

GROWTH NOT DEBT

FOR SUSTAINABLE CONDITIONALITY : FORTY-NINE REFORMS **FOR NEW GROWTH IN SUB-SAHARAN AFRICA**

Olivier Pastré,

Professor, University of Paris VIII

President of IMBank (Tunis)

with the collaboration of:

Esther Jeffers,

Assistant Professor, University of Paris VIII

Krassimira Gecheva,

Researcher, CEPN, University of Paris XIII

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INTRODUCTION

1) To use a familiar expression, sub-Saharan Africa is “in bad shape”:

- Per capita income is lower in 2005 than in 1965;
- In 1990, 25% of the world’s poorest (living on less than a dollar a day) lived in Africa—today 30% do;
- Two hundred million Africans have no access to health care;
- Two hundred and fifty million Africans have no access to running water;
- Over 140 million inhabitants are illiterate and less than a quarter of rural women have been to school;
- Per capita GNP dropped in sub-Saharan Africa between 1970 and 2000, whereas it increased significantly in all other emerging zones. This trend holds true as well for per capita investment, per capita exports, and most other macroeconomic indicators.
- The loss of market share in world trade represents for sub-Saharan Africa an annual loss of \$68 billion.

Unfortunately, one could add almost indefinitely to these alarming, almost inhuman statistics. But that would be useless.

Let us simply recall Gunnar Myrdal’s famous work in 1968, *Asian Drama*, which predicted the decline of Asia and the rise of the African economies. What wasted riches...

2) And yet Africa has immense riches:

- its dynamic demographics;
- the size of its market;
- its natural resources;

which it owes to itself, with the help of the developed countries, to put to the best use possible.

3) Africa thus finds itself at a crossroads—either it mobilizes around the concessions made by the developed countries concerning debt and aid in order to create the conditions for new growth; or it fails to form a new partnership with the countries of the North and all the vicious circles of under-development will only expand. One example, perhaps more

striking than others, can be found in the Information and Communications Technologies (ICT). According to the most serious experts, the “digital gap” in Africa may either be reduced or widened in the two or three years to come according to the political choices that will be made. In reality, the response to these choices will probably vary significantly among the different sub-Saharan African countries. Thus, for the countries with the political will to do so, it is urgent to rapidly take up this challenge.

- 4) It must be recognized that the reforms carried out in the past often failed. Since the sub-Saharan African countries are more and more dependent on outside aid, they have been led to accept a conditionality that is more and more restrictive and which, unfortunately, takes little account of national specificities, and particularly the ability of many countries to carry out reforms adapted to the local context. This explains at least partially the gradual polarization of African economies. Some countries are more able than others to adapt to the outside constraints concerning their economic policies.

5) The coming reforms should be based on the principle of “sustainable conditionality.” The most responsible African countries are actually ready today to negotiate the reduction or the canceling of their debt and the increase in the aid granted to them, but are not ready to do it under any condition. They are ready to do it if the reforms expected of them in return:

- **are realistic;**
- **are adapted to local contexts;**
- **have principles determined together with the countries concerned;**
- **are sustainable and gradual.**

- 6) The goal of this report is to define the reforms that currently seem to best respect these principles of “sustainability.” This report, which above all has an economic character, leaves aside the armed conflicts that may exist between this or that country of sub-Saharan Africa.

Its ambition is nevertheless not to set forth big general principles but, on the contrary, to draw up a precise list of reforms that will make it possible for the sub-Saharan African countries that have the requisite political will to open a new dialogue with the countries of the North, creating wealth and value.

I. PUBLIC GOVERNANCE

There should be no mistake. Any reform that would not be part of an improvement of public governance of the sub-Saharan African countries would be bound to fail. Therefore, reforms should be defined that will make it possible not to strive towards an illusory perfection of democracy, but will make it possible to modernize concretely and within a realistic timetable the very foundations of public governance.

A. THE STATE

1) PAST REFORMS HAVE FAILED

Many of the reforms suggested and carried out in the past have turned out to be failures. The lessons must be drawn from these failures. Many initiatives have been undertaken to reform the public sector, often with the explicit support of development partners. More than one quarter of bilateral development aid granted to African countries has gone to projects that aim to improve the functioning of public institutions. With rather disappointing results.

Three lessons may be drawn from these failures:

1. Economic liberalization has sometimes been too abrupt and too rapid. In this respect, the conclusions made in the fundamental studies by D. Dollar (1992), who predicted rapid economic liberalization would have a positive impact, have been widely criticized. Sachs and Warner (1995), as well as Rodrik and Rodriguez (1999), and Edwards (1998) have been able to demonstrate that the means by which the economy is liberalized are at least as important as the principle itself.
2. The second lesson is linked to the “forced” nature of liberalization. In order to succeed, liberalization should be accepted, “ingested”, and promoted by the country itself. In Southeast Asia state intervention in certain markets has turned out to be decisive for the success of players who are “latecomers”, particularly for the assimilation of new technologies (Amsden, 1989). Therefore, any policy of liberalization should be “country-

driven.” It should be based on a strong state. And the partnerships created within this framework with international bodies should be long-term partnerships.

3. “The devil is in the details,” wrote Nietzsche. The art of reforming is essentially in the procedures of application. Examples abound of well-intentioned and well-conceived reforms whose impact turned out to be limited due to various and sundry “losses along the way.”
 - It is estimated that for every \$100 spent in sub-Saharan Africa on medicine, only \$12 in fact benefited the populations concerned.
 - A survey made in 1996 showed that only 30% of the public resources devoted to non-salary education expenses reached their original destination.

The causes of these “losses along the way” are numerous and will be examined in this report. The main causes are linked to the offer of uncompetitive products and services, to errors concerning technical requirements, to management failings, and to the poor usage of goods and services provided, far more than to the corruption and other shortcomings generally cited.

2) DECENTRALIZATION: AN INSTRUMENT OF DEMOCRACY

a. DIAGNOSIS

1. The natural tendency in all emerging countries is to centralize decisions. In Africa, as in other developing countries, most public services and virtually all development initiatives are centralized. Given the weakness of national institutions, that reduces all the more the effectiveness of efforts designed to further human development (Jimenez 1995; World Bank 2000).
2. Moreover, this centralization mechanically leads to focalizing on inputs instead of prioritizing results. At the same time it reduces the accountability and the transparency of development programs and, finally, signifies public services of inferior quality.
3. Decentralization is even more a strategic stake when the central government is weak. Thus the policy of decentralizing public decisions should be adapted to each specific national situation. It should be accompanied by a strengthening of controls on a centralized level.

b. REFORMS TO BE CARRIED OUT

Programs decentralizing public decisions and management have been carried out successfully in many sub-Saharan African countries. The areas concerned affect education and health as well as more specific aspects, such as government purchasing or financial management. In this area South Africa represents a success story. The country has decentralized a certain number of budgetary decisions, but local authorities are watched over by the central authorities. In order to facilitate financing, local government access to capital markets has been facilitated, while strict rules on disclosure have been laid down. Partnerships between local authorities and private players have also been authorized and a special fund has been set up to furnish expertise to local authorities in order to improve their partnership with the private sector.

There are six main lessons to be drawn from these experiences:

1. The initial effort of decentralization will require a larger investment than what will be necessary subsequently.
2. In many areas decentralization programs should be preceded by institutional and fiscal reform. Priority should be given to setting up disclosure mechanisms in order to enable better control of the reforms carried out on a decentralized level.
3. The degree of decentralization should vary according to the size and organization of each region.
4. The decentralization of budgetary functions should be accompanied by measures of compensation between regions enjoying different income levels in order to avoid some regions from becoming marginalized. The central authorities will thus still have a role to play.
5. Priority should be given to requests emanating from the decentralized level. A bottom-up approach should be favored.
6. In many cases the ITC (Information and Communications Technologies) constitute a powerful instrument of decentralization.

3) PRIVATIZATION: URGENT

a. DIAGNOSIS

Some sub-Saharan African countries have undergone a partial privatization of their economies. Altogether, over the entire African territory, 3000 privatization operations have been carried out, representing a capitalization of \$6.5 billion. The main sectors concerned are telecommunications (18 countries) and water distribution (23 countries). The largest number of privatizations has concerned a small number of countries (South Africa, Ghana, Nigeria, Zambia, and the Ivory Coast). It must, however, be noted that out of 2300 privatizations undertaken in sub-Saharan Africa between 1991 and 2000, only 66 concerned economically significant companies.

b. REFORMS TO BE CARRIED OUT

1. The record of privatizations carried out in sub-Saharan Africa is highly uneven. To take only one successful example, in Ghana, reforms carried out in the realm of health represent a good example of public-private cooperation: 41% of the medical services of the country are now provided by the private sector.
2. Privatization must be speeded up. Privatizations should indeed make it possible to hasten growth by various means:
 - influx of Direct Foreign Investment (DFI);
 - improved management;
 - intensified competition;
 - the development of sectors producing for or buying from those privatized;
 - improved budget and fiscal revenues.
3. However, in order for these privatizations to contribute to growth, they must meet a certain number of conditions:
 - The invitations to bid should be as transparent as possible.
 - Governments should solicit the services of recognized counselors (commercial banks, auditing firms...).
 - Absolute priority should be given to operations with an “industrial” character built around a leading firm that commits to technology transfers.

- The social aspect of the operation (particularly the training program) should be a key factor in the selection of leading firms.

4) JUDICIAL REFORM: PRECONDITION FOR OTHER REFORMS

a. DIAGNOSIS

1. One of the main causes of the low level of FDI in sub-Saharan Africa is the lack of investor confidence.
2. This lack of confidence is largely based on the fragility of the judicial framework concerning investments and company management.
3. This fragility can be seen on two levels:
 - on the level of the judicial framework itself (particularly concerning property rights);
 - on the level of recourse procedures in the case of commercial conflict.
4. Access to the judicial system is quite limited today for many Africans. Moreover, the development of the private sector is constrained by the lack of expertise in areas such as financial law or contractual law.

b. REFORMS TO BE CARRIED OUT

5. The reforms to be carried out in the judicial field are the following:
 - professionalizing university instruction in the judicial field;
 - permanent training of judges;
 - mechanisms favoring professional advancement based on merit;
 - adequate compensation policies
 - mechanisms that reinforce accountability.
6. Without it constituting an absolute priority, an effort must also be made to adapt laws in African countries to the new international judicial and accounting norms, which are themselves being modernized (particularly IFRS for all companies and Basel II for banks). By the same token an effort must be made to encourage the harmonization of the legal framework on a regional level (as OHADA, the Organization for the Harmonization of Business Law in Africa, is doing).

5) THE FIGHT AGAINST CORRUPTION: LESS IMPORTANT GOAL

a. DIAGNOSIS

1. Corruption exists in Africa as in other regions of the world. Corrupt behavior is more frequent when the institutional framework is weak, the laws are not rigorously applied, the independence and the professionalism of the public sector are compromised, and the public lacks the means to exert pressure in order to be heard.
2. Corruption has extremely negative effects on growth. The existence of corruption in government explains in part the extremely high level of transaction costs in Africa (poor quality of services purchased, useless purchases, etc.). Consequently, it is a source of economic ineffectiveness and a drag on the competitiveness of the export industries of African countries. According to Transparency International, each year tens of billions of dollars are spent in Africa on bribes—this is an extraordinary waste of public resources that could be put to much more effective use in other fields.

b. REFORMS TO BE CARRIED OUT

1. Nevertheless, the fight against corruption does not seem to us to constitute a strategic short-term goal. For a very simple and basic reason: corruption is the consequence of the weakness of the state and not the cause. The reforms we propose in this report all have the effect of making corruption less tempting.
2. The fight against corruption should nonetheless be waged in determined fashion. This fight is more difficult to wage when good governance practices of the authorities have been insufficiently decentralized and corruption is taking place on a local level and is more and more essential to simply maintaining the standard of living of the population. Decentralization does not in the least obviate the necessity of an overall coherence of policies. On the contrary it reinforces that necessity.
3. The tools used in the past to fight corruption suffered two major drawbacks—they were “ready-to-wear”, and “ready-to-wear” used occasionally without a longer-term strategy. However, the inertial behavior associated with corruption cannot be treated with sporadic measures. Fragmentary measures that favor the use of legislation are not the right solution for this problem. Specialized agencies or other bodies may play a role if they possess sufficient resources, independence, and authority. Any policy of fighting against

corruption depends on realistic measures that are adapted to each country (or to each region) and, above all, are carried out on a long-term basis.

4. Any policy aimed at fighting corruption must begin first of all by improving the pay of civil servants. Public sector incentives must be improved, particularly by reforming pay scales for civil servants. Since the 1990s the average salary of public employees has significantly decreased. The salaries of unqualified public sector employees remain higher than unqualified private sector workers, but the same is not true for higher-level employees. Only by improving the salaries of skilled public sector workers will it be possible to attract, win the loyalty of and guarantee the integrity of these managers. The problem is not so much the lack of resources needed to carry out such policies, but rather the lack of political will to accept large wage differentials according to skill levels.
5. A special effort should be made concerning the launching and managing of public bids to exploit natural resources.

Most African economies can be characterized as dependent on mining industries and agriculture. On the average, trade in basic commodities represents 78.1% of exports in Africa and makes up more than 21% of GDP.

More transparency must be introduced into the management of natural resources. The international community also has a word to say on the question by supporting multilateral initiatives such as the EITI (Extractive Industries Transparency Initiative) or the idea of certificates or licenses for forestry or fishing products.

Concerning government contracts systemic corruption has both a direct cost and indirect consequences. According to the experts it can increase the cost of the contracts by 25%. But it also leads to an inferior quality of services bought or offered and to often useless purchases. Even if this aspect is more difficult to deal with, measures can be taken to make government contracts more transparent (as, for example, taking bids “on line”, which furthermore reduces bureaucratic red tape and makes the bidding more accessible for small companies). As in the case of privatization, having widely recognized professionals (commercial banks, auditing firms,...) manage the bids on government contracts is a road to be followed in this field.

6. But what is most important concerning the fight against corruption is the predictability and the permanence of the measures taken. Planning out the measures to be taken as well as the “public posting” of this schedule are absolutely necessary.

6) TAXATION: WEAPON FOR EQUALITY

1. In the system of governance, there are certain fields of activity that may be considered strategic “links” and which should therefore be reinforced. Taxation is clearly part of these strategic links.
2. The goal of improving taxation is to make it possible for African countries to one day no longer be dependent on aid. This goal is, however, far from being achieved. In many countries reforms undertaken over the last 20 years have yet to produce any tangible results for the majority of the population. Their strong dependence on aid, which is reflected in a level of taxation that is untenable in the long term, has been one of the primary reasons for the mediocre economic performance of these countries. The low degree of budgetary effectiveness, which is chronic, has led to a ballooning of deficits and inflationary trends that have damaged the credibility of government policies.
3. The indispensable economic liberalization will necessarily mean a drop in tax revenues in a region where fiscal proceeds from international trade make up nearly 30% of total income. By way of comparison, for the OECD countries this proportion is only 0.8%. Doubtlessly liberalization will be a destabilizing factor for budgetary decisions in sub-Saharan Africa. It is necessary to find a means to preserve (or improve) the balance of budgets without putting into question the commitment to taking up the road to liberalization.
4. The solution to this problem lies in a widening of tax base, particularly through the fight against the development of the underground economy, an improvement in the procedures of tax collection and control, and better control of public spending.
5. A special effort should be made concerning customs controls, which are deficient in most sub-Saharan African countries. In this field modernization necessitates higher wages for civil servants and more thorough and permanent training.

B. THE STATE AND ITS ENVIRONMENT

The reform of the state makes sense only if it is part of the framework of modernizing relations between the state and its environment. This is true on a national but also on an international level.

1) MODERNIZATION OF AID

a. DIAGNOSIS

1. The poor quality of business policies carried out by African countries during recent decades has influenced the results of the aid granted by industrialized companies. It is a fact that the increase in foreign aid has led, directly or indirectly, to an increase in imports. This increase is made possible by the large arrival of funds in convertible currency, whose eventual consequence is the strengthening of the exchange rate. This situation can have significant redistributive effects. Thus import consumers (generally from middle- or upper-class socio-professional layers) benefit, whereas agricultural exporters watch their competitiveness decline. Moreover, the shift in exchange rates linked to the arrival of significant foreign capital may also have a disastrous effect on the industrial diversification of the country (Dutch disease).
2. Within the framework of discussions around financing projects to rebuild the African economies, four types of problems must be resolved:
 - Additional sources of financing must be found, both from the African countries themselves as well as, especially in the beginning, the industrialized countries.
 - There is a problem of the ability to absorb foreign aid. The system for allotting aid in the African countries remains disorganized, poorly coordinated, vague and often unclear as to the goals of the donors. The funds are often provided in ways that are often ineffective, accompanied by penalizing conditions.
 - The system of allocating aid is often not configured with the needs and the constraints of the receiving countries: neither their budgetary cycle, nor the period over which they want to finance projects or programs, nor the unforeseeable constraints that may be imposed by exogenous blows.

- The clauses placing conditions on aid seem often to respond more to the concerns of the donors than to the real needs of the receiving countries.
3. However, it is too easy to state that Official Development Assistance (ODA) in sub-Saharan Africa has been ineffective. Attempts should be made to correct the flaws it does have. But it is necessary to begin to recognize that ODA has played a positive role in many fields. To take only a few examples, it is enough to recall the positive role played by programs supporting the balance of payments of some countries in the 1980s, by programs of post-conflict assistance, as well as the support offered to certain institutions like, for example, the central banks, who contribute to macroeconomic governance.
 4. That being said, it must also be recognized that ODA has not always had the scope nor the effectiveness desired by its advocates. The first criticism that can be made of ODA concerns the drop in aid over recent years. To take only one indicator, net per capita transfers have dropped from \$32 in 1990 to \$18 in 2003. According to some estimates, Africa will require \$20 to \$25 billion more per year in order to attain the Millennium Goals. Moreover, how to divvy up aid between different goals will have to be rethought because some goals, such as sex equality or the fight against certain diseases, deserve special attention. For example, despite the recognition of the importance of the role of women in the development of African countries, only 11 cents per capita is allotted to programs concerning them against 27 cents in the Eastern and Central European countries. Absolute priority must therefore be given to progressively increasing ODA during the years to come. Furthermore, in the future what will be important will be for the developed countries to meet their commitments.

b. REFORMS TO BE CARRIED OUT

1. The problem with ODA is not only a quantitative problem. Just as the sub-Saharan African countries have a problem of governance, ODA also has a problem of governance. Only half the total funds allotted to developing countries are actually disbursed within those countries. The rest is spent on administrative costs, for technical assistance, and to lower the debt. Despite the consensus on the importance of the countries in question participating in decisions concerning the utilization of the aid, only 20% of official aid goes to support local initiatives. Finally, a large part of

aid goes to medium-income countries because they better fulfill the conditionality criteria, even if their aid needs are less than those of the poorest countries.

The key word in the years to come will be conditionality. The principles, scope, and conditions of granting ODA should be adapted through agreement on a certain number of rules defined jointly with the countries concerned. Our thesis is that it is urgent to define the framework of a “sustainable conditionality.” This conditionality should be:

- **realistic, not focusing on the pursuit of goals which are desirable, but inaccessible;**
 - **shared. The beneficiary countries should constitute the force making initial proposals of conditions accompanying ODA;**
 - **set on a long-term basis, based on stable and growing partnerships.**
2. On a more operational basis, a few basic principles should guide this new form of conditionality:
- A special effort should be made to put an end to “conditional” aid. Conditional aid represents over 20% of total official aid, but in some cases the proportion is much higher: thus between 1995 and 1999 the United States granted on average less than 25% of its aid without conditions. Studies show that such practices reduce the value of received aid by 25 to 40% because it goes to the purchase of uncompetitive products.
 - Priority should be given to conditionality concerning results over conditionality concerning means.
 - A type of conditionality that is often new should be thought out and put into place—one concerning the problems of protecting the environment.
 - Great importance should be given to pooling ODA efforts. Uncoordinated bilateral initiatives should progressively give way to putting means together, to be managed by the beneficiary countries, under control. African countries must be brought more into participating in decisions on apportioning aid.
 - The right calendar for granting extra aid must be found. A schedule is necessary that makes it possible to guarantee a balance between the solution to the problem of the ability to absorb and the endangerment of vital projects that require continuous, long-term financing.

- Allocations aimed at different aspects of development have to be re-balanced. Currently very little aid goes to financing industrial projects (roughly \$1 billion in 2001), and the aid for infrastructure has declined 48% since 1998.
- It is also necessary to consider the conflict between aid and private investments. At one time the official doctrine saw aid as the complement making it possible for African countries to reach a balance between their national savings and national investment. However, today it is clear that, in some cases, aid is taking the place of private financing. Thought should be given to, and decisions made, in this area.

2) GETTING INSERTED INTO INTERNATIONAL TRADE

a. DIAGNOSIS

1. The economies of sub-Saharan Africa have already made a number of efforts to further open their borders to the international flow of goods. In reality, today these countries are open to a relatively wide extent—the portion of trade in the GDP of the sub-Saharan African economies has risen to over 60%, whereas the world average is 57% and, for example, this portion is only 38% for the countries of Latin America.
2. However, Africa represents only 2% of world trade, whereas its share was 6.3% in 1980. Its average annual growth between 1980 and 2000 has been 1.1%, while the Latin American countries have enjoyed growth rates of 6% and those in Asia over 7%. If Africa had maintained the share of world trade it had in the 1960s, its export income would be \$68 billion above what it is today.
3. Trade is often considered to be one of the main engines of growth. A study by the Economic Commission for Africa (ECA) shows that complete liberalization of the trade of agricultural commodities will have a positive impact on trade and, over time, on the growth of African economies. This simulation makes it possible to state two important propositions. First, a large part of the losses due to protectionism is the result of barriers set up by the African countries themselves. Furthermore, partial reforms concerning agricultural policies of the developed countries may turn out to be, at least temporarily, more harmful than beneficial for Africa.
4. Deepening the reforms of trade policies may raise a certain number of problems for African countries:

- decline in tax revenue and, consequently, the problem of servicing the debt;
- drop in revenue from the preferential system;
- larger impact from the changing prices of the world market;
- consequences of this opening for nutrition safety;
- costs of new investments linked to diversification;
- losses in some areas more fragile than others (textile, etc.);
- social cost of adjusting.

Negotiations with the developed countries within the WTO should take into account these constraints and propose steps to alleviate their negative consequences.

5. Furthermore, the possibility for Africa to make progress on international markets seems not as great today in the face of more intense competition from the emerging countries of Latin America and Asia. However, these newcomers are competitors, but also potential partners. Although the developed countries continue to be the primary destination of African exports, the share of emerging countries in African trade has not stopped growing. Tomorrow, the main partner of the African economies will no longer be Europe, but the countries of Southeast Asia and Latin America. African officials must take this into account and it must be made possible for Africa to reorient starting today its trade policies in order to reduce its dependency on the European markets.

b. REFORMS TO BE CARRIED OUT

1. On the African side, trade liberalization requires a series of reforms:
 - i. First and foremost an adapted exchange rate policy. African currencies are generally overvalued and structurally unstable. Since African countries benefit from foreign aid and are hardly capable of appealing to the international capital markets, the risk of currency overvaluation is an ongoing risk. There is no miracle and instant solution to this problem. However, any solution requires:
 - setting up an export-oriented monetary policy, as Chile, in particular, has succeeded in doing;
 - strengthening the independence of the central banks.
 - ii. Naturally, furthering African exports also necessitates their diversification. From this point of view, promoting labor-intensive, but nevertheless efficient industries is an absolute priority (see second section below).

iii. Better inserting the sub-Saharan African countries is essential. This insertion will result in additional constraints and be costly, but it is indispensable in order that the special characteristics of sub-Saharan Africa be taken into account within the general framework of globalization. Currently only two African countries (Nigeria and South Africa) have more than six representatives in the WTO and twenty African countries have none. In this area, strengthening the presence of sub-Saharan Africa requires pooling the expertise of the smallest countries.

2. At the same time the developed countries must undertake two reform projects as soon as possible. In fact, without progress on these points, the impact of any reform in the sub-Saharan African countries would be significantly limited:

i. Room for preferential trade must be kept, at least on a temporary basis. Preferential agreements are not a miracle solution, nor a permanent solution. They can lead to an artificial distortion of productive choices in Africa. However, in the short-run, these agreements can promote the access of African countries to world markets. They seem to constitute an inescapable tool for dealing with the transition from a regime of high customs duties to one of liberalized trade flows. However, in order to be really useful and effective, they must be revised and improved:

- Broaden the application of these measures to all sub-Saharan African countries (and not only the countries considered to be the least advanced).
- Increase the number of products concerned by these systems in order to reduce distortion of competition and distortion of investment choices.
- Reinforce the sustainable character of these agreements (make them more transparent and more permanent).

ii. Steps must be taken to make the process of negotiation more productive and beneficial for everyone:

- The industrialized countries must commit themselves more strongly to the principles elaborated in the negotiations of the Doha Round by broadening the access to their markets for exports from developing countries and by providing more aid for trade. In the past there have been numerous initiatives to improve access for the poorest countries to international markets, such as EBA (Everything But Arms), launched by the European Union, or AGOA (African Growth and Opportunity Act), initiated by the United States. These programs should be revived.

- Create a more equal international environment that eliminates the obstacles Africa confronts in exporting its products and that facilitates Africa joining in international markets (measures requiring support during trade negotiations).
- Provide the support necessary for Africa to adjust to business reforms. Part of the savings made through eliminating support mechanisms can and should be re-utilized in order to temporarily compensate those African countries most affected by the loss of preferential treatment, the loss of customs duties, and the initial rise in the price of imported foodstuffs.
- Reduce and normalize the invisible barriers (hygienic and safety norms, etc.). Their existence can be an obstacle to trading African products.

3) REGIONAL INTEGRATION: A DIFFICULT REFORM

a. THE DIAGNOSIS

1. As the Asian, Latin American, and European examples demonstrate, creating free-exchange zones constitutes a powerful factor of development.
2. There exist numerous Pan-African economic organizations, with different purposes: the Southern African Development Community, the Southern African Custom Union, the Economic Community of West African States, and the Economic and Monetary Union of Central Africa. Despite these initiatives, in terms of achievements Africa remains very much behind other regions of the world on the level of regional economic integration.
3. This backwardness may be explained by the combination of certain factors:
 - The overlapping of the membership of states in different regional communities, while potentially beneficial for future economic integration is, in the short run, a source of conflicts.
 - The “Pan-African” market remains narrow even in the perspective of complete integration. No significant growth of demand and only small economies of scale can be envisaged.
 - The role of trade within the integrated zones (and, more generally, within the African continent) still remains, for the time being, marginal in relation to exchanges with the rest of the world (the hub and spoke model of business relations). The structure of competition, similar specializations, weak average

income level, and the lack of infrastructure explain the limited progress in intra-African exchanges that has been reached through regional integration.

- The lack of political commitment on the part of sub-Saharan African countries, out of fear of losing national sovereignty, or because of conflicts between national and regional strategies, has also sometimes played a determining role.

b. REFORMS TO BE CARRIED OUT

1. Given the difficulties experienced in the past, we feel that the road to regional integration does not constitute a priority goal that would make it possible for sub-Saharan Africa to significantly boost growth in the short or even medium term.
2. That said, the necessity of a “fight on all fronts” leads to envisaging the following reforms:
 - Priority should clearly be given to progressively eliminating customs barriers among the countries of sub-Saharan Africa, without having any illusions about how rapidly this kind of reform can be carried out.
 - Measures designed to compensate for unequal development of trade partners (“polarization”) should, moreover, be put into place—either by making possible greater mobility of the factors of production through a policy of compensatory transfers, or by attempting to settle directly the problems of regional imbalance (creation of a development bank that would finance the most vulnerable members of the union, etc.).
 - The model of total integration is clearly not adapted. Such a degree of integration requires advanced judicial and regulatory harmonization, which is a transition difficult to accomplish in a space that is so fragmented and at this stage of development.
 - So priority should clearly be given to integration around projects:
 - National projects centered around an industry or a sector of activity (telecommunications, transportation, agriculture, etc.), or around a geographic area (for example, the Sahel).
 - International projects to prepare joint actions on the world market, once again either by sector (for example, coffee), or centered around a multilateral institution (for example, the WTO).

4) CIVIL SOCIETY: AN ESSENTIAL RELAY

▪ NEW PARTNERS

a. DIAGNOSIS

1. Who are the players of civil society? They are the media, religious or ethnic institutions, businesses, NGOs, etc. Why look to these players? Because delegating power can be a source of effectiveness in the governing of a country and also makes it possible to bring the political decision-makers closer to the citizens. That means more transparency, and so fewer sources of conflict between the people and their leaders. And so more effectiveness.
2. Promoting civil society was seen in the past as secondary, as a marginal goal in relation to the great problems of development. Yet its role in sub-Saharan Africa may prove to be essential and may contribute to elaborating solutions to a good number of problems that these countries are faced with. To take only one example, the media has an educational function and contributes to improving governance and preventing conflicts through transparency. It also makes possible having a better idea of the real situation of the country.
3. The number of representative organizations of civil society has recently increased considerably in sub-Saharan Africa thanks to a decrease in the number of restrictions imposed on them.
4. However, the level of participation of civil society in decisions of a political nature still remains insufficient. This is because the state still associates civil society insufficiently to the decisions taken.
5. But this is also due to the representative organizations of civil society themselves, either because of their functioning (which is sometimes found wanting in transparency and democracy) or, more often, because of their lack of professionalism.

b. REFORMS TO BE CARRIED OUT

1. In order to favor more civil society, it must be consulted on the major reforms that are to be carried out. It can play a role of control and regulation in many fields (particularly everything concerning governance in public structures, teaching, etc.).

2. To the extent possible decentralization of the interventions by civil society must be encouraged. It's on a regional or even local level that civil society most effectively clarifies political choices.
3. Representative organizations of civil society should benefit from the support (financially but also through training) of the state, but also of their equivalents outside Africa, in order to help them develop their human resources and their institutional capacities.
4. A special effort should be made in favor of:
 - The media, in order to find the best possible balance between freedom and ethics. This implies:
 - better training for journalists;
 - a more rigorous code of conduct for journalists;
 - a media scene better balanced between public, private, and ethnic media.
 - Trade union organizations that should be able to effectively challenge authority with the purpose of improving social conditions in these developing countries but also with the purpose of improving economic efficiency.

- THE SPECIAL CASE OF WOMEN

1. Women have an essential role to play in the economic growth of the sub-Saharan African countries.
2. One irrefutable fact: women work much more than men in Africa. They are the basis of the rural economy; they produce 70% of foodstuffs and play a fundamental role in selling the family production.
3. Certain reforms should have priority in being implemented in order to encourage the work of women. Despite the unanimous recognition of the potential role to be played by women in African growth, only a ridiculously small number of projects have been financed in this field. In the whole of Africa development aid projects for women represent only \$80 million. Quadrupling this figure over the next five years seems a realistic and necessary goal.

II. POLICY BY SECTOR

A. EDUCATION

a. DIAGNOSIS:

1. The fundamental role of education in improving all other aspects of human development (improving living conditions, economic growth, health, governance, etc.) is widely recognized. Consequently, among the five targets of social development of the International Development Goals, two concern education—building a universal primary school system and eliminating all inequality in the schooling of boys and girls.
2. The percentage of children in school and the rate of literacy in Africa are much lower than in most other developing nations. In fact, in the two other major emerging zones, universal primary education systems have been gradually set up, even though the dropout rate remains high. In Africa on the other hand, the percentage of children in school at all levels of education, and particularly in primary schools, dropped from 80% to 72% between 1980 and 1993, and has since stagnated.

The percentages of children in school depend to a large degree on income, on sex, and on the region where the child is living. As may be expected, levels of schooling are lower in rural zones and among certain groups that are more marginalized than others (particularly women, handicapped children, orphans, etc.).

The quality of teaching in Africa is also in crisis because many African countries have put into place policies designed to expand the school system, without really having the necessary resources. This deterioration of the quality of teaching indirectly results in a rise in the unit cost of education in the African countries.

3. The structural weakness of the educational system may be ascribed to three main factors:
 - The rate of demographic transition is much slower in Africa than in the other regions of the world. Thus, since the fertility rate is higher than elsewhere, the share of youth in the total continental population is much greater and, consequently, its needs in terms of education much greater.
 - But Africa also lacks its own resources to stimulate alone the necessary restructuring of its school system. This is one of the fields that should benefit most from future

increases in development aid (particularly because of the rising marginal cost of educational investments).

- Finally, the effectiveness of the utilization of resources allocated to education can and must be improved. This concerns both internal efficiency (the educational unit cost is twice as expensive in Africa as in Asia or Latin America and the gap is rising as time goes by), as well as allotment efficiency (the allotments between different levels of education are out of tune with the real needs of the population).

b. REFORMS TO BE CARRIED OUT

1. Budgetary credits destined for education must be increased and a credible political commitment in this sense must be sustained.
2. Planning and balancing the allocation of resources devoted to education must be improved. Reforms must be put into place at all levels of education, without losing sight of the fact that the priority remains primary schooling, which brings the greatest value to the population as a whole.
3. Teaching staffs must be trained and stabilized.
 - Africa needs many teachers and it needs them rapidly because of the emigration of many holders of diplomas and the high turnover rate of teachers, particularly in difficult areas (rural areas or poor city neighborhoods). An attempt should thus be made to reduce the teacher/student ratio to 1:40.
 - But sub-Saharan Africa also needs competent people. Two complementary policies should be put into place: investing more in higher education and in the training of teachers; for teachers, an attractive wage policy should be applied that rewards their successes.
4. The contents of education in Africa must be adapted to the realities of the continent:
 - by making youth “employable” through education;
 - by reorganizing the teaching itself so that it corresponds better to the African reality (communicating better on the fight against discrimination, taking up HIV/AIDS, etc.), and so that it answers better to the needs of the economy (administrative, agricultural and computing abilities, etc.).
5. School must be made accessible:
 - by gradually making the primary education system free;

- by encouraging the most appropriate forms of teaching aids, even under forms that may appear to be unorthodox (for example, long-distance teaching through media such as radio or television).
6. Measures should be put in place that encourage sex equality. Investing in the education of women today is a direct investment in the education of future generations. Educating girls helps lower infant mortality, improve productivity, healthcare, nutrition, and helps slow down the spread of AIDS.
 7. A more decentralized education system must be set up in order to improve the utilization of resources, while accompanying it with a more effective system controlling the quality of instruction (the grading system should be the same on a national level in order to allow comparisons). This approach will make possible coordination and cooperation between public authorities and the civil society (non-governmental organizations, religious and ethnic groups, etc.) in order to improve not only the instruction given children (controlling the work of teachers), but also their educational environment (teaching those around them what must be done to encourage the success of the child in school).
 8. Finally, for projects that require larger investments (like higher education or research) or which make possible economies of scale (like teaching from a distance), thought should be given to regional partnerships. The development of higher education institutes in fields like the sciences and technology may be an idea to think about in this regard.

B. HEALTH

a. DIAGNOSIS

1. Inventory

The right of access to medical care is a fundamental right. Yet Africa, where 25% of world disease and 14% of the world population is located, is home to only 1.3% of the world's medical personnel.

The “burden” of contagious disease in Africa is more important than in the other countries of the world. Some of these diseases such as malaria, onchocerciasis, or trypanosomiasis are not exclusively African, but the diseases there are more dangerous. Eighty percent of all malaria cases in the world are to be found in Africa, which represents 11% of all the contagious diseases on the continent and costs the equivalent of 1% of the African GDP.

Africa suffers from three difficulties in this area:

- a lack of information about the scope of these problems,
- the inadequacy of supply networks of medicines and other physical resources,
- the effectiveness of the solutions proposed.

2. The means

The list of shortcomings of the healthcare system is long in Africa and the means available limited:

- i. In general, there is a dearth of investment in healthcare, there are no systematic responses to some diseases, and financing cannot be counted on. All of that prevents long-term action.
- ii. The public health care coverage system is rudimentary. Public resources cover only 38% of average annual spending on healthcare. This situation has been generated by the indifference of the public authorities to these questions in the past, or simply by the increase in the population that has largely outpaced the increase in public resources allotted to this sector.
- iii. Moreover, there is a genuine crisis of human and physical resources, as in education. The investment in the training of competent personnel has been insufficient. The problem of personnel is not solely one of the lack of people, but also of the deterioration of their skills. The brain drain, but also the lack of motivation, may be explained both by wage levels and working conditions.
- iv. The lack of medicines, vaccinations, detection tests, in short, the lack of medical materials is flagrant. The question of the affordability of healthcare is posed. And even more that of generic medicine.

In terms of aid, there is a low degree of coordination of the different initiatives taken both on the international and national level (public-private partnerships). Responses to different diseases have resulted in setting up a certain number of initiatives that sometimes conflict with each other.

3. Consequences

Here, too, alarm signals are numerous and practically all have gone over to red:

- Much lower life expectancy than elsewhere. Between 1950 and today this indicator of human development has evolved very little. It has even declined in some countries particularly affected by HIV/AIDS.
- Infantile mortality three or four times as high as in high-income countries (this gap remains elevated even taking into account the difference in income).
- The loss of potential income linked to poor health is two or three times greater than in the other regions of the world.
- To this should be added new social inequalities—in some countries the poorest 20% of the population benefits from only 12% of healthcare expenditures, whereas the richest 20% benefits from 30% of total expenditures.

b. REFORMS TO BE CARRIED OUT

Two types of measures should be taken:

- measures concerning an increase in available resources;
 - measures that aim to improve the allocation and utilization of available resources.
1. The political commitment of Africa in favor of the improvement of healthcare systems is deepening and should be supported. It's not that the commitment itself is insufficient. The main problem is tied to the urgency and scope that the measures necessary to repair healthcare systems in Africa should assume. There are three areas in which it is absolutely necessary to obtain greater commitment from the public authorities: malaria, HIV/AIDS, and the control of fertility.
 2. Unfortunately, this political will is insufficient to guarantee the financial resources necessary to assure that the reforms are carried out, mainly because of the low level of tax revenues. Governments should invest more in healthcare (15% of their budget, according to the ECA). However, currently the public authorities will not be able to guarantee alone the increase necessary to compensate for the cumulative delay. Only economic growth and the broadening of the tax base will make it possible to resolve this problem on a long-term basis.
 3. Today the malfunctioning of the healthcare systems in Africa reduce effective healthcare spending to \$12 for every \$100 invested. From this observation flows the necessity to

watch over healthcare services and of their accountability, which must accompany the increase in resources allotted to these activities.

4. It is also necessary to rethink the prioritization of healthcare emergencies. Too little importance is being given in practice today to vital problems. Thus, while the international community seems to accord more interest to the scourge of AIDS/HIV in Africa (which has meant concretely an increase in the aid devoted to programs concerning this scourge), other problems just as, or even more important (like paludism, which remains one of the prime lethal diseases in Africa), are still widely underestimated.
5. Concerning international aid there is a need to coordinate foreign initiatives between each other (in order to obtain better results), but also with local governments.
6. Some of the diseases that affect most seriously the African continent require efforts of hygiene and clean-up that go beyond just the healthcare sector (for example, for paludism). In order to fight more effectively to eradicate infectious diseases it is necessary to better coordinate the efforts of the various authorities and ministries concerned.
7. It is necessary to encourage public-private partnerships and international partnerships which, among other things, make it possible to be insured against the fluctuating revenues of the countries affected, fluctuations that constitute one of the main obstacles to putting reforms into place on a long-term basis. Public-private partnerships have had some success in certain countries (Ghana, for example). However, such experiences have sometimes betrayed a strong urban bias. Thus other forms of partnerships should be envisaged in order to resolve the problems of medical services in the countryside—for example, non-governmental medical infrastructures managed by local communities.
8. Responsibilities in certain areas must be decentralized—especially preventive, nutritional improvement, and medicine distribution programs.
9. Training healthcare personnel is crucial. There are great needs not only for doctors, but also for nurses, midwives, healthcare technicians, and other categories of medical and paramedical personnel.
10. More must be invested in preventive programs. It is also necessary to carry out reforms seeking to improve the hygiene and nutrition of exposed populations. Anticipated purchasing contracts constitute useful instruments in this field. Campaigns seeking to mobilize and educate the populations concerned are indispensable.
11. Systems for processing information on health problems must be developed, in order to improve the knowledge of the various solutions proposed and to improve field knowledge, so that professionals may prioritize their goals, or even reduce the costs of medical care.

This improvement of systems for processing information is fundamental in order to lead preventive campaigns effectively.

12. More medicine must be provided for Africa, and in forms that are more affordable for the population. For that it is necessary to directly finance local research (which is more familiar with the continent's needs). In the same way, it is necessary to support the development of the pharmaceutical market in the African countries by adopting special pricing. Finally, the networks for providing medicine and healthcare materials must be better controlled and organization improved.

C. INFRASTRUCTURE

- ALL INFRASTRUCTURE

- a. DIAGNOSIS

1. Africa has more problems in this area than the other regions. The backwardness of the African continent concerns virtually all the aspects of the development of infrastructure:
 - Quantity—in all of Africa in 1997, there were fewer paved roads than in Poland. Only 2% of the world's telephone lines are located in Africa.
 - Quality—concerning road transportation, ineffective maintenance and inappropriate use of existing infrastructure have much reduced the value of past investments.
 - Costs—the unit costs of infrastructure are higher in Africa than elsewhere, which means return on investment is not very attractive. Maritime transportation in Africa costs 70% more than in Asia.
 - Uneven access—only one African out of five has access to electricity and one out of two to running water. There are great differences between the different regions of the African continent. Rural areas benefit from only 20% of the services linked to infrastructure although they represent 70% of the population of African countries. Which greatly affects productivity, particularly in agriculture and the food-processing industry.
2. The reasons for this situation may be placed into five “groups”:

- Geographical problems—large distances and low population density reduce the potential returns on investments in infrastructure.
- Poverty and a low level of urbanization.
- The high number of national boundaries on the continent, which creates additional barriers, small national markets making it impossible to realize economies of scale, reducing competition and increasing risk.
- The unsuitable character of many investments.
- Questionable public policies. The role of the state as owner and manager of infrastructure takes on special importance. The recent pullback of the state in some countries took place in too abrupt a manner, without consideration for the measures to be taken to stimulate the private sector so that it could take over the economic space thus opened up.

b. REFORMS TO BE CARRIED OUT

1. Obviously more resources, and particularly external resources are needed to finance the improvement and development of infrastructure in Africa. The current situation means that the initial investment will have to be considerable.
2. The furnishing of resources must be improved and must become more reliable and regular (for example, the furnishing of electricity, which companies cannot count on). In the same manner, the extent of the grid must be improved to cover more territory.
3. The factors behind the fall in returns on investments in this sector must be identified. Given the limits of the financing available, choices must be made on allocations—between urban and rural areas; between new projects and maintaining old ones.
4. Before initiating reforms, it's necessary to ascertain that incentives and controls are in place to make sure the funds invested will be well used. A framework of coherent and operational regulation must thus be developed before initiating privatizations and liberalization of the sectors concerned. A special effort should be devoted by these regulatory bodies to environmental protection.
5. It must first be seen which changes can be made without resorting to large investments (improve the functioning of customs, etc.).
6. Exclusive recourse to public financing to maintain and manage infrastructure has led to malfunctions in management and weighed heavily on public budgetary constraints. More

room must be given to private initiative in this area. To do that more attractive fiscal policies must be developed. In which fields partnerships between public and private players will be most effective must also be defined.

7. To make the sector more attractive to private investment, internationally recognized norms concerning good governance and proper pricing must be introduced. Competition will make the gradual lowering of costs possible and will stimulate innovation. As much as possible competition and free entry to markets where size and technology make it feasible should be allowed. The road to follow (complete privatization or public-private partnership) will depend on the specific character of each market. Unorthodox partnership forms (for example, road funds) should also be envisaged.
8. Regional cooperation makes possible a better utilization of infrastructure and reduces the risk of problems with neighbors (for some infrastructures such as transportation, hydraulic energy, exploitation of large water bodies...). These effects on neighbors can have a considerable impact. Both cooperation on programs (which would concern more the maintenance and exploitation aspect), as well as on projects (which would concern the creation of new infrastructure) may be envisaged. Given the geopolitical fragmentation of the continent, it would be more realistic to envisage above all bilateral, but extensible, cooperation.

- TELECOMMUNICATIONS

- a. DIAGNOSIS

1. The “digital gap” between North and South is not an illusion and sub-Saharan Africa finds itself, in this respect, at the crossroads.
2. Africa has the least developed communications system of the world, with only 2% of the telephones sold in the world. Progress has admittedly been made by certain countries. Access to mobile phones, possible in only 6 countries in 1992, now covers 42 countries. The same is true for the internet—it reached 4 countries in 1995 and 50 in 2004. Access is, however, quite uneven, both between countries and within countries, between different regions.
3. It is clear that the ICT have a positive role to play in education and business, as well as in healthcare and preventing disease. The interactive character of the new information

technologies will make it possible for the local populations to also be able to exert influence over their environment.

b. REFORMS TO BE CARRIED OUT

1. The development of the ICT in sub-Saharan Africa, as in numerous other fields, obviously requires privatization and public-private partnerships.
2. But this liberalization will be ineffective unless the users are educated. Local populations must be given the means (long-distance teaching, specialization centers) to utilize information technologies. In the long-run the means must be found to integrate training to use new information technologies into the school curriculum.
3. Africa will not take full advantage of the growth generated by these new technologies if it is satisfied solely with the role of consumer. African research in this field must be stimulated. Given the strong technological component and the large cost the development of the sector represents, regional and international cooperation will be necessary not only in terms of physical investment, but especially in terms of research and development efforts.

▪ WATER

a. DIAGNOSIS

1. Access to drinkable water is a vital necessity. Moreover, water constitutes an essential input in agricultural development. For these two reasons, water constitutes a priority for Africa.
2. Africa is probably the most destitute continent in relation to the problem of the lack of water, and particularly the lack of drinking water.
3. This problem is all the more serious because the distribution of water constitutes a highly capital-intensive industry. To give only one example, the cost of the pilot water purification plant of Méry-sur-Oise in France represents the equivalent of the GDP of Haiti.
4. Growing urbanization increases both the difficulties of access to water and the cost of this access.

b. REFORMS TO BE CARRIED OUT

1. Given the current situation, aid from the developed countries devoted to programs of access to water should be doubled.
2. In order to reduce the cost of services to access water, a special effort should be made to encourage programs aimed at collecting rainwater.
3. The same is true for programs aiming at combating the loss of irrigation water.
4. These programs should be set up, to the extent possible, on a decentralized, regional, or even local level.
5. For financing, priority should be given to public-private partnerships (see the projects financed by Bouygues in Senegal). The Build Operate Transfer system seems, in many cases, to be particularly well adapted to financing of this kind of project.

D. AGRICULTURE

a. DIAGNOSIS

1. Agriculture holds an important place in the African economy: 40% of exports, 30% of GDP (by way of comparison, it represents only 5% of the GDP in industrialized countries), 30% of income in foreign currency, 70 to 80% of jobs, and 80% of the population in Africa depends directly or indirectly on agriculture.
2. But Africa has not yet been able to develop its agricultural potential. Productivity in the agricultural sector (labor and land productivity) remains low—the competitiveness of agricultural products on the world market in terms of cost and quality as well. The agricultural plots in these countries are small and rarely specialized (subsistence farming) and, more generally, the African agricultural sector is only marginally integrated vertically.
3. Four kinds of arguments are generally raised to explain the worrisome situation of African agriculture:
 - Natural factors: difficult climatic and geographic conditions—unfavorable geographic situation (landlocked areas), climatic difficulties, agro-ecological problems (diseases, poor soil, etc.).

- Political factors: the poor quality of the economic policies carried out in the field of agriculture has had a considerable impact on the development of the sector. Excessive priority has been given to urban development (urban bias). Public financing has been insufficient and poorly utilized; it has not helped small farmers. Centralized agricultural policies have left little room for non-governmental players. Poorly adapted tax policies and legal frameworks have discouraged private investment in agriculture.
- Exogenous market factors that also affect agriculture in the countries of sub-Saharan Africa: the tendency for prices of basic commodities to continue to decline since the 1950s, the pro-cyclical character of the demand for them and their prices, and the intensification of competition in international markets with the arrival of new producers in the last twenty years. These problems are important but do not suffice to explain alone how the African continent has fallen behind the other regions of the world.
- Exogenous tariff factors: part of the problem of African agriculture will be settled only outside the Continent itself. The protectionist policies of the industrialized countries have considerably reduced the access of African producers to markets and, consequently, contributed directly or indirectly to the current situation. It is as much a question of tariff or visible obstacles as it is of invisible barriers (quality and hygienic norms, etc.).

b. REFORMS TO BE CARRIED OUT

Reforms concerning agriculture must today take into account three major preoccupations: the performance of the agricultural industry (production, productivity, costs, competitiveness, diversification, and vertical integration); the well-being of the populations (nutritional safety, reducing poverty, healthcare, etc.), and “sustainability” (preserving natural resources). These reforms may be organized around three main axes:

1. The modernization of the agricultural sector. In order to get the most out of its natural resources, Africa must become more competitive by improving the productivity, the quality, and the reliability of its products:

- Modernizing agricultural infrastructure: irrigation, storage, and transportation systems for agricultural products. The portion of irrigated land, which is extremely low (4%), should be increased. That also requires investing in reliable information systems.
- Reinforcing vertical integration: trade in transformed agricultural products brings more added value.
- Reinforcing horizontal integration: promoting larger farms that will make economies of scale possible.
- Favoring the commercialization of crops and market access. Many crops are lost because farmers are unable to commercialize them.
- Promoting agricultural research and its application, including through regional partnerships. Encouraging recourse to the new technologies in order to compensate for the “handicaps” of the African continent.
- Promoting measures that aim to increase agricultural production and to mitigate its vulnerability, its volatility, in short, sectoral risk—commodity exchanges, use of the international markets to shield against risk, etc.

2. Improvement of agricultural policies:

- Increasing public financing but, especially, improving its utilization.
- Improving the legal framework. Examining the most appropriate form of property rights.
- Rethinking fiscal policy. The tax burden that prevents the development of private initiative in agriculture must be eased, without neglecting the importance of these tax revenues for balancing the budget. Reformulating tax norms should follow certain central principles: non-discrimination, minimizing losses due to inefficiency, capacity to collect tax revenues, plausibility (capacity of the state to apply the reforms).
- Decentralizing budgetary decisions and economic policy concerning agriculture. Promoting cooperation between the public and non governmental players.
- Encouraging intra-African exchanges and intra-regional trade of agricultural products.

3. Improving the agricultural policies of the industrialized nations:

- Reducing visible barriers in international trade of agricultural products—customs duties and subsidies of agricultural industries in certain industrialized countries.
- Examining the “disguised” barriers: quality and hygienic norms may be utilized as implicit obstacles to African exports. References should be elaborated in this regard. And the sub-Saharan African countries should be helped to conform with them.

E. ENERGY

a. DIAGNOSIS

1. Endowed with priceless energy resources, the African countries nevertheless struggle to develop a solid energy sector. According to the International Energy Agency, sub-Saharan Africa has the least developed electricity grid when compared with the other regions of the world. In terms of the production of electricity, Africa has only 3.1% of world capacity even though its potential is immense. Only 23% of the African population has access to electricity and the quality and dependability of the services furnished by the electric companies are far from being beyond reproach.
2. This weakness threatens to put into question several other aspects of development: health and education projects, modernization of agriculture, attractiveness of local investment projects, productivity and therefore competitiveness of African companies (especially small and medium-sized firms), etc. A reliable energy infrastructure is an indispensable prerequisite for the diversification of exports and economic growth. Its absence is prejudicial to the productivity of agriculture and the food-processing industries. Moreover, labor-intensive industries, in which the African countries hold relative advantages (such as textile) and in which they have already begun to diversify, depend greatly on the energy infrastructure.

b. REFORMS TO BE CARRIED OUT

The energy sector is indispensable for the development of businesses and the efficiency of all the sectors of the economy, including the agricultural sector. For these reasons, it is indispensable to accelerate reform measures in this sector:

1. It is not so much a question of financing large (and perhaps unnecessary) projects of prestige as it is of attending to the creation of a grid that tends to cover the majority of the territory. In this sense more means must be devoted to the extension, but also the renewal and maintenance of electric installations. While some countries have already put into place reforms that aim to reduce technical losses of current and blackouts, measures aiming at increasing the availability and accessibility of electric energy have yet to come. Some of these reforms to come should be carried out on a regional level. According to the World Bank and the South African Development Community, regional cooperation in the

exploitation of energy resources can actually lead to the countries concerned saving \$1.6 billion over ten years.

2. The property form is not in itself a guarantee of good functioning and efficiency of the sector. In the past the state has been the main, and even the only player in this market, and has often obtained rather mediocre results. There is an important necessity of increasing capital equity in this sector. But capital is rare in Africa. Private investments represent only 2% of total investments (as against 40% in Latin America, for example), and should be encouraged more. At the same time, private companies are reticent to invest, for example, in the electrification of rural areas. In such a case the role of the state is indispensable to promote local energy systems and to develop the corresponding infrastructure. Sometimes mixed structures are possible. Thus, it should be examined both how to get the private sector more involved wherever possible, and how to transform public, existing companies into more efficient and autonomous entities.
3. But, to start with, regulation of this sector must be strengthened and adapted, in order to avoid the abuse of dominating positions and to protect consumers. This necessity of regulating is particularly apparent in some countries where hydraulic resources are not exploited in an effective manner.

It also appears in pricing, which is quite variable—too high or too low—and which often is not fixed in function of strictly economic criteria. If prices are below the cost of production, the result will be over-consumption and the wasting of natural resources. However, if to the contrary, prices are artificially elevated, they lead to depriving users and consumers of a service that is nevertheless essential for the functioning of the economy. It is therefore a question of regulating prices so that they will be fair, both for consumers, but also for the energy-producing companies.

4. Some problems of the sub-Saharan African countries in the realm of electricity are due just as much to the lack of technical skills as to numerous management errors. Losses that take place “along the way” in the distribution of electricity must be combated. These losses are around 40% for Africa, while the international average is 8%. Part of these losses are due to technical reasons, but most of them are due to other causes (fraudulent connections, theft, electric meters that have been tampered with, etc.) that increase costs. It is also indispensable to improve revenues by collecting bills that are due or paid with considerable delay (particularly by governments).
5. Moreover, it is necessary to guarantee a diversification of energy resources in order to avoid climatic conditions affecting in a dramatic manner the supply of electricity and the

functioning of the African economies. However, the energy resources in Africa are the reserves of oil and coal, hydraulic resources, and the forest. The forests satisfy up to 60% of the demand for energy in Africa. But deforestation results in degrading the environment, soil erosion, and crop destruction. Thus, sustainable economic growth requires careful use of natural resources, as well as an increase and use of cleaner new energy technologies (solar and aeolian energy...). The state as well as an independent regulatory agency can play an indispensable role in promoting this type of infrastructure and in educating about energy conservation. Economies of energy that could be made in this framework are estimated to be 10 to 30%.

F. INDUSTRY

a. DIAGNOSIS

1. Industry has become the economic sector that has carried the spectacular expansion of international trade over recent decades. Twenty years ago, nearly 70% of exports consisted of basic commodities; today manufactured products constitute nearly 80%. Basic commodities, on the other hand, have undergone an inexorable decline, both in volume and value. Their role in international exchanges, besides oil products, has been compromised by the pro-cyclical character of demand and the drop in prices.

Yet Africa remains mainly an exporter of raw materials and agricultural products. Exports of manufactured products remains marginal. Hence the drop in Africa's market share of world trade and the substantial lowering both in value and volume of its exports. According to a World Bank study (2000), the cumulated losses between 1970 and 1997, due to the deterioration of exchange terms for basic commodities, amounted to 120% of African GDP and were thus larger than the increase in the flow of aid since 1973.

Aid destined to support industrial projects remains quite marginal (roughly \$1 billion) in relation to other development projects.

2. In the past African economies have made efforts to industrially diversify their exports. The results have been generally disappointing, even if the existence of contrasting situations must be noted—generally satisfactory situations, like those in South Africa (industry represents 59% of exports) and in Togo (49%); intermediate situations such as in

Zimbabwe (28%), Senegal (28%), and Kenya (20%), and, finally, important failures, as in Nigeria (0.2%) or in Cameroon (4.7%).

3. How can the attractiveness of Africa be improved and growth benefit more from its exports? How can its excessive dependency and vulnerability because of price fluctuations be reduced? The answer is many-sided—its dependency on basic commodities must be reduced. Over the long term a policy of diversification of the African economy must be developed and conditions created to move from an economy centered on the export of natural resources to activities with greater added value. Numerous studies show that the countries best placed in international competition are those with a wide range of products. Nevertheless, there can be no question of decreeing that there exists a single solution, valid for all countries. Obviously, conditions vary from one country to another and a strategy of expanding the manufacturing industry will not necessarily immediately produce excellent results. Some countries will insist more on increasing the productivity of the agricultural sector before speeding up the rate of growth of industry. Other African countries will choose from the start the road of the manufacturing industry in order to guarantee the diversification of their exports. Whatever course is chosen, diversification has proven to be necessary within each country in order to cushion external shocks. Developing a wider economic base is indeed indispensable in order to manage price and market fluctuations.

b. REFORMS TO BE CARRIED OUT

1. Over the last two decades, the African governments have significantly reduced government aid to national industries. Nevertheless, the example of the economies of Asian and some African countries demonstrates that the state can play a positive role by stimulating the development of national industries. Off the shores of the African continent, in Mauritius, for example, measures stimulating exports (non-taxation of imported inputs, differentiated tax regulations for exports and imports, more labor market flexibility in export industries), combined with political and macroeconomic stability, have proven to be particularly fruitful.

It may thus be estimated that, under certain conditions, a virtuous circle can be created, consisting of industrial investment, growth, broadening markets, growing demand and economies of scale.

2. Government aid must follow a certain number of rules in order to be effective:

- Selective intervention aiming at overcoming institutional weaknesses and market inefficiencies.
 - Although policies of support to industries or to individual companies have proven disastrous in the past, policies aimed at broader activities, such as investment, research and development, and training may be envisaged.
 - Industrial policies of the past often resulted in failure because of a lack of coordination between the various public players. Coordination is necessary between the different ministries, but also with the representative organizations of the private sector.
3. A special effort should be made to finance small and medium-sized enterprises (SME, see below chapter on the financial system).
 4. A diversification fund should be envisaged in order to help in the effort of industrialization and to reorient production towards sectors with a higher added value. The mission of this fund would be to help African countries reduce their dependency on the export of raw materials, in order to advance in value to the production of manufactured products or transformed raw materials.
 5. The nations of the African continent should urgently carry out reforms in order to improve the available supply side capacities, that is, in order to accompany the gradual industrialization of the country. To accomplish that, parallel to the efforts made in favor of industrialization, policies in favor of business, healthcare, and education should be put into place, policies should be conducted to rehabilitate and develop infrastructures, and reforms should be carried out to improve governance, etc.
 6. It is indispensable to train a qualified workforce, capable of increasing the production of industrial products for export and of acquiring skills and of benefiting fully from technology transfers. Improving capacities in this field is naturally not limited to simply material investments, but concerns also just as much non-material investments (procedures, organization...).
 7. A special effort should be made concerning normalization. International cooperation programs in this field should be rapidly accelerated and amplified.
 8. International cooperation, particularly South-South cooperation, can help Africa in its effort to diversify. Thus China has extended its technical assistance and encouraged its companies to invest in Africa. This kind of initiative should be encouraged.

G. FINANCIAL SYSTEM

a. DIAGNOSIS

The financial systems of sub-Saharan Africa are not very effective:

- It may be stated that the countries of sub-Saharan Africa have both too many banks and not enough banking services.
- Financial markets are under-developed.
- Financing of small and medium-sized firms constitutes an unresolved problem, although the development of these countries is cruelly dependent on the expansion of a sector of private small and medium-sized enterprises.
- The inefficiency of the systems explains, at least partly, the existence of a savings gap that severely restricts the possibilities of financing growth. To take only one example, anecdotal but revealing, capital flight represents 40% of the national wealth for sub-Saharan Africa, against 3% in Southeast Asia, and 10% in Latin America.

b. REFORMS TO BE CARRIED OUT

1. The first reform to be conducted concerns the modernization of the banking sector. The countries of sub-Saharan Africa are basically countries of banking intermediation. Malfunctioning of the banking sector in these countries therefore has much more serious consequences than in countries in which the financing of the economy is based more on financial markets. The three main axes of modernization of the banking sector are:

- privatization;
- professional training and upgrading of skills;
- development, through partnerships, and, perhaps, in the form of subsidiaries, of “new” financial activities, such as leasing or consumer credit.

The second of these axes should constitute a condition to be noted among the requirements for the privatizations to come.

2. Without it being an absolute priority goal, banking modernization also requires better integration of the sub-Saharan African banks into the reforms applied on a world level concerning accounting (IFRS) and prudential norms (Basel II). In this field as well, adapted training programs should be launched.

3. A crucial point on financing concerns the small and medium-sized enterprises. The industrial fabric of the countries of sub-Saharan Africa is overwhelmingly composed of SME that, to simplify, are excluded from financing. Financing of SME in sub-Saharan Africa requires:
- Structuring a private equity African industry. That requires a political will and, in some countries, certain regulatory adjustments (particularly fiscal).
 - Participation of local and foreign institutional investors (particularly insurance companies) in the financing of capital equity of SME.
 - A special effort in favor of very small enterprises. This effort requires, at least in part, the development of micro-financing.
 - The development of a partnership between micro-financing institutions and commercial banks.
 - The creation of a system to guarantee the financing of SME. The examples of the Loan Guarantee Scheme in England, the JSBCI in Japan, and the SOFARIS in France show the road to follow in this field.
 - The development of an insurance or a guarantee agency to help the SME export by giving guarantees to the big companies that aid them, by putting at their disposal the means to access and to distribute abroad.
 - The creation of adapted financial products. Several technical solutions exist. Simple products should be created. In certain cases, a fiscal “encouragement” may prove to be necessary.
4. Modernization of banking systems also requires a modernization of the systems of payment. Systems of payment are actually an aspect of the financial system that has the largest number of immediate consequences on the daily life of companies and households. The modernization of payment systems in the countries of sub-Saharan Africa requires a gradual increase in the scriptural form of payments. In order to make progress in this field, the technical assistance of the most advanced developed countries is required.
5. The development of financial markets in the sub-Saharan African nations constitutes a goal that is desirable, but hardly realistic in the short term. Too many conditions necessary for developing these markets (efficiency of the intermediaries, back office professionalism, data systems...) seem difficult to fulfill in the short term, which would be necessary in order to set ambitious goals in this field. A realistic goal seems to be a gradual development of sub-Saharan African financial markets. Privatization can, in this field,

constitute an element of prime importance to set things in motion, as has been shown in some North African countries (particularly Egypt and Morocco). Absolute priority should be given to the development of mutual funds or any other mutual form of savings in order to minimize risks taken by individuals. Moreover, without overestimating the short-term importance of this reform, an effort should be made to favor the emergence of a regional financial market.

6. The conditions for reducing the savings gap should be met to a large extent as soon as the above-mentioned reforms have been carried out. However, these reforms will be easier to carry out if an exchange rate policy that aims to limit the volatility of national monetary parities is followed. Furthermore, a special effort should be made to organize the repatriation of capital from African residents abroad. Potential capital flows of this type attain several tens of billions of dollars for all of sub-Saharan Africa. Convincing experiences exist in this field (in particular, the Chaabi bank in Morocco), which the countries of sub-Saharan Africa might well profit from. The creation of a bank specialized in collecting this type of savings could be envisioned. The goal would be to utilize, at least partially, this capital to finance productive activities.
7. To sum up, the question of the necessity of creating a regional development bank, like the EBRD for Eastern Europe, should be raised. The relative success of this institution speaks in favor of creating a specialized financial institution, if it can boast a professionalism and independence accepted by all. The interest for such an institution will be that much greater if its capacity to use its leverage to finance small and mid-sized companies is demonstrated.

CONCLUSION

The intention of this report is to be directly operational. To accomplish this, we have concentrated our attention on concrete proposals of reform that should make it possible for sub-Saharan Africa to find as quickly as possible the road to growth.

Given the situation in which this region finds itself, the number of reforms that must be directly taken on is obviously, and unfortunately, high. Some reforms are more urgent than others and some reforms can have results that are more rapid than others. In order to increase the operational character of our conclusions we have limited ourselves to reforms that directly concern the countries of sub-Saharan Africa in question. Furthermore, we have chosen to classify the reforms that seem to take on priority. These forty-nine reforms are presented by taking into account in what time frame they can be concretized and effective. Priority has been given to those that would have a quick impact and be easily controlled.

	AREA OF INTERVENTION	REFORMS TO BE CARRIED OUT	TIME FRAME OF EFFECTIVENESS
1	Decentralization	Decentralization of budgetary functions should be accompanied by measures of compensation between regions with different income levels and by maintaining a control on a centralized level.	Short-term
2		Priority should be given to requests issued from a decentralized level. A bottom-up approach towards public spending should be favored.	Short-term
3		In many cases, the ICT constitute a powerful instrument of decentralization. Their use should be systematically encouraged.	Medium-term
4	Privatizations	Certain measures can be taken to make government contracts more transparent (such as, for example, calling for tenders “on-line” which would, moreover, make access easier for small companies) and governments should systematically call on recognized consulting services.	Short-term

5		Absolute priority should be given to operations of an “industrial” character structured around an operator that commits to implementing technology transfers.	Short-term
6		The social dimension of privatizations (particularly the training program) should be a major factor in the choice of operators of reference.	Short-term
7	Law	Professionalization of university teaching in law and continuous training of judges should be encouraged.	Medium-term
8	Corruption	Any policy of fight against corruption requires first of all an improvement in the pay of civil servants.	Medium-term
9		More transparency must be introduced into the management of natural resources. Support the multilateral initiatives, like the EITI, for example.	Short-term
10	Taxation	The broadening of the tax base should be assured, particularly through the fight against the development of the underground economy and the improvement of tax collection procedures.	Medium-term
11		Concerning customs controls, modernization of practices requires better pay for customs agents and more extensive training.	Medium-term
12	Aid	A special effort should be made to put an end to “conditional” aid.	Short-term
13		Great importance should be given to pooling means for aid to developing countries. Uncoordinated bilateral initiatives should thus disappear.	Short-term
14		An increase in aid should be assured in order to finance industrial projects and infrastructures (energy, telecommunications, transportation). A conditionality, new in many cases, should be thought out and put into place: one relative to environmental protection.	Short-term
15	International trade	Carrying out an export-oriented monetary policy, as Chile, in particular, has done, and strengthening the independence of the central banks should be encouraged.	Short- to medium-term
16		Promoting African exports also requires promoting labor-intensive yet efficient industries. Five-year support plan.	Long-term

17		Reinforcing the presence of sub-Saharan Africa in international institutions (for example, the WTO) requires pooling expertise for the smallest countries.	Short-term
18		Maintaining, at least temporarily, a role for preferential trade.	Short-term
19	Regional integration	Cooperation projects centered either around an industry (for example, telecommunications) or a sector of activity (for example, the Sahel).	Medium-term
20		International projects in view of common actions on the world market, either by sector (coffee), or centered on a multilateral institution (WTO).	Medium-term
21	Civil society	Representative organizations of civil society should be supported by the state (financially, but also through training), and by their equivalents outside Africa.	Short-term
22		Special effort in favor of the media: <ul style="list-style-type: none"> ▪ better training of journalists; ▪ a media scene better balanced between public, private, and ethnic media. 	Short to medium-term
23		A special effort in favor of trade union organizations, which should be able to effectively and responsibly challenge authority.	Medium-term
24	Education	Teaching staffs should be trained and stabilized. Africa needs far more teachers and needs them quickly, especially in difficult areas. It must be attempted to reduce the teacher/student ratio to 1:40.	Long-term
25		The contents of education in Africa must be adapted to the realities of the continent: <ul style="list-style-type: none"> ▪ make youth more “employable” ; ▪ reorganize the teaching dispensed so that it better corresponds to African reality (HIV/AIDS, etc.), and that it better answers the needs of the economy. 	Long-term

26		School must be made accessible: <ul style="list-style-type: none"> ▪ by gradually making the primary school system free; ▪ and by encouraging appropriate teaching aids, even if they are unorthodox. 	Medium to long-term
27		Measures favoring sex equality must be put in place.	Short-term
28		Medical services need to be watched over and accountable at the same time their resources are increased.	Medium-term
29	Health	Concerning international cooperation, there is a need to coordinate foreign initiatives between each other, but also with local governments.	Short-term
30		Responsibilities in certain areas must be decentralized—especially preventive, nutritional improvement, and medicine distribution programs.	Short-term
31		Local pharmaceutical research must be directly financed, and the development of the pharmaceutical market must be supported by adopting a special pricing policy.	Medium to long-term
32		The supply of resources must be improved and be made more reliable and regular. In the same way, the extent of the network must be improved in order to cover more territory.	Medium to long-term
33	Infrastructure	A coherent and operational regulatory framework must be developed before beginning privatizations and liberalization of sectors.	Short to medium-term
34		Regional cooperation should make possible better utilization of infrastructures and reduce the risk of problems with neighbors.	Medium-term
35	Telecommunications	The means (long-distance teaching, specialization centers...) must be given to local populations to utilize information technologies. In the long run, ways must be found to integrate training for using new information technologies into the school curriculum.	Medium to long-term
36		African research in the field of ICT must be stimulated. Regional and international cooperation is necessary.	Short to medium-term

37	Water	Given the current situation, aid from developed countries devoted to programs concerning access to water should be doubled.	Short-term
38		A special effort should be made in favor of programs to collect rainwater and to fight against the loss of irrigation water.	Medium-term
39		Concerning financing, priority should be given to public-private partnerships. The Build Operate Transfer system seems, in many cases, to be particularly well adapted to the financing of this kind of project.	Short-term
40	Agriculture	Modernization of agricultural infrastructure: irrigation, storage, and agricultural product transportation systems.	Medium to long-term
41		Favoring the commercialization of crops and access to markets.	Medium to long-term
42		Improving the legal framework. Finding the most appropriate form of property rights.	Medium-term
43		Rethinking tax policies. The tax burden that prevents the development of private initiative in agriculture must be reduced.	Short-term
44	Energy	Part of the losses of electricity in distribution are due to non-technical reasons (fraudulent connections, theft, etc.) that increase costs. It is also indispensable to improve revenues by collecting bills due.	Short to medium-term
45		Sustainable economic growth requires a larger use of renewable energies (solar and aeolian energy...).	Medium-term
46	Industry	A diversification fund should be envisioned in order to help in the effort of industrialization and to reorient production towards sectors with higher added value.	Short to medium-term
47	Financial system	The three main axes of modernization of the banking sector are: <ul style="list-style-type: none"> - privatization; - upgrading skills; - the development of “new” financial activities (leasing, consumer credit...). 	Short-term

48		A special effort should be made to organize the repatriation of the capital of African residents abroad. The creation of a specialized bank collecting this kind of savings could be envisioned.	Medium-term
49		Financing small and medium-sized enterprises in the sub-Saharan African countries requires: <ul style="list-style-type: none"> - Structuring the African private equity industry. - A special effort in favor of the very small enterprises. This effort requires, at least in part, the development of micro-financing. - Creating a guarantee system to finance the small and mid-sized companies. 	Medium-term
Short-term: 0 to 2 years; Medium-term: 2 to 5 years; Long-term: beyond 5 years.			

This program of 49 reforms may appear to be extremely ambitious. It is. But it is also realistic. The financial means exist to fund these reforms. Lacking is only the political will of the countries concerned, but also and above all of the international community. This political will must be affirmed. Urgently. Because it is urgent...

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