Recent Economic Trends in Africa and Prospects for 2003

The performance of African economies fell short of expectations in 2002—with growth slowing from an average of 4.3% in 2001 to 3.2% in 2002, reflecting the weaker global economy and the slower-than-expected rebound in world trade. In early 2002 it seemed that a global economic recovery, led by the United States, was under way. But by mid-2002 weaknesses in emerging markets and in mature equity markets increased the risk aversion of investors. Africa's growth prospects were further weakened by the lagged effects of low commodity prices in 2001, the droughts in various parts of southern and eastern Africa, and the political and armed conflicts in some parts of the region—notably, the Central African Republic, Côte d'Ivoire, Madagascar, and Zimbabwe.

Despite the weaker performance, countries continued to strengthen their macroeconomic fundamentals and intensify their focus on reducing poverty. Nine countries were preparing either interim or final Poverty Reduction Strategies, up from four in 2001.

For 2003 the outlook is mixed, with growth expected to rebound modestly to 4.2%. In addition to deteriorating business sentiment in industrial economies, rising oil prices and financial turbulence amplify the risk of returning to a global slowdown.

Downside risks in Africa stem from the deteriorating political and economic situations in Zimbabwe and Côte d'Ivoire, with possible contagion effects in the western and southern subregions. In Zimbabwe the crisis brought high and growing inflation, lowered food production, and increased the number of people facing starvation and famine. So far, the conflict in Côte d'Ivoire has not had any major adverse effect in the subregion. But if it persists, there would be disruptions in cocoa supplies to world markets and in the economic activities of neighbouring states.

Renewed flooding and drought in various parts of the continent, especially in the Horn of Africa and the southern region, may affect agricultural production in 2003. In Ethiopia 15 million people face starvation because of failed rains and harvests, with dire consequences for health, labour force participation, and near-term growth.

The U.S. decision in May 2002 to introduce a six-year $51.7 billion farm bill boosting crop and dairy subsidies by 67% doesn't help Africa's prospects. The subsidy will reduce agricultural prices, making it difficult for small African countries to compete.

The global recovery—a mirage?

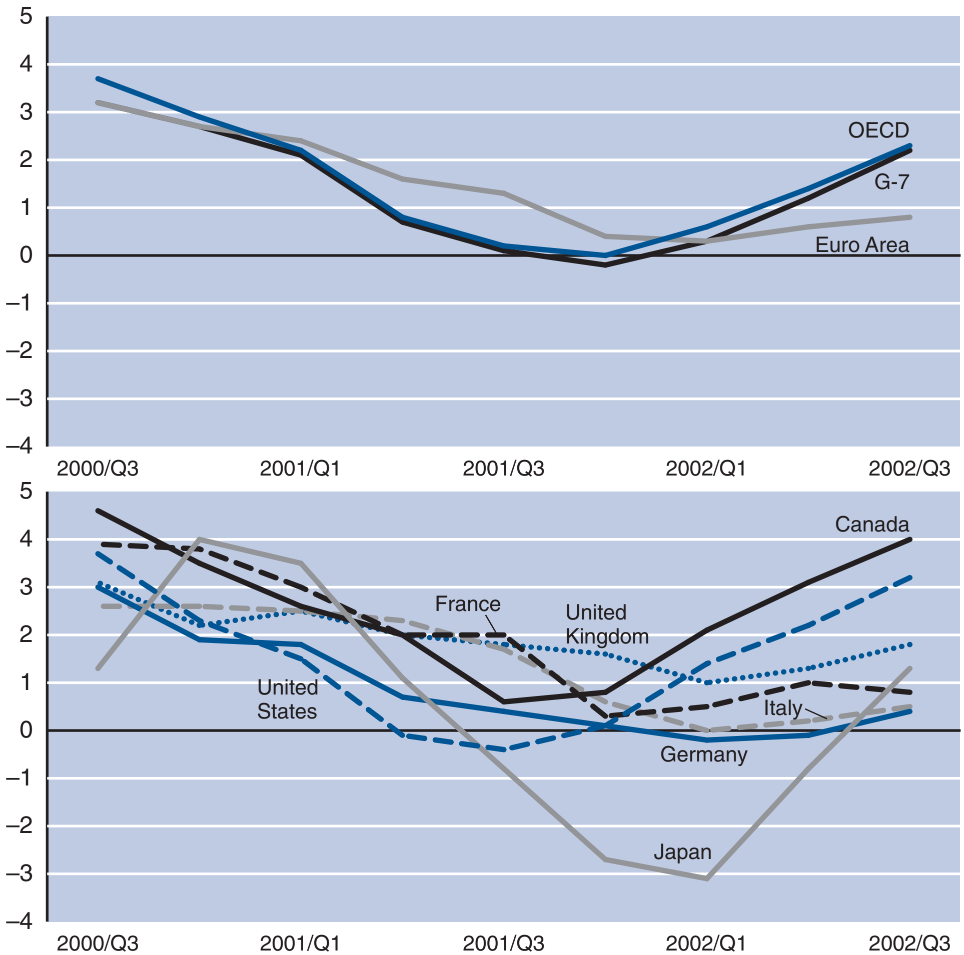
Since the end of 2001 there has been a turnaround in global economic activity, driven largely by economic developments in the United States. The turnaround gathered momentum in the first quarter of 2002 and led to optimistic forecasts about the prospects for future growth (figure 1.1 and table 1.1). Events of the last quarter of 2002 suggest that the global recovery continued, if slower than earlier expected. The reasons? The diminished pace of economic recovery in the United States in the second quarter of 2002. The declines in equity prices in major financial markets. The rising risk premiums associated with the volatile situation in the Middle East and their impact on oil prices. And the deteriorating economic conditions in several Latin American countries.

> *The global recovery continued in the last quarter of 2002, though slower than earlier expected*

Figure 1.1

Developed country growth—rebounding

Annual GDP growth, OECD, EU and G-7 countries, 2000/Q3–2002/Q3 (percentage change over the same quarter of the previous year)



Source: *OECD 2002.*

Is the U.S. economy headed for a double-dip recession?

The recent declines in equity prices in all major financial markets, the decline in business and consumer sentiments in the third quarter of 2002, and the signs of slow and fragile growth in the U.S. economy in the second half of the year have raised concerns about the timing of the recovery, prompting speculation that the United States may be headed for a double-dip recession, sliding back into another recession after a short-lived recovery. Although most economists recognize this possibility, the general feeling is that it is unlikely because:

- Current U.S. inflation is low—1.1% in 2002—so there is room for monetary policy to stabilize the economy, if needed. In addition, because of the long lags in the monetary transmission mechanism, it is likely that the full positive effects of the interest rate cuts witnessed between the last quarter of 2001 and the second half of 2002 have not been completely realized in the economy. It is therefore likely that this will add some strength to the recovery in the near term.
- Recent gains in labour productivity imply further increases in real wages and disposable income, increasing consumer spending and thus growth.
- Given the U.S. government's steps to strengthen corporate governance and auditing, it is likely that the equity market will stabilize, increasing consumer confidence and thus spending.
- There are indications that the Bush administration will increase government spending if the economy is falling into a tailspin.

"The U.S. government's steps to strengthen corporate governance and auditing are likely to stabilize the equity markets"

Table 1.1

Quarterly changes in real GDP, industrial countries, 2000/Q1–2002/Q3 (percentage change over previous quarter)

	2000				2001				2002		
Region	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
OECD	1	1.1	0.5	0.4	0.2	–0.3	–0.1	0.3	0.7	0.5	0.8
EU15	0.8	0.9	0.4	0.6	0.5	0.1	0.2	–0.2	0.4	0.4	0.4
Euro Area	0.9	0.8	0.4	0.6	0.5	0.0	0.2	–0.3	0.4	0.3	0.3
G7	0.9	1.0	0.4	0.6	0.2	–0.4	–0.2	0.2	0.8	0.5	0.8
Canada	1.5	0.7	1.3	0.5	0.2	0.1	–0.1	0.7	1.4	1.1	0.8
Germany	1.0	1.1	0.0	0.1	0.6	0.0	–0.2	–0.3	0.3	0.2	0.3
France	0.8	0.8	0.5	1.3	0.4	–0.1	0.4	–0.4	0.6	0.4	0.2
Italy	0.8	0.3	0.6	1.0	0.7	0.1	0.0	–0.2	0.1	0.2	0.3
Japan	2.0	0.4	0.7	1.4	0.5	–1.4	–1.3	–0.5	0.0	0.9	0.8
United Kingdom	0.5	0.8	0.6	0.4	0.6	0.3	0.3	0.2	0.1	0.6	0.8
United States	0.6	1.2	0.1	0.3	–0.2	–0.4	–0.1	0.7	1.2	0.3	1.0

Note: *Data are seasonally adjusted.*

Source: *OECD 2002 (March, September, and December).*

Japan and the euro area—caught in a deflationary trap?

In tandem with evidence of moderating U.S. economic growth, there are increasing concerns that the momentum of growth will ease in Japan, despite strong export performance in the first half of 2002. The Japanese economy is plagued by weak private domestic demand, ongoing price deflation, and severe structural problems, particularly in banking. Real GDP fell 0.7% in 2002, with an increase of 0.8% expected in 2003. For the world's second largest economy, the slow pace of economic growth has adverse effects on global demand and the outlook for prices of Africa's export commodities.

> *Since the beginning of 2002 commodity prices have recovered remarkably, reflecting a rebound in global economic activity*

Economic performance in the euro area, Africa's most important market for nonoil exports, remains weak. Real GDP growth in the euro area was 0.8% in 2002, with an increase to 1.8% expected in 2003.

Outside the euro area, growth in the United Kingdom was weak in the last quarter of 2001 and the first quarter of 2002 but picked up in the second half to bring it to 1.5% for the year, with an increase to 2.2% expected in 2003. About 7% of Africa's exports of goods and services go to the United Kingdom, so any improvements in the economic outlook for this economy would have positive effects on the region.

Commodity prices—surging

Since the beginning of 2002 commodity prices have recovered remarkably, reflecting a rebound in global economic activity. The World Bank price index for petroleum increased from 84.4 in the fourth quarter of 2001 to 117.7 in the third quarter of 2002, while the index for nonenergy commodities rose from 75 to 84.9. There was also an increase in the index for metals and minerals, from 69.4 to 71.5.

Crude oil prices have been rising since the beginning of 2002 despite weak world oil demand and ample supplies. Cocoa prices, which have generally increased since 2000, surged in 2002 because of declining supply and the fact that in July Armajaro—a U.K. trading company—bought vast quantities of cocoa at the London International Financial Futures Exchange in an apparent bid to push up prices. In addition, the recent outbreak of political and armed conflict in Côte d'Ivoire—the world's largest producer of cocoa, with approximately 40% of global output—generated concerns about the stability of the global cocoa supply and resulted in cocoa prices hitting a 17-year high in October. The average annual price of cocoa increased from 90.6 cents per kilogram in 2000 to 169.9 cents per kilogram in 2002.

The prices of tea and coffee have generally been on the decline since 2000, due to oversupply and high stocks. But the price of tea picked up slightly in the beginning of 2002. Gold prices increased from $278 per troy ounce in the fourth quarter of 2001 to $314 in the third quarter of 2002.

Foreign direct investment—still on the decline

African countries have the highest rate of return on investment in the world—four times more than in the G-7 countries, twice more than in Asia, and two-thirds more than in

Latin America. Despite this fact, and the improvements in the macroeconomic policy environment since the mid-1990s, the region has difficulty attracting foreign investment.

In 2002 world foreign direct investment (FDI) dropped 27% because of the lower than expected recovery in the global economy and the adverse effects of the corporate auditing and accounting scandals in some advanced countries. In Africa FDI inflows declined by $6 billion, from a peak of $17 billion in 2001. The decline is attributable to the unusual increase in inflows to South Africa and Morocco in 2001 as well as the intensification of political and social conflicts in some African countries, affecting investor sentiments.

> *Foreign direct investment flows to Africa declined by $6 billion, from a peak of $17 billion in 2001*

Official development assistance—new promises

Prospects for official development assistance (ODA) flows to Africa are likely to improve in the short to medium term because of fresh commitments to increase development assistance to the region.

- The European Union (EU) announced that all its member states should seek to meet or exceed the current EU average of 0.33% of gross national income by 2006, as an intermediate step towards the target of 0.7%. The United States announced that it would provide, through its Millennium Challenge Account, an extra $5 billion of aid a year from 2006 onward and an extra $10 billion in total between 2002 and 2006. Together, these increases would amount to an extra $12 billion a year from 2006 onward, a step in the right direction but far short of the $50 billion a year needed from 2001 for all developing countries to meet the Millennium Development Goals.
- Canada has also announced increases in aid. At the Group of Eight (G-8) summit in Kananaskis, Canada, in June 2002, Canada committed an additional CAN$6 billion to Africa over five years—including the CAN$500 million Canada Fund for Africa announced earlier. This commitment is especially welcome because it is in the December 2001 budget and therefore built into existing fiscal frameworks.

Leaders of the G-8 countries—in their Africa Action Plan unveiled at Kananaskis—indicated that half the new development assistance announced at the March 2002 Monterrey meeting would be directed to Africa. The challenge is to ensure that these commitments actually become available and are deployed more effectively than in the past.

An analysis of the sectoral composition of ODA for 1975–80 and 1995–2000 shows some worrying trends (figure 1.2).

- ODA for economic infrastructure and services covers assistance for networks, utilities, and services, including energy, transportation, and communications. It declined from 23% in 1975–80 to 15% in 1995–2000.
- ODA for production sectors covers agriculture, manufacturing, trade, banking, and tourism. It declined from 17% in 1975–80 to 11% in 1995–2000.

- ODA for programme assistance covers balance of payments and budget support—and funds made available for capital projects at the recipient's choice. It dropped from 38% from 1975–80 to 12% in 1995–2000.
- ODA for social infrastructure and services covers efforts to develop human resources and improve living conditions, including education, health, and water supply. It increased from 11% to 37%.

"Of the 53 countries in Africa, only 5 achieved the 7% growth rate in 2002 required to meet the Millennium Development Goals, 43 had growth below 7%, and 5 registered negative growth"

Between 1990 and 2000 ODA was down by more than half for agriculture, transportation and communications, energy, and trade and tourism (figure 1.3). Flows to education rose from $0.3 billion in 1990 to $1.4 billion in 2002, reflecting donor interest in social sector programs aligned with Poverty Reduction Strategies.

Recent economic developments in Africa

Of the 53 countries in Africa, only 5 achieved the 7% growth rate in 2002 required to meet the Millennium Development Goals, 43 had growth below 7%, and 5 registered negative growth (table 1.2 and figure 1.4). For the region as a whole, real GDP grew 3.2% in 2002, compared with 4.3% in 2001.

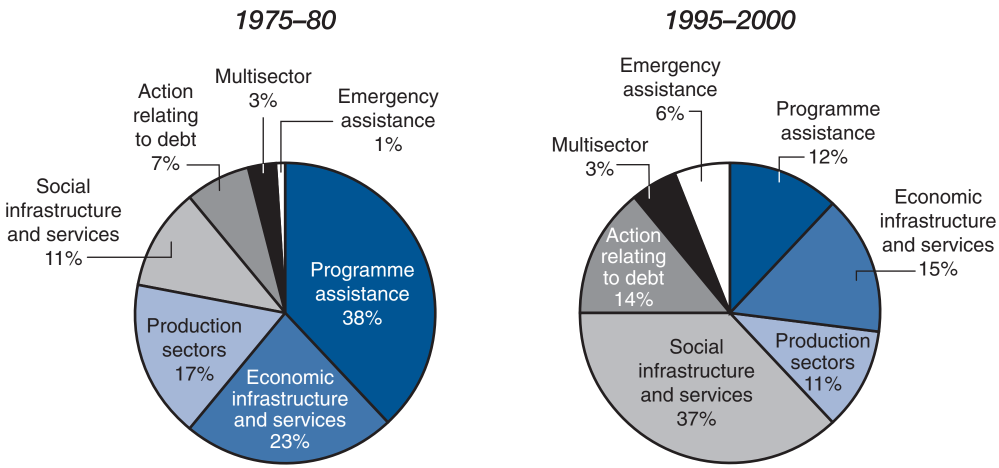
Growth slows in regional powerhouses

The slowdown in regional growth is due to slower growth in four of the five largest economies in the region: Algeria, Egypt, Morocco, and Nigeria.

Figure 1.2

ODA down for economic infrastructure—up for social

Sectoral distribution of ODA to Africa, 1975–80 and 1995–2000



Source: *OECD 2002.*

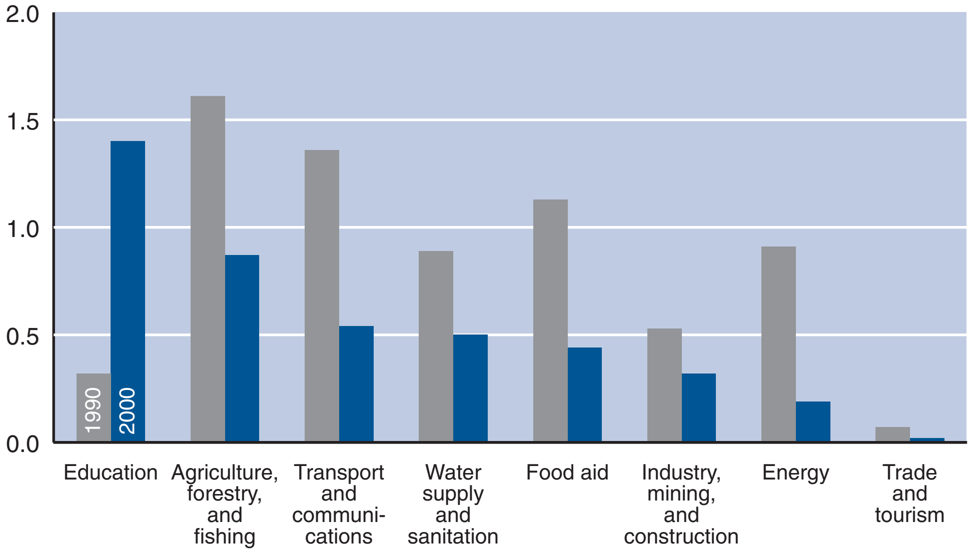
- In Algeria the decline from 5% in 2001 to 2.7% in 2002, despite an increase in oil prices, reflects political and religious tensions, flooding in the east, and weak competitiveness in the industrial sector.
- In Egypt the decline from 3.5% to 3% is due primarily to higher domestic interest rates, sluggish private sector growth, regional insecurity, and lack of political will by the government to implement far-reaching economic and social reforms, such as privatization and trade liberalization.
- In Morocco the decline from 6.5% to 4.3% was due to weak domestic demand and reduced tourism.
- In Nigeria growth declined from 4% to 2.6%, reflecting the combined effect of political risk and deteriorating economic fundamentals emanating from weak fiscal behaviour.

> *"The slowdown in regional growth is due to slower growth in four of the five largest economies in the region"*

Figure 1.3

Education now receives the most bilateral assistance

Aid flows to Africa from Development Assistance Committee donors, 1990 and 2000 (US$ billions)



Source: *Economic Commission for Africa, from official sources.*

Table 1.2

Distribution of GDP growth rates in Africa, 1998–2002 (number of countries)

Range	1998	1999	2000	2001	2002
Negative growth	2	0	1	5	5
Zero or positive growth	51	53	52	48	48
Low (0–3.9%)	23	26	37	19	27
Medium (4.0%–7.0%)	26	23	14	24	16
High (>7.0%)	2	4	1	5	5

Source: *Economic Commission for Africa, from official sources.*

South Africa, which accounts for about 35% of the GDP of the five largest economies in Africa, grew 3% in 2002, up from 2.5% in 2001. This weak performance despite recent increases in the prices of its export commodities, particularly gold, is due in part to sluggish growth in the euro area. In addition, the appreciation of the rand against the dollar in the second and third quarters reduced the competitiveness of South African exports. And the South African Reserve Bank tightened monetary policy on a number of occasions to reduce inflationary pressures.

"With the exception of Southern Africa, growth slipped in all subregions—by 3 percentage points in the north, 0.4 in the west, 0.5 in the east, and 1.5 in the centre"

Southern Africa grew faster than the other subregions

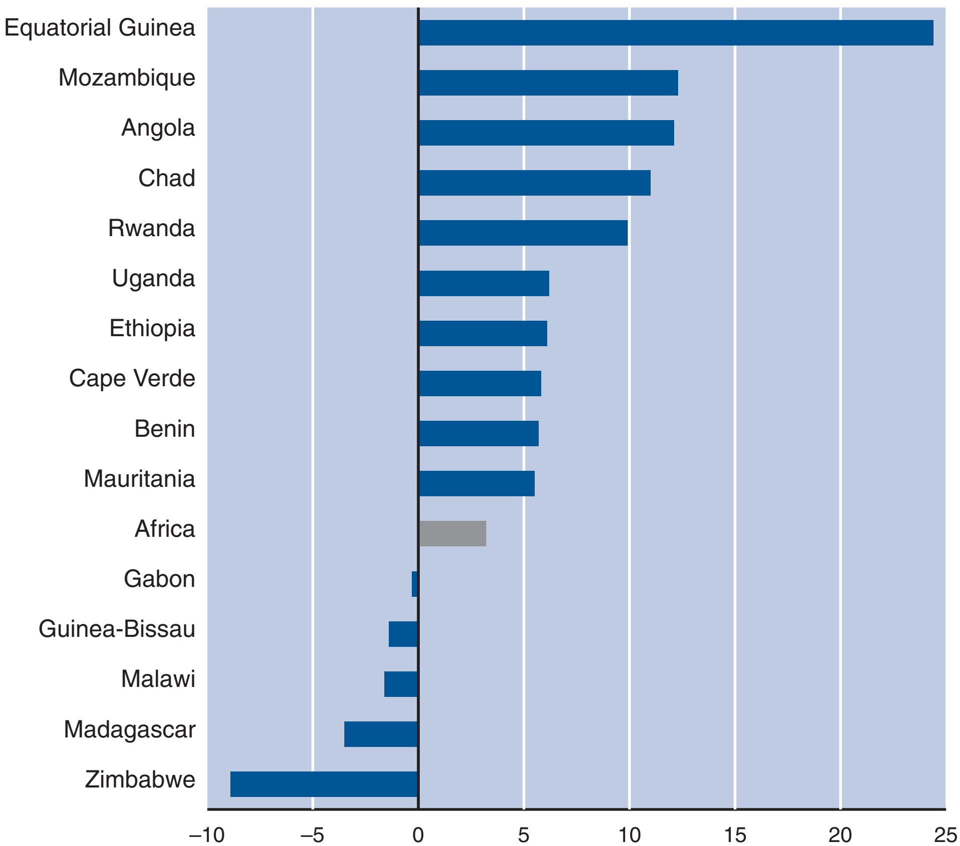
With the exception of Southern Africa, growth slipped in all subregions—by 3 percentage points in the north, 0.4 in the west, 0.5 in the east, and 1.5 in the centre (figure 1.5).

- In North Africa the decline reflects heightened political tension in the Middle East and the subdued growth in the euro area, a major trading partner.

Figure 1.4

The best performers and the worst

Real GDP growth rates for the top 10 and the bottom 5 African countries, 2002 (%)



Source: *Economic Commission for Africa, from official sources.*

- In West Africa the decline is due in part to slower growth in Nigeria—the largest economy in the subregion—from 4% in 2001 to 2.6% in 2002. Reductions in the pace of economic activity in Burkina Faso, Guinea-Bissau, Niger, Senegal, and Sierra Leone also contributed.
- In East Africa a 3.5% decline in Madagascar, coupled with modest declines in Djibouti, Ethiopia, Kenya, Somalia, and Tanzania, contributed to the slowdown.
- In Central Africa the slowdown is due largely to declines in Equatorial Guinea (from 66.1% to 24.4%), Congo (from 2.9% to 1.7%), and Cameroon (from 5.2% to 4.9%). For the second year in a row, Equatorial Guinea is the fastest growing economy in Africa, thanks to oil and gas.
- In Southern Africa growth increased from 2.4% in 2001 to 3.3% in 2002, largely reflecting improvements in South Africa, Angola, Lesotho, and Namibia.

"For the second year in a row, Equatorial Guinea is the fastest growing economy in Africa, thanks to oil and gas"

Agriculture and food security

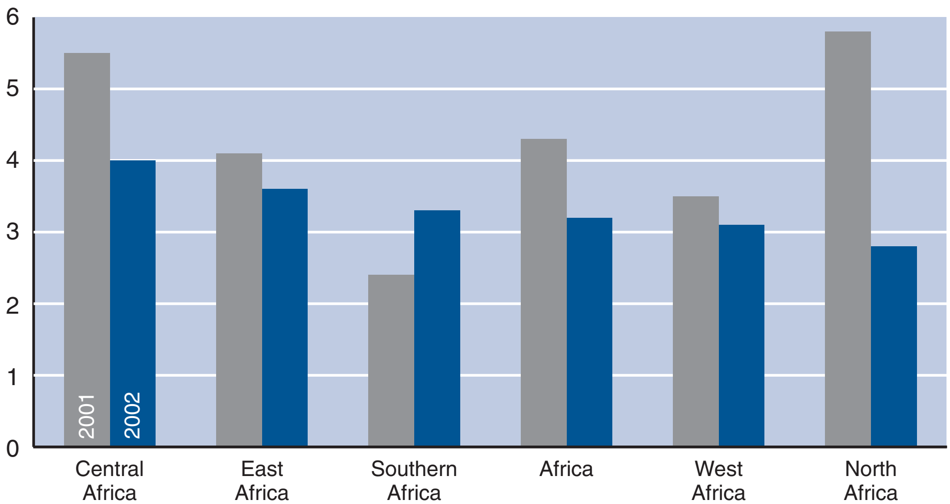
Since 2000 there has been a general deterioration in agriculture, reflecting the slowdown in global economic activity and poor weather. Estimates for 2001 suggest that agricultural production grew by a meager 0.8% in Sub-Saharan Africa (excluding South Africa). Although this is better than the 0.3% decline in 2000, it is far below the sector's average growth of 3.9% in 1992–96.

In 2002 unfavourable weather created severe problems. In Kenya flooding due to heavy rains affected about 30,000 people. In Senegal flooding in February killed 500,000 livestock, destroyed 20,000 homes, and damaged 2,500 hectares of crops. In Algeria agricultural output fell 3.2% in 2002, partly because of flooding in the east in July and August. In Botswana, Ethiopia, Lesotho, Malawi, Mauritania, Namibia,

Figure 1.5

Growth slipping, except in Southern Africa

Annual economic growth, 2001 and 2002 (%)



Source: *Economic Commission for Africa, from official sources.*

Niger, Swaziland, Tunisia, Zambia, and Zimbabwe drought and generally dry conditions reduced agricultural production (box 1.1). Tunisia's agricultural output declined 14% in 2002.

Despite the poor weather in some parts of the region, agricultural production was expected to grow in 2002 by 11% in Morocco, 5.1% in Uganda, 4.1% in Ghana, 4.0% in Nigeria, 3.4% in Egypt, 3.5% in Cameroon, 3.2% in South Africa, and 2.5% in Côte d'Ivoire.

"An investment to GDP ratio of 25% or more is needed to accelerate growth in Africa"

Food insecurity—the lack of access by an individual or a group of individuals to enough food for an active, healthy life—is becoming a serious development challenge in the Sahel as well as in parts of eastern and southern Africa. In Ethiopia close to a quarter of the population faces the risk of famine and urgently needs food aid. In Zimbabwe 49% of the population requires emergency food aid, in Lesotho 30%, in Malawi 29%, in Zambia 26%, and in Swaziland 24%.

Declining productivity in agriculture and severe drought have reduced food security in Zimbabwe. After independence and several land reform attempts, most of the large commercial farms were still held by whites, then 1% of the population. In 2001–02 much of the commercial farmland was forcibly resettled, but having inexperienced farmers on commercial land hurt agricultural production (figure 1.6).

Savings and investment—still low

An investment to GDP ratio of 25% or more is needed to accelerate growth in Africa. Historically, savings and investment ratios have been very low on the continent, an important constraint on development.

Box 1.1

Ethiopia—famine in a growing economy

Ethiopia's growth in the last few years has been quite remarkable, reflecting partly the positive effects of the cessation of hostilities with Eritrea and the benefits of debt relief under the HIPC Initiative. With real GDP growth of 8.7% in 2001 and 6.1% in 2002, it is one of the few African countries close to reaching the growth target of 7% required to meet the Millennium Development Goals.

But the recent gains in growth performance in Ethiopia may be wiped out by famine, from failed rains and harvests in the countryside, exposing a quarter of the population to the risk of starvation. Famine is not new in Ethiopia. The first recorded cases of famine in Ethiopia occurred between 1540 and 1742, and there were about 10 famine incidents within this period. This was followed by the "great Ethiopian famine" of 1888–92, killing roughly a third of the population. There was also famine in the Wollo province during 1972–74. The most recent famine was in 1984.

Source: *Economic Commission for Africa, from official sources.*

In 2000 the average savings ratio for the region was 21.0%, and the average investment ratio 21.8%. Equatorial Guinea, the Republic of Congo, Algeria, Gabon, Mauritius, and Angola had savings and investment ratios above 25% in 1998–2000. Equatorial Guinea, Lesotho, São Tomé and Principe, Eritrea, Seychelles, Gabon, Angola, the Republic of Congo, Mozambique, Burkina Faso, and Mauritius had investment ratios above 25%. Of 42 countries considered, only Mauritius, Equatorial Guinea, and the Republic of Congo had high savings and investment ratios as well as high growth over the period (figure 1.7). The other countries had either low savings and investment ratios or low growth.

> *“The region has privatized only about 40% of its state-owned enterprises”*

Privatization—still slow and reluctant

As part of efforts to deepen economic reforms and increase private sector involvement in economic activities in Africa, many countries have developed privatization schemes to increase private investment in key public enterprises. Government-run telecommunications companies have been privatized or are being privatized in Tunisia, Ethiopia, Mauritius, and the Central African Republic. State-run agricultural firms have been privatized in Ethiopia and Morocco.

In 2003 privatization efforts are intensifying in Algeria, Ghana, South Africa, and Uganda. But Cameroon, Egypt, Gabon, and Niger are finding it difficult to accelerate the pace of privatization due to concerns about possible outbreaks of violence and resistance by trade unions and other interest groups. Although privatization of public enterprises would eventually increase the overall efficiency of domestic resource use, it has not yet led to more total investment on the continent.

Indeed, the region has privatized only about 40% of its state-owned enterprises. And much of the divestiture has been for smaller, less valuable, often moribund manufacturing, industrial, and service concerns. Of the roughly 2,300 privatizations in 1991–2000, only about 66 involved higher value, economically important firms (table 1.3). An additional 92 transactions were in transport, some of which might have been classified as infrastructure. But even if these are included, less than 7% of the sales have touched upper-end infrastructure firms.

Activity has been concentrated in a few countries. Of the $9 billion raised from 1991 to 2001, a third was generated by a handful of privatizations in South Africa (figure 1.8). Another third came from sales in Ghana, Nigeria, Zambia, and Côte d’Ivoire. Some 26 African countries, together, have privatized a scant $0.7 billion in assets.

African states have retained significant minority equity stakes in the few infrastructure privatizations they have concluded, holding back from the market an average of one-third of the shares. Continuing government involvement and share retention reduce the number of bidders and therefore the price per share sold. The slow pace of sales, the reluctance to place assets with the highest potential value on the market, the failure to sell all shares, poor business and legal environments, and the deficiencies of government regulation and administration—all combine to leave Africa at the back of the pack in privatizing infrastructure.

Communication networks—improving

International bandwidth in bits per capita, a new measure of Internet use, shows how a country is progressing towards an information-based economy. Bandwidth availability in Africa varies tremendously but is generally very low. Although there are few intra-African links, the marine fibre cables are operational and should provide faster and cheaper routes in and out of Africa.

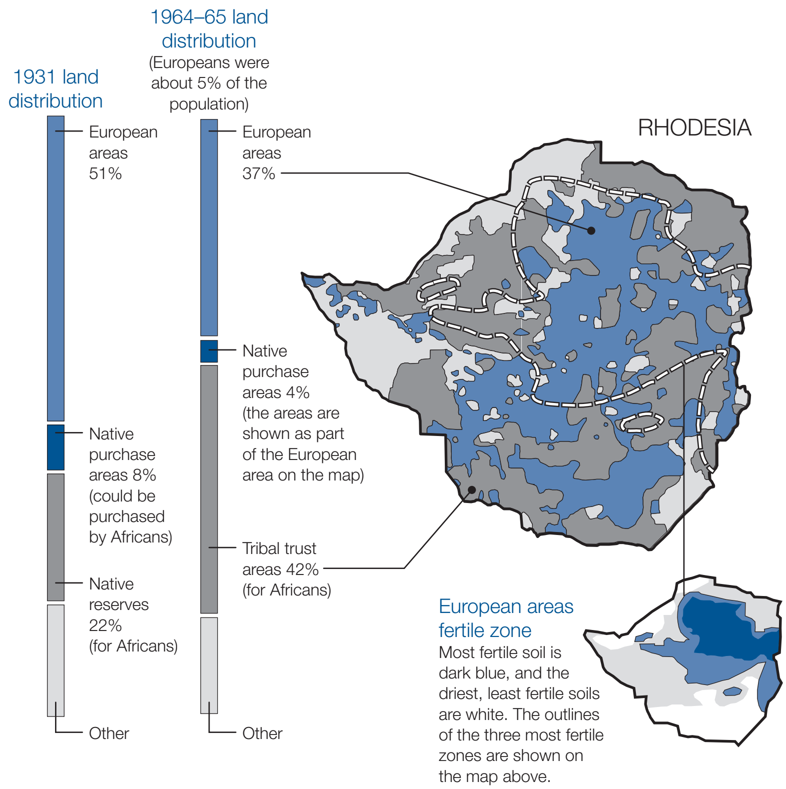
Trade and the current account—deteriorating

In 2002 the region had a 0.5% deterioration in its terms of trade, 3.2 percentage points better than that in 2001. The smaller deterioration reflects largely the improvement in commodity prices in 2002. For Sub-Saharan Africa the terms of trade improved by 0.6%.

Figure 1.6

Zimbabwe: drought and inexperienced farming hurt agricultural production

Land distribution in Rhodesia changed slightly over time. But a majority of the best farmland was held by whites, who were a tiny minority . . .



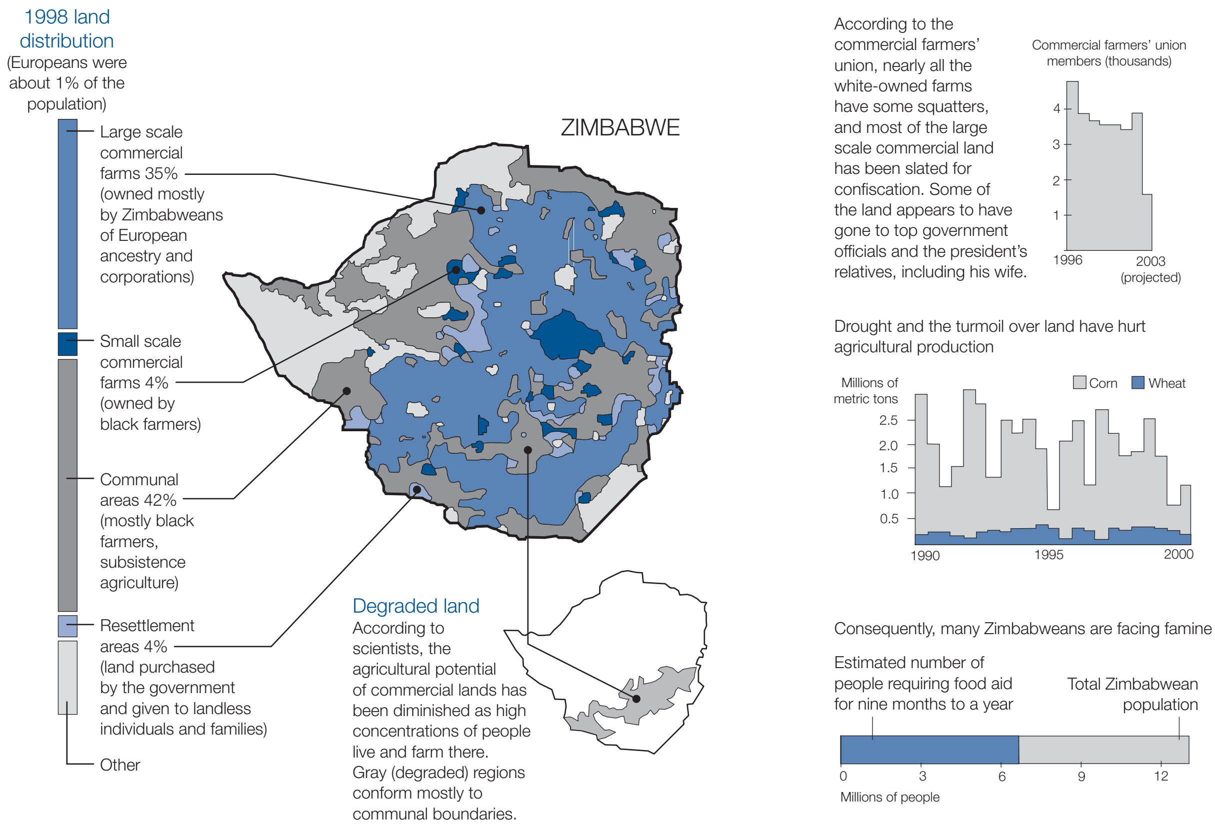
Source: New York Times*, January 12, 2003. Reprinted with permission.*

Access to markets. One of the challenges to trade in Africa is increasing access to developed country markets. At the Fourth 2001 World Trade Organization (WTO) Ministerial Conference held in Doha, WTO member states agreed to undertake negotiations to improve market access for agricultural products exported by developing nations (box 1.2). Since African countries export mostly agricultural commodities, they are likely to benefit.

Other measures to improve market access for Africa include:

- The U.S. African Growth and Opportunity Act (AGOA), introduced in 2000, gives most African countries preferential access to the U.S. market for petroleum products, agricultural goods, and such manufactures as textiles. Exports from Gabon, Lesotho, Madagascar, Nigeria, South Africa, and Swaziland have already increased as a result of this scheme. Malawi and Zambia are expected to benefit

. . . And after independence, the Mugabe government made promises about land reform, none of which altered the distribution significantly. Continued conflicts have caused numbers of white farmers to drop.



this year through an increase in textile exports. Although the act gives African nations an advantage over other regions, it does not cover all exports from Africa and so its potential benefits to the region will be limited.

- The Everything-But-Arms initiative was approved by the European Union in February 2001 with the objective of eliminating quotas and duties on all goods, except arms, from 49 least developed countries, most in Africa.

The region had a 0.5% deterioration in its terms of trade, 3.2 percentage points better than in 2001, reflecting the improvement in commodity prices

Current account. For the 28 African countries that have data, 8 had current account surpluses in 2002, supported largely by higher export revenues—Algeria, Botswana, Côte d'Ivoire, Equatorial Guinea, Libya, Mauritius, Namibia, and South Africa.

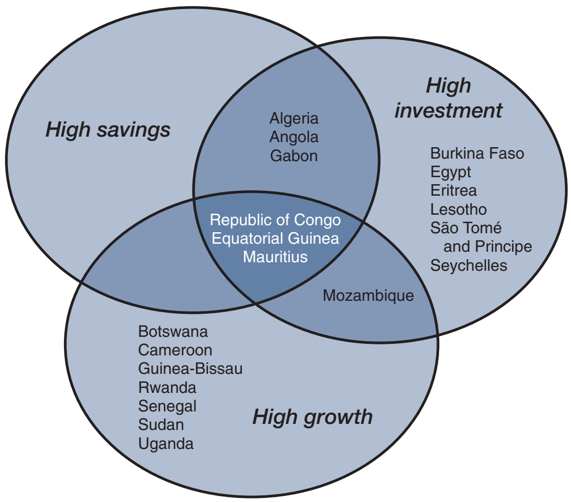
Eleven countries had unsustainable current account deficits of more than 5% of GDP in 2002—Burkina Faso, Chad, Gabon, Lesotho, Malawi, Niger, Senegal, Tanzania, Uganda, Zambia, and Zimbabwe. With a walloping deficit of 48% of GDP, Chad is the worst performer. Its revenues from cotton and cattle exports are declining, and its imports increasing, owing to food shortages and the need for intermediate capital goods for the Doba oil project.

Intra-African trade—still low

Trade among Sub-Saharan African countries (Africa-to-Africa trade) accounts for only 12% of Sub-Saharan exports, up 8% from 1989. The eight major established regional arrangements did not contribute to the increase: their shares of Africa-to-Africa trade were either stagnant or declining between 1989 and 1993.

Figure 1.7

Getting the trinity right—more savings, investment, and growth



Note: *High growth means a growth rate greater than 5%. High savings means a savings ratio greater than 25%. High investment means an investment ratio greater than 25%.*

Source: *Economic Commission for Africa, from official sources.*

Table 1.3

Privatization in Africa, 1991–2001

Country	Number of transactions	Sale value (US$ millions)	Share of total divested (%)
Angola	57	6.0	—
Benin	28	49.0	38
Burkina Faso	23	9.0	32
Burundi	38	4.0	—
Cameroon	48	244.0	28
Cape Verde	42	53.0	—
Central African Republic	18	—	50
Chad	35	12.0	—
Congo, Rep. of	65	50.0	—
Congo, Dem. Rep. of	5	—	4
Côte d'Ivoire	82	622.0	55
Ethiopia	10	410.0	6
Gabon	1	—	6
Gambia	17	2.4	85
Ghana	181	936.5	69
Guinea	31	45.0	27
Guinea-Bissau	25	0.5	64
Kenya	189	381.0	79
Lesotho	10	6.5	20
Madagascar	61	16.9	33
Malawi	11	53.2	44
Mali	59	67.4	92
Mauritania	19	1.2	20
Mozambique	474	135.0	39
Niger	10	1.8	18
Nigeria	30	893.5	6
Rwanda	1	—	3
São Tomé & Principe	4	0.4	—
Senegal	39	415.0	23
Sierra Leone	8	1.6	31
South Africa	8	3,151.0	—
Sudan	32	—	—
Tanzania	199	287.0	53
Togo	49	38.0	89
Uganda	102	174.0	79
Zambia	253	828.0	90
Zimbabwe	6	217.0	10
Total	2,270	9,111.9	40

— not available.

Source: *Economic Commission for Africa, from official sources.*

Five countries dominate Africa-to-Africa trade—Côte d'Ivoire, Nigeria, Kenya, Zimbabwe, and Ghana. Côte d'Ivoire accounts for 25% of the exports, Nigeria 20%, Kenya 9%, Zimbabwe 9%, and Ghana 9%. On the import side Côte d'Ivoire is again the leader, but there is much less concentration. While only five countries account for 75% of exports, 16 countries account for a similar share of imports.

> *Trade among Sub-Saharan African countries accounts for only 12% of Sub-Saharan exports, up 8% from 1989*

The importance of Africa-to-Africa trade varies widely across countries—it accounts for less than 2% of Kenya's imports but more than 50% of the Seychelles' imports. Such wide differences indicate that tariff revenue losses associated with regional trading arrangements could fall very unevenly on participating countries. Very little or no trade occurs between countries that are geographically distant, such as Nigeria and Tanzania.

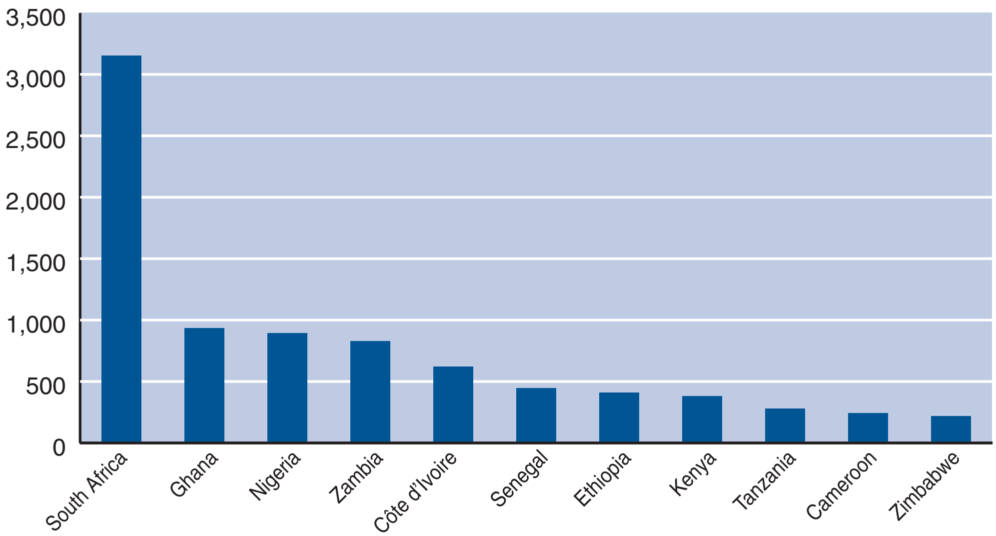
What are the prospects for increased regional trade in Sub-Saharan Africa? Good, for several reasons. First, significant unrecorded cross-border trade occurs in the region. The share of unrecorded trade in total trade of the Economic Community of West African States (ECOWAS) region is between 20% and 25%. The unrecorded trade between Togo and Ghana is several times the official trade. About 30% of Uganda's exports are outside official channels.

Second, foodstuffs and feeds dominate the fastest growing products in Africa-to-Africa trade. Zimbabwe alone accounts for almost 99% of the exports of unmilled maize, the fastest growing product and also the largest product, with current exports approaching $500 million. Regional trade arrangements can enable Uganda to benefit from expanded trade opportunities in foods and feeds.

Figure 1.8

South Africa leads in privatization

Privatization transaction values, cumulative for 1991–2001 (US$ millions)



Source: *Economic Commission for Africa, from official sources.*

Electricity is the tenth fastest-growing product in Africa-to-Africa trade, with Ghana alone accounting for 90%, at $220 million. Uganda has the potential to tap into this trade with its abundance of hydroelectric power, so it should press for greater access to markets where it has export potential.

Tourism—Africa's silent success

Between 1990 and 2000 tourism in Africa grew at an annual rate of 6.2%, well above the world average of 4.3%. In 2001 tourism receipts totaled $11.7 billion, a mere 2.5% of global tourism receipts, with arrivals at 4% of global inbound tourism (table 1.4).

Box 1.2
Doha development round falters

World Trade Organization (WTO) talks on farm trade reform appear to have faltered. Ministers from nearly two dozen countries meeting in Tokyo in February 2003 seem farther apart than ever on how to lower agricultural tariffs. For the vast majority of WTO members, the agriculture talks are by far the most important issue in the Doha development trade round, due to end in December 2004.

The centrepiece of the talks are proposals by Stuart Harbinson, chairman of the WTO agriculture negotiations, to expand market access for imports and to slash the $1 billion a day that industrial countries spend supporting farmers.

The United States and other exporting nations want agricultural tariffs cut for all categories and limits on access dropped. Developing nations with large farming populations want barriers kept in place. The European Union, Japan, and other developed countries want nontrade issues like food safety and the environment considered. The United States and the Cairns Group of agricultural exporting countries are urging radical and rapid cuts in farm protection. The European Union, backed by Japan, the Republic of Korea, Switzerland, and some other European nations, insists on smaller and slower reforms.

Japan, determined to protect its rice farmers, calls the Harbison draft too ambitious. Japan's agriculture minister said the proposed import tariff reductions, which would slash the 490% rice tariff by at least 45 percentage points, were not acceptable.

The EU, backed by Japan and Korea, offered a 36% average cut in tariffs (allowing flexibility for "sensitive" products, such as rice), a 45% reduction in export subsides, and a 55% cut in trade-distorting domestic farm supports. These would be implemented over six years from 2006.

But the real pain for the EU comes in Harbison's proposals on subsidies—the elimination of export subsidies within 10 years and the halving of trade-distorting farm supports and of subsidies in the blue box (payments to farmers to limit production).

The United States and the 16-strong Cairns Group led by Australia called for a 25% ceiling on all farm tariffs, rapid elimination of export subsidies, and deeper cuts in domestic supports. The United States has opposed efforts to treat agriculture separately from discussions on products and services. Japan and the European Union, Harbison said, benefit with the United States when tariffs on manufactured goods are lowered, yet insist that their farm goods should be exempt.

Source: *Economic Commission for Africa, from official sources.*

Largely due to the after effects of the September 11 terrorist attack in New York, 2001 was a difficult year for tourism, although less difficult than expected, with a decrease in receipts at a world level of 2.6% and arrivals of 0.6%. Even so, Africa performed strongly, with 8.1% growth in arrivals in the first eight months of 2001, partly offset by a 3.5% decline in the last four. Overall for 2001 arrivals grew 4.3% and receipts 8.8%.

"Since the 1990s, more countries are showing fiscal restraint and adopting sound macroeconomic policies"

About 95% of arrivals in Africa are in 20 of the 53 African countries. In 2001, 40% of international tourist arrivals on the continent were from Africa, followed by Europe (36%), the Middle East (4%), the Americas (4%), and Asia and the Pacific (3%) (WTO 2002). Adding domestic tourism, 75% of all arrivals are within Africa, making the scale of domestic tourism an important (and often overlooked) feature.

Zimbabwe has 67% of its arrivals coming from Africa and 33% from outside, earning an average of $67 per person. But Mauritius has only 25% of its tourists from Africa, while 67% are Europeans, who spend an average of $947.

Fiscal policy—stronger fundamentals

Before the late 1990s African governments had a tendency towards excessive fiscal spending. Since then, more countries are showing fiscal restraint and adopting sound macroeconomic policies.

But fiscal profligacy remained a problem in some parts of the region, as evidenced by the countries with fiscal deficits of more than 3% of GDP in 2002: Algeria, Angola, Ghana, Kenya, Malawi, Mauritius, Morocco, Namibia, and Nigeria.

In some countries—such as Algeria and Nigeria—the higher deficits were due to government attempts to influence voters and get re-elected. The amended Nigerian budget for 2002 brought a 20% increase in government spending. This boost, in the runup to elections in March 2003, increased the already high inflationary pressure in

Table 1.4

Tourism in Africa, selected years (US$ billions)

Region	International tourism receipts			Share of global tourism receipts (%)		Annual growth in receipts (%)		
	1995	2000	2001	1995	2001	1995–2000	1999–2000	2000–2001
Africa	8.1	10.8	11.7	2.0	2.5	5.9	2.7	8.8
North Africa	2.7	3.7	4.2	0.7	0.9	5.9	3.6	15.6
West Africa	0.7	1.1	1.2	0.2	—	8.4	1.8	12.7
Central Africa	0.1	0.1	—	0.0	—	6.6	0.0	—
Eastern Africa	1.9	2.6	2.7	0.5	0.6	5.9	–0.3	6.1
Southern Africa	2.6	3.4	—	0.6	—	5.0	4.6	—

— not available.

***Source:** WTO 2002.*

the economy and is likely to force authorities to tighten their monetary stance in the second half of 2003, with adverse consequences for growth in the short term. In Angola the higher deficits were needed to finance reconstruction after the devastating armed conflict between the government and the UNITA rebels.

Countries in North Africa had lower ratios of fiscal deficit to GDP in 2002 than those in Sub-Saharan Africa. Countries in the CFA zone had lower ratios than non-CFA countries, thanks to the fiscal restraints of a single currency and monetary policy in the CFA zone. West African countries outside the CFA zone are expected to show more fiscal restraint if they follow through with their decision to form a second monetary zone in the subregion.

"The number of countries with double-digit inflation came down from 30 in 1995 to 11 in 2002, and 26 countries had inflation of less than 5% in 2002"

Fiscal policy was tight in some countries—including Botswana, Senegal, Sudan, Cameroon, and Gabon—with the last two registering fiscal surpluses in 2002. Despite the improvements, more needs to be done to tighten fiscal policy and check excessive government spending.

Monetary and exchange rate policy—relatively sound

Inflation. Monetary policy has been relatively tight, bringing inflation down to single digits in several countries. The number with double-digit inflation came down from 30 in 1995 to 11 in 2002, and 26 countries had inflation of less than 5% in 2002 (table 1.5).

The worst performers in 2002 were the Democratic Republic of Congo with an inflation rate of 27.7%, Angola with 108.5%, and Zimbabwe with 137.2%. The high inflation in Angola is due to the effect of armed conflicts between the government and UNITA rebels as well as poor fiscal management. In Zimbabwe it is due largely to inappropriate economic policies and the effect of the political crisis on prices for domestic imported food, which account for a large share of the consumer price index.

Eleven countries in the region—Burkina Faso, Cape Verde, Central African Republic, Djibouti, Egypt, Gabon, Kenya, Mali, Morocco, Niger, and Rwanda—had less than 3% inflation in 2002. And Ethiopia and Uganda had negative inflation rates in 2002.

Table 1.5

Inflation rates in Africa, 2000–02 (%)

Rate	2000	2001	2002
Negative	7	4	2
0–4.9	19	21	26
5–9.9	13	15	12
10–19.9	5	5	7
20–50.0	4	3	2
More than 50	3	3	2
Total number of countries	51	51	51

Source: *IMF 2002.*

In Ethiopia food prices were lower because of weaknesses in agricultural demand and the resulting decline in rural incomes. The recent drought in the country and failed harvest put upward pressure on grain prices and eliminated the deflationary pressures stifling growth. In Uganda bountiful harvests caused food prices to decline.

Real capital flight over 1970–96 amounted to about $187 billion for 30 countries

Of the five largest economies in the region, inflation will continue to pose a problem in South Africa due in part to the lagged effect of the depreciation of the rand in 2001 and the upward pressure on food prices caused by the recent incidents of drought in parts of the country. In 2002 inflation was about 8%, above the target of 3–6% set by the South African Reserve Bank. In Nigeria inflation remains high, but it came down to 16% in 2002, from 19% in 2001. The modest decline reflects the central bank's tight monetary policy stance in the first half of the year, along with an expansionary fiscal policy, blunting the decline in inflation despite a reduction in the growth of broad money supply (M2) from 27% in 2001 to 16% in 2002. In Algeria, Egypt, and Morocco inflationary pressures remain largely subdued—with less than 5% inflation, driven largely by the tightening of monetary policy.

Exchange rates. The CFA franc appreciated against the dollar for much of the year because of the depreciation of the dollar against the euro in the first and second quarters. By the end of the year the CFA franc had appreciated 6% against the dollar. In Burkina Faso, the Central African Republic, and Côte d'Ivoire the impact on competitiveness will be minimal because of their low trade exposure to the United States. But in Gabon, Mali, and Senegal the appreciation will limit the ability to take advantage of opportunities for increased exports to the United States under the African Growth Opportunity Act.

In Egypt, Morocco, and Tunisia nominal exchange rates were fairly stable due to direct government intervention or an exchange rate peg. A large number of currencies in the non-CFA Sub-Saharan African countries depreciated against the dollar in 2002. And six countries had extremely high exchange rate volatility.

Capital flight—fueled by foreign debt

Real capital flight over 1970–96 amounted to about $187 billion for 30 countries (table 1.6). Including imputed interest earnings, the accumulated stock of capital flight was about $247 billion. This group of countries is a net creditor to the rest of the world in the sense that their private assets held abroad, as measured by capital flight including interest earnings, exceed their total liabilities as measured by the stock of external debt. Their net external assets (accumulated flight capital minus accumulated external debt) amounted to about $85 billion.

The ratio of capital flight stock to GDP exceeds 200% for eight countries, with a weighted average of 172% for the group. Angola, Cameroon, Côte d'Ivoire, the Democratic Republic of Congo, and Nigeria have the highest stocks of capital flight. Five of the 30 countries (Benin, Mali, Niger, Senegal, and Togo) exhibit a negative stock of flight capital, indicating that their recorded capital inflows exceed recorded uses of foreign exchange.

External borrowing appears to be the single most important determinant of capital flight (Ndikumana and Boyce 2002). In 1970–96 roughly 80 cents of every dollar that flowed into the region from foreign loans flowed back out as capital flight in the same

Table 1.6

Capital flight from 30 African countries, 1970–96 (1996 US$ millions)

Country	Period covered	Real capital flight	Cumulative stock of capital flight, including imputed interest: Value	Cumulative stock of capital flight, including imputed interest: % of GDP	Net external assets
Angola	1985–96	17,032.5	20,405.0	267.8	9,179.9
Benin	1974–96	–3,457.4	–6,003.8	–271.9	–7,598.1
Burkina Faso	1970–94	1,265.5	1,896.6	96.5	700.4
Burundi	1985–96	818.9	980.9	108.9	–146.0
Cameroon	1970–96	13,099.4	16906	185.6	7,364.4
Central African Republic	1970–94	250.2	459.0	50.8	–482.1
Congo, Dem. Rep.	1970–96	10,035.4	19,199.9	327.1	6,373.5
Congo, Rep.	1971–96	459.2	1,254.0	49.6	–3,986.6
Côte d’Ivoire	1970–96	23,371	34,745.5	324.7	15,221.9
Ethiopia	1970–96	5,522.8	8,017.9	133.4	–2,060.7
Gabon	1978–96	2,988.7	5,028.1	87.0	717.7
Ghana	1970–96	407.3	289.3	4.2	–6,152.9
Guinea	1986–96	342.8	434.2	11.0	–2,806.1
Kenya	1970–96	815.1	2,472.6	26.8	–4,458.4
Madagascar	1970–96	1,649.0	1,577.5	39.5	–2,568.3
Malawi	1970–94	705.1	1,174.8	93.8	–971.3
Mali	1970–96	–1,203.6	–1,527.2	–57.5	–4,533.2
Mauritania	1973–95	1,130.8	1,830.0	167.4	–572.2
Mauritius	1975–96	–267.8	465.9	10.8	–1,351.7
Mozambique	1982–96	5,311.3	6,206.9	218.4	–1,359.4
Niger	1970–95	–3,153.1	–4,768.9	–247.7	–6,392.1
Nigeria	1970–96	86,761.9	129,661.0	367.3	98,254.4
Rwanda	1970–96	2,115.9	3,513.9	249.9	2,470.8
Senegal	1974–96	–7,278.1	–9,998.2	–214.9	–13,661.1
Sierra Leone	1970–95	1,472.8	2,277.8	257.1	1,072.7
Sudan	1970–96	6,982.7	11,613.7	161.1	–5,358.3
Togo	1974–94	–1,382.1	–1,618.3	–155.4	–3,149
Uganda	1970–96	2,154.9	3,316.1	54.8	–358.3
Zambia	1970–91	10,623.5	13,131.2	354.9	5,491.8
Zimbabwe	1977–94	8,222.3	10,882.9	149.0	6,074.8
Total		186,796.9	273,824.3	171.0	84,956.5

Source: *Ndikumana and Boyce 2002.*

year, suggesting widespread debt-fueled capital flight. (Debt-fueled capital flight occurs when funds borrowed abroad are reexported as private assets.) In addition, every dollar added to the stock of external debt added roughly 3 cents to annual capital flight in subsequent years, suggesting that outflows were exacerbated by the debt-driven capital flight. (Debt-driven capital flight occurs when capital flees a country in response to economic circumstances attributable to the external debt itself.) The findings imply that debt-relief strategies will bring long-term benefits to African countries only if measures prevent a new cycle of external borrowing and capital flight. This will require substantial reforms by creditors and debtors to promote responsible lending and accountable debt management.

> *Several African countries, with more than half the Sub-Saharan population, recorded successes in reducing poverty*

The results also indicate that past capital flight tends to persist, providing fairly robust support for the propositions that capital flight is negatively related to the growth rate gap between the African country and its OECD trade partners, to the volume of domestic credit to the private sector, and to a political-governance index of voice and accountability. This suggests that Sub-Saharan Africa can reduce capital flight by improving these broader dimensions of economic performance and institutional reform—and by having greater transparency and accountability in capital account transactions.

Poverty reduction—encouraging trends

With close to half the population in Africa living below $1 a day, poverty remains a daunting social and economic challenge. Yet several African countries, with more than half the Sub-Saharan population, recorded successes in reducing poverty (figure 1.9).

Poor households are larger, tend to be in the poorest regions, are less literate, and have lower nutrition levels and life expectancy than the average. But additional evidence shows that fewer than a quarter of the people in a range of African countries are always poor, with up to 60% of the population moving in and out of poverty. This pattern confirms data from other developing countries—that transitory poverty is common—pointing to the importance of reducing vulnerability and securing livelihoods as an antipoverty strategy (table 1.7).

Countries intensified their efforts to reduce poverty, as summarized in Poverty Reduction Strategies (PRSs) and other national development strategies. The number of African countries preparing either the interim or final PRSs during the period increased significantly. Nine countries finalized their PRSs in 2002, up from four in 2001.

Combating HIV/AIDS, malaria, and tuberculosis

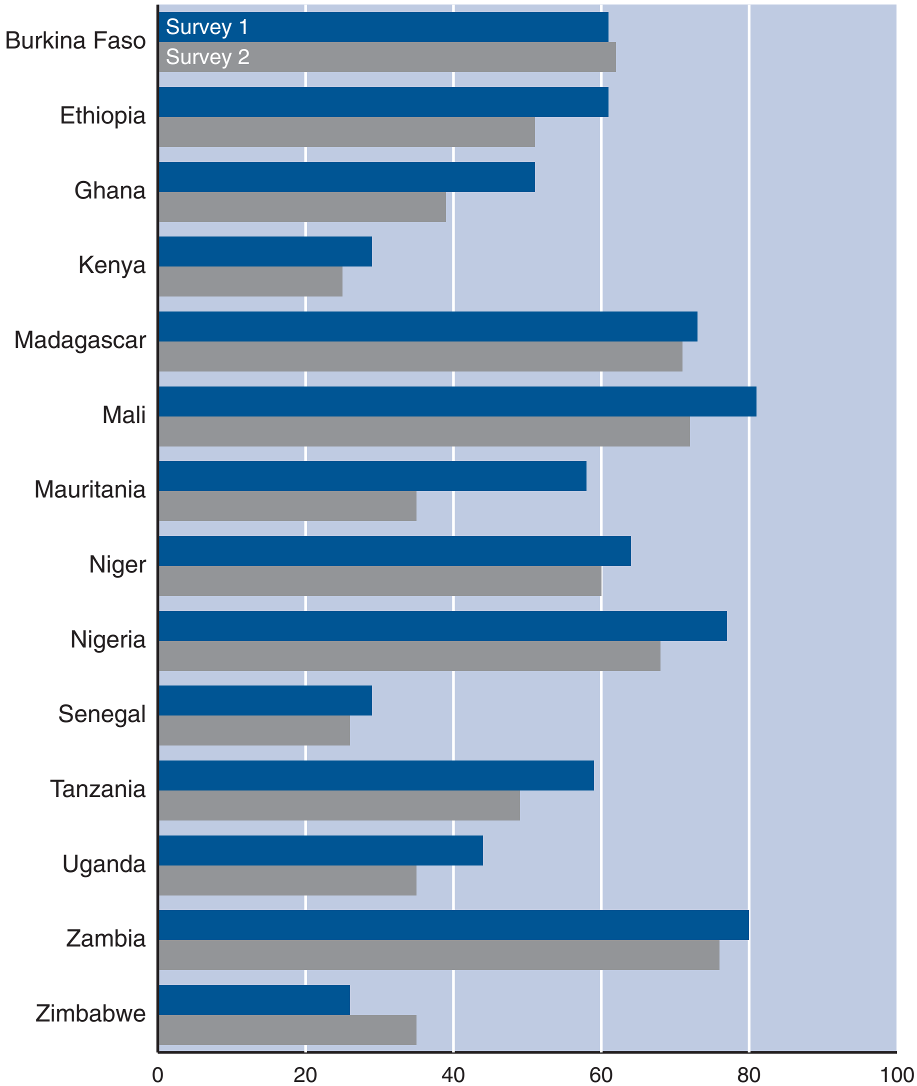
The spread of HIV/AIDS and the resurgence of malaria and tuberculosis are major causes of death and devastation in Africa.[1] An estimated 81% of the world's AIDS–related deaths, 90% of the malaria deaths, and 23% of the tuberculosis deaths occur in Africa.

AIDS, malaria, and tuberculosis undermine productive capacity, overload health services, increase social distress, and perpetuate poverty (box 1.3). At the macroeconomic level, it is estimated that HIV/AIDS reduces GDP growth in Africa by 0.5–2.6% a year on average. Other estimates suggest that Africa's GDP would be as much as $100 billion greater if malaria had been eliminated years ago. And in countries with a high burden of tuberculosis, the loss of productivity is estimated at 4–7% of GDP.

Figure 1.9

Some progress in reducing poverty in the 1990s

Proportion of population in poverty (%)



Note: *The two survey years for each country: Burkina Faso (1992, 1999), Ethiopia (1989, 1995), Ghana (1992, 1998), Kenya (1988, 1998), Madagascar (1993, 1997), Mali (1987, 1995), Mauritania (1987, 1995), Niger (1992, 1997), Nigeria (1990, 1999), Senegal (1986, 1997), Tanzania (1991, 1999), Uganda (1997, 2000), Zambia (1996, 1998) and Zimbabwe (1991, 1996).*

Source: *Christiaensen, Demery, and Paternostro 2002.*

HIV/AIDS has reached epidemic proportions in Africa. At the end of 2001 Africa remained the region most severely affected by HIV/AIDS, with an estimated 28.5 million people living with the disease, including an estimated 2.6 million children under 15 (UNAIDS 2002). Africa is the only continent with HIV prevalence higher for women than for men. Of 28.5 million Africans living with HIV/AIDS, 15 million are women. More telling, 83% of the world's women with HIV/AIDS are African. The disease orphaned more than 10 million children in Sub-Saharan Africa by the end of 2001.

"An estimated 81% of the world's AIDS–related deaths, 90% of the malaria deaths, and 23% of the tuberculosis deaths occur in Africa"

Worst affected are Botswana, Zimbabwe, Swaziland, Lesotho, Namibia, South Africa, Zambia, Kenya, Malawi, Mozambique, and Central African Republic (figure 1.10), and the epidemic is also escalating in Cameroon and Côte d'Ivoire. But some African countries have combated HIV/AIDS with interventions aimed at behavioural changes. Adult prevalence rates continue to decline in Senegal and Uganda (UNAIDS 2002).

Tuberculosis and malaria—a high toll

Sub-Saharan Africa has the highest tuberculosis incidence in the world, contributing to 20% of the global caseload, with an estimated 200 million of about 600 million Africans carrying the tuberculosis bacillus (Nyarko 2001). People who are HIV-positive are more likely to develop active tuberculosis than those who are HIV-negative (Anderson and Maher 2001). The number of tuberculosis cases in the region is projected to rise to about 4 million new cases per year by 2005.

Malaria is still epidemic in most parts of Sub-Saharan Africa. Accounting for 90% of all fevers in Africa, it imposes severe consequences on populations living in malaria

Table 1.7

Proportion of households always poor, sometimes poor, never poor

Country	Period	Always poor	Sometimes poor	Never poor
Africa				
Côte d'Ivoire	1985–86	14.5	20.2	65.3
Côte d'Ivoire	1986–87	13.0	22.9	64.1
Côte d'Ivoire	1987–88	25.0	22.0	53.0
Ethiopia	1994–95	24.8	30.1	45.1
South Africa	1993–98	22.7	31.5	45.8
Zimbabwe	1992–95	10.6	59.6	29.8
Other				
Chile	1967–85	54.1	31.5	29.8
China	1985–90	6.2	47.8	46.0
India	1968–70	33.3	36.7	30.0
India	1975–83	21.8	65.8	12.4
Pakistan	1986–91	3.0	55.3	57.2
Russia	1992–93	12.6	30.2	14.4

Source: *World Bank 2001.*

endemic and epidemic-prone regions. There are at least 300 million acute cases of malaria each year globally, resulting in more than a million deaths, about 90% in Africa, mostly young children. Africa's leading cause of under-five mortality (20%), malaria accounts for 10% of the continent's disease burden and 40% of public health spending.

Overwhelming evidence suggests that children under-five and pregnant women have the highest risk of malaria-related sickness and death. With a median under-five child mortality risk of 8.0 per thousand, 70% of the malaria deaths are recorded among children in Sub-Saharan Africa (WHO/UNAIDS 2002; Snow and others 1998).

> *Africa remained the region most severely affected by HIV/AIDS, with an estimated 28.5 million people living with the disease*

HIV/AIDS—high human and economic costs

HIV/AIDS also raises the risks and costs of doing business in Africa, destroying the twin rationale for globalization: cheap labor and fast-growing markets. The epidemic

Box 1.3

Socioeconomic impact of HIV/AIDS, malaria, and tuberculosis

Estimates suggest that Africa's GDP would be as much as $100 billion greater if malaria had been eliminated years ago. And in countries with a high burden of tuberculosis, the loss of productivity due to the disease is estimated at 4–7% of GDP annually.

Apart from the effects on growth, the socioeconomic impacts are enormous. Some findings:

- The International Labour Organization predicts that, as a result of HIV/AIDS, the labour force in high-prevalence countries will fall by 20–30% by 2020. The average productive labour time lost to tuberculosis is 20–30% of household income, about three to four months of lost work time. The average person-days lost to HIV/AIDS and related illness in Ethiopia's enterprise workplace ranged from 30 to 60 days a year.
- These diseases add an intolerable burden on already overstretched and inefficient health systems. For example, in 2001 HIV/AIDS patients occupied 39% of the beds in Kenyatta Hospital in Nairobi, Kenya, and 70% of those at the Prince Regents Hospital in Bujumbura, Burundi. The annual direct medical costs of AIDS (excluding antiretroviral therapy) have been estimated at about $30 per capita, at a time when per capita public health spending among Africa countries is less than $10.
- The impact on education is already felt. Some 85 percent of teachers with HIV/AIDS die 10 years before they are due to retire. The average percentage of expected teacher deaths in southern Africa ranges from 0.5% to 2.1% a year between 2000 and 2010. The World Bank estimates that an infected teacher or education officer is likely to lose six months of professional time before developing AIDS and a further 12 months after developing it.
- The impact on agriculture and food security is considerable. Most people in rural Africa are engaged in subsistence farming, and illnesses reduce workload and output. HIV/AIDS is seen as one of the contributing factors to the current food shortage in southern Africa. Studies in Côte d'Ivoire and Namibia confirm the negative impact of illness on crop production in rural households.

Sources: *ECA 2002; FAO 1997.*

thus forces both transnational and domestic corporations to think twice before investing in countries with high HIV prevalence rates.

HIV/AIDS raises costs through several channels (box 1.4). It kills young and middle-aged adults in their most productive years as employees and customers, adding to labor costs and slowing growth rates. It erodes the competitive advantage that many corporations derive from low-cost labor in developing counties, driving up health care costs and reducing productivity for years.

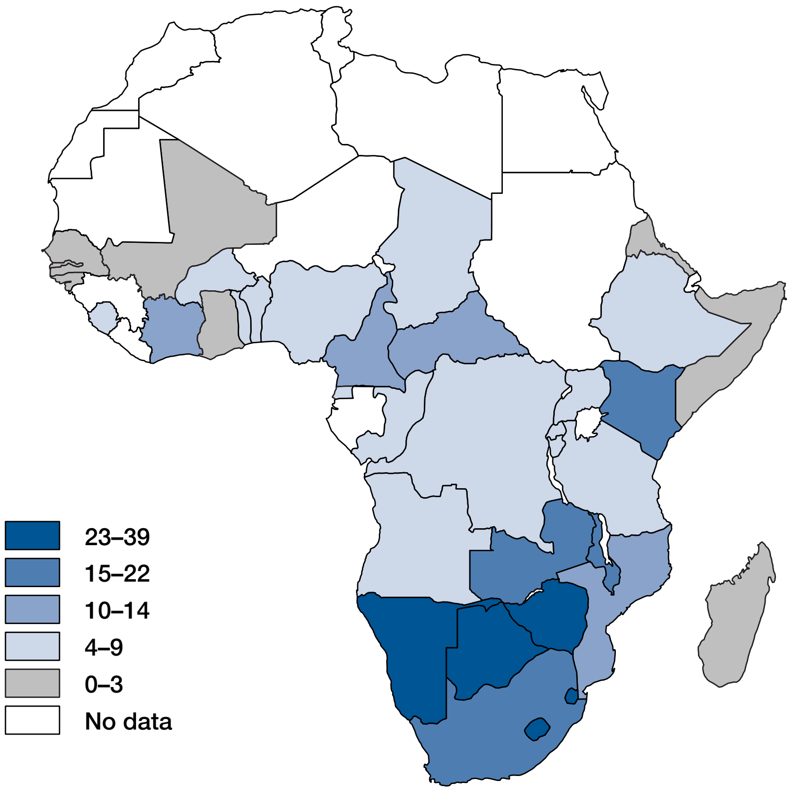
> *HIV/AIDS raises the risks and costs of doing business in Africa, destroying the twin rationale for globalization: cheap labor and fast-growing markets*

Due to the long latency between infection and the onset of symptoms, a company is not likely to see the costs of HIV/AIDS until 5 to 10 years after an employee is infected. During most of that period, the employee will be fully productive at work. But the company acquires the liability for a stream of future costs from the time of infection. Those costs cannot be avoided because in an increasing number of countries it is illegal to dismiss a worker on the grounds of being infected with HIV.

Figure 1.10

HIV infection rates vary greatly

HIV prevalence in adults ages 15–49, 2001 (%)



Source: *Adapted from UNAIDS 2002.*

A recent study analyzed the impact of AIDS on six corporations, four of them subsidiaries of transitional corporations, based in South Africa and Botswana (Rosen and others 2003). The companies were large by developing country standards, reporting sales of between $35 million and $3.4 billion. They operated six industries—mining, metals, processing, utilities, agribusiness, retail, and media—and employed between 500 and 35,000 workers (table 1.8).

The prevalence of HIV ranges from 7.9% (or 1 in every 12 employees) in company A to 29% (nearly 1 in 3) in Company C. Companies in mining, metals processing, and agribusiness were affected the most, with more than 23% of their employees suffering from HIV/AIDS, slightly less than South Africa's prevalence of 25%. Unskilled and skilled workers were two to three times more likely to be infected than supervisors and managers.

The cost of one HIV infection ranged from less than half the affected employee's annual salary at company E to more than 3.5 times the employees yearly salary at company C.

Box 1.4

The costs of HIV/AIDS to an employer

From one employee with HIV/AIDS	**Individual costs** • Medical care • Benefits payments • Recruitment and training of replacement worker **Organizational costs** • Reduced on-the-job productivity • Reduced productivity due to employee's absences • Supervisor's time in dealing with productivity losses • Vacancy rate until replacement is hired • Reduced productivity while replacement worker learns the job
From many employees with HIV/AIDS	**Individual costs** • Insurance premiums • Accidents due to ill workers and inexperienced replacement workers • Costs of litigation over benefits and other issues **Organizational costs** • Senior management time • Production disruptions • Depressed morale • Loss of experienced workers • Deterioration of labor relations

Source: *Rosen and others 2003.*

The annual AIDS "tax" on business ranged from 0.4% of the wage bill at company E to 5.9% of the wage bill at company C in 2001. In absolute terms it was $11.9 million a year at company A.

Unskilled workers at companies B, D, and E were not eligible for many of the benefits that other employees received, and lower level workers received only minimal health care benefits. The companies also capped their annual contributions to employee benefit funds, holding costs constant as claims rose, leaving workers to bear more of the financial burden on their own.

"Botswana, South Africa, Mauritius, Namibia, and Tunisia fill the top five spots in the ranking in this year's Expanded Policy Index"

More progress needed to deepen second-generation reforms

The Expanded Policy Stance Index tries to assess the state of economic policy and identify key areas for improvement. This year's index pays particular attention to second-generation reforms in contract enforcement, policy ownership, and regulatory structures because of their importance in accelerating the pace of Africa's development (box 1.5).

Sound macroeconomic management—a hallmark of best performers

Botswana, South Africa, Mauritius, Namibia, and Tunisia fill the top five spots in the ranking in this year's Expanded Policy Stance Index (figure 1.11). All of them, except perhaps Namibia, are known as good performers in a number of policy areas, and a closer look at Namibia reveals comparable achievements, particularly in macroeconomic management.

Table 1.8

Financial impact of HIV/AIDS on six corporations in Southern Africa

Category	A 1999 Utility	B 1999 Agri-business	C 2000 Mining	D 2001 Metals processing	E 2001 Retail	F 2001 Media
Workforce size	>25,000	5,000–10,000	500–1,000	500–1,000	<500	1,000–15,000
Estimated share of labor force HIV-positive (%)	7.9	23.7	29.0	23.6	10.5	10.2
Average cost per HIV infection as a multiple of median salary	3.23	0.82	3.63	0.76	0.46	2.90
Total annual cost of AIDS	$11.9 million	$594,000	$206,000	$93,400	$13,300	$1 million
Total annual cost of AIDS as a share of salaries and wages (AIDS tax; %)	3.7	1.8	5.9	1.9	0.4	2.4
Potential net returns on treatment programmes	$4.88 million	$49,100	$34,400	$12,200	$184	$580,000
Potential reduction in AIDS tax due to treatment programmes (%)	32.5	5.5	15.7	8.9	0.8	40.4

Source: *Rosen and others 2003.*

The top five countries have, on average, lower foreign debt, lower budget deficits, and lower discount rates. They accumulated a relatively small amount of external debt, averaging 30% of GDP but ranging from about 4% of GDP in Namibia to 55% of GDP in Tunisia. Equally important, their debt stocks did not rise substantially during that year. Similarly, the deficit in the government budget (excluding all grants) remained below 4% of GDP (except in Mauritius, at 6.5% of GDP), changing very little from the previous year. Lower discount rates are also a feature of the top five countries, averaging 10.4%. At 14.3% Botswana recorded the highest rate, while at 5.8% Tunisia had the lowest.

> *The good performers have lower foreign debt, lower budget deficits, and lower discount rates*

Second-generation reforms firmly in place in top performers

The top five also score high on the qualitative indicators. Market liberalization is more advanced, with few policy reversals. Institutions for policy analysis and coordination are better. Government efforts in promoting women's access to education and health and gender equality in employment are highly rated. Pro-poor targeting is more sharply focused and the effectiveness of pro-poor policies is greater, especially those for microfinance, rural development, urban housing, and adult literacy. The legal system is more effective at enforcing contracts. Laws and regulations are more predictable and transparent—and are

Box 1.5
Expanded Policy Stance Index

The Expanded Policy Stance Index covers three broad areas of policy performance: macroeconomic policies, poverty reduction policies, and institution-building policies.

- The macroeconomic policies cluster covers monetary, fiscal, exchange rate, and macroeconomic policy coordination, as well as trade, financial sector, product market, factor market, and sectoral policies.
- Poverty reduction policies include pro-poor targeting, gender development, and Poverty Reduction Strategies.
- The institution-building cluster covers legal structure and regulation (property rights, contract enforcement), transaction costs (transport, telecommunications, water and electricity supply), central bank independence, private and public sector coordination, and public enterprises and the civil service.

Two types of data are used in constructing the index. The first are quantitative data on national aggregates, and the second, qualitative information collected from individual respondents through surveys in 29 countries in 2002. The surveys are a useful source of information because the success of policy interventions depends on the actions that economic agents take in response to them. Such actions are conditioned by the perceptions of economic agents about the various characteristics of policies. For instance, if people believe that a policy package will be reversed, they will act accordingly and refrain from making the choices that would lead to the realization of the objective associated with the policy package. Given the paucity of quantitative information on the quality of government policies, information on perceptions can fill part of the gap.

Source: *Economic Commission for Africa, from official sources.*

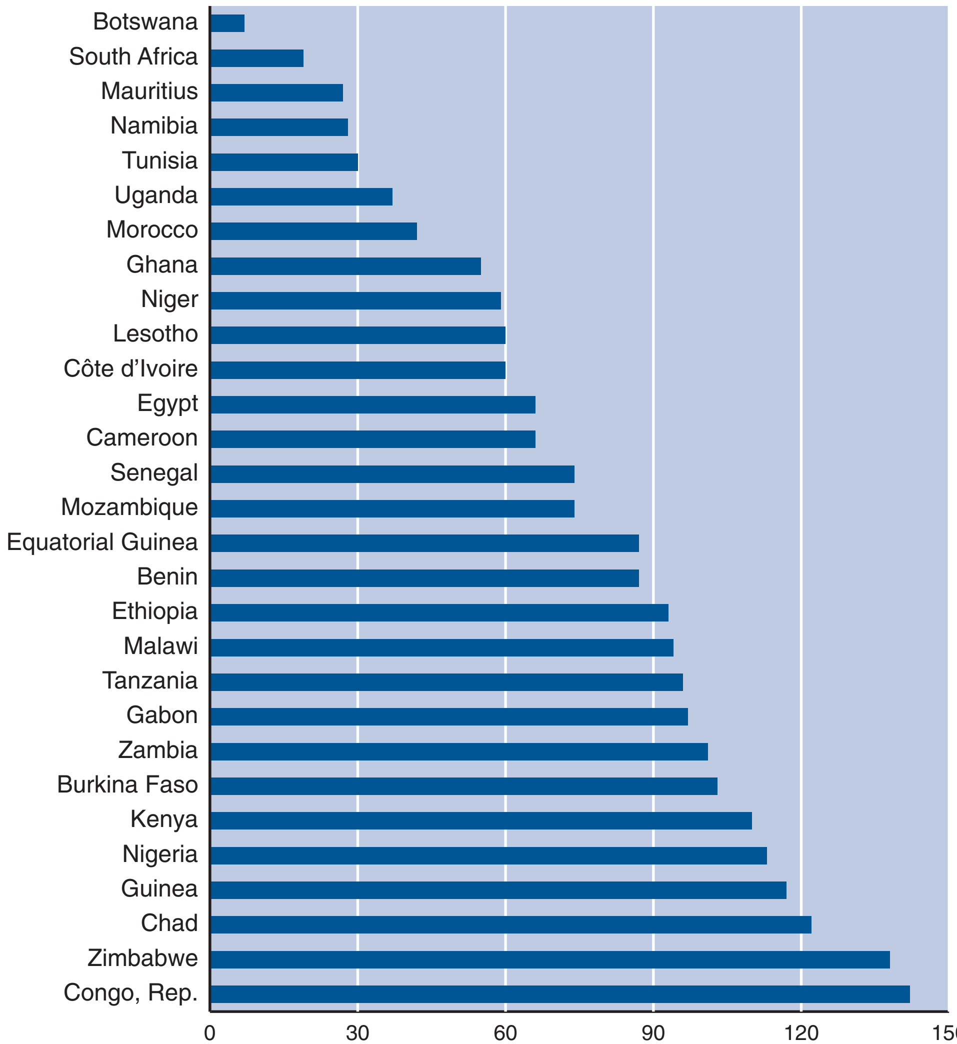
applied more uniformly. The quality of the civil service is better. And the access to and reliability of telecommunications, transport, and electricity are greater. Fixed and mobile telephone networks, closely correlated with other infrastructural determinants of transactions costs, are more extensive—by a considerable margin. Moreover, poverty rates are low in South Africa, Mauritius, and Tunisia.

In contrast, Nigeria, Guinea, Chad, Zimbabwe, and Republic of Congo are at the other end of the ranking. They have accumulated considerable external debt, averaging 113%

Figure 1.11

Bostwana, South Africa, Mauritius, Namibia, and Tunisia—the top 5

Expanded Policy Stance Index, 2002



Note: *Lower scores on the index indicate better performance.*

Source: *Economic Commission for Africa, from official sources.*

of GDP and ranging from about 73% of GDP in Nigeria to 163% of GDP in Zimbabwe. Budget deficits are high in Chad (12% of GDP) and Zimbabwe (35% of GDP), and discount rates are high in Guinea (16%), Nigeria (17%), and Zimbabwe (57%).

Their qualitative indicators depict a similar (or worse) picture. The liberalization achieved is rather limited, and policy reversals are more frequent. Government capacity for policy analysis and coordination, including the relevant institutions, is weak (except in Zimbabwe). Efforts to target the poor are ineffective. Government promotion of equal job opportunities for women is not robust. The effectiveness of the legal system in enforcing contracts is weak. The predictability and transparency of laws and regulations are low. Uniformity is lacking in the application of laws and regulations. The quality of the civil service is very low. And the access to—and reliability of—telecommunications, transport, and electricity is unsatisfactory. Political tensions make the situations in these countries even more difficult.

> *Macroeconomic policies received the highest approval rating by stakeholders on government policy*

High marks to macro reforms and poverty reducing policies

The qualitative surveys reveal some interesting results on the state of economic policy in Africa (table 1.9). Macroeconomic policies, as a group, received the highest approval rating by stakeholders on government policy. Around 75% of respondents believe that their governments are doing a good job in macro management. The worst raw scores and ranks are for the quality of public sector management, while poverty reduction, sectoral policies and policies for market and institutional development are ranked second, third, and fourth.

But weak institutions are holding back progress

The survey questions attempt to elicit the perceptions of stakeholders on the pace and effectiveness of second-generation reforms, which are essentially institutional and structural, involving five interrelated dimensions:

- *Poverty reduction*—to alleviate poverty and promote equity.
- *Contract enforcement*—to secure property rights, strengthen the legal and justice system, and build effective conflict resolution mechanisms.
- *Ownership*—to enhance ownership through effective participation of stakeholders and consensus-building.
- *Regulation*—to improve the quality of regulation including independence, integrity, transparency, consistency, and predictability for the shift away from direct government management of the economic sphere.
- *Sectoral transformation*—to promote the appropriate pattern of sectoral development.

Some reforms of this type are being initiated in the continent—good examples are gender equality and central bank independence. But the higher raw scores and lower approval ratings of the corresponding policy clusters highlight the still unsatisfactory pace of second-generation reforms in many parts of the continent.

Poverty reduction top on agenda

The results show that poverty reduction has become the central plank of policy in survey countries. The poverty reduction policy cluster ranks second, with an approval rating of 66% from stakeholders on government policy. Corroborating this is the fact that of 29 African countries that adopted an interim or full Poverty Reduction Strategy by the end of 2002, 24 are in the sample here, many of them in the implementation phase.

The promotion of gender equality in access to education, health, and employment is rated particularly high, with an approval rating of 79%. The correctness of the Poverty

Table 1.9

Quality of economic policies survey, 2002

Policy dimension	Average raw score	Rank by raw score	Approval rating (%)
Macroeconomic policies	2.705	1	75.48
Monetary policy	2.705	3	74.49
Exchange rate policy	2.711	4	74.05
Macroeconomic policy coordination	2.699	2	77.89
Sectoral policies	3.222	3	61.96
Trade policy	3.213	8	2.15
Financial sector policy	3.149	7	63.93
Product market policy	3.336	12	58.20
Factor market policy	3.346	13	57.63
Sectoral development strategies	3.064	6	67.92
Poverty reduction	3.070	2	65.73
Pro-poor targeting	3.257	10	64.15
Policies for gender development	2.698	1	78.81
Poverty Reduction Strategy	3.257	9	59.98
Market and institutional development	3.310	4	61.06
Legal structure and regulation	3.562	15	53.86
Transactions costs	3.611	16	51.36
Central bank independence	2.794	5	74.51
Private and public sector coordination	3.273	11	64.52
Public sector management	3.769	5	46.56
Administration of public enterprises	3.369	14	56.25
Civil service	4.170	17	36.87

Note: *The table reports the average raw scores accorded to the major areas of policy and the corresponding approval rating calculated as the average percentage of respondents who expressed their agreement (as 'strongly agree', 'agree', or 'weakly agree') with the positive statement regarding the relevant policy attribute or outcome. The ranking determined by the raw scores is also included. The semantic scale spans strongly agree (coded 1), agree (2), weakly agree (3), weakly disagree (4), disagree (5), and strongly disagree (6). So, low scores indicate better performance.*

Source: *Economic Commission for Africa, from official sources.*

Reduction Strategy in being broadly pro-poor and reflecting the key development problems of these countries got a 68% approval rating. A similar rating goes to the record of governments in enhancing pro-poor targeting.

Disagreement enters for the credibility and effectiveness of those policies. A low approval rating (47%) is given for the extent that implementation of the Poverty Reduction Strategy accords well with what was planned. Considerable reservation is also registered on how much the poor will actually benefit from these policies (45% approval).

“Performance on the continent is weak in market and institutional development”

A qualitative Poverty Reduction Policy Stance Index was developed to rank countries on their performance in poverty policy, spanning pro-poor targeting, policies for gender development, and the Poverty Reduction Strategy. Botswana, Tunisia, South Africa, Namibia, and Mauritius emerge as the top five performers (figure 1.12). Their efforts in promoting women's access to education and health and gender equality in employment are rated highly. Comparable achievements are also recorded in pro-poor targeting and effectiveness of pro-poor policies.

The bottom-five countries—Zimbabwe, the Republic of Congo, Kenya, Comoros, and the Democratic Republic of Congo—have unsatisfactory efforts to target the poor, with weak benefits to the poor from pro-poor policies. Similarly, government promotion of equal job opportunities for women is not robust.

Market and institutional development is weak

The average performance on the continent is weak in market and institutional development. More specifically, key determinants of transactions costs and contract enforcement are deemed still inadequate. Corruption adds significantly to the cost of economic activity (75% of survey participants agree), and the costs of electricity and transport are restrictively high (67% and 64% agree). And while appreciable improvements in the access to—and quality of—telecommunication services are recorded (with approval ratings of 78% and 84%), cost and waiting times for telephone installation and repair remain a concern (with only around 40% agreeing that services are adequate).

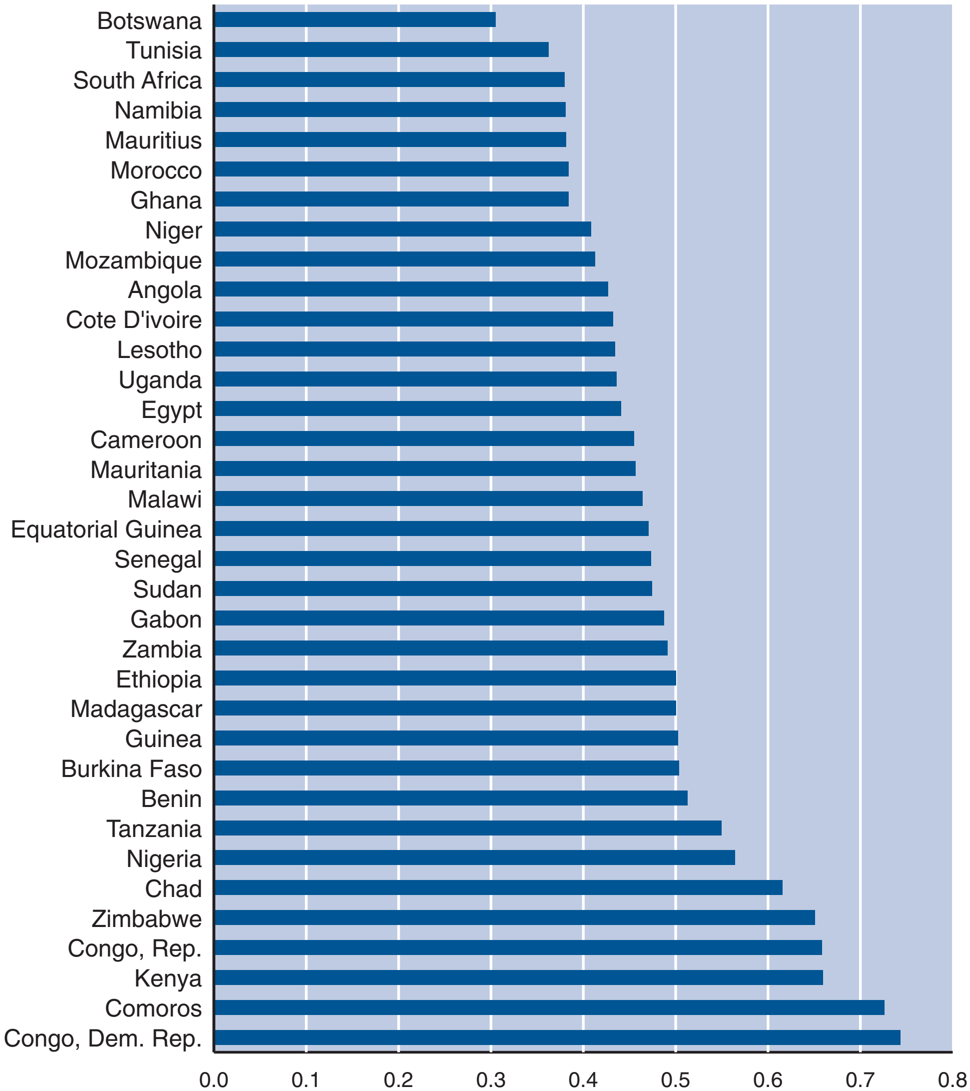
Contract enforcement is another area for improvement. The effectiveness and impartiality of the legal and regulatory system have an approval rating of 54%. Specific areas of concern are the effectiveness and impartiality of courts in cases against the government (37% approval rating), extent of crime (41%), effectiveness of the legal system in enforcing contracts (49%), police effectiveness in protecting people and property (50%), the predictability of laws and regulations (51%), transparency of laws and regulations (53%), and protection of land rights (57%).

The speed of reform is deemed comparably slow in the areas of private and public sector coordination (an indicator of consensus-building and ownership) and public sector management (which combines efficiency in the administration of state-owned enterprises, privatization, and quality of the civil service). The weaknesses of the civil service are particularly highlighted. The attractiveness of incentives in the civil service received an approval rating of only 20%. Also scoring low were meritocratic recruitment (approval rating of 39%), promotion (40%), and the regularity of skill upgrades (45%).

Figure 1.12

Botswana, Tunisia, South Africa, Namibia, and Mauritius—the top 5

Qualitative Poverty Reduction Policy Stance Index, 2002



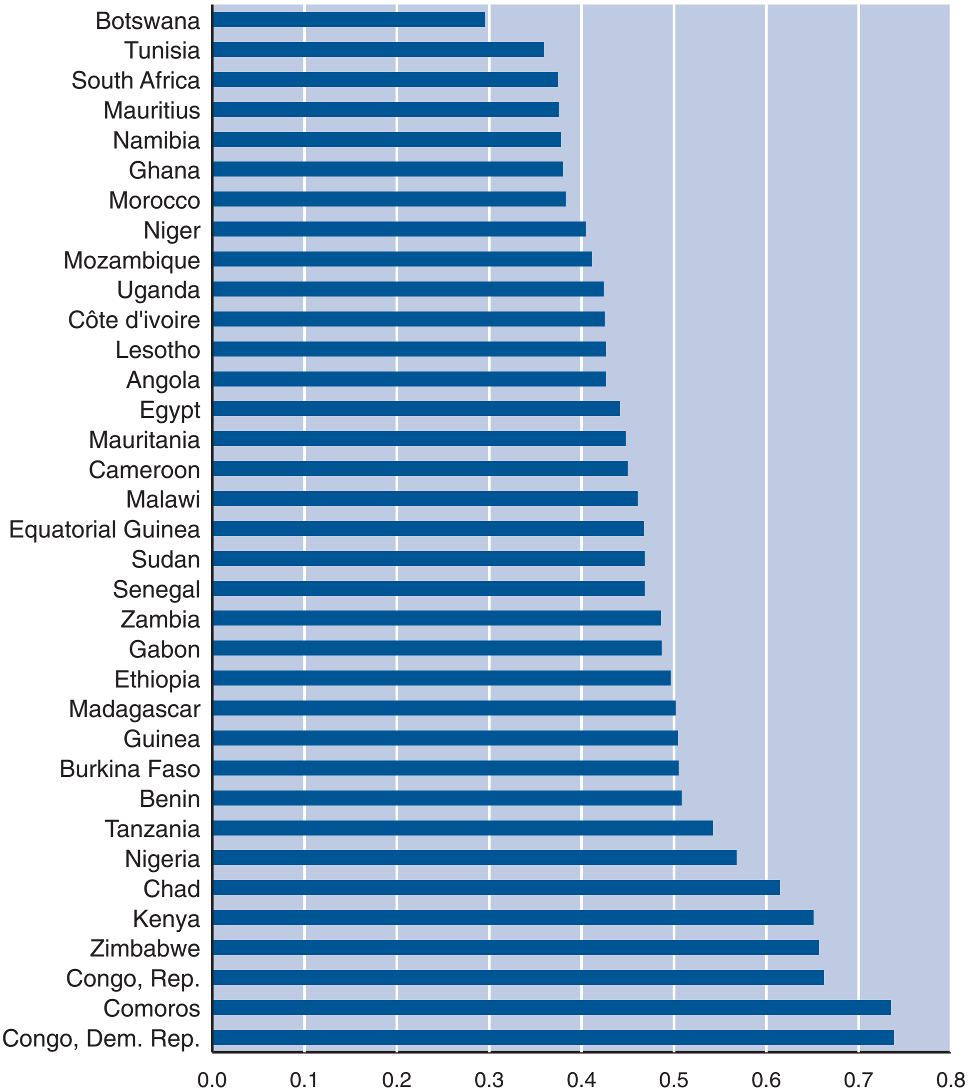
Note: *The scores are standardized from 0 to 1. Lower scores on the index indicate better performance.*
Source: *Economic Commission for Africa, from official sources.*

A qualitative Institution-Building Policy Stance Index was developed to rank countries according to the performance of policies (figure 1.13). It produces the same top five and bottom five countries as the qualitative Poverty Reduction Policy Stance Index. Indeed, the correlation between these two indices is 0.99, indicating a close link between building the right institutions and reducing poverty.

Figure 1.13

Botswana, Tunisia, South Africa, Mauritius, and Namibia—the top 5

Qualitative Institution-Building Policy Stance Index, 2002



Note: *The scores are standardized from 0 to 1. Lower scores in the index indicate better performance.*
Source: *Economic Commission for Africa, from official sources.*

In the top five the legal system is more effective at enforcing contracts, laws and regulations are more predictable and transparent and are applied more uniformly, the quality of the civil service is better, and the access to and reliability of telecommunications, transport, and electricity are greater. But many shortcomings remain. First, the quality of the civil service in these countries still has to improve considerably. Recruitment and promotion on the basis of merit need to become the norm, and incentives to civil servants should improve to attract and retain competent, motivated, and honest people. Second, corruption is still widespread (with the exception of Botswana and Tunisia) and adds significantly to the cost of economic activity. Third, the costs of telecommunications and electricity are still high.

"The close movements of the three qualitative policy stance indices underscore the importance of macroeconomic stability, pro-poor targeting, and credible institutions for sustained economic growth and poverty reduction"

The close movements of the three qualitative policy stance indices underscore the importance of macroeconomic stability, pro-poor targeting, and credible institutions for sustained economic growth and poverty reduction. They reveal that civil service reform, legal and regulatory reform, and further liberalization and effective regulation of the transport, telecommunications, and power sectors are a priority.

Medium-term prospects—mixed

In the near term, growth prospects for African countries will depend mainly on the strength of the recovery in global economic activity, the outlook for commodity prices, the progress in reducing political and armed conflicts, and the commitment of African leaders to macroeconomic stability and the principles of good governance.

Modest improvement in growth in 2003

Economic growth is expected to increase from 3.2% in 2002 to 4.2% in 2003, driven mainly by recent economic and political events in and outside Africa:

- An increase in peace agreements and a reduction in armed conflicts: consider the ceasefire in Angola following the death of the UNITA rebel leader, Jonas Savimbi; the tentative peace in West Africa between Liberia and Sierra Leone; the cessation of hostilities in the Horn of Africa between Eritrea and Ethiopia; the July 2002 peace agreement between the Democratic Republic of Congo and Rwanda in Pretoria; and the recent resumption of peace talks between the Sudanese government and the rebel Sudan People's Liberation Army (SPLA). The cessation of hostilities in these countries is expected to result in a redirection of military spending towards economic and social projects that will reinvigorate growth.
- An increase in the number of African countries eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. This is expected to free up resources—for social expenditures directed at vulnerable groups—and boost economic activity.
- The bottoming out of the global slowdown. An improvement in economic activity should be expected in most of the world's regions in the third quarter of 2003,

spurring economic activity in Africa through increased aid, trade, and foreign investment. In the OECD area growth is expected to increase from 1.5% in 2002 to 2.2% in 2003, in the United States from 2.3% to 2.6%, and in the European Union from 0.9% to 1.9%. Japan is expected to move from a negative growth rate of –0.7% in 2002 to a positive growth rate of 0.8% in 2003.
- The decision by six West African countries to form a monetary union in 2005. The attempts by governments to meet the convergence criteria are likely to improve the macroeconomic policy environment in the subregion, boosting future growth.
- The events of September 11, 2001, and the resulting international war against terrorism. Economic effects for Africa will be positive to the extent that the activities of militant groups are checked in unstable African countries and that western nations become more involved in the economic and political development of African nations to discourage them from providing safe-havens to terrorists. There are already indications that this is happening. Africa featured prominently on the agenda of the last G-8 Summit in Kananaskis, Canada. And several advanced countries have promised to support development efforts in Africa.

"The pace of economic activity is expected to improve next year in all the five subregions"

The pace of economic activity is expected to improve next year in all five subregions. In 2003 growth is projected to be 4.9% in North Africa, 4.4% in East and Central Africa, 3.6% in Southern Africa, and 3.3% in West Africa. North Africa is projected to have the highest growth rate in the region, driven by strong growth in Algeria (5.9%), Sudan (5.7%), Tunisia (5.5%), and Egypt (4.6%). East Africa is projected to have the second highest growth rate in the region, driven by strong growth in Rwanda (6.5%), Uganda (6%), Madagascar (5.5%), Tanzania (5.2%), and the Democratic Republic of Congo (3.8%).

All West African countries—except Côte d'Ivoire, Liberia, Guinea-Bissau, and Sierra Leone—are projected to have growth of 3.0% or more in 2003, underpinned in part by an expected improvement in the prices of key commodities exported by the subregion —notably gold, oil, and cocoa. Guinea Bissau will grow by a meager 1.5%, and Liberia by 1.6%. Economic activity is expected to pick up in Nigeria, with growth projected at 3.0%. Underpinning the improvement would be an increase in oil revenue if OPEC increases its oil quota. Nigeria has already indicated that it would ask for an increase in its quota, likely to be approved if political tensions between the United States and Iraq continue unabated.

In Southern Africa growth is expected to increase from 3.3% in 2002 to 3.6% in 2003 reflecting improvements in the prices of key export commodities—gold, oil, diamonds, and copper. Zimbabwe is expected to have a negative growth rate (–4.6%), explained in part by the political and economic crisis in the country. With an expected growth rate of 10.2% Mozambique will be the fastest growing economy in the subregion, thanks to sound macroeconomic policies and funds from debt relief under the HIPC Initiative. Because of the likelihood that gold and diamond prices will increase, growth is expected to rise in South Africa from 3.0% in 2002 to 3.3% in 2003.

With Equatorial Guinea continuing to have very impressive growth of 21.7% and with strong growth in Cameroon and São Tomé and Principe, the Central African subregion is expected to have a slight boost in growth from 4.0% in 2002 to 4.4% in 2003.

Risks and uncertainties

As usual, there are some downside risks to the realization of the projected growth rate for Africa:

> *Prospects for Africa in the medium term will be influenced largely by the strength of the recovery in global economic activity, developments in commodity markets, and adoption of sound macroeconomic policies and good governance*

- The deteriorating political and economic situation in Zimbabwe and Côte d'Ivoire.
- Renewed incidents of flooding and drought in various parts of the continent, especially in the Horn of Africa and the Southern African region.
- The decision by U.S. President Bush in May 2002 to introduce a six-year $51.7 billion farm law, boosting crop and dairy subsidies by 67%. There is the concern that the subsidy will lead to lower prices for agricultural products, making it difficult for small African countries to compete on the world market.
- Inflationary pressures in two of the five big economies in Africa—South Africa and Nigeria—as well as in countries such as Angola, Zimbabwe, the Democratic Republic of Congo, and Malawi would reduce the ability of the monetary authorities to stimulate the economy.
- The high probability of an El Niño phenomenon in 2003—as suggested by the International Research Institute for Climate Prediction—and the associated deterioration of global weather conditions.

In sum, the mixed prospects for Africa in the medium term will be influenced largely by the strength of the recovery in global economic activity, developments in commodity markets, progress in reducing regional insecurity, adoption of sound macroeconomic policies and the principles of good governance, and the ability and willingness of African leaders to intensify much-needed economic and social reforms.

Note

1. This section draws on the forthcoming Economic Commission for Africa report, *Leadership for Better Health: The Challenge of HIV/AIDS, Tuberculosis and Malaria*.

References

Anderson, Sarah, and Dermot Maher. 2001. *Analysis of Interaction between TB and HIV/AIDS Programmes in Sub-Saharan Africa*. WHO/CDS/TB/2001.294. Geneva: World Health Organization.

Christiaensen, Luc, Lionel Demery, and Stefano Paternostro. 2002. *Growth, Distribution and Poverty in Africa: Messages from the 1990s*. Washington, D.C.: World Bank.

ECA (Economic Commission for Africa). 2002. *Harnessing Technologies for Sustainable Development*. ECA Policy Research Report. Addis Ababa.

———. Forthcoming. *Leadership for Better Health: The Challenge of HIV/AIDS, Tuberculosis and Malaria*. Addis Ababa.

FAO (Food and Agriculture Organization). 1997. *The Rural People of Africa Confronted with AIDS: A Challenge to Development*. Rome.

IMF (International Monetary Fund). 2002. World Economic Outlook database. [Retrieved September 2000, from http://www.imf.org/external/pubs/ft/weo/2000/02/]

———. 1998–2002. Staff Country Reports. Washington, D.C.

Ndikumana, Leonce, and James K. Boyce. 2002. "Public Debt and Private Assets: Explaining Capital Flight from Sub-Saharan African Countries." Political Economy Research Institute Working Paper 32. University of Massachusetts, Department of Economics, Boston.

Nyarko, Eugene. 2001. "Overview of the Tuberculosis Situation in the African Region." *African Health Monitor*. Harare: World Health Organization.

OECD (Organisation for Economic Co-operation and Development). 2002. *OECD Quarterly National Accounts*. Paris.

Rosen, Sydney, Jonathon Simon, Jeffrey Vincent, William MacLeod, Matthew Fox, and Donald Thea. 2003. "AIDS Is Your Business." *Harvard Business Review*. Boston: Harvard Business School Publishing.

Snow, R. W., M. H. Craig, U. Deichmann, and D. le Sueur. 1998. "A Continental Risk Map for Malaria Mortality among African Children." *Parasitology Today* 15: 99–104.

UNAIDS (Joint United Nations Programme on HIV/AIDS). 2002. *Report on the Global HIV/AIDS Epidemic*. Geneva.

White, Campbell, and Anita Bhatia. 1998. *Privatization in Africa*. World Bank, Washington, D.C.

WHO/UNAIDS (World Health Organization/Joint United Nations Programme on HIV/AIDS). 2002. "Coordinates." Report to the Board of the Global Funds for HIV/AIDS, TB and Malaria. Geneva.

World Bank. 2001. *African Poverty at the Millennium: Causes, Complexities, and Challenges*. Washington, D.C.

———. 2002. World Bank Africa Region Privatization Database. Washington, D.C.

WTO (World Trade Organization). 2002. *Tourism Market Trends—Africa*. Madrid.