in the quality of life and standard of living of the entire population. In Dakar (Senegal) in 1992, they adopted the *Dakar/NGOR Declaration on Population, Family and Sustainable Development.* The Dakar/NGOR Declaration was the African countries' contribution to the *International Conference on Population and Development* (ICPD), in September (1994) in Cairo. The ICPD adopted the Dakar/NGOR Declaration as part of its action plan.

61. African countries established the *African Population Commission* (APC) in May 1994 under the Joint OAU/ECA/ADB Secretariat. The Commission initiates policy guidelines and resolutions on population and development for consideration by the OAU Council of Ministers and subsequently by the Assembly of Heads of State and Government. The APC will also monitor the implementation of resolutions and declarations adopted by the Member States on population and development policy matters. Furthermore, it plays co-ordination and collaboration functions among the Member States in the field of population.

62. The social sector remained under great pressure in 1995 not only because of rapid population growth relative to economic growth in many African countries, but also in part because of the severe cutbacks in expenditure in real terms particularly on education, health and medical care and social welfare. The quality of education has deteriorated in terms of declining primary school enrolment ratios, high and rising attrition and repetition rates at all levels, the flight of qualified teachers, a general

deterioration in physical infrastructure, equipment and supplies. The crisis in the health sector has also become more intense, with lack of hospital care and access to adequate sanitation and community health services contributing to exposure to numerous preventable diseases. The tendency of African states to support with increasing funds in public budgets education, health and the other basic social services, should be encouraged in all social and economic reforms. It became very clear that fiscal balances and low population rate of increase were not enough for the promotion of human resources development.

63. The United Nations Social Summit, held in Copenhagen, Denmark, in March 1995, agreed on a social contract to eradicate poverty and unemployment and build a new social solidarity across the world. The Social Summit was important for Africa which, in spite of having 33 out of the 48 LDCs in the world, attracted barely 6 per cent of the international investment needed to fight growing poverty. The Copenhagen Summit adopted the '20–20 principle' according to which donor countries should reserve 20 per cent of their aid budgets for African social development, while the recipient countries correspondingly commit at least 20 per cent of their national budgets and match the external resources. It is expected that this will act as a catalyst to the promotion of employment, equality between men and women, universal access to education, adequate health care, and protection of workers' rights.

1.8 Agriculture, rural development and food security

64. Africa is essentially an agricultural and pastoral continent. Yet, food and agricultural output in the continent has declined substantially since the 1960s. Despite the recent recovery in GDP growth rates in Africa, the growth of output in agriculture has remained lacklustre. Agricultural productivity has stagnated across the continent and the per capita growth rates of food production have fallen over the past 10 to 25 years. This stagnation has been caused by drought, civil strife, and other factors.

65. The production of food in African countries is uneven. While the food situation in some parts of Africa has remained a serious source of concern and anxiety, there have been good harvests in others. Nevertheless, the food production has remained generally poor in the continent. According to Food and Agricultural Organisation (FAO), Africa currently accounts for 42 of the 88 countries classified as low-income food-deficit countries. Most of Africa's chronically food insecure people are also those in poverty; they lack access to food because of lack of income, assets or entitlement with which to produce, buy, or exchange sufficient food. These factors have resulted in food insecurity in a number of African countries south of the Sahara.

66. The most disturbing fact is that the current trends in malnutrition in Africa have remained stagnant or have deteriorated in much of Africa in

the last decade, as a result of economic decline and poverty. The United Nations has estimated that the number of undernourished African people is expected to rise from its current level of about 180 million to some 300 million by the year 2010.

67. The production of cash crops in Africa increased due to an increase of about 12 per cent in world prices for tropical beverages. The increase in the world demand has had a favourable effect on the production of coffee, tea and cocoa. Production of such industrial crops as tobacco, cotton and sugar also increased.

68. The production of food has presented a mixed picture. The production of aggregate grain and wheat fell, as did that of the livestock. However, rice production increased, as did the production of roots and tubers, which constitute 20 per cent of the total food supply in the region. The production of fruits and vegetables also increased. Production of pulses, a key part of the diet in many areas of the continent, has not shown any significant rise since 1990.

69. The African continent as a whole continues to experience food deficit for which commercial food imports and food aid are needed but are not readily available on account of inefficient marketing and distribution systems at the domestic level, and owing to a limited capacity to pay for imports due to escalating world cereal prices and foreign exchange scarcity. Total food aid deliveries to Africa fell in 1994–5 for the second successive year and to the lowest level since 1989–90. Food assistance is still urgently needed to avert crises in several African countries.

70. To achieve food security and strengthen self-reliance in food, Africa reaffirms its commitment to the continued pursuit of policies and strategies in the development of the agricultural sector in order to enhance agricultural productivity, improve distribution mechanisms, and establish reliable market schemes, credit system and adequate storage facilities. This is clearly stated in the African Common Position on Food Security and the Cairo Agenda for Action as a duty of African governments, and all components of the society, particularity the private sector and professional associations.

71. To ensure food security practical steps should be undertaken. Priority should be given at the national level to the development of potential rural areas, appropriate diversification of agricultural output, rationalization of water resources, reduction of losses, adoption of new technologies and research results in addition to strengthening the government capabilities in planning, implementation and monitoring of policies and programmes for agricultural expansion and food production.

72. At the regional level, African countries should exchange appropriate technologies and approaches to food and agricultural productions, strengthen cooperation through joint programmes in areas such as transboundary plant, pests and animal diseases and early warning systems. In addition, cooperation should be expanded to joint management of shared resources, especially river basins, lakes and fishery resources.

1.9 South/South cooperation

73. In adopting the Cairo Agenda for Action, African countries underscored the importance of South/South cooperation as a necessary ingredient in pursuit of regional economic cooperation and integration in order to be competitive in world trade. They emphasized the need to take full advantage of the opportunities of South/South cooperation and forge partnership with the countries of the South.

74. Enhanced South/South cooperation between Africa and other developing regions, especially Asia, should be highly encouraged. A good number of the Asian countries, which have been able to make the best use of development assistance from the developed countries by creating their own development dynamic, could in turn give Africa the benefit of their experience and resources. In this context, African countries participated in the Tokyo International Conference on African Development (TICAD) in 1993 held in Tokyo, and in subsequent seminars and workshops organized under the TICAD in Djakarta in 1994, Harare in 1995 and in Yamoussoukro in 1996 to bring together Africans and Asians to share their development experiences. In these meetings, the focus has been on what Africa could learn from the Asian development experience.

75. In the Cairo Agenda for Action, African countries have expressed their determination to intensify South/South cooperation, which Africa is convinced is an indispensable element for the success of the new Agenda for international cooperation.

1.10 Role of non-governmental organizations

76. Along with political democratization, there has come an explosion of non-governmental organizations (NGOs), active in both urban and rural areas. These groups which include farmers' unions, women's associations, community groups and other local grass roots movements have deepened popular participation in development and given greater numbers of ordinary Africans a voice in shaping the policies that affect their lives. This trend is particularly significant at a time when many African countries are implementing painful economic adjustment programmes designed to enable their economies become more internationally competitive.

77. The political transformation underway since the late 1980s has liberated and given voice to African civil societies. Everywhere in Africa, civic organizations, the press, and associations of all kinds are more active than they have been since the independence struggles. African governments are being held to a stand of accountability and effectiveness by their own citizens. The African governments are thus challenged to be responsive, tolerant, and competent.

78. The focus of the international agenda on popular participation, human resource development and capacity-building calls for an increased role for non-governmental organizations (African and non-African) in

various areas, including the promotion of indigenous small-scale businesses, especially in the rural sector, community development projects, training, etc. African non-governmental organizations should particularly be involved, without any administrative impediment, in the mobilization and efficient utilization of domestic resources.

II Responsibilities and commitment of the international community

79. In the UN-NADAF, the international community commits itself to assisting Africa in its efforts to achieve accelerated growth and human-centred development on a sustained and sustainable basis. Such support is to cover the areas discussed below.

II.1 Solution of Africa's debt problem

80. Africa's total external debt, growing at an average annual rate of 1.5 per cent during the period 1990–5, is the most constraining in terms of sustainability. Africa's external debt which was about US$ 270 billion in 1990 was estimated to reach the level of US$ 322 billion in 1995. The servicing of this debt accounts for over 30 per cent of the continent's exports. The share of multilateral debt in the long-term outstanding debt of African countries such of the Sahara has risen from 13 per cent in 1980 to 31 per cent in 1995.

81. Africa's steadily rising debt, which has accelerated over the past years, does not reflect the development of liabilities ensuing from new investments and contributions from new financial assistance. This debt results from accrued arrears and consolidation at interest rates applicable on money markets because of the inability of most African countries to settle their debts.

82. A contributing cause of the increase in external indebtedness of commodity-exporting developing countries has been the fall in real commodity prices. As such prices become more and more depressed in real terms, debt overhang is projected to accelerate further despite international strategies for debt reduction. The debt reduction/rescheduling initiatives, including the Toronto Terms and Enhanced Toronto Terms and, more recently, the Naples Terms, collectively fall short of what is required to alleviate the debt burden of the heavily indebted countries, particularly in light of falling export earnings occasioned by declining commodity prices. New approaches embracing effective mechanisms for dealing with the immediate issue of depressed prices, excessive price instability and the revitalization of growth in the affected countries are required.

83. The proportion of total export earnings actually committed to meeting debt-servicing obligations remained at 20 per cent in Africa. The capacity of these countries to service their debt has not improved despite efforts at scaling down their debt burden and reduction in the volume of

arrears within the framework of existing debt reorganization and forgiveness mechanisms. The debt-service arrears of the African countries south of the Sahara which represented only 11 per cent in 1990, escalated to more than 27 per cent of their debt stock in 1995. In some of the highly indebted poor African countries south of the Sahara, scheduled debt service could absorb as much as 90 per cent of the government revenue.

84. The volume of debt servicing has stabilized. But then, with an average of US$ 28 billion over the past four years, it exceeds by far the yearly target of US$ 9 billion recommended under UN-NADAF. The variously successful strategies applied so far have laid emphasis on rescheduling and on limited debt cancellation. They have not made it possible to really release or make available to the economies the scarce development resources, which still partly come from Official Development Assistance (ODA).

85. Africa's debt burden constitutes a critical bottleneck constraining the recovery and development of the continent. Therefore, a major priority is to tackle Africa's external debt problem, which is a serious threat to the continent's recovery and long-term development prospects. In spite of the implementation of several international initiatives, the situation has not significantly improved. Reducing the debt overhang to tolerable levels has therefore become imperative.

86. Since the adoption of the UN-NADAF, the international community, through various mechanisms initiated within the framework of the London Club and the Paris Club of donors, has continued to endeavour to address the debt problem. At the time the UN-NADAF was adopted, the London Summit in July 1991 of the Group of 7 major industrialized countries had already agreed that Africa deserved special attention; this was reiterated in the Lyon Summit of 1996. The summits called for additional debt relief measures in favour of the poorest and the most indebted countries, thus going well beyond the Toronto Terms. It also called on the Paris Club to continue its discussion on how these measures could best be implemented promptly. In addition, the Trinidad and Tobago initiative as well as the Naples agreements had been proposed. These, theoretically, have extended the scope of debt relief accorded to highly debt-distressed African countries. However, the application of these initiatives since the early 1990s has had limited effects not only because they failed to match the magnitude and intensity of the nature of the debt overhang, but also because the major components of the debt stock had changed.

87. While bilateral debt is constantly rising and has remained the major component of external debt, private debt has dropped slightly. Multilateral debt represents a growing proportion of the total stock of debt. Currently, it accounts for about 31 per cent of total debt stock of African countries south of Sahara. Nonetheless, these recent initiatives have gone a long way in addressing the problem of debt of the heavily-indebted African countries, even though they have been far from being adequate in solving the African debt overhang. Much more still remains to be done to address the debt issue adequately in order to find a lasting solution.

88. Individually, the donor countries of the Paris Club have initiated unilateral plans to reduce the bilateral debt of some countries on the continent. The Scandinavian countries have been among the first countries to do so. They have been followed by the Federal Republic of Germany, the United Kingdom, Switzerland, Japan and the United States of America. After the Franco–African summit held in Libreville in October 1992, France established an ODA debt conversion fund of US$ 830 million for four middle-income countries of the franc zone, namely: Cameroon, the Congo, Côte d'lvoire and Gabon. The idea is to provide such relief to the countries as would cancel part of their official debt and channel the proceeds into the execution of development projects. In 1994, the United States of America proposed the cancellation of US$ 228 million corresponding to half of the debt of the 18 poorest African countries by extending to them the enhanced Toronto terms.

89. Successive increases in unpaid debt during the past decade have eroded the solvency of African countries and have made it difficult to attract new investments from sources other than multilateral institutions. Consequently, the share of debt servicing owed to multilateral institutions (IMF, World Bank, ADB) as part of total debt servicing obligations has increased. Multilateral debt servicing amounts have long outweighed the capacity of most African countries to repay and has been financed, to a large extent, by arrears which continue to increase. This is disturbing because no rescheduling agreements have been concluded on this category of debt. A debt service refinancing process has been operated by the World Bank within what has been termed the 'Framework Action For Assisting Heavily Indebted Poor Countries', by using IDA resources. Furthermore, the IDA relief fund established in 1989 has successfully carried out, over four years, numerous operations to forgive the debt of the poorest African countries. It succeeded in redeeming for the Niger and Mozambique early in 1992 and Uganda in 1993, at an average price of 14 cents for each face value dollar, about US$ 385 million of overall debt. Similar buyback transactions were prepared in 1994 and are currently being carried out for Ethiopia, Guinea, Mali, Mauritania, Tanzania and Zambia. The IMF's Special Drawing rights (SDR) accrual approach also reflects the seriousness of the multilateral debt overhang. There are ongoing discussions and consultations between the Bank and the Fund of a new initiative to address multilateral debt. This is also true of discussions currently taking place at the African Development Bank (ADB) to introduce either a 'fifth dimension' or a mechanism for solving the serious problem of arrears.

90. All things considered, the results recorded over the past four years fail to match expectations regarding debt rescheduling with multilateral institutions. The political and economic instability prevailing in some African countries have led them to bend the rules of the World Bank prescriptions such as reduction of the public domain in all areas and giving market

forces free play. This has adversely affected the holding of negotiations with the Bretton Woods institutions, thereby impeding, in many cases, the conclusion of debt rescheduling agreements.

91. The commercial debt constitutes a relatively small part of Africa's total debt stock. In recent years, the commercial banks have practically not been lending to indebted African countries. The application of the Brady Plan is encountering serious difficulties in Africa. Only Nigeria, which owes a heavy commercial debt, has been able to benefit from the Plan.

92. Africa's policy-makers and the international community as a whole have expressed the urgency for more imaginative strategies to scale down the continent's debt burden to manageable levels. At the same time, efforts should be stepped up and refined to keep the levels of debt payments within reasonable limits, as recommended in the New Agenda, i.e., a ceiling set at US$ 9 billion annually.

93. The magnitude and persistence of Africa's external indebtedness continues to be a matter of serious concern to Africa. The resolution of Africa's debt overhang is a prerequisite for the revitalization of both domestic and foreign investment and for the strengthening of growth momentum. Therefore, the current international initiative on ways of formulating practical approaches towards resolution of the problem is welcomed. Similarly, the efforts of the multilateral institutions on mitigating the burden of multilateral debt is welcomed. In this respect, the international multilateral development institutions should commit themselves to conclude their initiative effectively, so that the low-income debt-distressed countries are able to move forward in gaining access to external resources required for sustainable growth. African governments and their development partners should reaffirm their commitment to vigorously pursue the search for meaningful and lasting solutions to the debt problem. The international community should reaffirm its commitment to pay requisite and urgent attention to address Africa's external debt crisis and the debt problems of African countries. The international community should also commit itself to continue to give serious consideration to the proposal for convening an international conference on Africa's external indebtedness.

II.2 Resource flows

94. A critical element of the support from the international community is the provision of adequate resource flows to Africa. These resources are needed to achieve sustained real growth in GNP per capita and to achieve an average annual growth rate of real GNP of at least 6 per cent by African countries over the course of the 1990s. The UN Secretariat has estimated that a minimum of $US 30 billion in net ODA is required in 1992, after which the real net ODA would need to grow at an average rate of 4 per cent per annum. Resource flows considered here consist of two parts discussed below:

(a) *Official Development Assistance (ODA)*

95. Total ODA for all developing countries enjoyed from 1973 to 1992 a remarkable stability ranging from 0.32 per cent to 0.34 per cent of donor GNP. In 1993 and 1994, this percentage dropped below 0.3 per cent of donor GNP. This marks a further drift from the United Nations target set at 0.7 per cent of donor GNP. ODA flows which accounted for more than US$ 60 billion by the late 1980s, declined to almost US$ 55 billion by early 1994, and Africa's share of that dropped from almost US$ 25 billion in 1990 to less than US$ 21 billion in 1993. Although representing the most important source of flows for the African low-income countries, prospects for future ODA increases are slim.

96. Bilateral ODA to which donors have given priority has dropped drastically in Africa. Its main component is tied assistance. Another part of bilateral ODA is granted subject to many conditionalities. The granting of resources by the United States Agency for International Development (USAID) is subject to the fulfillment of the following conditionalities: the establishment of a democratic society; environmental protection; creation of conditions propitious for sustainable economic development; and the implementation of a population control policy. France now largely directs its assistance to countries considered as development poles (middle income countries having a wide range of natural resources) while introducing some of the conditionalities stated above.

97. The distribution and quality of aid are also causes for growing concern. The distribution of ODA is markedly inequitable and unbalanced, as was fully indicated in the 1994 UNDP *Report on Human Development*. Ten nations in which 66 per cent of the world's poorest people live receive only 32 per cent of total bilateral aid. Furthermore, only 7 per cent of bilateral aid (representing 70 per cent of total ODA) is earmarked for 'human priorities'. These and other shortcomings in external aid, including questions about the effectiveness of technical assistance programmes, the use of aid as an export promotion instrument, the lack of adequate supervision and verification procedures, and so on, have been acknowledged by the Organization for Economic Cooperation and Development (OECD) Committee for Development Assistance and underlined at the World Summit for Social Development. It is hoped that the donor community will re-evaluate their assistance and take appropriate measures to make it more equitable and effective in favour of Africa.

98. In the light of the foregoing, the international community should introduce measures and devise programmes to encourage direct foreign investment in African countries, and support the policy changes undertaken by African countries to attract foreign investment.

99. Similarly, States that have reaffirmed their commitment to reach the agreed international target of devoting 0.7 per cent of gross national product to official development assistance and 0.15 per cent to least developed countries should implement as soon as possible the undertakings they have made

in that regard. African countries should also undertake to continue providing a better environment for the realization of the suggested estimate of the need to achieve an average of 4 per cent real growth in annual financial resource flows to Africa, as outlined in paragraph 29 of the New Agenda.

(b) Foreign direct investment

100. The World Bank has estimated that the foreign direct investment (FDI) flows to developing countries was $90.3 billion in 1995. These flows were directed mostly to Asia and Eastern Europe. The most important recipient was Asia whose share accounted for 61 per cent of the total flows to developing countries in 1995, compared to 45 per cent during the period 1990–92. In Africa in general, and in the countries south of the Sahara in particular, FDI declined by almost 27 per cent in 1995, from $2.9 billion in 1994 to $2.2 billion in 1995. Foreign flows on account of acquisitions by international firms were mostly motivated by promising investment prospects in countries producing petroleum and minerals where the privatization process has opened up increasing opportunities for investments in the two sectors.

101. While private capital flows have become a major source of financing for developing countries, African countries have not, however, been able to draw heavily on this source of finance, owing to low credit rating. An increasing number of African countries have embarked on the development of capital markets in order to encourage local and foreign private investment in securities. But only a few African capital markets with a potential for high rates of return have as yet attracted international investors, most of whom remain cautious.

102. African countries have not benefited fully from the surge in world investment flows for yet another reason. The numerous constraints on foreign investment and the high cost of doing business in Africa, particularly the inadequate infrastructure and poor services, have led the average prospective investors to be pessimistic about the continent. As a result, the investment rate in many African countries is inadequate even to replace existing capital stock, let alone support new investments. Increasing the investment rate requires more effective results at resource mobilization, both from domestic and external sources. In this regard, Africa should make increased efforts to develop the necessary enabling environment to attract international private capital flows to supplement investments needed for growth. This calls for a systematic support for the development of the private sector, which has served as a powerful engine of growth in many countries, within and outside Africa.

103. However, as the growing number of countries pursuing reform programmes show signs of sound recovery and profitability and as economic liberalization improves prospects for private investment, there is increasing expectation that foreign investors will be attracted to Africa in larger

numbers. Studies on FDI in Africa conducted by the United Nations Conference on Trade and Development (UNCTAD) in 1995 show that the rate of return on overseas direct investment is higher in Africa than in any other region in the world, and that the continent's investment potential remains largely untapped. Indeed, the impressive track record of return on FDI in Africa belies the 'miserable' image or pessimistic view that the average foreign investor generally has of Africa.

104. The recent developments attest to the fact that Africa is not the picture of conflict and disaster that is portrayed daily by the media. While it is true that some African countries are mired in conflicts and crises, the great majority of them are peaceful and have undertaken far-reaching political and economic reforms and have restructured their economies to become effective partners in the new international economic system. Africa therefore calls upon the international community to support these reforms and explore the unlimited potentialities of the continent for fruitful investments mutually beneficial to all involved. The international community should undertake to increase financial resource flows to Africa, as these are crucial in order to regenerate the growth and sustainable development of the African economies, to provide effective support to the political and economic reforms in which many African countries are now engaged and to help cushion adverse social consequences.

II.3 Commodities

105. Most African countries have continued to rely on a few primary commodities for much of their export earnings, exporting around 58 per cent of their products to the European Union (EU) market, with the EU absorbing about 47 per cent of their imports. For some countries the dependence on the EU is almost as high as 86 per cent. Africa has steadily lost its trade share in the EU market despite the fact that more than 70 per cent of Africa's total trade is with the EU.

106. African producers have been 'crowded-out' by more efficient new producers of primary commodities in other regions. Countries in Asia and Latin America have now become major competitors in such products as coffee, tea, cocoa, timber and minerals. These countries were either importers or were very small players in the world market three decades ago but they have since achieved phenomenal success through strident diversification in production and trade. Inevitably, the static nature of the structure of exportable commodities has reduced Africa's share in world exports from 10 per cent in 1950 to 2.2 per cent in the 1990s.

107. Diversification is a strategic short and long-term solution to the severe commodity problem in Africa, which has impeded its economic recovery and development. In order to support effectively efforts to diversify commodity exports and boost earnings, the international community, particularly the major trading partners, should commit themselves to grant

improved market access to Africa's exports. The international community should commit itself to correct imperfections in commodity markets. The developed countries should intensify their support to the commodity diversification efforts of African countries, *inter alia*, by providing technical and financial assistance for the preparatory phase of their commodity diversification programmes. In addition, the Common Fund for Commodities should be strengthened to enable it to support Africa's diversification efforts.

II.4 Support for the diversification of the African economies

108. Diversification of the African economies provides a major way out of commodity export dependence and its related problems and contributes to the achievement of more dynamic and resilient economies. While such diversification is primarily the responsibility of African countries, the international community should recognize that additional resources would be required to support Africa's diversification programmes, including development of specific infrastructural and support services and the development of information networks and related services for diversification programmes and projects.

109. Although some African countries have made attempts to diversify their economies, these efforts have not succeeded because the African countries have been preoccupied with implementing economic reform programmes under the structural adjustment programmes. Yet, economic diversification is critical for achieving a lasting and sustainable development for the African economies. It is, therefore, imperative that African countries should continue their efforts to diversify their economies, with a view to modernizing African production, distribution, and marketing systems, enhancing productivity and stabilizing and increasing African export earnings in the face of the persistent instability of the prices of most primary commodities.

110. The international community should support the proposal that an African Diversification Fund be established to provide an essential focal point to galvanize the technical assistance that is required and to provide additional finance for the development and implementation of diversification programmes and projects.

111. In order to effectively support efforts to diversify Africa's economies and to boost export earnings, the international community should commit itself to a substantial reduction in or removal of tariff and non-tariff barriers affecting African exports, particularly of processed, semi-processed and manufactured products, and to ensure continued preferential arrangements currently enjoyed by African exports.

II.5 Trade

112. Trade is the engine of growth: the more a country trades, the more it is likely to generate growth of its economy. For Africa, this observation

seems correct: Africa has traded less and has therefore experienced low growth rates. The share of Africa in world trade has fallen steadily over the years from 5 per cent in 1980 to 2.2 per cent in 1995. The decline of Africa's share in the trade of developing countries as a whole has been even more dramatic, from 14.9 per cent in 1980 to 10.9 per cent in 1990 and 6.4 per cent in 1995.

113. For the improvement of market-access to Africa's exports, the international community committed itself in the New Agenda to ensure an early balanced and successful conclusion to Uruguay Round. It committed itself also to correct imperfections in commodity market. Contrary to this, while world trade was expected to grow by around US$ 200 billion as an impact of the Uruguay Agreement, the African continent was expected to lose about US$ 2.6 billion per year as confirmed by recent studies. Regarding market access, the outcome of negotiations has resulted in a number of obligations too difficult to be fulfilled by African countries.

114. The plight and performance of Africa's trade have been due, to a large extent, to the price trends of a few commodities supported by many price stabilization systems. The conclusion of the Uruguay Round Agreements and the establishment of the WTO, provide for the review, or even the abolition of several of these systems. In this respect, intensified horizontal and vertical diversification must broaden the production and export base of African countries and guarantee their competitiveness in the new world trading environment.

115. Within the emerging international context, the development of intra-African trade through regional cooperation should be intensified. It offers an opportunity to coordinate economic and financial policies which make it possible to attain broader coherence and achieve a better bargaining position in multilateral financial and trade talks.

116. Intra-African trade continues to remain low, as many of the constraints and trade-related bottlenecks remain unaddressed. These include non-tariff barriers, stringent rules of origin and structural hindrances including poor physical infrastructure, undiversified production structures, lack of trade financing, poor trade information mechanisms.

117. As far as the external sector is concerned, the policies of export promotion and import curtailment are yet to bear fruit in many African countries. Africa's exports have not increased significantly in the short run owing to their inelastic structures and the increased competition on the world market. Import curtailment has, on the other hand, been hamstrung by the high elasticity of imports relative to domestic economic output. Only 15 African countries managed to maintain or increase the ratio of exports to GDP during 1995 whereas the majority of the countries experienced expanded import bills relative to GDP.

118. Perhaps the most important demand management instrument that has been widely used in the external sector of virtually all African adjusting countries including, for the first time in 1994 the CFA zone coun-

tries, is the foreign exchange rate. The magnitude of devaluation of African currencies has been quite large, reaching more than 50 per cent against the United States dollar in many cases, with some countries devaluing their currencies several times over within a short span of time and in large doses. African countries have moved progressively towards market-determined exchange rates and interest rates. 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, 17 African countries had adopted an 'independently floating' exchange rate regime, seven were on a 'managed float' system, five on a 'composite currency basket', system and 29 countries were still on a" single currency reserve system" , with the largest of these in the CFA franc zone. A number of African countries 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.

119. The environment of trade liberalization and currency depreciation in many African countries has attracted an upsurge in imports of cheap manufactures and second-hand goods from the Far Eastern Asian countries, as a result of weak competitive strength of domestic goods and prohibitive local production costs.

II.6 Support for regional economic integration: environment, science and technology

120. In the UN-NADAF, the international community has committed itself to support African countries in their efforts to establish the African Economic Community, strengthen the functioning of existing sub-regional intergovernmental organizations, stop environmental degradation and enhance Africa's scientific and technological capacities.

121. The international community is aware of the fact that Africa's economic integration is the most effective way for policy coordination and the establishment on a continental scale of a framework for development. It is also aware that economic integration permits Africa to mobilize and utilize its material and human resources, optimally utilize its existing production capacities in order to achieve self-reliant development. Despite this important reality the support of the international community to Africa's integration efforts was very limited.

122. Funding the integration process in Africa represents a serious problem to be faced. As stated clearly in the Cairo Agenda, the international community is not expected to fund Africa's projects and programmes. Africa should rely mainly on its own resources. Meanwhile, an adequate support from the international community is necessary.

123. Africa's low level of science and technology base is highly inadequate for the requirements of modern development processes in fields such

as agriculture, industry, health, etc. There is, therefore, an urgent need to build up and strengthen Africa's capacity in the field of science and technology, if Africa is to be efficient and competitive in its production and thus participate in the increased flows of advanced technologies and globalization of production processes.

124. African countries are committed to the intensification of their efforts in human resources development and capacity-building, especially in science, technology and management, and to taking measures to arrest and reverse the brain drain. In the Cairo Agenda for Action, the African governments have reiterated their commitment to human resources development and capacity-building as well as creating the conducive atmosphere necessary to reverse the brain drain. To achieve this goal, the support of the international community is required. The international community should, therefore, support African countries in their efforts to acquire and utilize scientific knowledge and production technologies.

125. The information revolution is changing the world's economy. Member States are urged to take advantage of this revolution in accordance with Africa's Information Society Initiative (AISI): An Action Framework to Build Africa's Information and Communications Infrastructure. This Action Plan was adopted by the twenty-second meeting of the ECA Conference of Ministers (812 (XXXI)). It aims at utilizing information technology to accelerate development across the continent and focuses on priority strategies, programmes and projects, which can assist in the sustainable build-up of an information society in African countries in accordance with the regional integration goals of the AEC. In accordance with the AISI, Member States are urged to formulate, develop and implement national information and communication plans. Functioning and linked informatics systems will greatly foster the exchange of economic and commercial information, which is necessary for inter-state economic cooperation. To attain this objective, the international community should lend support to African countries to enable them to take full advantage of this new information technology.

II.7 Role of the United Nations System

126. The United Nations System should play a major role in the implementation of the international Agenda. The new Agenda stipulates that the United Nations system should also contribute to ensure an efficient follow-up and monitoring of the implementation of the international Agenda. In this respect, the United Nations has set up an Inter-Agency Task Force UN-IATF. The OAU has been attending the meetings of the Task Force. The main task of the Task Force was to undertake a continuous assessment of Africa's performance in the areas outlined in the agenda, with a view to having a great impact in maintaining the momentum within and outside Africa and, eventually, for renewed commitments to the agreed objectives and targets. The UN-IATF has convened six regular meetings of procedural

nature. The only achievement of this body was the elaboration of a system-wide plan of action waiting for implementation. The Task Force needs revitalization to carry out its mandate effectively.

127. The UN-NADAF stipulates further that the various United Nations Organizations and specialized agencies, in their respective areas and sectors, should devise specific programmes for Africa which are consistent with the elements of the Agenda, and devote adequate resources for their implementation. However, it is not clear that this has been done. Each agency has continued to undertake those activities which were planned before the Agenda and continued to do the same after the UN-NADAF. It is difficult to pinpoint specific programmes that were established by any of the UN specialized agencies specifically for the implementation of the New Agenda.

128. There is no other legislative organ in the UN System except the General Assembly which has taken specific actions on the UN-NADAF. The Specialized Agencies, Funds and programmes of the system have no policy directives from their governing bodies and Chief Executives to promote and support the Agenda, or mobilize resources for additional activities for Africa.

129. Within the framework of commitments of the United Nations system in Africa, the budgets of the main organizations involved in relief operations (UNHCR for refugees, WFP for food relief and UNICEF for children) on the whole recorded an increase in all United Nations disbursements in respect of development assistance while funds allocated to UNDP and other more development-oriented organizations were reduced.

130. Emergency relief, which is expected to continue rising is merely short-term assistance granted at the expense of development financing. What African countries need is long-term financing that enables the continent to achieve self-sustained economic growth and face up to the problems with which emergency relief has to grapple.

131. By the General Assembly Resolution 49/142, the Secretary-General was requested to ensure that the Inter-Agency Task Force for the Implementation of the United Nations New Agenda for the Development of Africa in the 1990s accords high priority to the consideration of the diversification of African economies and to the coordination of activities of the relevant organizations and programmes of the United Nations System in this field. The terms and provisions of this mandate have not been implemented. The Task Force is urged to take concrete and urgent steps for the implementation of this resolution.

132. Africa welcomes the effort of the Secretary-General of the United Nations for launching the United Nations System-wide Special Initiative on Africa. The Initiative is complementary to the UN New Agenda for African Development (UN-NADAF) and is drawn from the Cairo Agenda for Action. It provides a framework for focusing the contributions of various UN agencies and other donors on Africa's key development issues.

133. The implementation of the Initiative requires a financial commitment amounting to $US 25 billion, spread over a ten-year period. These funds are expected to come from national budgets of African countries as well as funds

provided by multilateral and bilateral donors. In addition to the substantive aspects, the United Nations system will lead in a number of fundamental reforms to improve the efficiency and impact of international development cooperation and ensure, through the Special Initiative, that the previous initiatives on Africa – United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF) and the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) – are reinforced and given added practical expression. The totality of the reforms would focus on regional fora to create frameworks for cooperation; national sectoral programmes to base assistance in key sectors and key inter-sectoral goals requiring an integrated approach to agreed national plans of actions under government leadership; and broadening participation in consultative groups and/or round-table meetings to include private profit and non-profit organizations to enhance the quality and support of these exercises.

134. The Initiative should not be viewed as an alternative to the UN New Agenda for African Development (UN-NADAF). Africa continues to be concerned that the expected resource flows to Africa to the tune stipulated has not been achieved. Therefore the international community is urged to reaffirm its commitment to the UN-NADAF by providing the required resources. Africa views this Initiative as a part of the effort in support of development of African countries including the effective implementation of both the Abuja Treaty and the Cairo Agenda for Action.

II.8 Role of non-African non-governmental organizations

135. The UN-NADAF stipulates that non-African non-governmental organizations (NGOs) should be given every encouragement to assist in the formulation and implementation of development assistance projects in the context of the international Agenda. In this context, the non-African NGOs have been active in Africa in all areas indicated in the Agenda. They have also assisted in promoting non-governmental organizations at the national, sub-regional and regional levels in Africa.

136. In the Cairo Agenda for Action, Africa welcomes and recognizes the important role which non-African non-governmental organizations can play in promoting the development of Africa. However, Africa cautions that the role of non-governmental organizations, despite their useful and tangible contributions, cannot be a substitute for the role which African governments are expected to play.

C. Conclusion and recommendations

137. Africa made commitments under the United Nations New Agenda for the Development of Africa in the 1990s. Since then, most African countries have continued to carry out political and economic reforms. Although these reforms are beginning to bear fruit, Africa is not yet out of the rut; a lot still remains to be done before Africa can achieve a meaningful and lasting eco-

nomic transformation. The UN-NADAF provides a useful framework for further actions to ensure continued recovery of the African economy. The International Community in general, and particularly the UN System should reaffirm its commitment to the implementation of UN-NADAF. Although the recently launched UN System-Wide Special Initiative is welcome, it should not by any means be viewed as an alternative to UN-NADAF.

138. Although it has been difficult to obtain accurate data on some countries' performance during the period 1994–5 and on trends over previous years, the various objectives of political and economic reforms for development under UN-NADAF have been but partially achieved, four years after the new programme was launched.

139. Great efforts have been carried out in African countries under the aegis of the Organization of African Unity to establish peace and security, sound economic management, assumption of responsibilities by African countries themselves, strengthening of self-management capacities and domestic resources mobilization, all conducive to a favourable environment for recovery and sustainable development.

140. African countries have taken serious decisions and practical steps towards economic cooperation and integration. The implementation of the Treaty establishing the African Economic Community provides African countries with the opportunity to approach the development of their economies in a coherent manner, by making better use of their comparative advantages in production and hence improve their external competitiveness.

141. Results achieved by African countries during the period 1992–6 were limited due to, among other factors, the external debt burden, decreasing resource flows, inadequate commodity prices and weak support of the international community.

142. African countries have achieved considerable improvement in democratization, governance, peace and security. More political and financial support is needed on the part of African countries and the international community to the OAU Mechanism For Conflict Prevention, Management and Resolution. In order to achieve more effective peace-making operations, adequate resources should be mobilized for the OAU Peace Fund.

143. African countries are committed to the development of their human resources. Their increasing tendency towards the rehabilitation of educational and health services should be encouraged. In all social and economic reforms human resources development should be a first priority, and should receive adequate support from the international community.

144. The increasing awareness of African countries about their fundamental objective of food security should be supported. The African Common Position On Food Security should receive the support it deserves from Africa's development partners and the UN System.

145. The African Common Position on Africa's External Debt provides adequate solutions for Africa's debt burden. This Common Position should receive more serious consideration from the donor community. The inter-

national community is urged to keep its commitment towards a sustainable solution for Africa's debt problem. Such a solution as stated clearly in the Cairo Agenda should go beyond debt rescheduling.

146. The commitment of the international community to provide Africa with adequate resource flows to enable it reach the average annual growth rate of 6 per cent, have not materialized. In addition to the fact that the commitments pledged have not been honoured, resource flows to Africa deteriorated since 1992. For the rest of the decade the international community is urged to honour its commitment and increase resource flows to Africa.

147. Africa is expected to lose a considerable part of its market share due to the Uruguay Round Agreements. Contrary to what has been agreed in the UN-NADAF, the international community did not ensure the balanced conclusions of the Uruguay Round, and the corrections of imperfections in commodity markets. In the coming negotiations within the World Trade Organization, the international community is urged to help strengthen and improve Africa's efforts to participate effectively in the new emerging trading system and enhance its institutional capacity to address the new requirements of the WTO including its negotiating capacity.

148. The specialized agencies, funds and programmes of the UN System should have policy directives from their governing bodies and chief executives to support the implementation of UN-NADAF and mobilize additional resources for specific programmes and projects in the light of the system-wide plan of action elaborated by the UN-IATF.

149. During the World Summit on Social Development held in 1995 in Copenhagen, the international community at large decided to give the same priority to Africa's special case in so far as the objectives outlined in UN-NADAF were still being jointly pursued. However, it is the primary responsibility of African States to bear the bulk of their development burden by tapping their own resources as a matter of priority.

150. In various resolutions and declarations adopted by Africa following the UN-NADAF, Africa has renewed its determination and commitment to continue the political and economic momentum created by the reform processes already under way. It calls upon the international community to pursue vigorously its responsibilities and commitments under the New Agenda in order to provide full and tangible support to African efforts. Special efforts should be made by African countries and the international community to address a number of deep-rooted and debilitating factors [*sic*] inhibiting African development. These include good governance, increased tempo towards democratization of African societies and popular participation; the increased role of the private sector in economic activities; the rapid population growth; the low level of human capital development and capacity-building; inadequate social and economic infrastructure; undiversified economies; Africa's external debt problem; integration of Africa's economies and the problem of commodity diversification.

Appendix 13(i): Statement by H.E. Ambassador Vijay S. Makhan Assistant Secretary-General of the Organization of African Unity at the Meeting of the Ad Hoc Committee of the Whole of the General Assembly on the Mid-Term Review of the Implementation of the UN–NADAF, New York, 16–20 September 1996

I have come all the way from Ethiopia to New York for this important occasion, namely the review of the implementation of the United Nations New Agenda for the Development of Africa, because we in the OAU attach considerable significance to this exercise. There was indeed much enthusiasm and a high level of expectations slightly over four years ago when UN-NADAF was adopted. Much has happened since then, both within and outside Africa, including major global developments over which our countries of Africa have had little or no control.

We have also observed with considerable disquiet the changed attitudes towards development issues, as well as the negative and uncompromising postures on the part of the key players in the international arena. The weakening of the spirit of multilateralism, the stifling of the United Nations System of needed financial resources and the mounting pressure of conditionalities on our poor countries are signs of a fast-changing world that is becoming more and more insensitive to the situation of those of us in the poorer segment of world society. All these developments and negative trends have had an immense impact on the implementation of the UN-NADAF and indeed on the capacity of the UN System to provide effective leadership in mobilizing support for the Agenda.

The OAU has circulated a very candid and objective assessment of the implementation of the Agenda, which I hope you have had the opportunity to go through.

This is not the first time that the General Assembly is undertaking a review of the implementation of a UN programme. I would, this time around, urge strongly that we adopt a different approach to this exercise, with a greater focus on the future rather than indulge in an unnecessary apportioning of blame or lamentation over failures and disappointments. Our approach should be an objective and critical assessment of what has taken place, with emphasis on how things should be done differently in order to achieve a better result. We have to recognize that the UN-NADAF had no intrinsic defects that could have affected its implementation; the whole programme was a result of a careful, well-balanced negotiation, and the commitments undertaken by the respective parties are very clear.

Another important fact that has to be borne in mind in the review exercise is that the UN-NADAF was not the only programme that African countries were implementing. Apart from programmes on economic policy reforms and structural adjustment that had the strong hand of the Bretton Woods Institutions, there were regional and sub-regional programmes on the promotion of economic integration and cooperation, some of them with the strong hand of bilateral and multilateral donors. Some of these programmes probably had a bearing on UN-NADAF, but there appeared to have been no clear structural, organisational or policy links among them, particularly from the standpoint of addressing Africa's development issues in a coordinated manner.

Africa, as is well known, has been grappling with the dual problems of political and economic transition, including, in particular, the resolution of conflicts and associated problems such as refugees. These problems have taxed the capacity of governmental institutions, particularly the bureaucracy which, in many cases, consists of poorly paid and overworked personnel. There was also, during the period under review, a serious financial constraint for the UN system as a whole, which impacted adversely on the implementation of UN-NADAF.

Despite these problems, some efforts have been made by all the parties to implement the Agenda. There were various initiatives taken, such as by the Government of Japan to organize the Tokyo Conference on African Development in October 1993, and the launching of the Global Coalition for Africa. In March this year, the Secretary-General launched the System-Wide Special Initiative on Africa.

African governments on their part, within the OAU, have continued to place the problems of their socio-economic development on top of the agenda. In May 1994 the Treaty of the African Economic Community, signed in Abuja, Nigeria in 1991, came into force, and in March last year in Cairo, our leaders adopted the Cairo Agenda for Action for Relaunching Africa's Economic and Social Development.

These actions by African governments constitute a demonstration of their effort to change the socio-economic picture of the African continent. Individually, African countries were carrying out programmes of structural adjustment and policy reforms. The sum total of the impact of all these measures and actions has been assessed by various institutions. What has emerged is that there have been improvements in the economic performance in the continent in terms of the growth rate of the GDP, particularly in 1995. The trend is expected to continue in 1996 if the countries maintain the momentum of last year.

On the other hand, and despite the improved GDP growth rate, the social situation of African countries, or what is accepted as the components of Human Development, has deteriorated considerably. This is not to say that the performance of African economies should be attributed solely to the impact of the UN-NADAF. The point of emphasis in this statement concerns the level of awareness of the NADAF at the level of individual African countries, and its influence on national programmes and policies.

What needs to be done during the remaining life of the programme is to give effective publicity to the New Agenda, particularly at the level of each African country, with the full involvement of the UN agencies, under the leadership of the UNDP Resident Coordinator, so that national programmes take fully into account the elements and requirements of the UN-NADAF. Meetings of the consultative groups and round tables should constantly review the impact of the UN-NADAF on national programmes.

Secondly, the nature of initiatives in support of and assistance to African countries within the context of UN-NADAF is a major factor that should be critically reviewed in terms of the future actions required for the remaining years of the New Agenda.

It is important that rather than attempt to come up with parallel programmes, or a different and competing agenda, the initiatives should devise detailed modalities and means for implementing UN-NADAF. The focus should be on effective implementation through pragmatic measures, rather than a stream of endless meetings and workshops that consume the valuable of time of everybody concerned.

The mid-term review of the UN-NADAF provides another favourable opportunity for renewed partnership and commitment to Africa's development. Africa will from now be subjected to an increasingly competitive world market as a result of the globalization of the factors of production. As we move towards the year 2000 and beyond, the UN-NADAF along with the new United Nations Special Initiative on Africa's development could provide a good framework for partnership for development. However, with the changing circumstances within Africa and in the context of the development priorities of African governments, as well as the emerging situation in the international economy there would be need for underscoring a few areas for immediate action, namely:

(a) The promotion of Africa's trade expansion. The international community should urgently adopt appropriate measures to ensure better prices for the commodity exports of African countries and remove the prevailing constraints to their exports. Genuine support should be accorded to the diversification of African exports as discussed in the context of the creation of a special facility in the African Development Fund of the African Development Bank. The expansion of Africa's trade represents a major strategy for ensuring growth and development in Africa.

(b) It cannot be overemphasized that increases in foreign direct investment is urgently needed in Africa to facilitate the rejuvenation of the industrial and agricultural sectors. Increases in foreign direct investment would go a long way towards improving the level of employment and raising the level of production. Foreign direct investment is, moreover, desirable for the effective sustenance of the on-going structural adjustment programmes in many countries.

(c) The burden of external debt continues to constitute a major impediment to the development of many severely indebted African countries. The use of over 30 per cent of foreign exchange earnings on debt servicing represents a major drain on diminishing external resources. While we welcome the Naples Terms on debt relief, the Organization of African Unity would urge the international community, in the immediate future and in consultation with all parties, to evolve solutions which go beyond these terms to be able to impact consequently and positively on Africa's growth efforts.

We also believe that there is a need for all the UN agencies which are associated with NADAF to re-examine their approaches and working modalities in relation to the implementation of the Agenda for Action. It will not be enough for the agencies to say that they are contributing to the implementation of UN-NADAF, without a review of their programmes and aligning them to the requirements of the Agenda. All UN programmes in Africa should be mutually reinforcing and complement each other for greater impact. The current evaluation should not, therefore, be an occasion for each agency to present a list of all the activities carried out for Africa. Rather, it should be an opportunity to examine in concrete terms how all these activities can dovetail and make maximum impact.

In the spirit of shared responsibility, the African countries being the major beneficiaries from the UN-NADAF, and with an important role to play in its implementation, also need to re-examine their attitudes, approaches and strategies to programme implementation, The issue here is not a selective or piecemeal approach, but a comprehensive analysis of the various elements of NADAF with a view to reflecting or integrating them as appropriate, in national programmes for socio-economic development. Africa's development partners, on the other hand, have a major responsibility in reviewing their attitudes towards Africa and African issues, particularly with regard to Africa's external debt, the crippling conditionalities, and the general direction and composition of their aid packages for Africa.

These are some of the thoughts that I wanted to share with you, so that this important exercise focuses on a new orientation and approach to the implementation of the UN-NADAF for the remaining years of the programme.

Appendix 13(ii): Statement by Ambassador Vijay S. Makhan, Assistant Secretary-General OAU/African Economic Community at the 45th Session of the UNCTAD Trade and Development Board Sessional Committee II Agenda Item 6 (UNCTAD's Contribution to the Implementation of the UN-New Agenda for Development in Africa) Geneva, 19 October 1998 (Extract)

Although the documentation for this agenda item is part two of this year's Trade and Development Report as well as the relevant section of the overview, my remarks will also embrace this year's Least Developed Countries Report and its overview, which I consider relevant to the issues we are discussing here today.

I welcome both reports as a useful contribution towards consensus building on the way forward for the African countries and the LDCs, 33 of which can be found in Africa. There are five major issues that I wish to take up.

First, as regards the review of economic performance in the African countries and the African LDCs, both reports underscore the fragility of the recovery of recent years and the destabilising effect of exogenous developments such as drought and floods, declining aid, and weakening commodity prices. It is clear that growth in these countries has not been sufficiently robust to stem the slow decline of their share of world production and trade. On top of this, the Asian crisis has introduced an element of uncertainty with projections of export contraction, lower earnings and hence lower growth for 1998 and possibly 1999.

Second, both reports make clear the view that the determined efforts of our countries at economic reform is paying off in improved macroeconomic fundamentals but the structural constraints, especially as regards the underdevelopment of human resources and of infrastructure as well as institutional limitations, remain severe. Consequently, the response of the private sector to the opportunities provided by the improved macroeconomic environment and a liberalised market has been rather weak, if not outright marginal and insignificant. The response, also, of foreign direct investment has been disappointing, to say the least.

On this matter of a weak supply response, let me say that the OAU has consistently pointed out the stranglehold of structural constraints on our economies, and therefore the limitations of the Bretton Woods approach to structural adjustment, or what the LDC Report refers to as the approach of the 'Washington consensus'. Indeed, we find it disappointing that hardly any attention has been paid in either Report to the position the OAU has taken in regard to the limitations of structural adjustment programmes, a position which I have no doubt is well known to UNCTAD.

Third, both reports are convincing in making the case that a major reason why most African countries continue to lag behind, is the inadequacy of financial resources to support policy reform and structural change. In effect, the pressure from this resource squeeze is coming from two directions. From the internal front, many African countries face a situation of low savings and investment and declining levels of public investment as governments have pursued more prudent budgetary and fiscal policies as part of their economic reform programmes. Then, from the external front, not only has there been a sharp drop in aggregate flows of official development assistance and, as I have already noted, private flows have not been forthcoming, but the debt overhang remains a millstone that has been pulling us down.

Decisive measures to bring about debt relief have for long been an important part of OAU advocacy in forums ranging from the UN to the IMF, World Bank and to the mid-term review of UN-NADAF. For example, a 1995 OAU document, the Cairo Agenda for Action states, and I quote: 'Africa's external debt stock and its rapid growth are a deterrent to increased non-debt generating resource flows'. I wish, therefore, to especially welcome the recognition on page 25 of the Overview of the 1998 TDR that, I quote: 'There is now ample evidence that Africa's external debt burden is having a severe adverse impact on investment and renewed growth'.

We at the OAU have welcomed the HIPC Initiative but have nonetheless underlined its limitations, which are well known and I need not therefore rehearse them here. But we must move forward. The OAU/African Economic Community is therefore pleased with the call made for an Ad Hoc Group of Independent Experts to be appointed to examine this question of the sustainability of African debt afresh. This, indeed, echoes the recommendation that is contained on pages 25 to 26 of the overview of the 1998 TDR, which reads as follows:

> A comprehensive assessment of the sustainability of African debt is now needed; it should be carried out by an independent body that would not be unduly influenced by the interests of creditors. Such a body could be composed of eminent expert 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. Such a course of action would be in complete harmony with recognised principles of debt workouts.

I therefore wish to call upon this Sessional Committee to make this recommendation contained in the 1998 TDR a key part of its Agreed Conclusions and to send an appropriate Resolution on this matter to the Trade and Development Board for onward transmission to the UN General Assembly.

My fourth point relates to the substantive analysis of African development in comparative perspective contained in the TDR. This analysis is important because it provides much evidence of the limitations of the 'Washington consensus' and the need for a broader synthesis of ideas and approaches. It is gratifying to note that the Bretton Woods institutions have shown signs of responding to these limitations. No doubt we will hear more about the paradigmatic revolution in development theory and practice that is underway in this afternoon's Raul Prebisch Lecture. However, I want to emphasise four lessons that can be drawn from the substantive analysis in the TDR.

First, is the recognition that policy must reflect the fact that with economic liberalisation, markets may not emerge on their own, and may be sub-optimal if they do.

Second, is the further recognition that the liberalisation of product and factor markets requires proper sequencing with institutional reforms if appropriate incentives are to be generated and economic instability avoided.

Third, is the acknowledgement that policy must recognise and address directly structural constraints and institutional limitations if incentives are to be translated into a vigorous supply response through new investment for the expansion and rationalisation of production.

And the fourth lesson is that in addition to the traditional challenges of development, governments now must cope with unprecedented acceleration of technological change and the distributional consequences of globalisation as the new global economy does not benefit all countries equally.

These lessons lead the TDR to suggest that the marginalisation of Africa, especially the least developed African countries, in world trade is not so much a consequence of their resistance to liberalisation but rather a reflection of their inability to expand productive capacity. This implies that African governments must pursue economic liberalisation selectively while also building up the productive capacity to facilitate the fuller integration of these countries into the world economy. In this context, I am happy to note that the report echoes a view I have expressed in my book, *Policy Consensus, Strategy Vacuum: A Pan-African Vision for the 21st Century,* published last year by Macmillan in association with the OAU, that regional integration and increased intra-regional trade could provide a learning ground and a first step towards closer integration with the world economy. Indeed, both the LDC Report and the TDR provide data to show that intra-regional trade is showing signs of increase in Africa.

On this score, however, I am disappointed that both reports fail to take into account that Africa does have a strategy and a programme for regional integration to which all member states of the OAU are committed. This is the Abuja Treaty establishing the African Economic Community that came into force in 1994.

In not recognizing this element, the TDR, in particular, fails to generate proposals on ways in which UNCTAD could support the efforts of African countries, the sub-regional economic communities and the OAU/AEC Secretariat in the implementation of the Treaty. It is not too late and we would welcome an effective partnership with UNCTAD in pursuing our regional integration initiatives.

This brings me to my fifth and final point, which concerns the substantive analysis of the LDC Report. As I have already pointed out, 33 of the 48 LDCs are in Africa. So we have taken much interest in what UNCTAD has to say about strengthening the capacity of the LDCs to participate in the multilateral trading system. We largely agree with the difficulties in regard to implementation of the Uruguay Round Agreements and accession to the WTO identified in the report and with the various proposals for the greater involvement of the LDCs in the WTO and for support in the forthcoming negotiations. Indeed, this same ground was covered extensively during the first OAU/AEC meeting of African Ministers of Trade in Harare, Zimbabwe, in April this year, at which a number of important recommendations and conclusions of specific concern to Africa was elaborated. In this context, I cannot emphasise enough the need for adequate follow-up to the High-Level Meeting process.

Where the LDC Report falls short, however, is its silence on the issues relating to the negotiations for a post-Lomé IV Convention and especially on the question of the call for the new Convention to be compatible with WTO rules. We would have appreciated UNCTAD's perspective on this matter, especially since all the African LDCs are parties to the Convention.

In this intervention I have taken care to give a detailed reaction from the perspective of Africa's premier continental organisation, the OAU/AEC, to the two reports which cover issues that so closely concern us. The analysis contained in the reports, however, must be followed by action. As I see it, the biggest challenge facing UNCTAD as we mark the half-way stage between UNCTAD IX and X is to forge the necessary partnerships with other multilateral organisations in order to influence the implementation of policy and programmes in our countries. Working closely with the Bretton Woods institutions in this regard will require UNCTAD to retain its independent analytical capacity, which has proved to be a most valuable resource.

If, indeed, a fundamental paradigmatic shift in development policy and practice is now underway, and we are entering a 'post-Washington consensus' era, this should not be too difficult.

Appendix 13(iii): Observations by Ambassador Vijay S. Makhan, Assistant Secretary-General, OAU/AEC on the Findings of the World Investment Report 1998 on Africa at the Launching of the Report, Addis Ababa, 10 November 1998

First let me say that I have made it a point to be personally present at the launching of the *World Investment Report (WIR)* 1998 this morning because I believe, as does the OAU/African Economic Community, that foreign direct investment (FDI) in Africa is a subject that is of enormous importance and consequential impact for the development of this continent in this era of economic globalisation and liberalisation.

As I see it, three distinct messages come out of the *World Investment Report* 1998 as far as Africa is concerned. The first message is on the factual situation of investment inflows into the continent. The second is a message to the outside world about what has been happening in Africa to improve the investment climate. And the third is a message to us, here in Africa, in particular, policy-makers, as to what still remains to be done to ensure that our continent receives its rightful share of global investment flows. Let me briefly look at each of these three messages.

The first message contains a theme that is very familiar from previous editions of the WIR. That is, FDI inflows to this region have remained stagnant at around 3 per cent of global flows. Moreover, FDI in Africa is concentrated in just a handful of countries. The actual figure for 1997, US$ 4.7 billion, is at the same level as 1996. To put this amount in perspective, this figure for the whole of Africa is around what Ireland or Malaysia received in FDI inflows in 1997. And also for the record, it should be noted that global FDI inflows amounted to US$ 400 billion and flows to developing countries as a whole came to US$ 149 billion in 1997.

Clearly, there is gross under-investment in Africa. Despite our efforts to put in place economic reform programmes, this single fact is responsible to a substantial degree for the enormous economic problems we face and the scale of poverty that can be found among our people.

This brings me to the second message of the WIR, that is, its message to the outside world about Africa. This is a message that Africa is a good place for doing business and there should no longer be room for negative images and such stereotypes that the whole of Africa is a place of war and instability. There are eight major elements in this message.

The first is that the African continent is a highly profitable investment location. Data for United States and Japanese affiliates of transnational companies (TNCs) operating in Africa show that they received rates of return that exceeded those in other developing regions. The same applies for the UK, France, Germany and the Netherlands, which are the principal home countries of TNCs investing in Africa. This has been recognised by Asian TNCs, particularly from the Republic of Korea, Malaysia, Taiwan Province of China and China which continue to increase their investments in Africa, albeit so far only in a handful of countries. But this very welcome development now seems threatened by the Asian financial crisis as the report suggests that only the Republic of Korea may sustain its 1997 level of investment in Africa in 1998.

Second, notwithstanding exogenous developments during 1997, including the El Niño weather phenomenon and the weakening of commodity prices, the macro-economic fundamentals in most African countries remain sound, continuing the steady trend of improvement that has been observed throughout the 1990s.

Third, African governments have made enormous efforts to improve their national policy frameworks for attracting and retaining FDI. According to the report, of the 53 African countries, 47 have adopted liberal legal instruments to promote and facilitate investment inflows. In addition to these efforts, African countries have signed bilateral investment treaties, which numbered 326 in 1997 mainly with countries outside the continent. Further still, 41 African countries have signed the Convention establishing the Multilateral Investment Guarantee Agency (MIGA). Forty-two countries have signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Forty countries have signed the Paris Convention for the Protection of Industrial Property under the auspices of the World Intellectual Property Organisation (WIPO). And forty-one countries are members of the WTO (with several others at various stages of accession) and are therefore parties to the agreements relating to investment such as TRIPS and TRIMS.

Fourth, efforts are being made throughout the continent to reduce bureaucratic red tape, to streamline procedures concerned with the administration of investment, and to eliminate corruption. Indeed, the Report suggests that the continent as a whole does not fare much worse than other developing regions on this matter. The effort to introduce and maintain high standards of professionalism in the administration of investment continues. Twenty-five African investment promotion agencies are now members of the World Association of Investment Promotion Agencies.

Fifth, despite all the constraints on many African countries, including an unsustainable debt burden, our governments have been taking steps to improve the competitiveness of their economies. The WIR cites an important survey by the Davos-based World Economic Forum that in a number of policy areas including trade liberalisation, governance, access to finance, road infrastructure and telecommunications, significant improvements have taken place in Africa as a whole. To quote the report, 'openness to trade, improvements in institutions, and the availability and affordability of telecommunication infrastructure and computers were assessed … to have been the areas of greatest progress.'

Sixth, African governments have created opportunities for FDI by steadily expanding privatisation programmes. This is particularly the case in countries such as Angola, Cape Verde, Côte d'Ivoire, Egypt, Ghana, Kenya, Mozambique, Nigeria, Senegal, South Africa, Tunisia, Uganda, and Zambia. In Botswana, Burkina Faso, Eritrea, Madagascar, Namibia, and Zimbabwe, steps were taken during 1997 to facilitate foreign participation in privatisation in 1997. Figures cited by the report for 1996 show that in Africa south of the Sahara, US$ 299 million of total privatisation sales of US$ 623 million were raised through 'sales to foreign investors'.

Seventh, at a sub-regional level, African governments are factoring the advantages of regional cooperation and integration into their efforts to attract FDI. Let me say here that this theme is underdeveloped in the report, as many of the relevant developments within COMESA, UEMOA, East African Cooperation, and SADC for example, are not reported. However, the WIR does cite the case of the investment promotion agencies within SADC that are pursuing a strategy of cooperation in joint marketing missions, exchange of experiences on promotion practices, and business intelligence.

The eighth message of the WIR to the outside world on investment in Africa is that although Africa's trade preferences have generally been eroded by the Uruguay Round Agreements, most African countries still have residual preferential access for exports to the European Union through the Lomé Convention and through the GSP schemes of several other major markets. The United States has also proposed to improve market access for some African countries through the African Growth and Opportunity Act – which unfortunately remains stalled in the US Congress. However, let me take this opportunity to state here today that the OAU/AEC is determined to do everything it can to ensure that the preferences that are currently available for our exports are not further eroded as African countries – many of which are LDCs – need this marginal boost to market access as part of their effort to attract export-oriented FDI in an increasingly competitive global economy. As is well known, this is our position as we enter the post-Lomé IV Convention negotiations. We remain hopeful that our partners in development would appreciate this and act in that direction.

In short, the message, of the report to the outside world is that Africa is a good location for investment. The profits to be made are significant. The conditions are right and serious efforts are being made to improve them even more.

Let me now turn to the message of the WIR to Africa's policy-makers. As I have previously noted, Africa is not receiving its rightful share of global investment inflows. In analysing this inequity, the WIR adopts an innovative methodology to identify the reasons for the relative success of the African countries that have been most effective in attracting FDI – a group of countries the report terms the 'frontrunners'. Four major issues, worthy of the attention of our policy makers, stand out in the success of the frontrunners.

The first is the policy framework. The frontrunners are those countries which maintained political stability, have generally achieved sound macroeconomic fundamentals and a relatively liberal investment, trade and financial regime. The WIR cites data showing that 32 per cent (i.e., 649) of the 2 040 privatisation transactions undertaken in Africa South of the Sahara before 1997 are accounted for by six of the seven frontrunners, namely Botswana, Equatorial Guinea, Ghana, Mozambique, Namibia and Uganda (Tunisia is the other frontrunner). I know that privatisation remains contentious in many African countries. But I believe that with appropriate safeguards including the use of joint ventures, the pitfalls can be avoided while maximising the benefits including transfer of technology, know-how, management and marketing skills, and, more generally , the revitalisation of public enterprises, which often perform below capacity.

The second issue accounting for the success of the frontrunners is their approach to business facilitation. On this score, the report suggests that these countries have generally made the most progress in streamlining investment procedures, providing business support facilities and containing corruption.

Third, the report finds that access to a larger regional market has been a factor in attracting FDI for some of the frontrunners, in particular, Namibia and Botswana, which are both in SADC and SACU. In view of our small country markets, regional cooperation and integration is increasingly becoming important as a critical determinant of competitiveness in Africa.

Fourth, and finally, the report finds that the frontrunners are attracting not only resource-seeking investment (i.e., investment mostly in minerals and energy) but also market-seeking investment (i.e., investment in the production and distribution of consumer goods and services) and efficiency-seeking investment (i.e., investment in sectors that require specific types of comparative advantage such as low cost labour for textiles, for example, or the availability of appropriate skills in the labour force such as is required for some manufacturing and services activities).

However, for market-seeking investment to grow substantially in Africa, African economies and per capita incomes also need to grow. This is all the more reason why our development partners need to take decisive action to remove such constraints as the unsustainable debt burden we bear in support of our growth enhancing measures.

As far as the requirements of efficiency-seeking investment are concerned, the WIR cites physical infrastructure, developed human resources, and technological capacity as among the key factors and introduces the concept of 'created assets' to describe these people-made advantages. Our policy-makers need to take heed of the view advanced by the Report that these created assets will increasingly determine levels of competitiveness in the future.

These are the main messages on Africa of the *World Investment Report* 1998. It is a report which the international business community and African policy-makers should examine with great care and attention. International investors should look at African countries afresh especially in the light of the changes that have been taking place. African governments should deepen these reforms, taking into account the growing importance of created assets. I commend the UNCTAD Secretariat for the professionalism of the WIR although I would have liked to see more depth in the analysis of the impact of our regional integration efforts on FDI. Indeed, as a matter of procedure, UNCTAD should consider exchanging views at a pre-publication stage on relevant sections of its annual Reports with regional organisations such as ours as the view from Geneva may not necessarily always reflect the reality in Africa.

Appendix 13(iv): Statement by Ambassador Vijay S. Makhan, Assistant Secretary-General OAU/African Economic Community at the Opening of the Thirty-third Session of the UN Economic Commission for Africa/ Twenty-fourth Meeting of the Conference of Ministers/ Seventh Session of African Ministers of Finance, Addis Ababa, 6 May 1999

The theme of this meeting '*The Challenges of Financing Development in Africa*' underscores the fact that finance is the lifeblood of economic development. To be sure, there are other important prerequisites and preconditions for development to be sustainable. These include investment in the human resource base; the build-up of physical infrastructure; and the maintenance of institutions of governance that are responsive and accountable with policy-making and implementation capacity. But no one can deny the important role of finance. An importance, moreover, that is highlighted by the current context in which African governments find themselves. This is a context of declining export receipts as a result of weak demand for Africa's commodity exports, falling terms of trade, little capacity to generate internal savings, and – the mother of all our economic difficulties: the debt overhang. These factors have combined to make African countries, especially those south of the Sahara, increasingly dependent on foreign aid or official development assistance (ODA).

Yet, it is also a context in which the region as a whole has experienced four years of positive growth rates following two decades of almost continuous dismal economic performance. Modest as this recovery is, the evidence does suggest that it is underpinned by increasingly sound macroeconomic fundamentals in most countries. Yet again, at precisely the time when a new window of opportunity has been opened through the sacrifices of difficult political and economic reforms, levels of ODA to our countries have been cut back sharply. Indeed, by the mid-1990s, the policy environment in most African countries had generally become very favourable for foreign aid to be used to intensify policy reforms and direct efforts towards addressing the human, institutional, infrastructure and other structural constraints. ODA, however, has fallen for six consecutive years, from 0.33 per cent of the combined GNP of the OECD-Development Assistance Committee (DAC) donors in 1992 to 0.22 per cent in 1998, its lowest ever level. This, moreover, is now less than one third of the agreed UN target of 0.7 per cent of GNP. Foreign Direct Investment inflows to Africa have remained stagnant, hovering at around 3 to 4 per cent of global flows throughout the 1990s, concentrated in just a few countries and in the extractive sector, notwithstanding the overwhelming evidence suggesting a higher than average rate of return for investment in Africa. Equity flows to Africa have been relatively insignificant and other private flows including net bank lending have shown a declining trend for a number of years. Even as we welcome recent initiatives to address the problem of debt overhang in Africa, the meaningful reduction of the stock of debt must remain the objective if internally generated resources are to be directed towards our pressing development needs.

Meanwhile, the implementation of economic reform programmes continues to improve national resource and factor allocation in our economies. But the financial flows required to support the improved conditions for strong growth have not been forthcoming. So far as our continent is concerned, this is a context that can aptly be described as economic recovery and a paradox of resource flows.

A good policy environment now exists in much of Africa. However, as the useful documentation that has been provided by the ECA points out, more needs to be done to deepen financial sector reforms and capacity for financial intermediation through capital market development, the introduction of flexible savings instruments, appropriate interest rate policy management, innovations in the public sector to generate public savings, suitable measures to curb capital flight, and the fostering of greater transparency in financial markets through the widening of the participation of African countries in the General Data Dissemination System (GDDS) and the Special Data Dissemination System (SDDS).

Clearly, these issues are among the next generation of reforms that will require the full attention of our governments in the coming years. But we must also not lose sight of the fact that these reforms are not ends in themselves. Nor should they be seen simply as the changes needed to bring African countries into the global mainstream. They are rather the means to achieve such objectives as reducing the unacceptably high levels of poverty among our people, and generating growth leading to sustainable development. We must also not lose sight of the fact that the capacity of our economies to increase savings significantly in the foreseeable future is inherently limited. To this extent, sustaining the gains that have already been made and the good policy environment that has largely been achieved requires external resource flows to address the long-standing structural weaknesses and supply-side constraints in our countries. Sustaining these gains further requires increasing levels of investment in sectors, products and services where value-added is greater, productivity growth is faster and demand elasticities in world markets are higher. Indeed, the analysis that has been presented by the ECA suggests that to achieve the internationally-agreed goal of reducing poverty by half by the year 2015, an annual growth rate of 7 per cent will be required in Africa as a whole. The ECA projections show that the quantum of external resources that is needed to achieve this target in Africa south of the Sahara amounts to 47 per cent of GDP during 1999 and 2000; 32 per cent of GDP during 2001 to 2005; and 10 per cent of GDP during 2006 to 2010. Well, I leave it to our collective imagination as to how this can be attained. On current levels of external financial inflows, it therefore follows that our countries are facing a massive financing gap.

As we ponder over this predicament in which we find ourselves – economic recovery and the paradox of resource flows – we must also recognise that the distribution of benefits from the ongoing globalisation of the world economy is profoundly inequitable. This underscores the need for more meaningful cooperation between developed and developing countries in shaping a global economy in which the gains from liberalisation are more equitably shared. This is an issue, a far-reaching analysis of which would greatly enhance our deliberations at this meeting. On our part, we at the OAU/African Economic Community are advocating that this issue of enhanced coherence in global economic management and the need for the international community to take a systemic approach in addressing global economic imbalances is clearly the way forward. Forthcoming fora such as the third WTO Ministerial Conference, the proposed OAU/European Union Summit, the UN Conference on Financing for Development, the UN Millennium Summit, UNCTAD X, the South–South Summit, and the Third UN Conference on Least Developed Countries provide an opportunity for meaningful progress to be made in addressing the general issue of the management of global economic imbalances and the specific issue of external resource flows. In the current ACP/EU negotiations for a successor to the Lomé IV Convention and in our preparations for the new round of trade negotiations that is expected to be launched at the WTO Ministerial Conference in Seattle later this year, we are making every effort to ensure that this issue of the imbalances of globalisation are adequately addressed. To this end, with the collaboration of the ECA and the African

Development Bank, we have put in place a panel of experts to assist African negotiators in these very important negotiations.

As much as the importance we attach to enhanced coherence in global economic management is justified, globalisation also calls for a higher level of competitiveness as a response. To this end, regional economic integration within the framework of the Treaty Establishing the African Economic Community (the Abuja Treaty) is the cornerstone of our strategy of fuller integration into the world economy and of achieving global competitiveness. The high incidence of small country markets and land-locked states as well as underdeveloped intra-regional transport and communications infrastructure are among the constraining elements that underscore the importance that our governments have attached to economic integration and the creation over the next three decades of a continental economic space. Our vision at the OAU/AEC on this subject is that the regionalisation of economic activity will enable our national economies to build up capacities in all critical areas, from the absorption and generation of new technology to production and marketing, as a springboard for more meaningful participation in the world economy. As our entrepreneurs – in partnership with foreign investors and corporations from the North as well as from the more advanced countries of the South – respond to the freer flow of factors, goods and services within the regions of our continent and build up their supply capacity in terms of productivity, scale and scope of production and marketing, they will become more and more able to exploit global opportunities in a gradual, step-by-step, process of integration into the world economy.

Indeed, this month marks the fifth anniversary of the coming into force of the Abuja Treaty. I am grateful that the last five years have seen the gradual strengthening of the regional economic communities and the beginning of the process of policy coordination and integration in the continent. Clearly, we have a long way to go. The forthcoming Third Ordinary Session of the Economic and Social Commission of the African Economic Community that is now scheduled to take place here in Addis Ababa at ministerial level on 17–18 June will be an occasion to review this progress, assess the state of play and map out the way forward.

I cannot conclude these remarks on the perspective of the OAU/African Economic Community on the theme of this meeting without making reference to the incidences of conflict that continue to rage in certain – albeit a few – areas of our continent.

So many resources have been directed by humanity against humanity in wanton destruction and senseless killings – resources that could have been positively attributed to alleviate the plight and lot of the poorest of the poor. As we also look beyond Africa, and consider the resources that have been mobilised and are being expended in post-Cold War militarism, this end of the century has once again demonstrated and upheld the adage that history repeats itself – as one considers the capacity of the human race to self-destruct. If only such resources and the political will behind them could be mobilised to cut global poverty by half by 2015!

This conference will be deliberating on the challenges of financing development, and there are important lessons to be drawn. Among these is the need to continue our reform efforts and, in particular, to embark upon a new generation of financial sector reforms aimed at deepening and achieving greater transparency in African financial markets. Regional economic integration is also the cornerstone of our strategy of transformation and of achieving competitiveness in the wider global context. It is therefore imperative that the implementation of our reform programmes should increasingly reflect the commitments that are being made at both the levels of the regional economic communities and of the AEC. However, we also find ourselves in a strange predicament of what I have described as economic recovery and the paradox of resource flows. The magnitude of financial resources required for Africa's socio-economic transformation and sustained development are far beyond the capacity of our economies to generate. Urgent international support by way of official and private flows as well as an effective resolution of the debt crisis is needed if the current recovery is to be translated into vigorous growth and rising living standards. In this context, it is imperative for our governments to take the lead and initiative to press the case for greater coherence in global economic management and for addressing the imbalances of globalisation.

Assembled here today are policy makers of our continent, on whom much will depend, and from whom much is expected as Africa, with its teeming millions, faces its destiny in the third millennium. I have no doubt whatsoever that we shall all rise to this challenge.

Notes and References

Introduction

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4 See African Development Bank (1998), *African Development Report, 1998* (Oxford, UK: African Development Bank/Oxford University Press), p. 3
5 See OECD (1998), News Release, 'Aid and Private Flows Fell in 1997' (OECD web site, www.oecd.org/dac, 18 June 1998).
6 See UNCTAD (1998), *World Investment Report, 1998* (Geneva: UN), p. 163
7 See World Bank (1998), *Global Development Finance, 1998* (Washington DC: World Bank), Appendix 5.
8 OECD (1998), News Release, 'Aid and Private Flows Fell in 1997', *loc. cit.*
9 See, for example., UNCTAD, *Trade and Development Report, 1998*, p. xii.
10 See United Nations (1991), *New Agenda for the Development of Africa in the 1990s* (New York: UN), p. 12.
11 Vijay S. Makhan, Statement made at the launching of the UN System-Wide Special Initiative on Africa, Addis Ababa, 15 March 1996.
12 See World Bank (1998), *Assessing Aid: What Works, What Doesn't and Why* (Washington DC: World Bank), p. x.
13 See Joseph E. Stiglitz (1998a), 'Towards a New Paradigm for Development: Strategies, Policies and Processes', Raul Prebisch Lecture, UNCTAD, Geneva, 19 October 1998; see also Joseph E. Stiglitz (1998b), 'An Agenda for Development in the 21st Century' in Boris Pleskovic and Joseph E. Stiglitz (eds), *Annual World Bank Conference on Development Economics* 1997 (Washington DC: World Bank), pp. 17–31.
14 See Stiglitz (1998a), 'Towards a New Paradigm for Development', *loc. cit.*; and World Bank, *Assessing Aid*, *loc. cit.*

1 A Survey of Africa's Economic Performance in the Post-Independence Period

1 The survey draws significantly from UNCTAD (1998), *Trade and Development Report 1998* (Geneva: UNCTAD, 1998), pp. 115–209.
2 The Sarahawi Arab Democratic Republic, a Member State of the OAU, is not a regional member state of the AfDB.
3 See *African Development Report, 1998* (Oxford: Oxford University Press, 1998) p. 18.

4 See *African Development Report, 1999* Oxford: Oxford University Press, 1999) p. 15.
5 *African Development Report, 1998*, p. 19.
6 Ibid.; and also *African Development Report, 1999*, p. 16.
7 See *African Development Report, 1998*, pp. 19–20.
8 Ibid.
9 See *African Development Report 1999*, p. 9.
10 Ibid., p. 22; see also UNCTAD (1999), *Trade and Development Report, 1999* (Geneva: UNCTAD), p. 13.
11 *African Development Report, 1998*, p. 13.
12 Ibid.
13 Ibid., p. 8
14 UNCTAD, *Trade and Development Report, 1999*, pp. 29–30.
15 *African Development Report, 1998*, p. 11.
16 *African Development Report, 1998*, p. 9.
17 *African Development Report, 1999*, p. 23.
18 Ibid., pp. 9–11.
19 AfDB data is based on IMF methodology and terminology. Thus capital inflows are the items included in the capital and financial accounts of the balance of payments. The heading 'balance on capital account' includes mainly credit items such as the grant element of official development assistance (ODA), debt forgiveness and migrant transfers. The heading 'balance on financial account' includes mainly long- and short-term liability items such as foreign investment and external borrowings including borrowings from the IMF itself. Non-debt creating flows therefore consist mainly of the credit items plus long-term investment.
20 *African Development Report, 1998*, p. 13.
21 See United Nations (1998), *World Investment Report 1998* (New York and Geneva: United Nations), pp. xxv, 9, 163–5; see also *African Development Report, 1998*, p. 16.
22 *African Development Report, 1999*, p. 12.
23 See OAU (1995), *The Cairo Agenda for Action* (Addis Ababa: OAU/AHG/Res. 236 (XXXI), p. 22. This document is reproduced as an the Appendix of this book.
24 See, for example The Jubilee Coalition (1998), 'To Him that Hath: Debt and Financing Development' in South Centre, *South Letter* No 30, p. 18.
25 See UNCTAD, *Trade and Development Report, 1998*, p. xii. See also, Vijay S. Makhan, 'Statement at the 45th Session of the UNCTAD Trade and Development Board' (Geneva: OAU/AEC, mimeo, 1998).
26 See, for example, Paul Collier and Jan W. Gunning (1997), 'Explaining African Economic Performance' (Oxford: Centre for the Study of African Economies, Working Paper Series /97/2); Thandika Mkandawire and Charles Soludo (1999), *Our Continent, Our Future* (Trenton, New Jersey, USA: Africa World Press,); and World Bank (2000), *Can Africa Claim the 21st Century?* (Washington DC: World Bank).

2 The Paradox of Financial Flows

1 The term 'foreign' aid is used to refer to official development assistance (ODA). These flows, mostly from bilateral donors and/or channelled

through the multilateral institutions contain significant concessional elements. Official development finance (ODF) is the term used for all official flows including non-concessional flows plus ODA. The main donors are the OECD countries and within this group, the Development Assistance Committee (DAC) members. In 1998, the OECD-DAC members were Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, United States, and the Commission of the European Communities.

2 See OAU (1995), *Report of the Secretary-General to the Special Session of the Council of Ministers on Economic and Social Issues in African Development* (Addis Ababa: OAU, mimeo), p. 9.

3 *The Economist*, February 24, 2001, p. 17

4 See *African Development Report, 1998*, pp. 9–11.

5 See Africa Policy Information Centre (1998), *Africa's Debt*, (Washington DC: Africa Policy Information Centre Background Paper, December), p. 1

6 See UN Economic Commission for Africa (1999), *The Challenges of Financing Development in Africa* (Addis Ababa: UNECA, E/ECA/CM.24/2,), p. 3.

7 See World Bank (1998), *Assessing Aid: What Works, What Doesn't and Why* (Washington DC: World Bank), p. x.

8 Fluctuations in the overall downward trend are due to currency movements and other special effects such as, for example, large non-concessional rescue packages associated with the 1997–8 East and South-east Asia financial crisis and contagion in Brazil. See World Bank (1998), *Global Development Finance Report 1998*, (Washington DC: World Bank), pp. 49–50; and World Bank (1999), *Global Development Finance Report 1999* (Washington DC: World Bank), p. 2.

9 See OECD, News Release (1998), 'Aid and Private Flows Fell in 1997'; and World Bank (1998), *Global Development Finance Report, 1999*, p. 70.

10 See UNCTAD (1998), *Least Developed Countries, 1998 Report* (Geneva: UNCTAD), p. 28.

11 See World Bank (1999), *Global Development Finance Report, 1999*, p. 70.

12 See UNCTAD (1999), *Least Developed Countries, 1999 Report* (New York and Geneva: UNCTAD), p. 23.

13 See UNCTAD, *Least Developed Countries, 1998 Report*, p. 28.

14 See OECD, News Release, 'Aid and Private Flows Fell in 1997', 18 June 1998.

15 See World Bank, *Global Development Finance Report, 1999*, p. 70.

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17 Ibid. See also UNCTAD, *Least Developed Countries, 1999 Report*, pp. 24–5.

18 See OECD News Release, *loc. cit*; see also OECD, *Development Assistance Commitee Report, 1995* (Paris, OECD), p. 100.

19 See OECD, News Release, *loc. cit.*

20 See World Bank, *Global Development Finance Report, 1998*, p. 50.

21 See UNCTAD (1999), *Foreign Direct Investment in Africa: Performance and Potential* (New York and Geneva, UNCTAD), pp. 2–3.

22 See UNCTAD (1999), *World Investment Report, 1999* (New York and Geneva: UNCTAD), p. 46.

23 Ibid., pp. 47–8.

24 See Vijay S. Makhan, 'Observations on the Findings of the World Investment Report 1998 on Africa at the Launching of the Report' (Addis Ababa: OAU/AEC, mimeo). It should be noted that when FDI inflows are standardized to take into account the size of the economy, by measuring them in terms of inflows per capita or per $1,000 of GDP, several African countries fare considerably better than the average for developing countries as a group. By another relative measure, inward FDI flows as a percentage of gross fixed capital formation, Africa's performance was comparable to that of developing countries as a group: for 1991–7, the figure was 5.6 per cent for Africa as compared to 7.5 per cent for all developing countries. However, the figure for Africa reflects not only the size of African economies but also the context of inadequate domestic savings and investment. See UNCTAD, F*oreign Direct Investment in Africa, loc. cit.*, p. 20.
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27 Ibid., p. 165–6.
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32 Ibid.
33 See *African Development Report, 1998, loc. cit.*, p. 17.
34 See World Bank, *Global Development Finance Report, 1998*, Appendix 5.
35 See Vijay S. Makhan (1999), *Statement at the Opening of the 33rd Session of the UN Economic Commission for Africa/24th Meeting of the Commission/7th Session of African Ministers of Finance* (Addis Ababa: OAU/AEC, 6 May 1999).
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38 See the *Financial Times*, 'Debt: Too Much to Bear', 12 June 1999.
39 Ibid.
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41 See UNCTAD (1998), *Trade and Development Report, 1998* (Geneva: UNCTAD), p. 127.
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44 See the *Financial Times*, 'Debt: Too Much to Bear', 12 June 1999
45 See UNCTAD, *Trade and Development Report, 1998, loc. cit.*, p. 129.
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3 New Priorities for Foreign Aid

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3 Ibid.
4 See UNDP (1998), *Human Development Report, 1998* (New York: UNDP/Oxford University Press), p. 17.
5 See OECD (1996), *Shaping the 21st Century: The Contribution of Development Co-operation* (Paris: OECD).
6 See OECD, News Release, *loc. cit*.
7 See UK Government (1997), *Eliminating World Poverty: A Challenge for the 21st Century*, *White Paper on International Development* (London: HM Stationery Office), p. 1.
8 See Government of Canada (1995), *Canada in the World*, *Government Statement* (Ottawa: Government Services Canada). p. 42.
9 See OECD, News Release, *loc. cit*.
10 See UN (1997), *The World Conferences: Developing Priorities for the 21st Century* (UN Briefing Paper Series), p. v.
11 See OECD, News Release, *loc. cit*.
12 See UN, *The World Conferences*, *loc. cit.*, p. 20.
13 See Communiqué of the Non-Aligned Movement Summit, Durban, South Africa, September 1998.

14 See UN, *The World Conferences*, *loc. cit.*, p. 48.
15 See UNDP (1997), *Human Development Report, 1997*, p. 112. The breakdown of this amount is as follows: the cost of achieving basic education for all is $6 billion; basic health and nutrition, $13 billion; reproductive health and family planning, $12 billion; and low-cost water supply and sanitation, $9 billion. See also UNDP (1998) *Human Development Report, 1998* (New York: Oxford University Press), p. 37.
16 See UN, *The World Conferences*, pp. 30–35.
17 See UNDP, *Human Development Report, 1997*, p. 108; and *Africa Recovery* 11 (4), March 1998, p. 11.
18 UNDP (1998), *Human Development Report, 1998* (New York: UNDP/Oxford University Press), p. 3.
19 UNICEF Information Newsline, 'UNICEF says world has not done enough for children' (UNICEF web site, www.unicef.org/newsline/99).
20 See UN, *The World Conferences*, *loc. cit.,* p. 56.
21 See, for example., UNDP, *Human Development Report,* 1998, p. 31–3.
22 See UNICEF Information Newsline, 'UNICEF says world has not done enough for children', *loc. cit*.
23 See UN, *The World Conferences*, pp. 43–4.
24 See UNDP, *Human Development Report, 1998*, pp. 34–5; see also 'The Economics of AIDS Policy' in World Bank Policy and Research Bulletin, 9 (1) , January–March 1998, pp. 1–5.
25 See UNDP, *Human Development Report, 1997*, p. 111.
26 See Vijay S. Makhan (1996), 'Statement at the World Food Summit' (Addis Ababa: OAU/AEC, mimeo, 14 November 1996).
27 See UN, *The World Conferences*, p. 76.
28 Ibid., p. 66–70.

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1 See OECD (1995), *Development Assistance Committee Report*, 1995 (Paris: OECD, 1995), p. 43.
2 See UNCTAD (1998), *Trade and Development Report*, *1998* (Geneva, UNCTAD), p. 53.
3 See OECD (1994), *Development Assistance Committee Report, 1994* (Paris: OECD), p. 3; and Joseph E. Stiglitz (1998), 'Towards a New Paradigm for Development: Strategies, Policies, and Processes', Raul Prebisch Lecture, UNCTAD, Geneva, 19 October 1998.
4 See Rubens Ricupero (2000), 'From the Washington Consensus to the Spirit of Bangkok – Is there a Bangkok Consensus or a Bangkok Convergence' (Bangkok: 10th Session of UNCTAD, 19 February 2000).
5 See UNCTAD (1999), *Least Developed Countries 1999, Report* (Geneva: UNCTAD), p. iv.
6 See Nicolas Van de Walle and Timothy A. Johnson (1996), *Improving Aid to Africa* (Washington DC: Johns Hopkins University Press).
7 See OAU (1990), *Declaration of the Assembly of Heads of State and Government of the Organisation of African Unity on the Political and Socio-Economic Situation in Africa and the Fundamental Changes Taking Place in the World* (Addis Ababa: OAU), p. 2. This document is reproduced in full in Appendix 5 of this book.

8 See OAU (1995), *Relaunching Africa's Economic and Social Development: the Cairo Agenda for Action* (Addis Ababa: OAU). This document is also reproduced in full in the Appendix.

9 Ibid.

10 See *Partnership for Capacity Building in Africa: Strategy and Program of Action* (A Report of African Governors of the World Bank to Mr James D. Wolfensohn, President of the World Bank Group, September 28, 1996), p. vi.

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Note: f = figure; n = note; t = table.