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ECA CONTRIBUTION

Report on the Progress of Implementation of the Brussels Programme of Action for African Least Developed Countries

April 2003

I. Overview

1. The Third United Nations Conference on the Least Developed Countries (UNLDCIII) held in Brussels, Belgium, on 14-21 May 2001, adopted a Programme of Action (POA) for the Least Developed Countries (LDCs) for the decade 2001-2010. Among other things, the Brussels Declaration expressed the belief that eradication of poverty and improvement of the quality of life in the LDCs could be achieved through:

a) Equitable and sustainable economic growth and development based on nationally owned and people-centred poverty reduction strategies.
b) Good governance at the national and international level; the rule of law; respect for all internationally recognised human rights, including the right to development, and the promotion of democracy.
c) National and regional security based on preventive diplomacy and the peaceful resolution of armed conflicts.
d) Gender equality.
e) Investments in education, health and social infrastructure
f) Productive and institutional capacity building.

2. An important feature of the POA for LDCs (2001-2010) was the adoption of a number of quantifiable development objectives and targets, as follows:

a) A growth rate of at least 7 percent per annum and an increase in investment/GDP ratio to 25 percent
b) Substantial progress towards halving the proportion of people living in extreme poverty by 2015
c) Achievement of 13 human development targets in relation to population, education and training, health nutrition and sanitation
d) The achievement of a range of infrastructure development targets in relation to transport and communications
e) Official development assistance (ODA) to LDCs equivalent to 0.15% (or 0.2%) of donor countries gross national product (GNP) for most donor countries
f) Progress towards graduation from the category of LDC, for which there are defined and quantified thresholds.

3. This report presents progress made by the thirty-four LDCs in Africa in the implementation of the POA.[1]

[1] The LDCs in Africa are Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, and Zambia.

4. The overall performance of African LDCs with respect to the key aspects of the Brussels Declaration may be summarised as follows:

a) Many African LDCs have shown commitment to achieving the goals of the POA, through active participation in global and regional initiatives aimed at promoting economic growth and development, good governance and conflict resolution, gender equality, investment promotion, and public sector reforms and capacity building. As a result we observe general improvements human development, appreciable growth in GDP, and reduction in poverty in some countries. However there are substantial gaps between the ultimate targets of the POA and what have so far been achieved. These gaps arise from various factors: persistence of conflicts in several parts of the continent, inadequate domestic financial capacity and external support, weak institutional capacity to implement reforms, and turbulences in the international economic and political environment.

b) Thirty out of the 34 African LDCs achieved some improvement in human development between 1995 and 2000. Average HDI of African LDCs appreciated from 0.449 in 1995 to 0.525 in 2000. However, vulnerability of these countries to uncertain weather, global economic fluctuations, and internal and regional conflicts remains very high.

c) African LDCs have made appreciable gains since 2000, growing at an average of 3.9%, though far below the required minimum 7%, but higher than the African average of 3.7%, for the period 2000-2002. Only four out of the 34 African LDCs achieved GDP growth rates of 7% or higher in 2002, compared with 5 in 2001. However, the number of African LDCs achieving GDP growth rates greater than 3%, that is, the minimum to maintain current per capita incomes, increased from 17 to 25 between 2000 and 2002.

d) Most African LDCs now have a poverty-reduction programme. The majority (that is, 22 out of the 34 countries) have produced or close to finalising nationally owned Poverty Reduction Strategy Papers (PRSP). Nine LDCs finalised their PRSPs in 2002, compared with four in 2001. These PRSPs, however, face two key constraints, namely, weak capacity for project identification, formulation and implementation, and financing.

e) At the national level concrete efforts are being made in many African LDCs to allow multi-party democracy to work. Key national governance institutions such as the judiciary and the public services are being strengthened but there are substantial human and financial capacity constraints.

f) Many African leaders are now involved in attempts to seek cooperation and peaceful resolution of national and cross-border conflicts. Peace and security appear to be holding in Angola, Mozambique, Rwanda and Sierra Leone. However, in West Africa rebel activities in the Mano River region and the western part of Cote d'Ivoire continue to dampen efforts at reconstruction and economic recovery. This is the case also in the Congo Basin and the Great Lakes region.

g) Investment-to-GDP ratios remain lower than the required 25% in the majority of African LDCs, whilst the limited FDI inflow is skewed in favour of the mineral rich countries and sectors. A number of LDCs have initiated programmes to promote foreign investments and are receiving assistance from various organisations to strengthen these initiatives. The majority of LDCs have privatisation programmes aimed at promoting private investments.

h) Effort to expand access to education, health and other economic infrastructure has intensified in most African LDCs. Under the various poverty reduction strategies, the LDCs are devoting increasing proportions of the public budget to the social sector. However, public funding per head is still low, given the rapid expansion in enrolment levels resulting from high rate of population growth. Some LDCs have initiated measures to encourage private sector provision of social services. Gender-sensitive approaches to enhancing access to education and health have been adopted in some countries, while new Information and Communication technologies are being introduced into educational institutions. On HIV/AIDS, most African LDCs have national action programmes.

i) ODA inflows are still below the 0.15% of donor gross national income and, in some cases, lower than they were in the early 1990s. A major issue is effectiveness in the use of development assistance. There is limited coordination among donors, the paperwork is too high and the overall transactions cost of aid is increasingly becoming unmanageable, while the gap between the financial requirements for meeting the goals of the Brussels POA and the available resources persists. Under NEPAD and other initiatives, various strategies have been proposed to make aid work in African LDCs.

j) Since the Brussels Declaration the multilateral institutions, notably the IMF and the World Bank, have intensified efforts to provide debt-relief to African LDCs under the enhanced HIPC Initiative. However, there are several factors that could undermine the long-term contribution of the HIPC to development efforts in LDCs; for example, the procedures and conditions for accessing HIPC are burdensome.

k) The ECA has been collaborating with various UN system agencies and member states to promote action towards the implementation of the POA. This has been done through convening stakeholder meetings aimed at policy consensus building, dissemination of findings of its analytical work, networking and technical cooperation. It has intensified structures for policy discussion at its annual Conference of African Ministers of Finance, Planning and Development and at the African Development Forum.

II. Development Outcomes and Underlying Actions

GDP growth performance has improved

5. GDP growth performance of LDCs in Africa was better, at an average of 3.9% than the African average of 3.7%, for the period 2000-2002. Consequently, the share of LDCs in Africa's overall GDP has increased from 17.3% in 2000 to 19.3% in 2002. There has been exceptional growth in Equatorial Guinea and Mozambique.

6. Eighty-three percent and forty-four percent of African LDCs were able to improve on their GDP growth rates in 2001 and 2002, respectively. The number of countries that achieved GDP growth rate of at least 7% increased from one in 2000 to five in 2001, while the number achieving less than 3% GDP growth fell from 17 to 10, as shown in the Table below.

GDP growth performance of African LDCs, 2000-2002

Number of African LDCs with Growth of GDP…	2000	2001	2002
Greater than or equal to 7%	1	5	4
Less than 3%	17	10	9
Greater than or equal to previous year's	8	28	15
Less than previous year's	26	6	19

Source: ECA from official sources.

7. This performance was achieved in spite of the persisting global economic slowdown and the September 11 shocks. Better economic management, resolution of national civil conflicts, and inflows of foreign direct investment and donor assistance accounted for much of the progress. Improvement in cocoa, coffee, gold and cotton prices on international markets, in spite of the global slow down, also contributed to growth in 2001 and 2002.

Investment levels remain low in relation to growth requirements

8. Only nine African LDCs reached the minimum GDP-to-investment ratio of 25%, needed to generate the capacity for accelerated growth and employment, in 2001. These are Angola, Burkina Faso, Capo Verde, Eritrea, Equatorial Guinea, Lesotho, Mozambique, Sao Tome & Principe, and Seychelles. For 12 out of the 34 LDCs investment-to-GDP ratio remained under 15%.

9. Low incomes and low domestic savings in the LDCs are the major factors constraining investment growth. However, weak financial sector (and the absence of effective capital markets) is a significant contributor to the investment malaise. In the

short-term, therefore, donor assistance as well as foreign direct investment would remain critical for achieving investment growth.

10. During the period 2000-2002 net private flows to Africa in general increased. According to the Commonwealth Business Council, foreign direct investments to Africa doubled in 2002 to about $16 billion. But the benefits have been limited to a few countries, in particular the mineral rich countries, such as Equatorial Guinea, Tanzania, and Mozambique, to the exclusion of the majority of African LDCs.

11. It is hoped that the strategies advocated under NEPAD, notably, the creation of investor friendly institutional environment, good governance, improved regional infrastructure and security systems would be implemented to give impetus to investment growth especially in the small, landlocked LDCs in Africa.

12. Under NEPAD and the support of various international organisations such as the Commonwealth, joint investment forums have been held to market Africa's investment potentials and to encourage African governments to implement standard principles for attracting investment and to welcome external investors into major sectors of their economies.

13. Many LDCs have embraced privatisation as a means to boost private investments, in particular, foreign direct investment. Twenty-nine LDCs had active privatisation programmes in 2002.

Development assistance is high as a proportion of public budget but low relative to needs

14. External inflows account for 40-60% of the public budget in the majority of African LDCs. However, there still remains a wide gap between funding required to achieve the MDGs and the amount of resources currently available to LDC governments. Education and health sectors are under-funded, while pressure on the public budget is increasing due to high population growth and the incidence of HIV/AIDS, malaria and other communicable diseases.

15. To obtain additional resources, a number of African LDCs have adopted the HIPC Initiative. However, only a few have been able to achieve the completion point where substantial debt relief would be forthcoming, due to the cumbersome HIPC procedures and other conditionalities.

16. Donor countries were expected, under the POA, to provide financial resources for LDC development by a) providing at least 0.15-0.20% of their GNP as ODA to reverse the declining trends of recent years, and b) to implement the OECD-DAC recommendations on untying ODA to LDCs, to improve aid effectiveness.

17. The reality of the situation is that only five developed countries have reached the target of 0.2% and the rest lie below the 0.15% mark.

18. Many African LDCs cannot access development assistance from the multilateral institutions, the World Bank and the IMF, due to the high transaction costs and conditionalities. Debt servicing still remains high, creating a diminishing effect on resources available for social services.

Infrastructure development is a daunting task, undermined by conflicts

19. The POA (Para 43) identifies five quantifiable goals relating to improvement in physical infrastructure, namely:

a) Increasing road networks in LDCs to the level of developing countries including sewerage and related facilities by 2010
b) Modernizing and expanding railway connections and facilities to the level of developing countries by the end of the decade
c) Increasing communication networks, both postal and telecommunications, and improving access to the poor of such services in urban and rural areas to reach the current levels of developing countries
d) Increasing computer literacy among students in higher institutions by 50% and in secondary schools by 25% by 2015
e) Increasing telephone density to 5 main lines per 100 inhabitant and Internet connections to ten users per 100 inhabitants by 2010.

20. Road networks are still weak and inadequate, and sometimes constitute a major constraint in the distribution of goods and services, including food, across regions and districts within countries. In many LDCs, such as Malawi, Mozambique and Zambia lack of road infrastructure and storage facilities constituted a major bottleneck to dealing with food shortages in 2001 and 2002.

21. Nearly half of Africa's 34 LDCs are either landlocked or islands. Isolation from major ports has created high transport costs and dampened trade and development. Worst of all, conflicts on the continent have worsened transportation possibilities for landlocked countries such as Ethiopia, Mali, Niger and Burkina Faso, in respect of their external trade. Niger and Burkina Faso now depend on Ghana's port facilities and transport network, which are underdeveloped and therefore, could add substantially to their freight costs. Mali has been hard hit by the Cote d'Ivoire crisis, and is now making arrangements with the Gambia and Mauritania for port and transhipment facilities. Mozambique is also losing port revenue as a result of instability and economic slowdown in Zimbabwe.

22. In terms of telecommunication and Internet facilities, Africa in general has only 2% of the world's telephones and an average tele-density of less than 2 per 100

inhabitants in 1999. Many African LDCs have embarked on privatisation of the telecommunication sector, as a way to attract private investments and create new opportunities in the sector.

Incidence of Poverty still high, declining slowly in spite of appreciable growth in GDP

23. More than 50% of the population in African LDCs live in poverty, that is, on less than $1 a day. Since 1995, the incidence of poverty has declined in many LDCs. However the pace of decline has been slow, compared with the GDP growth rates achieved, indicating weakness in pro-poor growth strategies. It is also observed that in several of the countries that achieved substantial reduction in the incidence of poverty there remained deeper poverty among certain regions, provinces or districts, indicating that poverty reduction strategies had not paid adequate attention to spatial factors.

24. Given the average GDP growth rate of 3.9% in 2000-2002 and the projected 5.4% growth in 2003, achieving the goal of diminishing poverty levels by half by 2015 may prove difficult. Hence, there is an urgent need for effective pro-poor growth policies (and effective public expenditure targeting of the poor) to accelerate poverty reduction in the LDCs, given the resource constraints. The majority of African LDCs have poverty reduction strategy papers (with the IMF and the World Bank) but these lack implementation strategies.

Overall Human Development has improved but hunger and mortality rate are still high

25. Trends in overall human development indicate some improvements have occurred for the majority of African LDCs. About 89% of African LDCs experienced an improvement in their HDI in 2000, according to the UNDP report of 2002. However, African LDCs are generally lagging behind or slipping back on, a) child, under 5 and maternal mortality rates, b) hunger, and c) the provision of basic amenities, which has adverse implications for labour productivity and for the economic inclusion of rural areas.

III. Observations and Lessons Learnt

26. African LDCs face many internal constraints, notably human and financial capacity, and many external challenges and adverse conditions, notably globalisation, instability in commodity prices and conditional assistance from both bilateral and multilateral donors. Various lessons may be learnt from the attempts made by African LDCs to overcome these constraints and thereby advance towards the goals of the Brussels POA.

a) Reforms, good economic management and political stability contribute enormously to economic growth and progress towards the goals of the POA
b) Poverty reduction has been far slower than the average GDP growth achieved during the period. This means growth is not a sufficient condition for poverty reduction. There is need for pro-poor policies
c) PRSPs, though fully reflect the goals of the POA, lack clear implementation strategies. Many donor countries are yet to align their programmes with the country PRSP.
d) There is a wide gap between financing required to achieve the goals of the POA and what is currently available to the LDCs
e) In the short-to-medium term, donor assistance as well as foreign direct investment would remain critical for achieving growth in investments
f) Many LDCs has been slow reaching completion points of the enhanced HIPC initiative, due to cumbersome modalities; debt service is still high for those that have reached decision points; and debt sustainability is doubtful for the eligible, given the volatility in the external economy
g) Many African LDCs face technical constraints in the form of limited capacity to design policies and implement reforms required for confronting the challenges of the POA and globalisation. The persistent lags in problem recognition and policy action point to the insufficiency in institutional and human capacities. Technical cooperation is required to minimize these lags.

ECA's role in the implementation of the POA

27. The major activities of the ECA in support of the implementation of the POA in African LDCs have the following focus: a) promoting policy dialogue, b) promoting the role of trade in development, c) mobilizing financial resources for development, d) training and capacity building, e) promoting Information and Communications Technology, f) promoting good governance, and h) promoting gender equality and inclusion in economic activity.

28. Initiatives aimed at ***promoting policy dialogue*** include:

(a) ***The Big Table***: This is an initiative designed by ECA to promote frank constructive dialogue between African finance ministers and their OECD counterparts. The meeting is organized every year with a unique format and agenda that are designed to allow for maximum interactive dialogue, with no formal statements. The second meeting was held in October 2001 and sought to advance the dialogue on African ownership of plans and strategies for effective poverty reduction and mutual accountability of African governments and their partners for effective international partnerships. The third Big Table took place in January 2003 and focused on approaches to monitoring the performance of

Africa and its partners towards meeting shared goals in the context of mutual accountability.

(b) ***PRSP Learning Group*.** The PRSP Learning Group is a forum sponsored by ECA to facilitate African peer learning on the experience with the PRSPs. The Learning Group looks at five clusters of issues: content of growth strategies; PRSP-related financing and public expenditure management; legitimacy of the PRSP participatory process; capacity requirements; and donor policies and modalities. The Second Meeting of the African Learning Group on the PRSPs took place in Brussels, Belgium from 18 to 19 November 2002.

The focus of the work of the PRSP-LG is on sharing of best practices, identification of national capacity gaps, formulation of recommendations of the required actions by various stakeholders (African governments, civil society organization, African research institutions, and private sector) to address these gaps, and advocacy for change in aid modalities and approaches. The Learning Group also aims to stimulate dialogue on transforming development relations between African countries and their key external partners for increased aid effectiveness and enhanced development impact. Each annual meeting of the PRSP-LG is informed by succinct country reports prepared by African experts on the key PRSP-related issues confronting the country.

(c) ***African Development Forum:*** The aim of the ADF is to present the key stakeholders in African development (governments, civil society, the private sector, researchers and academics, intergovernmental organisations and donors) with the results of current research and opinion on key development issues, in order to formulate shared goals and priorities, draft action programmes and define the environment that will enable African countries to implement these programmes. The 2002 ADF focused on defining priorities for regional economic integration in Africa in the context of the recent commitment by African Heads of State to create the African Union (AU).

29. ECA Initiatives aimed at ***promoting the role of trade in development***, include:

(a) ***Trade Policy Formulation and Training*:** ECA has worked in collaboration with other partners including UNDP, UNCTAD, WTO, the African Economic Research Consortium (AERC) and the African Union to strengthen the capacity of African countries in trade policy formulation and in trade negotiations. To this end, ECA organized and supported a series of workshops to prepare African countries for the Ministerial Meeting held in Doha in November 2001. Following the launch of the Doha Round, ECA has continued to work with these partners to support African countries and especially LDCs to adjust to the new international trading environment. The ECA is establishing an African Trade Policy Centre to assist in the formal training of African trade policy makers.

(b) ***Support to African Countries in the New Round of Multilateral Trade Negotiations:*** Several training workshops undertaken to provide technical assistance and capacity building to provide African policy makers with the tools that they need to effectively negotiate on the various areas earmarked for negotiations in the new round; special and analytical studies to support their negotiations in the WTO; and preparations for the Fifth Session of the WTO Ministerial Conference to be held in 2003. These include:

- The High-Level Brainstorming Meeting for African Trade Negotiators Preparatory to the Fourth WTO Ministerial Conference, Addis Ababa (Ethiopia), 26 to 29 June 2001;
- Service Trade Negotiations and Africa, Johannesburg, South Africa 18 to 21 April 2002
- Workshop on Issues of Interest to African Countries in the WTO Services Negotiations, Geneva, Switzerland 17 to 18 September 2002;
- Expert Group Meeting on Africa and The WTO Agreement on Agriculture, Addis Ababa, 7-8 April 2003;
- High-Level Brainstorming Meeting of African Trade Negotiators Preparatory to the Fifth WTO Ministerial Conference, Addis Ababa, Second quarter 2003.

(c) ***Special and Analytical Studies Focusing on African Countries*:** A number of special studies are being undertaken to provide the analytical support to African countries in their negotiations. Such studies would need to focus on the special situations and circumstances of African countries such as trade and environment, and trade and competition policy.

30. In addition to promoting policy dialogue and providing policy advice on the design and implementation of appropriate policies for ***domestic and external resource mobilization***, ECA has undertaken other activities including the following:

- ECA organized a series of workshops/meetings to help prepare Africa for the Finance for Development (FfD) conference that was held in Monterrey in March 2002. In these meetings, ECA's work informed African countries and development partners of the case for more and faster debt relief, as well as the case for more ODA for poor and indebted African countries.
- A capital markets development project was launched in 2003 to address the problem of weak capital markets in Africa and in particular LDCs and thereby strengthen the capacity for domestic resource mobilization.

31. ECA is also involved in ***building the capacity*** of African LDCs to conduct sound economic management by providing economic training for middle-level policy makers at the African Institute for Development and Economic Planning (IDEP). IDEP acts as an interface between the research and policy-making communities; and promotes original thinking and research on Africa's policy issues. In 2002, ECA undertook to revamp the institute and provide it with the

capacity to meet the needs of member states in view of the challenges facing Africa and the new initiatives such as NEPAD and AU.

32. The low technological penetration in Africa is one of the critical areas to be addressed in ECA's current work programme. ECA has been working to support African countries develop **National Information and Communications Infrastructure** (NICI) policies, plans and strategies through the ***African Information Society Initiative*** that was adopted by African governments as an action framework to reduce the digital divide between Africa and the rest of the world and to utilize these new technologies to promote social and economic development. As of January 2003, 17 African countries had developed ICT policies of which 11 are LDCs. Moreover, of the 20 countries in the process of developing ICT polices, 13 are LDCs.

33. ECA is undertaking a major ***governance*** project focusing on three key areas: political representation, institutional capacity, and economic management and corporate governance. The objective is to develop indicators that can be used as a tool to effectively measure and monitor governance in Africa and identifying capacity needs that need to be filled. ECA is now working with national research institutions in selected African countries to implement country level surveys. The findings will be discussed in forums in which member states and other partners will be engaged in dialogue to promote ownership and build consensus. Based on this, the first "Africa Governance Report" is to be published this year.

34. ECA's work in the area of governance will provide substantial technical input to the NEPAD process. Already, the NEPAD Heads of State Implementation Committee has mandated ECA to take the lead on the NEPAD Economic and Corporate Governance Initiative. ECA is also working in support of the NEPAD process is in the establishment of a peer review mechanism for African countries. The peer review mechanism is a diagnostic tool that is designed to provide assessment of the differences in country performance and diversity with respect to economic and corporate governance. As a credible self-monitoring mechanism, it can also serve as a starting point for dialogue with donor agencies rather relying on assessment developed by the donors. The objective of such a peer review process is to promote ownership of the development agenda, encourage mutual learning, monitor progress towards agreed goals, apply peer pressure on governments to adhere to agreed standards and benchmarks, and to disseminate best practices.

35. Some of the ***major studies*** undertaken by the ECA in recent years in support of development policy formulation include:

- Negotiations under WTO Agreements
- Trade and Investment Policy in Africa
- Trade and Competition Policy in the Framework of African Countries
- Export Diversification in the Context of the Post Uruguay Round

- Dynamic Impact of External Accumulation on Private Investment and Growth in Africa
- Use of ICT in Higher Education
- Assessing the Case for Monetary Unions in Africa
- Biotechnology and food security in Africa
- Population, Environment and Agriculture Inter-linkages and Sustainable development
- Water Resources Management

36. An important element of ECA's work on ***regional integration*** is transport. The Second United Nations Transport and Communications Decade in Africa final evaluation report has shown that transport and communication infrastructure still remain an impediment to the development of international and intra-African trade. Thus some of the objectives of the plan of action 2003-2007 by ECA are to:

- Assist countries to improve management of transport and deepen ongoing reform
- Promote institutional and regulatory framework
- Liberalize transport and communication sectors
- Assist member States to improve socio-economic conditions through infrastructure and services development in urban and rural areas
- Establish a regional database to monitor performance of the sector and to direct investments

37. On ***issues of gender*** the response by ECA has been forthcoming, and strategically its mission has focussed on the following areas:

- Promoting economic and legal policies to eliminate gender gaps
- Monitoring and supporting implementation of the Beijing agenda
- Fostering economic empowerment of women
- Facilitating the creation of opportunities for African women entrepreneurs
- Building capacity for women's leadership
- Promoting the role of women in peace-building

38. Under its current work programme and on-going initiatives, the ECA is examining the methodologies for mainstreaming gender perspectives in national accounts and budgets and for analysing national strategies for poverty reduction from a gender standpoint. Workshops have been held to train public accounts statisticians on the approaches to these issues.

39. To ensure effective ***collaboration with national governments*** and in realisation of the unique needs of the various sub-regions in Africa, the ECA has established and in recent years strengthened five Sub-Regional Offices (SROs), in North Africa (based in Morocco), West Africa (based in Niger), Central Africa

(based in Cameroon), Eastern Africa (based in Rwanda) and Southern Africa (based in Zambia).

40. The SROs are charged with monitoring developments in member states and developing liaison between ECA headquarters and official as well as private sector institutions in member states for the purpose of policy evaluation and formulation. In 2002, some of the analytical studies undertaken by the SROs were on the Implications of the Cote d'Ivoire Crisis on Neighbouring Countries, Labour Market Developments in Southern Africa, and Implications of the NEPAD Framework for Central African Countries.

41. In many of the above-mentioned programmes and activities, the ECA has been working closely with other UN agencies, notably the UNDP, UNCTAD, UNAIDS, UNESCO, and UNFPA, and other international development organisations as well as in-Africa national policy research institutions and networks.

IV. Prospects and Recommendations

42. The GDP growth rate projected for African LDCs is 5.4% for 2003. Twenty-four of Africa's 34 LDCs are projected to achieve higher GDP growth rates in 2003 than they recorded in 2002 and only 6 are projected to have growth rates below the minimum 3% required to maintain per capita income, compared with 9 in 2002, 10 in 2001 and 17 in 2000. However, only a few are expected to meet the overall development targets.

Conditions for further progress

43. The potential for improving performance towards the achievement of the goals of the POA is predicated upon five major factors: 1) the global economic situation, including an early end to the Iraq War, robust recovery of the OECD economies and stable oil prices; 2) institutional reforms, good governance and consolidation of democracy; 3) internal and sub-regional security and stable political environment; 4) reduced vulnerability to the cycle of drought, floods and other natural disasters; and 5) international support for and successful implementation of NEPAD strategies.

a) Congenial global environment and partnership with donors required

44. Continued slow growth of the world economy may adversely affect terms of trade for African LDC exports, and hence their export earnings, which would further tighten foreign exchange constraints, while increased insecurity around

the world could also affect LDC earnings from the hospitality sector as tourist traffic slows down. The increasing trend in oil prices since 2000 has already put pressure on external accounts and on domestic inflation.

45. Foreign resource inflows, notably FDI and ODI, would thus be critical for maintaining macroeconomic stability and for providing adequate resources for the social sector as well as on-going reform programmes in the short-to-medium term. Debt-relief could also provide funds for much-needed improvement in social services. A major issue, however, is the frequent shortfalls and delays in the disbursement of pledged external support that undermines fiscal credibility.

b) Enhancement of productive capacity and qualitative reforms required for accelerated development

46. Agricultural production accounts for 43% of the total output, 60% of export earnings and 74% of active labour force, of most African LDCs. Thus, climatic conditions play a major role in determining economic prospects.[2] This natural limitation could, however, be reduced through the sustainable use of improved technologies, and in the adoption of incentive-based strategies for produce diversification.

47. Non-Oil LDCs have a low-productivity, low value added and weakly competitive export sector that is generally concentrated on a narrow range of products. Comprehensive economic reforms and resources are thus needed to diversify and improve the competitiveness of the export sector of African LDCs. Macroeconomic stability is crucial, but beyond that production capacity has to increase to take advantage of opportunities in the global economy.

c) Enhanced Regional Security and Political Stability is critical

48. Peace and political stability has been elusive in eight out of the 34 African LDCs. In Sierra Leone, Madagascar and Angola, national and international efforts have helped to consolidate peace, and will contribute to the resurgence of growth in these countries. The conflict in the DRC is hanging, despite numerous ceasefires and peace agreements, and would continue to undermine development in the country as well as among its neighbours, in particular Rwanda. Similarly, the Cote d'Ivoire crisis could have devastating long-term economic and social consequences for the entire Economic Community of West

[2] In Southern Africa, parts of Malawi, Angola, Zambia and Mozambique are suffering from acute shortage of food arising from poor weather, a situation that has been aggravated by poor transport infrastructure in the affected areas.

African States (ECOWAS) and particularly on Ghana and the neighbouring landlocked countries, Mali and Burkina Faso.

49. Greater effort on the part of the national governments, pan-African institutions such as the AU, and indeed the UN is needed to build peace and ensure good governance on the continent.

d) Reducing vulnerability to natural disasters should be of primary concern

50. Many African LDCs such as Mozambique, Malawi, Zambia, Ethiopia, Chad and other Sahelian countries of West Africa are subject to a cycle of droughts, flood and other natural disasters. Famine in Southern Africa in 2001-2002 affected more than 20 million people, 5 million in Ethiopia alone. These disasters cause not only a diminution in the quality of human population but also affect agricultural export production and infrastructure. The cost of reconstructing public infrastructure in Mozambique after the 2000 floods was over $600 million. In Senegal 500,000 livestock were lost and 2,500 hectares of crops were damaged through floods in 2002.

51. Concrete action is needed to minimize the impact of the variability of the weather and other natural phenomena in the LDCs. Flood control schemes, small-scale irrigation projects, and community storage facilities should be established.

e) NEPAD, regional integration could generate new impetus

52. The implementation of the broad strategies of New Partnership for Africa's Development- such as joint ventures in infrastructure development and common investment programmes- could provide a clearer and wider horizon for accelerated development of African LDCs. The NEPAD has already received significant support from the G-8, and African leaders are intensifying their joint efforts to ensure the success of the new initiative. In particular, sub-regional groupings are strengthening existing structures for effective cooperation, such as in SACU, SADC and the COMESA. In West Africa the drive towards a monetary union is pacing up, though slowly, and is expected to facilitate trade in goods and services in the sub-region.

Recommendations

53. African LDCs need to focus on the following areas:

a) Effective participation in international trade through enhanced productive capacity, market access and stable prices

54. The key factors to ensure effective participation of African LDCs in the global market include enhanced market access, improvement in production capacity, and export diversification.

55. LDCs should adopt concrete strategies for prompt identification of opportunities in the global economy, and install rapid-response mechanisms, including flexible trade and industrial policies to exploit such opportunities. Capacity in marketing and in negotiation skills has to be developed.

56. As part of the effort to enhance participation in the global market, LDCs should diversify their export base. This would help reduce vulnerability to the vicissitudes of the international markets and sustain their external debt. This is a long-term venture that would require not only inflows of foreign direct investment but also improved market access- through reduced agricultural subsidisation and tariffs on textiles, for example- and stable commodity prices in the developed countries.

b) ***Efficient domestic economic management through institutional reform***

57. In some LDCs several years of economic policy reform have failed to yield the expected dividends in the form of higher growth or substantial reduction in poverty because of the failure of matching institutional development.

58. For African LDCs to make further progress they need to complement their efforts at good economic management and effective participation in the global economy with deeper institutional reforms that would ensure the establishment of a capable state, delivering public services equitably and at the least cost.

LDCs should also deepen economic reforms, especially policy processes. This effort should be based on each country's specific economic and social environment and needs, with definitive focus on the poor and long-term capacity development. Public participation in the policy formulation process should be reinforced.

59. Short-term macroeconomic stabilization policies should be linked, in concrete terms, with long- term poverty reduction and human development objectives. The innovative element of the PRSPs, that is, the national ownership alone cannot secure poverty reduction. It is necessary to shift from the adjustment oriented, welfare based poverty reduction to a development one.

c) ***Governance and political stability remain key factors of progress***

60. The prevalence of good governance would contribute towards the achievement of political stability without which growth, growth reduction and development cannot occur.

61. LDCs should strengthen governance and democratic institutions- by learning and applying the principles of rule of law, participation, tolerance, compromise and consensus. An incentive system may be needed from the global community to induce this behaviour from African national institutions.

d) ***Effective global partnership is required to prop LDC efforts***

62. The support of the global community for the efforts of African LDCs should be well focused, predictable and in deed complementary, to enhance aid effectiveness. In particular developed countries and the multilateral financial institutions should I) harmonise and integrate their assistance with the national planning objectives of the LDCs, including for example multi-year aid programmes aligned with country PRSP, ii) review their agricultural policies with the view to eliminating adverse consequences of these policies, such as subsidies, on LDC agricultural production, iii) support initiatives to stabilise primary commodity prices, and iv) review the modalities of the HIPC Initiative and other programmes in order to deal with issues like the political and social costs of conditionalities, overall fiscal sustainability, and the impact of external shocks on debt sustainability.

63. The support of the international community would also be needed to build and sustain peace and security, democracy and good government, institutional reform, and the provision of social services.