



Economic Commission for Africa



African Union

Economic Report on

Africa 2011

Governing development in Africa - the role
of the state in economic transformation



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Addis Ababa, Ethiopia

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First printing March 2011

Sales No.: E.11.II.K.1
ISBN-13: 978-92-1-125116-6
e-ISBN-13: 978-92-1-054761-1

Material in this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

Designed by Phoenix Design Aid A/S, Denmark. ISO 14001/ISO 9000 certified and approved CO₂ neutral company – www.phoenixdesignaid.dk. Printed on environmentally friendly paper (without chlorine) with vegetable-based inks. The printed matter is recyclable.

Cover photos: from left, clockwise: C. Geng/Stock.xchng, D. Ritter/Stock.xchng and Sven Torfinn/Panos (3 images).

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Acronyms

| | |
|-----------|--|
| AAF – SAP | African Alternative Framework for Structural Adjustment Programmes |
| ACP | African, Caribbean and Pacific countries |
| AEO | African Economic Outlook |
| AfDB | African Development Bank |
| AfT | Aid for Trade |
| AGOA | Africa Growth Opportunity Act |
| AIDS | Acquired Immune Deficiency Syndrome |
| AMC | Advanced Market Commitment |
| API | American Petroleum Institute |
| APRM | African Peer Review Mechanism |
| ART | Anti-Retroviral Treatment |
| AU | African Union |
| AUC | African Union Commission |
| CAR | Central African Republic |
| CDF | Comprehensive Development Framework |
| CDM | Clean Development Mechanism |
| CFA | African Financial Community |
| COMESA | Common Market for East and Southern Africa |
| CSSDCA | Conference on Security, Stability Development and Co-operation in Africa |
| DDR | Doha development Round |
| DFID | UK Department for International Development |
| DRC | Democratic Republic of Congo |
| DTIS | Diagnostic Trade Integration Study |
| EAC | East African Community |
| EAP | East Asia and Pacific |
| EBA | Everything But Arms |
| ECA | Economic Commission for Africa |
| ECB | European Central Bank |
| ECOWAS | Economic Community of West African States |
| EDB | Economic Development Board |
| EDF | European Development Fund |
| EIF | Enhanced Integrated Framework |
| EIU | Economic Intelligent Unit |
| EPA | Economic Partnership Agreement |

| | |
|-------|--|
| EPADP | EPA Development Programme |
| EPB | Economic Planning Board |
| EPU | Economic Planning Unit |
| ERA | Economic Report on Africa |
| EU | European Union |
| EURO | The official currency of European Union members |
| FAO | Food and Agriculture Organization |
| FDI | Foreign Direct Investment |
| FIT | Feed – in Tariff |
| FSAP | Financial Sector Assessment Programme |
| FTA | Free Trade Agreement or Free Trade Area (3.1.1) |
| G-20 | Group of Twenty Finance Ministers and Central Bank Governors |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GEF | Global Environment Facility |
| GERD | Gross Domestic Expenditure on R&D |
| GHG | Greenhouse Gas |
| GNESD | Global Network on Energy and Sustainable Development |
| GSP | Generalized System of Preferences |
| HDB | Housing Development Board |
| HIPC | Heavily Indebted Poor Countries Initiative |
| HIV | Human Immunodeficiency Virus |
| IBRD | International Bank for Reconstruction and Development |
| ICT | Information and Communication Technology |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| ISI | Import Substitution Industrialization |
| LAC | Latin America and the Caribbean |
| LDC | Least Developed Country |
| MDG | Millennium Development Goal |
| MDRI | Multilateral Debt Relief Initiative |
| MFA | Multi-fibre Agreement |
| MFN | Most Favoured Nation |
| MITI | Ministry of International Trade and Industry |
| NEPAD | New Partnership for Africa's Development |
| OAU | Organization of African Unity |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |
| PFM | Public Finance Management |
| PPP | Purchasing Power Parity |
| PPPs | Public-Private Partnerships |
| PRS | Poverty Reduction Strategy |
| PRSP | Poverty Reduction Strategy Paper |
| R&D | Research and Development |

| | |
|---------|--|
| RE | Renewable Energy |
| REC | Regional Economic Community |
| RMB | Renminbi |
| SACU | South African Customs Union |
| SADC | Southern African Development Community |
| SAP | Structural Adjustment Programme |
| SDGEA | Solemn Declaration on Gender Equality in Africa |
| SDR | Special Drawings Rights |
| SME | Small and Medium Enterprises |
| SNA | National Accounts Statistics of Japan |
| SPS | Sanitary and Phytosanitary |
| SSA | Sub-Saharan Africa |
| TFP | Total Factor Productivity |
| UN | United Nations |
| UNAIDS | Joint United Nations Programme on HIV and AIDS |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDESA | United Nations Department of Economic and Social Development |
| UNECA | United Nations Economic Commission for Africa |
| UNEP | United Nations Environment Programme |
| UNESCO | United Nations Economic and Scientific Cultural Organization |
| UNITAID | International Drug Purchase Facility |
| US | United States |
| USA | United States of America |
| USAID | United States Agency for International Development |
| USD | US Dollar |
| WDI | World Development Indicators |
| WESP | World Economic Situation and Prospects |
| WRI | World Resources Institute |
| WTO | World Trade Organization |

Acknowledgements

THE ECONOMIC REPORT on Africa 2011, a joint publication of the United Nations Economic Commission for Africa (ECA) and the African Union Commission (AUC), was prepared under the leadership of Abdoulie Janneh, ECA's Executive Secretary, and Jean Ping, Chairperson of AUC, with the active involvement of Maxwell Mkwelalamba, Commissioner for Economic Affairs. The report team benefited from the guidance and supervision of Emmanuel Nnadozie, ECA's Director of Economic Development and NEPAD Division (EDND) and René Kouassi N'Guettia, Director of the Economic Affairs Department, AUC. Lalla Ben Barka, former Deputy Executive Secretary of ECA and Jennifer Kargbo, Deputy Executive Secretary facilitated discussion of the theme of the Report.

The ECA team comprised Adam B. Elhiraika (Coordinator), Stephen Karingi, Said Adejumobi, Ndubisi Nwokoma, Adrian Gauci, Oumar Diallo, Laura Paez, Aissatou Gueye, Souleymane Abdallah, Jane Karonga, Li Qiang, Julianne Deitch, Chrystelle Tsafack Temah, Ousman Aboubakar Mahamat, Zheng Jian and Malcolm Spence. The team benefited from input provided by ECA Subregional (SRO) for East Africa (SRO-EA) coordinated by Joseph Baricko and SRO for Southern Africa coordinated by Jean Luc Mastaki Namegabe. Data were provided by ECA's African Centre for Statistics (ACS) team coordinated by Steve Gui-Diby while input on green economy was prepared by Moustapha Kamal Gueye, Serban Scriciu, Thierry De Oliveira, Francois Macheras, Martina Otto and Djaheezah Subratty of United Nations Environment Programme

(UNEP) as well as James Arthur Haselip of UNEP Risk Centre. The AUC team was coordinated by Charles Awitor and comprised Victoria Egbetayo, Jose Awong, Abia Udoh and Crysanthus Ayangafac.

The thematic part of the report is based on original papers contributed by Prof. Ali. A. Ali of the Arab Planning Institute (Kuwait) and Dr. Omano Edigheji of Human Sciences Research Council (South Africa). ECA and AUC gratefully acknowledge the assistance of Professor Ademola Oyejide of University of Ibadan, Nigeria in reviewing and rewriting parts of the Report.

Internal and external reviewers provided comments and suggestions that have greatly improved the quality. In particular, the following external reviewers provided insightful written comments on the manuscript: Prof. Wiseman Chijere Chirwa, Chancellor College, University of Malawi, Zomba, Malawi; Prof. John Quinn, Truman State University, USA; Prof. Mohammed Salih, University of Leiden, The Netherlands; Daniel Zerfu, Addis Ababa University, Ethiopia; Prof Akpan Ekpo, West African Institute for Financial and Economic Management, Nigeria; Verenica Mutiro, Reserve Bank of Zimbabwe, Zimbabwe; and Prof. Kodjo Evlo, Université de Lomé, Togo.

The report team is particularly grateful to Abdallah Hamdok, Director of ECA's Governance and Public Administration Division (GPAD), Adeyemi Dipeolu, Chief of Staff at ECA, Adebayo Olukoshi, Director of ECA's Institute for Economic Development and Planning (IDEP) as well as

GPAD's Kojo Busia, and Gamal Ibrahim. Serge Bounda and Robi Redda of UNEP; Singh, Sukhwinder, IMF Representative for Ethiopia and numerous others provided extensive comments and suggestions on the concept note and earlier drafts of the report.

The team also gratefully appreciates the guidance and support of Doreen Bongoy-Mawalla, ECA's Director of Administration and the Publications and Conference Management Section (PCMS) led by Etienne Kabou, ECA Documents Control team led by Marcel Ngoma-Mouaya, ECA's English editorial team comprised Lorna Davidson, Colin Allen and Ebenezer First-Quao while the French translation team comprised Etienne Kabou, Amadou Fall, Abou Lawan, Isabel Chaves de Oliveira, Florence Helluy-Tignol, Nicole Francois, Slimane Lazhar and Marc Cléaux. Charles Ndungu, Teshome Yohannes and Ferdos Issa led the design, quality control, printing and dissemination of the Report.

The final report was ably edited by Communications Development Incorporated's Bruce Ross-Larson and Jack Harlow. We acknowledge with gratitude their professionalism and thoroughness.

ECA's Information and Communication Service (ICS), led by Adeyinka Adeyemi, and supported by Mercy Wambui, Aloysius Fomenky, Sophia Deneke, Carolla Frentzen and Ayenew Haileselassie provided invaluable assistance in media outreach, dissemination and policy advocacy around the report.

The following EDND staff and interns also provided useful assistance to the Report team: Alassane Drabo, Agare Kassahun, Rahel Desta, Berhanu Haile-Michael, Gerawork Getachew, Shewaye Woldeyes, Solomon Wedere, and Bekele Demissie.

Foreword

SUSTAINABLE ECONOMIC GROWTH and social development constitute the primary goals of economic policy in Africa. It is expected that solid advances towards these goals will not only result in rising living standards across the continent but will also lead to full employment of resources as well as reduced income inequality and poverty.

Some progress has been made, including continued improvement in macroeconomic management, the business environment and governance. However, many African countries have not experienced high economic growth rates over extended periods and reaching high levels of social development has been rare. This suggests the need for continuous appraisal of the continent's development strategies and, in particular, the changing role of the state in the development process. Such appraisal is expected to lead to a deeper understanding of the strengths and weaknesses of the continent's development efforts, which, in turn, should provide lessons to shape the future.

The Economic Report on Africa (ERA) series is a joint undertaking between the United Nations Economic Commission for Africa and the African Union Commission. Each year, the Report provides a broad assessment of recent global economic developments, economic and social conditions as well as emerging issues in Africa. It also provides in-depth analysis of selected thematic areas that affect Africa's progress towards its medium- to long-term economic growth and social development objectives.

The 2011 Report focuses on two fundamentals of Africa's development experience. First, ensuring sustainable and high economic growth rates, combined with high levels

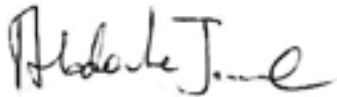
of social development in Africa, is unlikely to be achieved without widespread economic diversification and structural transformation. Second, achieving the desired degree of diversification and transformation in Africa requires the state to assume and play a pivotal role in the development process.

Through the prism of changing development strategies, the Report reviews Africa's economic growth and social development experience since the 1960s to establish the strengths and weaknesses of these strategies. It also examines the experiences of other developing regions where countries have achieved significant economic transformation and social development, and pays particular attention to the role of the state.

Based on the failure of earlier approaches to development in Africa—state-led and market-driven—the Report recommends that African countries adopt a developmental state approach that uses the market as an instrument rather than a sole mechanism for fostering long-term investment, rapid and sustained economic growth, equity and social development. It suggests these recommendations in the context of an inclusive, transparent and comprehensive national development framework. The developmental state approach as the core of the development strategy will enable Africa to transform its economies and to achieve its primary economic and social development goals.

The Report also proposes recommendations on related issues, including how to construct developmental states that take into consideration country-specific political, economic and social factors; what instruments the state

should use to promote economic transformation through good governance, as articulated by the New Partnership for Africa's Development and its African Peer Review Mechanism; how to guard against the potential risks of state intervention in economic decision-making; and the implications of this development strategy for Africa's integration efforts and its external economic relations.



Abdoulie Jannet
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Under-Secretary-General and
Executive Secretary of UNECA

It is our hope that this year's Report will stimulate discussion and debate among policymakers and other stakeholders, at national, regional and continental levels, on the important issues that it raises.



Jean Ping
Chairperson
African Union Commission