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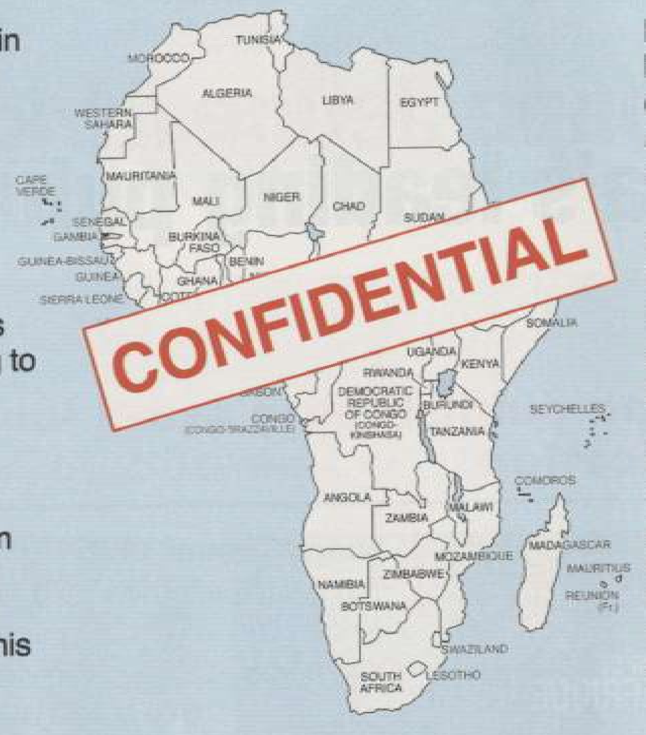

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Onwards and upwards

Both the AU and NePAD want African-based assessments and conditions on development finance to replace those imposed externally by the World Bank and the IMF. To this end, the African Peer Review Mechanism has been established to analyse the governance of African countries across a range of political, economic and social measures. It's a contentious process, but agreement is emerging that government priorities must be strong economic management promoting growth and employment, alongside policies that fight poverty and enshrine political accountability. Finding consensus on how individual countries perform on specific measures is the next difficult step. Development finance and capital investment may depend on the credibility of the analysis.

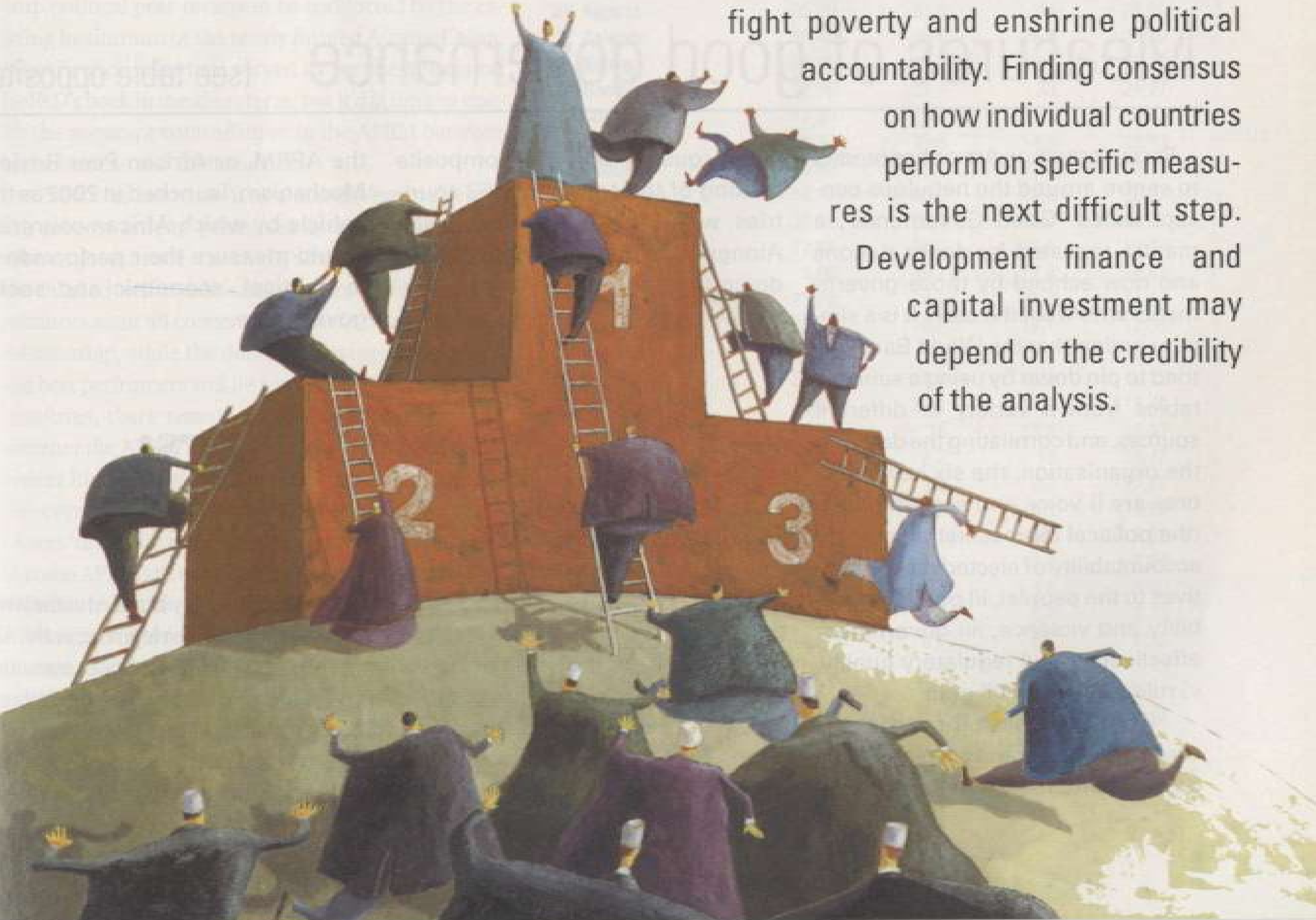

ILLUSTRATION: CHRISTOPHE CHAU-

RANKING AFRICAN COUNTRIES: A BEGINNER'S GUIDE

IN THIS SECTION WE PRESENT A SAMPLE of the kinds of assessments that can be formulated to determine performance by African countries in the political, economic and social areas of governance. This is not an exact science. There are almost as many ways of measuring performance in governance as there are political points of view. However, there is an emerging consensus among African governments on the sorts of standards that they should be aspiring to in the 21st century. These are inherent in the strategies of the New Partnership for Africa's Development (NePAD), for example. And taking this thinking a step further is the 2005 African Governance Report, produced by the UN Economic Commission for Africa (ECA), which declares that one of the most fundamental challenges in Africa today is "the creation of capable states", in which peace and security are guaranteed and sustained.

Capable states, in the words of ECA Executive Secretary K. Y. Amoako, are those that can create "an enabling environment for economic growth" and promote "the equitable distribution of the fruits of growth". Growth, which creates jobs and incomes, has to be "coupled with policies that deliberately attack poverty and promote education, health and social safety nets". At the core of these ideas, says Mr Amoako, is "political and policy stability, and a fair and consistent application of the rule of law".

Capable states cannot be simply invented any more than they can be imposed from outside. They must evolve over time, and they can only flower after generations of dedicated work by social, political and business leaders. At the early stages of development, what matters is to understand the trends and to build on signs of positive progress. ●

Measures of good governance (see table opposite)

RECENT DEBATE ON AFRICA has tended to centre around the nebulous concept called 'Good Governance', a mantra repeated by donor nations and now echoed by those governments who want the cash. It is a slippery notion that the World Bank has tried to pin down by using a series of tables from a variety of different sources, and correlating the data. For the organisation, the six key measures are i) voice and accountability (the political representation and the accountability of elected representatives to the people), ii) political instability and violence, iii) government effectiveness, iv) regulatory quality, v) rule of law, and vi) graft.

We have chosen three of these measures – voice and accountability, government effectiveness and regulatory quality – to form a composite ranking of the continent's 53 countries with the World Bank data. Alongside, Peter da Costa breaks down the attempt by African governments to do a similar venture – the APRM, or African Peer Review Mechanism, launched in 2002 as the vehicle by which African countries would measure their performance in political, economic and social governance.

Winners and losers: the APRM formula

THE AFRICAN PEER REVIEW MECHANISM (APRM), widely heralded as the jewel in the crown of the New Partnership for Africa's Development, or NePAD, is designed to demonstrate Africa's 'ownership' of the political, economic and social reform process to which African leaders have been pledging themselves since the beginning of the new millennium.

The APRM sets out a mechanism covering democracy and political governance, economic governance and management, corporate governance and socio-economic development. Accession to peer review is entirely voluntary, but once a country signals its intention to participate, it is bound by the rules of the game – it must accept the agreed standards for good political, economic and corporate governance, and it must facilitate peer review missions by experts.

So far, 23 African countries have signed up to peer review, and technical missions have already been fielded in four countries – Ghana, Kenya, Mauritius and Rwanda. Once this first round of reviews is complete, a further six countries – Algeria, Nigeria, Mali, Mozambique, South Africa and Senegal – are scheduled for review. So African countries are at least moving towards reviewing their own performance, although those that would score badly will be wary of signing up.

Management of the APRM process is handled by a seven-member Panel of Eminent Persons, which is made up of Africans with an apparent track record on the issues articulated by NePAD.

The APRM was first called into question almost immediately after it was launched in 2002, when donor countries called on Africa to condemn Zimbabwean President Robert Mugabe's suppression of opposition as a breach of democracy. Zimbabwe thus became a key test of whether peer review was really workable. In October 2002, South African President Thabo Mbeki announced that the APRM would focus on monitoring codes of economic and corporate governance, with political peer review to be conducted by the existing institutions of the newly formed African Union. Mbeki's slick volte face served to get the donors off NePAD's back in the short term, but it did little to clarify the apparent contradiction in the APRM between inclusiveness and exclusiveness.

APRM's initiators see it as a non-adversarial learning process among peers and as a commitment to African governance standards, while donors welcome the implied 'self-conditionality' among Africans. The initiators want all countries to benefit from a new aid relationship, while the donor view suggests that only the best performers will be rewarded. Among African countries, there remains a lack of unanimity as to whether the APRM is a carrot or a stick. The base document hints at 'appropriate measures' to be taken in the event that dialogue with a recalcitrant country proves 'unavailing'. Some governments would prefer that the APRM stick to learning, avoid politics and refrain from censure altogether.

The challenge for Africa is to ensure the APRM remains credible and practicable, but the process is unwieldy, costly and time-consuming. These are the concerns the South Africa-based APRM Secretariat will have to deal with, if it is not to be derailed. ●

PETER DA COSTA

GOOD GOVERNANCE

2002 figures

RANK	COUNTRY	VOICE & ACCOUNTABILITY	GOVERNMENT EFFECTIVENESS	REGULATORY QUALITY	INDEX GRICS
1	Botswana	71,20	79,9	74,7	75,27
2	South Africa	70,70	69,1	69,1	69,63
3	Mauritius	71,70	69,6	66,5	69,27
4	Namibia	59,10	62,9	63,9	61,97
5	Seychelles	56,10	58,8	46,4	53,77
6	Cape Verde	61,60	51	47,4	53,33
7	Morocco	40,40	61,3	55,2	52,30
8	Ghana	50,50	59,3	44,8	51,53
9	Senegal	53,00	52,1	46,9	50,67
10	Tunisia	22,70	71,6	53,6	49,30
11	Madagascar	49,00	45,9	45,4	46,77
12	Sao Tome e Principe	64,10	28,9	43,3	45,43
13	Mauritania	27,30	52,6	54,6	44,83
14	Lesotho	45,50	49,5	36,6	43,87
15	Gabon	37,40	39,7	48,5	41,87
16	Uganda	24,20	43,8	54,1	40,70
17	Burkina Faso	42,90	27,8	47,9	39,53
18	Benin	51,00	31,4	32	38,13
19	Mozambique	43,40	42,8	26,8	37,67
20	Mali	55,10	19,1	36,1	36,77
21	Tanzania	37,90	36,1	33,5	35,83
22	Egypt	22,20	46,9	38,1	35,73
23	Malawi	29,80	28,4	42,8	33,67
24	Swaziland	13,10	40,2	45,9	33,07
25	Niger	44,90	23,2	25,8	31,30
26	Algeria	20,20	32,5	34	28,90
27	Zambia	39,40	14,4	29,9	27,90
28	Kenya	28,30	18,6	35,1	27,33
29	Gambia	18,70	21,1	33	24,27
30	Côte d'Ivoire	11,60	15,5	42,3	23,13
31	Comoros	34,30	19,6	14,9	22,93
32	Djibouti	26,80	16,5	23,2	22,17
33	Cameroon	16,70	30,9	18,6	22,07
34	Chad	20,70	25,8	13,4	19,97
35	Guinea	12,60	24,7	21,1	19,47
36	Eritrea	1,00	40,7	12,4	18,03
37	Central African Rep.	23,70	4,6	23,2	17,17
38	Guinea Bissau	25,80	6,2	19,1	17,03
39	Togo	12,10	9,3	27,3	16,23
40	Nigeria	26,30	10,8	11,3	16,13
41	Rwanda	8,60	20,1	17,5	15,40
42	Ethiopia	14,60	16	15,5	15,37
43	Congo	16,20	8,2	16	13,47
44	Sierra Leone	28,80	2,6	7,2	12,87
45	Zimbabwe	7,10	22,2	4,1	11,13
46	Burundi	14,10	4,1	9,8	9,33
47	Sudan	4,00	11,3	11,9	9,07
48	Libya	4,50	18	4,6	9,03
49	Angola	9,60	9,8	6,7	8,70
50	Equatorial Guinea	8,10	5,7	5,2	6,33
51	Liberia	6,10	3,1	6,2	5,13
52	Somalia	6,60	0	0,5	2,37
53	DRC	2,00	1,5	3,1	2,20

Source: World Bank

Money, but whose money?

AS A RULE, THE MORE MONEY INVESTED in a country, the better. However, a striking feature of the top 15 African recipients of Foreign Direct Investment (FDI) flows is that over half of them are oil- or gas-producing nations (countries in blue). Much of their investment is concentrated in the energy-extraction machinery and process, often on offshore installations. The profits circulate in a tight loop that does not filter down an economy in the same way as labour-intensive industries. Most significantly, the age-old problem of great wealth generating corruption tends to apply. Oil- and gas-rich African countries, which receive most of the largest investments, are thus also at the bottom end of the Transparency International rankings – with the notice-able exception of Egypt, which has a more positive position at 17.

FOREIGN DIRECT INVESTMENT AND ITS CORRELATION TO CORRUPTION

In millions of dollars

	1999	2000	2001	2002	2003	TOTAL	Transparency index
1 South Africa	1502	888	6789	757	762	10698	7
2 Angola	2471	879	2146	1643	1415	8554	47
3 Morocco	850	215	2825	481	2279	6650	14
4 Nigeria	1005	930	1104	1281	1200	5520	51
5 Algeria	507	438	1196	1065	634	3840	27
6 Egypt	1065	1235	510	647	237	3694	17
7 Sudan	371	392	574	713	1349	3399	42
8 Tunisia	368	779	486	821	584	3038	4
9 Equatorial Guinea	238	109	931	323	1431	3032	53
10 Chad	25	116	453	1030	837	2461	44
11 Tanzania	542	282	467	240	248	1779	35
12 Côte d'Ivoire	324	235	273	230	389	1451	38
13 Congo (Brazzaville)	491	168	76	152	386	1273	39
14 Mozambique	382	139	255	155	337	1268	37
15 Uganda	222	275	229	249	283	1258	34

In blue: Oil/Gas producing countries

Source: UNCTAD Source: Transparency Intl - 2003

Getting a hold on inflation

A NOTE OF OPTIMISM: over the past 10 years, African countries have got a real grip on their economies. They are creating, as African Union head Alpha Konaré recently underlined, the market of the future. The litmus test for any economy is how well inflation is being managed. If companies want to invest in a country, they need to borrow, but if their investment is eroded by galloping inflation, they may think twice. In the 1980s and early 1990s, many African countries had triple-figure inflation, a thoroughly hostile environment for honest business. Zimbabwe's exceptional case aside, it is more than encouraging that the 10 last countries ranked for inflation are all in more manageable double figures – as a whole, over the 53 countries, minus Zimbabwe, the average inflation rate was 6.9 %.

INFLATION

Worst performers in 2004

44	Mozambique	12.9
45	Sao Tomé	13.3
46	Gambia	14.5
47	Nigeria	15.8
48	Guinea	16.6
49	Zambia	18.5
50	Malawi	19.9
51	Eritrea	21.5
52	Angola	56.1
53	Zimbabwe	350

Source: IMF

DATA SOURCES USED IN THE COUNTRY REPORTS

Literacy: UNDP; **Ethnic groups and Religions:** Atlas de l'Afrique, Editions du Jaguar, and Africa South of the Sahara, Europa Publications; **Population:** UNDP; **GNI (gross national income) and GNI per head:** World Bank; **Inflation:** IMF; **Foreign Direct Investment (FDI):** UNCTAD; **Imports and Exports:** UNCTAD; **Growth and GDP (gross domestic product):** World Bank and IMF
Other sources used: BCEAO (Banque centrale des Etats d'Afrique de l'Ouest), BEAC (Banque des Etats d'Afrique centrale), British Petroleum, CFCE (Centre français du commerce extérieur), Cemac (Communauté économique et monétaire d'Afrique centrale), Coface (Compagnie française pour l'assurance du commerce extérieur), CFDT (Compagnie française pour le développement des fibres textiles), COMTRADE (UN Commodity Trade Statistics), DREE (Direction des Relations économiques extérieures du ministère français de l'Economie, des Finances et de l'Industrie), EIU (Economist Intelligence Unit), UEMOA (Union économique et monétaire ouest-africaine), UNCTAD (UN Conference on Trade and Development), WTO (World Trade Organisation).

An asterisk (*) indicates that the figure given is provisional

HICHEM

THE MILLENNIUM OBJECTIVES ARE WITHIN OUR GRASP

BY OMAR KABBAJ President of the African Development Bank

THE YEAR 2004 PROVED an exceptional year for Africa in terms of its economic performance. The continent's GDP growth rate reached an average of 5.1 percent, resulting in a per capita GDP growth of 2.8 percent. This is the highest rate recorded for the continent since 1996, and considerably above the average of 3.7 percent for the previous five years. And for the first time in decades, the region enjoyed a fiscal balance and monetary growth was the slowest in five years. These two factors contributed to an average inflation rate of 7.7 percent, the lowest in over two decades.

A number of factors contributed to this exceptional outcome. Externally, higher international commodity prices led to a significant improvement in Africa's terms of trade -- by 6.7 percent. And the rebound in the global economy boosted demand for the Continent's exports. As a result, Africa's current account improved in 2004. In addition, better export performance and debt relief measures contributed to a lessening of the continent's external debt burden. Internally, the abatement of conflicts and the adoption of sound policies by more countries underpinned the improved performance, although here much remains to be done.

Despite the improved performance, Africa continues to face major challenges. First, it is evident that peaceful and stable conditions would need to be maintained or restored if Africa is to make economic and social progress. Much has been achieved in the recent past and the recent deep engagement of the African Union is most welcome. Second, achieving the Millennium Development Goal (MDG) of halving the number of people living in poverty by 2015 would require that more countries continue to raise their growth rates to between 6 and 8 percent. This, in turn, requires that they sustain prudent macroeconomic policies and deepen their reform programs. In particular, financial sector and governance reforms are critical for creating a more favorable climate for the private sector and for spurring growth. Third, the HIV/AIDS pandemic will need to be brought under control and it is essential that African countries give high priority to combating it. And fourth, in an era of globalization, it is imperative that regional integration arrangements are strengthened, particularly in the context of the NEPAD initiative.

As African countries assume ownership of their development, they will continue to need the support of the international community. Such support remains critical with respect to official development assistance (ODA), debt reduction, and market access to Africa's exports.

Although ODA to Africa has increased in recent years – much of it accounted by debt relief -- it still falls short of what is required for Africa to be on course towards attaining the MDGs. Further action by the donor community is therefore essential to raise ODA levels, in line with the pledges made at Monterrey in 2002. With respect to debt relief, progress has also been made in reducing Africa's external debt burden, partly as a result of the HIPC initiative. But additional debt relief measures, such as those proposed by the United Kingdom, are required and need the support of the international community. And with respect to external trade, African counties continue to face tariff and non-tariff barriers as well as trade-distorting agricultural subsidies by industrial countries. Although the July 2004 WTO Framework holds the promise of removing these impediments, both industrial countries and developing countries will need to work in unison to expedite the speedy fulfillment of the Doha Development Agenda.

> As African countries assume ownership of their development, they will continue to need the support of the international community.

With progress on these fronts and the continued deepening of reforms by African countries, I believe that the economic prospects for Africa are quite promising. Indeed, I am confident that in the coming years we will see an increasing number of African countries raising their growth rates and sustaining them to the levels required to attain the MDGs. ●