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Africa's Growth and Development Strategies: A Critical Review¹

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Abstract

At independence in the late 1950s and early 1960s, there were high hopes about the growth prospects of the new politically independent African states. Economic conditions, such as per capita real income, were comparable to other developing countries like South Korea and Taiwan. By the mid-1970s, the growth profile of most African countries had started to decline and by the mid-1980s, it became obvious that the African continent needed rescue packages which came in the form of Structural Adjustment Programmes. However, countries like Taiwan and South Korea had made tremendous progress such that their per capita real incomes had grown more than tenfold while those of most African countries had declined considerably compared to the immediate post-independence era. What role did the growth strategies adopted by African countries play in this tragedy? How do we rethink Africa's growth strategy? What were the lessons learned and which way forward? These and other related issues are what this article sets out to address. The article identifies three distinct growth phases for the economies of Africa and analyzes critically the various models embedded in those phases. Among other things, the article strongly canvasses for the deepening of regional integration, enhancing productivity and competitiveness through investment in technology and education, and the reinventing of African labour markets to promote productivity and good labour relations.

Résumé

Au moment des indépendances de la fin des années 1950 au début des années 1960, le continent plaçait de grands espoirs sur les perspectives de croissance des Etats africains nouvellement indépendants. Les conditions économiques telles que le revenu réel par habitant, étaient comparables à celles d'autres pays en développement comme la Corée

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du Sud et Taiwan. Dès le milieu des années 1970, le profil de croissance de la plupart des pays africains avait commencé à se dégrader et au milieu des années 1980, il était devenu évident que le continent africain avait besoin de programmes d'aide dont il a effectivement bénéficié sous forme de programmes d'ajustement structurel. Toutefois, des pays comme Taiwan et la Corée du Sud avaient accompli un progrès tel que leurs revenus réels par habitant ont été multipliés tandis que ceux de la plupart des pays africains baissaient sensiblement par rapport aux toutes premières années après les indépendances. Quel rôle ont joué les stratégies de croissance adoptées par les pays africains dans cette tragédie? Comment allons-nous repenser la stratégie de croissance de l'Afrique? Quelles sont les leçons apprises et quelle est la prochaine étape? Cet article se propose donc de s'attaquer à ces questions et à celles qui y sont liées. Cet article identifie trois phases distinctes de croissance pour les économies africaines et procède à une analyse critique des différents modèles inhérents à ces phases. Cet article explore également les voies et moyens de renforcer l'intégration régionale, relever la productivité et la compétition à travers l'investissement dans la technologie et l'éducation et réinventer les marchés de main d'œuvre en Afrique dans le but de promouvoir la productivité et de bonnes relations de travail.

Introduction²

The growth performance of African countries can be described as among the least encouraging economic performances of the twentieth century because of its dismal nature and disastrous socio-economic implications for its approximately one billion people. After gaining independence from the colonial powers in the late 1950s and early 1960s, African countries had high hopes for development; but most of them are substantially poorer now than they were when their nations gained political independence.³ Prior to the 1974 international oil shock, the growth rates were positive. For example, Artadi and Sala-i-Martin (2003) observe that for the whole continent, growth was around three per cent in the early 60s, close to two per cent in the late 60s, and slightly below 1.5 per cent between 1970 and 1974. Things changed dramatically in the second half of the 1970s. The growth rate for the countries became negative 0.5 per cent in the late 70s, negative 1.2 per cent in the second half of the decade, and zero between 1980 and 1985. Growth dropped dramatically to a record negative 1.5 per cent per annum in the first half of the 1990s. The continent seems to have recovered a bit since then with positive, albeit small, growth rates for the second half of the 1990s and the first two years of the new millennium. There were exceptions, of course, with the oil-producing nations such as Nigeria, Libya, Gabon and Algeria;

but in all these cases, though growth was positive, it did not trickle down. One only has to look at the Gini coefficient numbers for countries like Nigeria and Gabon to appreciate the fact that even when there was growth, it was very uneven; great individual wealth was generated but only for those in command of the post-colonial state. One should also note that from the 1960s to the 1990s, there was much political instability on the African continent – taking the form of the Cold War competition between the West and the Communist bloc, the ideological struggle between Third World socialism (Kwame Nkrumah of Ghana) and neo-colonial capitalism (Houphouët Boigny of Ivory Coast), and the military anti-colonial conflicts in Southern Africa. These political events should be factored into any comprehensive analysis of post-colonial Africa.

Taking the above into consideration, we note that the African growth performance has been very weak in absolute terms, but appeared worse if we take into account that, during this same period the rest of the world has been growing at an annual rate of close to two per cent. The biggest contrast in terms of development has been between Africa and the Asian continent. In the 1960s, most African countries were richer than their Asian counterparts, and their stronger natural resource base led many to believe that Africa's economic potential was superior to overpopulated Asia's. In 1965, for example, incomes and exports per capita were higher in Ghana than in South Korea. But projections proved to be far off the mark. Korea's exports per capita overtook Ghana's in 1972, and its income level surpassed Ghana's four years later. Between 1965 and 1995 Korea's exports increased by a factor of 400 in current dollars. Meanwhile, Ghana's increased only by factor of 4 and real earnings per capita fell to a fraction of their earlier value. The parallels are considerable between Africa today and Asia in the 1960s. Africa's economic and social indicators in 1995 were not much different from those of Korea in 1960 or Indonesia, Malaysia, and Thailand in 1975 – although savings and school enrolment rates were somewhat lower (UNCTAD 1998). In sum, the continent's growth record has fallen well short of expectations.

When expressed in terms of purchasing power parity (PPP) – which takes into account the higher costs and prices in Africa – real income averaged one-third less than in South Asia, making Africa the poorest region in the world. In East Asia and the Pacific, per capita gross domestic product (GDP) growth was over five per cent and Latin America grew at almost two percent per annum (Easterly and Levine, 1997).⁴ Unlike other developing regions, Africa's average output per capita in constant prices was lower at the end of the 1990s than 30 years before – and in some countries had fallen by more than 50 per cent. In real terms, fiscal resources per capita were smaller for

many countries than in the late 1960s. Africa's share of world trade has fallen since the 1960s: it now accounts for a minor portion (Gelb 2000). Three decades ago, African countries were specialised in primary products and highly trade-dependent. But Africa missed out on industrial expansion and now risks being excluded from the global information revolution. In contrast to other regions that have diversified, most countries in Africa are still largely exporters of primary commodities. They are also aid-dependent and, until recently, deeply indebted. Net transfers from foreign assistance average nine per cent of GDP for a typical poor country – equivalent to almost half of public spending and far higher than for typical countries in other regions.

Africa is the only major region to see investment and savings per capita decline after 1970. Averaging about 13 per cent of GDP in the 1990s, the savings rate of the typical African country has been the lowest in the world. Africa's development challenges go deeper than low income, falling trade shares, low savings, and slow growth. They also include high income inequality, uneven access to natural resources, social exclusion, insecurity and severe growth-dampening conflicts. But why have African growth and development been so slow and sometimes reversed? Where there is growth, why have the majority of people been excluded from the growth process and even from the benefits of growth? Why is unemployment-growth pervasive? Why has growth not translated into structural changes? Is it because of the adoption of imposed growth formulae and models irrespective of the structural characteristics of economies in Africa? What role do the prescriptions of the Bretton Woods institutions and the idea of total liberalisation and globalisation play in this respect? Arguments have been put forward in the literature that the suggested economic reforms for Africa by the Bretton Woods institutions have failed to produce the kind of growth they were meant to achieve.⁵ Rather it is believed that they have contributed to the economic stagnation that Africa as a continent has witnessed over the years.

This article sets out to review the growth and development profile of Africa in the context of the neo-liberal growth and development strategies it has adopted over the years. Further, it sets out to propose alternative agenda for African growth and development. The sequence of this paper is as follows. After the introduction, section two presents a review of Africa's growth performance over the years; section three discusses and evaluates the various growth strategies that have been adopted in Africa over the years; section four proposes a viable policy framework for Africa's growth and development; and section five concludes the discussion.

Review of Africa's Growth Performance

Per Capita Income Growth

Africa's growth performance cannot be said to be encouraging, especially when compared to other regions of the world. National development of countries in the African continent has been stunted.⁶ In terms of annual growth rate of per capita GDP presented in Table 1, evidence reveals that African growth rates of per capita GDP increased from 4.5 per cent over the decade 1970-80 to 4.8 per cent over the period 2000-2005. The average annual growth rate which stood at 5.9 per cent in 2007, however, declined to 4.9 per cent in 2009. This decline is perhaps as a result of the global financial/economic crisis. Nevertheless, the surge in growth recorded in 2007 could be attributed to favourable primary commodity prices fuelled by high demand by emerging economies like China and India.⁷⁷ China is currently receiving about nine per cent of Africa's total export while India sources about 24 percent of its crude oil from the continent (Hanson 2008; Beri 2009).

Between early 2003 and mid-2008, oil prices climbed by 320 per cent in dollar terms, and internationally traded food prices by 138 per cent. The increase in prices of the most sought-after primary commodities was also driven by the high demand for these commodities by emerging economies like China and India.

Africa holds a relatively minor share of the world's proven oil reserves of approximately 10 per cent compared to the Middle East's nearly 62 per cent. It should be noted though that Africa is a vast continent and that oil exploration is still ongoing. China's booming economy, which has averaged an annual nine per cent growth for the last two decades, requires massive levels of energy to sustain its growth. Though China relies on coal for most of its energy needs, it is the second-largest consumer of oil in the world behind the United States. Once the largest oil exporter in Asia, China became a net importer of oil in 1993. China's biggest suppliers in Africa as of 2006 were Angola, the Republic of Congo, Equatorial Guinea, and Sudan. It has also sought supplies from Chad, Nigeria, Algeria, and Gabon. At the same time, currently around 24 per cent of India's crude oil imports are sourced from Africa. Indian national oil companies like the Oil and Natural Gas Corporation Videsh Limited (OVL) have also invested in equity assets in African countries.

However, the recent sharp declines in oil and food prices mark the end of what has been the most historic commodity price boom of the past five years. Following a historic five-year boom during which energy prices, metals and minerals prices, and food prices soared, the prices of those commodities plunged in late 2008. However, when compared to other regions, the African growth rates were lower than those recorded by economies in transition and the developing economies of Asia during the same period (Table 1).

Table 1: Annual Average Growth Rates of Total and per Capita Real GDP of Regions

Region	Total Real Gross Domestic Product (Percentage)							
	1970-1980	1980-1990	1990-2000	2000-2005	2005	2006	2007	2008
World	3.8	3.2	2.8	2.8	3.4	4.0	3.8	2.1
Developing Economies	5.8	3.9	5.0	5.4	6.7	7.1	7.3	5.5
Economies in Transition	4.9	1.2	-4.8	5.4	6.1	7.2	8.2	5.4
Developed Economies	3.4	3.2	2.5	1.9	2.3	2.8	2.5	0.8
Developing Economies: Africa	4.5	2.3	2.8	4.8	5.7	5.6	5.9	4.9
Developing Economies: America	5.8	1.7	3.2	2.7	4.7	5.4	5.7	4.4
Developing Economies: Asia	6.2	5.7	6.3	6.5	7.5	7.9	8.1	5.9

Source: UNCTAD Handbook of Statistics, 2008. Table 8.2.1, and updated with statistics obtained from <http://stats.unctad.org/Handbook/TableViewer/tableView.aspx?ReportId=2069>

Trade Structure and Performance

The export share of the African continent in the world trade has been experiencing a gradual decline since 1960. This may be due to the fact that the vital commodities that Africa exports have been grossly underpriced over the years. Important export commodities such as oil, diamonds, gold, copper, bauxite, coltan, uranium, coffee, cocoa, tea, rubber, etc, all belie the claim that Africa's share of world trade is minimal. But the fact remains though that Asian output and share of world trade is much higher than that of Africa. The African goal in this regard should be to follow the lead of South Africa and start exporting value-added items. There is also much scope for intra-continental trade that is not presently exploited.

Gross Fixed Capital Formation

The average value of the percentage share of the gross fixed capital formation statistics in Africa has consistently stood below the 25 per cent mark. A continent that is concerned about achieving rapid economic growth should

strive to record a higher share in its gross fixed capital formation. Rather, general government final consumption expenditure is higher in Africa. Salai-i-Martin and Subramanian (2003) argue that more public spending is bad for economic growth. This is true both for public consumption and public investment, but public consumption turns out to be more robust. This is hardly surprising because public consumption does not tend to have direct positive effects on economic growth. It needs to be financed through added taxes which, according Salai-i-Martin and Subramanian (2003) could have a negative effect on growth (the same argument applies to public investment if it is wasteful, as it is in many African countries).

Once again, Africa does not score well on these grounds: the fraction of GDP devoted to public consumption spending is 0.16. The corresponding numbers are 0.07 for OECD and 0.06 for East Asia. It is suggested that if Africa had had a level of public spending similar to that of the OECD over the last 40 years, its annual growth rate would have been 0.40 percentage points larger (Artadi and Sala-i-Martin 2003). But the problem is that Africa needs to spend maximally on public goods such as universal health and education. Perhaps wasteful spending for personal consumption on the part of politicians should be curtailed as a way of spending publicly but in the right and efficient direction. The Sala-i-Martin and Subramanian thesis is also problematic in the sense that public spending in areas such as human development and health do have long and short-term effects on growth and development in terms of efficiency and productivity. Multiplier effects should also not be discounted.

Figure 1: Gross Fixed Capital Formation (% of GDP)

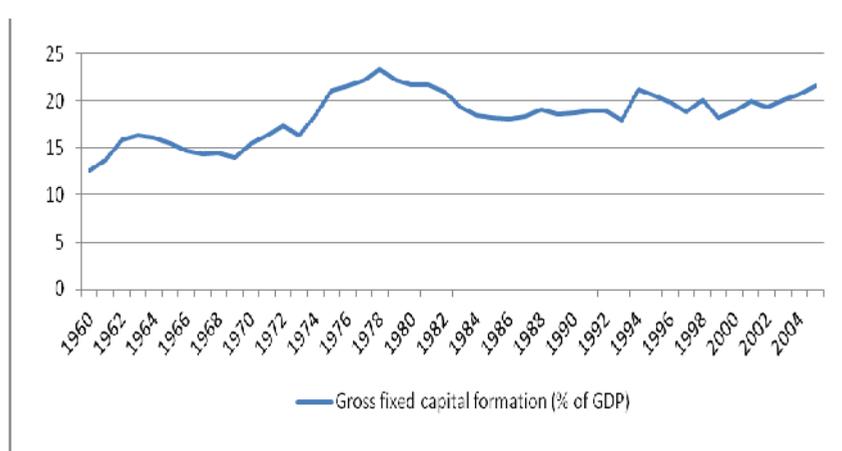


Figure 1 shows that since the 1960s to late 1970s, gross fixed capital formation (as a percentage of GDP) rose from about 15 per cent to about 23 per cent, before declining throughout the 1980s up to the late 1990s. This trend has been reversed somewhat since the mid-2000s. Figure 2 indicates that similar behavior can be established for general government final consumption.

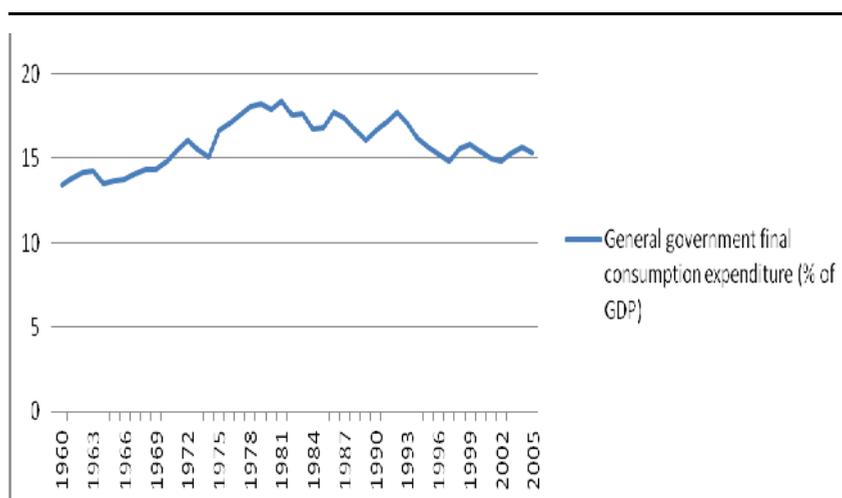
Primary commodities dominate African exports unlike the Asian countries that have manufactured exports as the bulk of their export. Except for Botswana, Lesotho, South Africa, and Mauritius that had a significant part (over 50 per cent) of their exports being dominated by manufactured goods, virtually all the other African countries have their exports being dominated by basic agricultural produce (Table 2). Nigeria, Cameroon, Gabon, and Angola had a significant part of their exports in petroleum with a low percentage share in the manufactured exports category. Currently, the structure reported in Table 2 has not changed significantly for any of the countries.

Table 2: Export share in World Trade

Region	Percentage of Export Share in World Trade								
	1960	1970	1980	1990	2000	2005	2006	2007	2008
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developing Economies	24.49	19.09	29.40	24.25	31.85	36.04	37.27	37.51	38.67
Economies in Transition	4.75	4.56	4.20	3.41	2.39	3.42	3.71	3.85	3.06
Developed Economies	70.75	76.34	66.39	72.33	65.75	60.52	59.00	58.62	56.57
Developing Economies: Africa	5.52	4.98	5.85	3.07	2.37	2.89	2.97	2.87	3.45
Developing Economies: America	7.48	5.46	5.47	4.13	5.64	5.44	5.65	5.53	5.52
Developing Economies: Asia	11.34	8.46	17.96	16.96	23.77	27.64	28.59	29.05	29.64

Source: UNCTAD Handbook of Statistics, 2008 and updated with statistics obtained from <http://stats.unctad.org/Handbook/TableViewer/tableView.aspx?ReportId=2069>

Figure 2: General Government Final Consumption Expenditure
(% of GDP)



Human Development

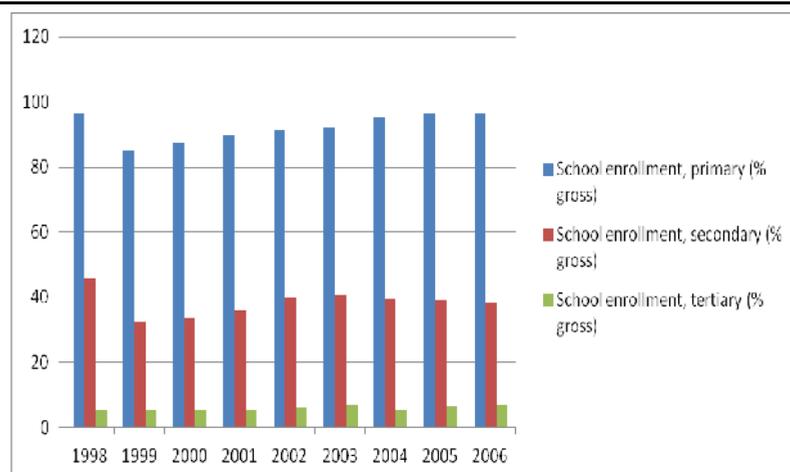
Human development indicators of different regions are presented in Table 3. Although life expectancy has been on the increase in Africa since 1960, the figure is the lowest across other regions. While the 2005 -2010 value in Africa stood at 54.1, the figure is 68.3 for Asia and 73.4 for the developing economies of America. In addition, infant mortality is higher in Africa than any other region of the world. While the figure is 82.3 in Africa, it is 24.15 for transition economies and 42.74 for the Asian region. The population growth rate is also the highest in Africa when compared with other regions of the world. In addition, the enrolment rate in Africa is concentrated on primary schooling while tertiary school enrolment which is expected to spur economic growth is less than 10 per cent on the average. Table 3 suggests that economic growth in Africa has not translated into any significant and meaningful improvement in the wellbeing of the people. Various human development indicators have either deteriorated over time or are worse than what obtain in other parts of the world.

Table 3: Human Development Indicator across Regions

Region	Human Development Indicator	1960-1970	1970-1980	1980-1990	1990-2000	2000-2005	2005-2010
Transition economies	Crude birth rate	20.79	18.41	19.05	21.19	12.17	13.57
	Crude death rate	8.82	9.50	10.48	18.35	13.44	13.53
	Infant mortality rate	56.06	44.54	38.75	37.14	28.56	24.15
	Life expectancy at birth	67.45	67.70	67.95	66.05	65.90	67.20
	Population growth rate	1.22	0.90	0.84	-0.318	-0.22	-0.08
Developed economies	Crude birth rate	18.64	15.53	13.78	12.46	11.51	11.46
	Crude death rate	9.65	9.44	9.29	9.318628	8.94	8.99
	Infant mortality rate	28.08	17.95	10.71	7.31	5.57	5.15
	Life expectancy at birth	70.40	72.50	74.75	76.75	78.60	79.60
	Population growth rate	0.98	0.73	0.59	0.68	0.58	0.51
Developing economies: Africa	Crude birth rate	47.84	46.75	44.64	40.17	37.69	36.41
	Crude death rate	21.54	18.26	15.65	14.33	13.44	12.64
	Infant mortality rate	148.05	125.73	108.24	99.40	89.16	82.31
	Life expectancy at birth	43.60	47.55	50.80	51.75	52.70	54.10
	Population growth rate	2.52	2.73	2.811	2.49	2.33	2.29
Developing economies: America	Crude birth rate	40.04	34.64	29.63	24.52	21.40	19.15
	Crude death rate	11.84	9.39	7.53	6.39	6.01	5.96
	Infant mortality rate	96.66	75.90	53.20	35.93	26.55	22.42
	Life expectancy at birth	57.7	61.90	66.05	69.70	72.10	73.40
	Population growth rate	2.67	2.36	1.99	1.64	1.31	1.12
Developing economies: Asia	Crude birth rate	40.34	32.89808	29.68551	24.38494	22.17234	19.56946
	Crude death rate	16.64	10.96466	9.542109	8.196803	7.943284	7.411155
	Infant mortality rate	123.01	94.56328	71.58419	57.42999	48.42752	42.74166
	Life expectancy at birth	49.95	56.95	61.1	64.35	66.9	68.3
	Population growth rate	2.318	2.153646	1.988363	1.576736	1.296888	1.179861

Source: UNCTAD Handbook of Statistics, <http://stats.unctad.org/Handbook/TableViewer/tableView.aspx?ReportId=2064> (accessed 31 May 2010).

Figure 3: School Enrolment Rate in Africa



Source: *World Development Indicator* (2008)⁸

Africa's Growth Strategy: 1960-2009

Africa has adopted a wide range of strategies in order to achieve sustainable and sustained economic growth and development. In most cases, these strategies were usually handed down to the African countries by the advanced capitalist economies through the Bretton Woods Institutions as a way of 'enhancing economic performance' of the continent with little or no input by African countries. Nevertheless, the economic performance of the region in relation to other regions that adopt similar strategies has shown that there is a need for reconsideration of these approaches to achieve economic growth and development. Various phases can be identified in Africa's growth profile since the late 1950s. In this section, we review the various phases that are identified.

Immediate Post-Independence era

Import Substitution Industrialisation (ISI) strategies were at the heart of Africa's growth and development strategies during the immediate post-independence era starting in the late 1950s to the 1970s. The import-substitution strategies adopted were meant to produce consumer goods locally, which had previously been imported from developed countries, so as to promote the diversification of their economies. This strategy was aimed at beginning with the local sale of final goods, and moving gradually towards the production of intermediate goods, then capital goods. The strategy also involved the introduction of restrictive external trade policies and considerable

protection for emerging infant industries. Complex systems of tariffs and non-tariff protection, exchange control and import licensing were set up to defend local production. Protection was designed to assist emerging industrialists to move up the learning curve during a transitional period when the domestic price of production exceeded international prices.

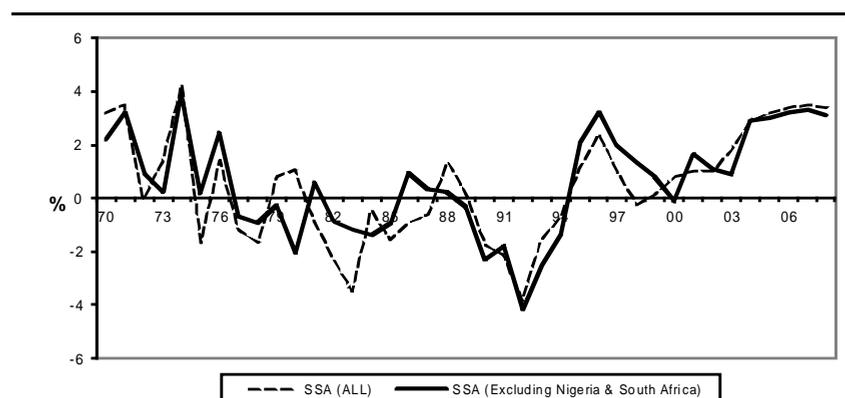
For example, industries producing final goods, mostly intended for the new urban middle classes developed. The industries included flour milling, industrial bakery, and breweries, as well as raw-material processing enterprises such as oil-mills, sugar refineries, fruit and vegetable canning factories and coffee processing plants. The textile industry also developed rapidly in most African countries. A few iron and steel-making factories opened in some countries, due to the development of small-scale electrical steelworks. Other industries that developed include the manufacture of small agricultural equipment and hardware articles, paint and varnish industries, and mechanical and assembly workshops (Hammouda 2004).

The justification for the ISI strategy was based on the historical development of countries such as France, Germany, United States of America, China and USSR that took advantage of high levels of protectionism to develop manufacturing and technology. Many countries in Africa ventured in this direction to produce consumer goods, mostly intended for the new urban middle classes. The ISI strategy ostensibly was geared to enable African countries begin the modernisation of production structures inherited from the colonial period.

It should be observed that African countries inherited viable agricultural sectors from the colonial period. Though countries produce and export agricultural raw materials mainly to the former colonial powers, favourable terms of trade made the agricultural sector contribute significantly to growth. In many countries, it is the largest employer of labour and main source of foreign exchange. Thus, in the initial period of this growth phase, African countries witnessed positive and relatively stable growth in real per capita income. However, by the early 1970s, socio-economic indicators were already showing signs of poor economic management. Growth had become volatile, positive but declining (Figure 4).

However, after almost two decades of experimenting with ISI strategy, available statistics suggest that the strategy did not produce the desired results in Africa. The results of the ISI model were initially seen in an average annual industrial growth rate of 5.5 per cent during the 1970s but which fell to 2.5 per cent between 1980 and 1984, and 0.4 per cent between 1984 and 1987 respectively. Manufacturing as a proportion of GDP increased rapidly and there was a rise in industrial employment in its share of overall employment (Hammouda 2004).

Figure 4: Growth of Per Capita Real GDP



Source: World Bank (2010) *World Development Indicators* (online)

Nevertheless, this strategy soon ran into problems (Bruton 1998). The development of final goods production led to rapid increase in imports of intermediate and capital goods, leading to worsening trade imbalances and balance-of-payments deficits. Small domestic markets did not generate sufficient demand for the products of emerging industries, industries were prevented from reaping the advantage of economies of scale, and import substitution was biased towards elite urban consumers to maintain political support while focusing on consumer goods for the middle class. It therefore generated rent-seeking behaviour by firms, as they took advantage of insulation from international competition to remain inefficient and non-innovative. The disappointing outcome of the import substitution strategy in Africa was seen most starkly in the poor productivity performance of the new enterprises.⁹ Import substitution delivered very poor results in terms of productivity improvement, innovation, structural transformation of the economy and export diversification. The set of countries that adopted ISI include Nigeria, Ghana, South Africa, Uganda, Botswana, Cameroon, Ethiopia, Kenya, Algeria, Tanzania, Zambia, Zimbabwe, Guinea, and Benin Republic, among others.

Thus, by the late 1970s, socio-economic conditions in most African countries were very much below par. Many countries were experiencing successive trade deficits, worsening term-of-trade, rising level of international indebtedness, huge fiscal deficits, rising subventions to inefficient and unproductive public enterprises, and substantial loss in foreign reserves. Coupled with these were some natural calamities such as drought and famine that made agricultural production almost grind to a halt, thus worsening the international current account position of many countries. One thing that was

clear here was the fact that African governments had failed woefully in economic management and there was the need to re-examine the role of the state in economic management. The pervasive presence of the state in economic management became challenged and a new growth agenda was about to be set.

Since 1973, the management of macroeconomic policy has been altered due to the high and rising oil prices. By way of illustration, the price of crude oil rose considerably from US\$3.89 per barrel in 1973 to US\$6.87 in 1974 and US\$12.64 in 1979 because of the Iranian revolution and the start of the Iraq-Iran war in 1979. The annual average price of crude oil peaked at US\$31.77 in 1981, before declining to US\$28.52 in 1982 and then to US\$24.09 in 1984 (CBN 2008). The upward movement in prices led to an increase in crude oil exploration and production outside of OPEC. From 1980 to 1986 non-OPEC production increased 10 million barrels per day. OPEC was faced with lower demand and higher supply from outside the organization. Thus, prices continued to decline reaching a low of US\$12.51 in 1986 and US\$15.86 in 1989 (British Petroleum 2007). The Iraqi invasion of Kuwait in 1990 led to a spike in oil prices as a result of the Gulf War that emerged thereafter. They remained steady again at US\$16.54 in 1991 and US\$15.56 in 1999, after a major low of US\$10.87 in 1998. Price recovery began in early 1999 as OPEC reduced production. Nevertheless, by the middle of 1999, OPEC's output dropped by about 3 million barrels per day, which was sufficient to move prices to an average of US\$26.72 per barrel in 2000. However, the 11 September 2001 terrorist attack on the United States caused the price of crude oil to plummet, but production cuts by OPEC and non-OPEC members, particularly Russia, had the effect of pushing the price up again so that by 2002, the average price of crude oil was US\$22.51. It therefore continued to rise thereafter. For the major oil exporting countries in Africa such as Nigeria, Gabon, Egypt and Algeria crude oil became a major player in these economies during the 1970s.

For example, oil was discovered in Gabon in the 1970s and has contributed significantly to the determination of income in the country, and accounted for about 50 per cent of GDP and 80 per cent of exports. The same pattern exists for Nigeria and Algeria. Oil exports account for 90 per cent of total exports in Nigeria and contribute to about 70 per cent of GDP. Although these countries experienced significant inflow of revenues as oil prices increased, as argued by the resource curse literature, there is no evidence of significant growth and development in their economies. In Algeria, the growth rate of output declined from 17.99 percent in 1979 to -2.82 percent in 1981, -0.04 percent in 1985 and -0.22 percent in 1990, before rising marginally through 1.84 percent in 1995 to 2.54 percent in 2002 and 4.71 percent in 2004. During notable

booms, Nigeria and Egypt recorded different patterns of economic growth. For example, in 1980, GDP growth rate in Nigeria was -7.2 percent, whereas in Egypt it was 9.79 percent. However, by 1981, output growth in Nigeria stood at 5.27 percent while that of Egypt declined to -0.71 percent. But by the end of the boom period in 1990, Nigeria's economy grew by 4.8 percent while Egypt grew by 3.65 percent due to earnings from oil exports. In 2001, when there was a slight increase in the price of oil, Nigeria's economic growth declined to -0.27 percent while Egypt grew by 1.62 percent (Olomola 2007).

Table 4 highlights some economic and political indicators of economic growth and development in Africa and selected oil exporting developing countries, for comparative analysis. Despite the enormous oil rents to be generated given high daily production and increasing prices of crude oil, available evidence shows that the benefits failed to diffuse to the key sectors of the economy to generate economic growth and development. For example, there is a high incidence of corruption in Nigeria, Algeria and Libya (OPEC members). With the exception of Algeria, these African countries rank lowest on the development scale, with very low per capita income. Nevertheless, Angola and Equatorial Guinea, which belong to non-OPEC oil exporting African countries, recorded per capita income greater than that of Nigeria. Nigeria has the smallest annual per capita health expenditures at about US\$15, while Angola, Nigeria and Equatorial Guinea have the highest infant mortality rate (infant deaths per thousand live births). With the exception of Nigeria that moved back to democracy in 1999, all other oil producing African countries cannot boast of a reasonable experience of civil liberties.

A dilemma faced by most governments was lack of clarity as to whether the oil boom would be permanent or transitory. However, the major challenge facing these African countries has been whether to accumulate more foreign reserves, or expend the windfall. If the decision is to spend, then is it for consumption or investment? Driven by influences of rising powerful political groups, the oil money has always been dissipated, as governments have to adjust their expenditures to higher levels. For example, the share of investment to GDP rose in all the countries between 1973 and 1979, while consumption expenditures fell, except in Nigeria. In Algeria, private consumption as a ratio of GDP declined from 46 percent to 33 percent, while imports fell from 58 percent to 36 percent. Similar development was noted in Tunisia, where the investment ratio rose to 22 percent from 18 percent in 1973, and private consumption fell from 73 percent in 1973 to 71 percent in 1979. In Nigeria, however, private investment fell from 27 percent in 1973 to 22 percent in 1979, while public investment rose to 60 percent from 56 percent in 1973. Public consumption rose from 8 percent to 11 percent in 1979.

Table 4: Economic and Political Indicators

Country	Daily oil production '000 barrels	Corruption rankings**	Political rights***	Development ranking*	Average annual capita income	Annual per capita health expenses	Infant Mortality Rate****
Saudi Arabia	9817	71	7/7	73	\$8530	\$375	23
Russia	8543	90	5/5	63	\$2610	\$115	18
Iran	3852	87	6/6	106	\$2000	\$363	35
Venezuela	2987	114	3/4	69	\$3490	\$307	19
Nigeria	2185	144	4/4	152	\$320	\$15	110
Algeria	1857	97	6/5	107	\$1890	\$73	39
Libya	1488	108	7/7	61	N/A	\$143	16
Angola	885	133	6/5	164	\$740	\$31	154
Azerbaijan	313	140	6/5	89	\$810	\$8	74
Eq. Guinea	249	N/A	7/6	116	\$930	\$76	101
U.S.A	7454	17	1/1	7	\$37,610	\$4,887	7

The positive growth recorded during this period could be due to the considerable increase in exports, from 20 percent of GDP to about 25 percent, more than the growth in imports. Developments within these economies changed thereafter. In the 1980s only Algeria experienced a marginal fall in private consumption from 66 percent in 1983 to 63 percent in 1986, while the investment rate was constant at 25 percent. By the 1990s, however, private investment in Algeria had risen to 67 percent, while capital formation declined to about 16 percent by 1997 (Olomola 2007). A noticeable trend in these developments was that the oil windfalls that should have ushered in sustained economic growth have exacerbated slow growth and engendered poverty. This is what tends to echo the development in resource curse literature, whereby a negative correlation exists between natural resource abundance and economic growth.

The Era of Structural Adjustment

The failure of the ISI to launch Africa into industrialization, the success of the 'export-led' South- and East-Asian growth strategy, and the debt crisis of the early 1980s led to a new consensus on the importance of trade policy reform and exports in growth strategies. This new consensus was the main focus of the reforms recommended to African countries and the developing world in general from the early 1980s, within the framework of IMF-engendered Structural Adjustment Programmes (SAPs).¹⁰ As a result, the mid-1980s witnessed the formulation and implementation of wide-ranging trade policy-related economic reforms by most African countries as urged by the International Monetary Fund (IMF) and the World Bank.¹¹¹ According to Oyejide (2004) trade liberalisation implies the transformation of the trade regime from an inward-oriented stance that discriminates in favour of (and thus protects) import-competing activities into a neutral regime whose incentive structure does not distinguish between exportables and importables or into an outward-oriented trade policy regime that discriminates in favour of and thus actively promotes exports. The adoption of trade liberalisation measures should therefore produce either a neutral or an outward oriented trade regime and allows certain productivity enhancing and growth promoting features on the liberalised economy.

The end result was that starting from the mid-1980s, and especially in the 1990s, most African countries were required to liberalize their trade regimes, with many countries reducing trade barriers significantly more than others (especially restrictions on imports). These reforms were aimed at opening up Africa to more imports, by reducing tariffs and non-tariff barriers, and laying the foundations for cheap exports, by eliminating export taxes and providing export incentives. In brief, this was the US-engendered

'Washington Consensus' in practice. This was meant to open African markets so that the exportation of Western-manufactured commodities could be facilitated and the reciprocal export of raw material agricultural and mineral items at cheap prices to the Western countries. One exception was petroleum which set its own prices according to the group decisions of the OPEC nations.

For example, there was a partial or complete conversion of quantitative restrictions to tariffs (except for moral, health security, and environmental restrictions in some cases) in most African countries. A study by Oyejide, Ndulu and Gunning (1999) revealed that in line with this new strategy, Mauritius abolished import permits in 1991, Ghana in 1989, Tanzania by 1993, Zambia by 1992, Kenya by 1993 and South Africa reduced 85 per cent of restrictions by 1990. Also, Mauritius compressed its tariff structure from 60 to 10 tariff categories, Kenya from 25 to 6, Cote d'Ivoire from 10 to 6, and Zambia and Tanzania compressed their categories to 3. Mostly, this involves a switch from a positive list of permitted imports to a small negative list of mostly prohibited items or items considered to be luxury goods for the country. The sequence was first to levy import surcharges and then to adjust the minimum and maximum tariff prior to abolishing restrictions. Import permits were abolished in Mauritius, Ghana, Tanzania, Zambia and Kenya in the 1990s. In addition, duty rates as part of tariff liberalisation were also lowered in some African countries. Mauritius reduced its rates from 250 per cent to 100 per cent; Tanzania from 200 per cent to 60 per cent; Zambia from 150 per cent to 50 per cent and in Kenya from 170 per cent to 40 per cent. In Zimbabwe and Ghana the rates ranged from 5 per cent to 30 per cent and 10 per cent to 40 per cent respectively. Tariffs are now the main trade policy instruments of most African countries. While the overall variation or spread in tariffs has been reduced, progress varies across Africa's regions.

Exchange rate regimes in most of the African countries were also liberalised. A good number of African countries stopped fixing exchange rates and overvaluing their currencies in order to stimulate exports and make the economy more competitive. Kenya, Uganda, Ghana, Tanzania, Zambia, Nigeria, and Cote d'Ivoire virtually eliminated exchange rate premiums, where buying and selling of foreign exchange is now market-based and abolishing previous restrictions on current transactions. The system of multiple exchange rates was abolished in Burundi. From 1996, the Ethiopian currency, the Birr, was allowed to float, thereby resulting in the convergence of the official, auction and parallel market exchange rates. After liberalising its external sector in 1990, Benin Republic's currency was devalued and its black market premium averaged only two per cent between 1990 and 1999. We can therefore conclude that most African countries witnessed a significant

relaxation of trade barriers. Import restrictions are now lower and export barriers have been significantly reduced.

For most of the years during this phase, growth in per capital real GDP was negative and highly variable (see Figure 4). However, growth recovered in the mid-1990s after about a decade of adjusting, with average annual rates of 4 per cent in 1996, 2.9 per cent in 1997 and 3.3 per cent in 1998 (Hammouda 2004). The outcome of these reforms fell below expectations if we examine the continent's sectoral performances. The agricultural sector, which employs nearly half of the African population, dropped from 22.3 per cent of GDP in 1980 to 19.4 per cent in 1997. The performance of the industrial sector was no better, with a decline in its contribution to GDP from 39 per cent to 32 per cent during the same period. The sector's productivity also decreased from 3.8 per cent in 1997 to 3.2 per cent in 1998. The proportion of manufactured products in total exports increased from 6.4 per cent to 22 per cent between 1980 and 1995, but the increase was due to the fact that a few countries such as Tunisia, Mauritius, Egypt and Morocco had succeeded in diversifying their industrial structures and negotiating for international integration based on the export of manufactured products (Hammouda 2004). For most other African countries, no significant diversification occurred. Thus, the dismal economic performance of the African continent after the adoption of SAP led to serious questions about the viability of the SAP initiative. Thus, by the end of the 1990s, due to the high socio-political cost of SAP, a new growth agenda was beginning to emerge.

It should be borne in mind in all of this that the SAP conditionalities imposed on debt-ridden African countries incurred great human costs on the populations of the countries in question. The menu was always selling of as many public assets as possible and the severe conditions being placed on public welfare assets such as health services, education at all levels, and retrenchment of government-employed personnel. The publicity given to the public reaction to IMF conditionalities imposed on European Union countries like Greece proves the point.

Post-Adjustment Era: Neo-liberalism, IMF and the World Bank

At the end of the last decade, three main factors forced the World Bank and the IMF to change their attitude and to seek a renewal of their approaches and practices in the developing countries. The first reason was the acute awareness of the increase of the poverty incidence in many parts of the world, particularly Africa. The second one was related to the failure in most countries of structural adjustment policies and the questioning of the Washington Consensus on which they are based. The third factor was the crisis in legitimacy of the Bretton Woods Institutions (BWIs) which had to

answer the rising criticisms from civil society and various protest movements. As a result, a joint initiative launched by the BWIs at the end of 1999 set the fight against poverty at the heart of growth and development policies. Under this initiative, low-income countries wishing to apply for financial aid from either of the organizations, or for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, were required to draw up poverty reduction programmes known as Poverty Reduction Strategy Papers (PRSPs). Since then, the BWIs have mobilized human and financial resources to implement this initiative (Cling et al 2002). It should be understood, above all, that these initiatives have been undertaken according to the paradigm of neoliberal economics which has affected Africa's economies much more negatively than otherwise. But some details are in order.

The PRSP outlines a national programme for poverty reduction which is the foundation for lending programmes with the IMF and the World Bank, and for debt relief for Heavily Indebted Poor Countries (HIPC). The Bank and Fund developed the PRSP approach as a way to ensure that debt relief money would go to poverty reduction, and to respond to evident weaknesses in relations between poor countries and the Bretton Woods Institutions – in particular, lack of poverty focus, and no country ownership of reforms. There are five core principles underlying the development of poverty reduction strategies, namely:

- Country-driven – involving broad-based participation by civil society and the private sector in all operational steps;
- Results-oriented – focusing on outcomes that would benefit the poor;
- Comprehensive – in recognising the multidimensional nature of poverty;
- Partnership-oriented – involving coordinated participation of development partners (bilateral, multilateral, and nongovernmental);
- Based on a long-term perspective for poverty reduction.

The PRSP preparation involved a two-stage process. Countries must first prepare an interim PRSP (I-PRSP), which is intended as a roadmap for preparation of the full PRSP. The I-PRSP paves the way for the country to qualify for its decision point and interim support (or a loan) from the IMF's Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility). Upon submitting the full PRSP, countries are allowed to jump through the completion point, which qualifies them for full debt stock reduction, but only after one additional year of satisfactory macroeconomic performance.

The Bank's Poverty Reduction Support Credit (PRSC), a lending instrument designed to support implementation of PRSPs, was created to complement traditional adjustment loans. In addition to the PRSP, countries still need a

Letter of Intent (LOI) and a Country Assistance Strategy (CAS) spelling out their targets and actions to request IMF and World Bank loans.

The government is responsible for writing the PRSP and for commissioning and organizing technical and donor input into it. While there have been examples of innovation in some areas, the macroeconomic framework has remained largely unchanged. There is a contradiction between the rhetoric on ownership and the request for WB/IMF Boards to endorse the PRSP. Many NGOs are concerned that this contradiction means that governments opt for programmes that they know will be accepted even if they conflict with priorities identified through consultative processes.

While the World Bank leads in support for the PRSP process, the United Nations (UN) system is, with the agreement of national governments, actively participating in the millennium development goals (MDG). Targets are set at levels that balance ambition with feasibility. Since the Millennium Declaration in 2000, the MDGs have been touted as adequate tools of monitoring human progress across nations.

Evidently, growth performance has improved in Africa since the early 2000s and was only recently slowed down by the global financial/economic crisis. To suggest that the performance was due to the adoption of PRSP/MDGs will definitely be an overstatement. The observed growth was largely due to favourable external conditions – rising prices and demand for primary commodities – and entrenchment of more business-friendly domestic policies which have attracted foreign investment to Africa. However, despite resumption of growth, human development indicators have not shown signs of improving significantly. In fact Africa is said to be behind in achieving all the MDGs (AfDB 2002). Again, the disproportionate effect of the recent global financial/economic crisis on African countries has called into question the sustainability and reliability of the export-led growth strategy that is embedded in SAPs.

The above has merely outlined Africa's subjection to IMF's conditionalities and its serious impact on the welfare and growth of Africa's economies. I have also highlighted the response of the BWIs to the failure of their initiatives on the African continent. But such solutions being from the top downwards cannot really help in resolving Africa's economic problematic. There needs to be a set of economic reconfigurations that would set the necessary conditions for not only balanced growth but also development. Economic growth is ultimately without significance unless it is eventually transformed into technological development. The economic reconfigurations that must be broached include regional integration at all levels to create larger internal markets, greater economies of scale, greater employment opportunities, increased efficiencies all under the rubric of single regional integrated currencies.

In sum, based on the trend in human development indicators on the African continent, the unchanging structure of African economies, the increased dependence and vulnerability of various economies on the continent and the level of opposition to it worldwide, one can only come to the conclusion that, despite modest successes, SAPs cannot be described as viable and sustainable growth models. In general, SAPs have come to be regarded as growth models without a 'human face'.

Setting a New Agenda for Africa's Growth and Development

Africa's experience at implementing various prescribed growth models now calls for a rethinking of its growth strategies and charting a new course. Also, recent events such as the global financial/economic crisis suggest that over-reliance on markets in the advanced economies can expose the world to all kinds of international price and demand shocks. Thus, given past and current experiences, certain proposals for sustainable growth and development can be made.

Enhancing and Deepening Regional Integration

For African countries, the issue is not whether to integrate or not. African countries need to and must integrate their economies. More than ever before, African countries need to pay more attention to their regional integration agenda. Regional integration efforts should now move beyond rhetoric into concrete plans and action for effective integration of markets. Africa is the most fragmented continent with about 165 national borders demarcating the region into some 53 countries – 22 of which have a population of 5 million or less, and 11 of which have a population fewer than 1 million. This does not augur well for industrialisation as the national markets are small and fragmented. African governments would need to explore the advantages embedded in sectoral cooperation such as banking, telecommunications, transportation, etc. These have the advantage of speeding up the 'one Africa' agenda. For example, one would wish that calls made from any part of Africa to another should be regarded as a local call. Though there are few African-owned telecom service providers in the telecommunications sector, they should be given license priorities across the continent, and also non-African telecom service providers must be licensed based on agreed terms and conditions that promote regional integration in Africa; Africa should not just be seen as another promising market. Also, one would wish that African entrepreneurs access their bank accounts from any part of the continent. This implies that African countries must take full advantage of all the opportunities and benefits provided by recent advances in information and communications technologies to integrate key sectors such as the financial and telecommunications.

Furthermore, African political parties (and even civil societies and media) need to bring the issue of regional integration to the fore of their programmes, manifestoes, rallies, and campaigns. In most countries, the issue of regional integration does not feature at all in the development agenda of political parties. The politicians and even the electorates are generally not aware of the issue of regional integration as it is largely driven by the different governments who have different political and selfish agendas for supporting integration. It is by creating this awareness at the party levels that the much needed 'political will' would be generated and sustained. Also, since market integration remains a permanent and abiding component of regional integration in Africa, the private sector must be made the driver of regional integration in Africa. They are the main producers and marketers of goods and services; as such, they must be actively involved in the integration process. An enlarged and integrated market has the advantage of spurring productive investment (local and foreign). Increased intra-African trade would reduce Africa's vulnerability to international price and demand shocks originating outside the continent.

Pan-African development institutions like the African Development Bank (AfDB) should be encouraged and even mandated to commit a sizable proportion of their development financing to trans-national projects. Funding country-specific projects would not hasten the regional integration agenda of the continent. Thus, projects like intra-national roads, rail lines, power plants, and so on should be the new financing focus of such institutions.

Also, African countries need to speed up the issue of monetary union. Having several currencies all around the continent definitely increases the cost of international transactions. Again, as many countries do not have the appropriate capacity to manage exchange rate volatility, monetary cooperation would reduce the risks posed by currency instability. It is worth noting that, as at the beginning of the global financial/economic crisis in late 2008, African countries had combined foreign reserves in excess of US\$340 billion. But unfortunately, this is divided among several national apex banks, making it inaccessible to African countries as there is no standing monetary cooperation amongst most of the central banks. Thus, many African countries have been forced to seek short-term stabilization funds from the usual discredited sources. With a common monetary framework, the reserves would have been available for the use of African countries at more favourable conditions.

It is also important that African countries invest in infrastructure and trade facilitation as a means of enhancing intra-African trade, regional cooperation, and competitiveness. Investment in functional and efficient infrastructure such as transportation, electricity, and ICT have the ability to reduce significantly cost of operations by enterprises which translate to lower

cost of goods and services. This would enhance the ability of African firms to compete globally. Productive infrastructure is necessary for global competition and market access. Trade facilitation, in terms of improved government services, access to finance and good private solutions for transport and logistics should complement the provision of productive infrastructure. Thus, the trade regulatory environment, trade and customs documentation, procedure and enforcement, and trade finance framework must be business and trade-friendly. African countries have taken some steps in this direction, however much still needs to be done. Custom checks and procedures along most international routes are notoriously inefficient. The Common Market of the East African Community which was implemented in July 2010 is a welcome development. It is hoped that other Regional Economic Communities (RECs) would earnestly tow this line. It is well known that cross-border informal trade is huge in Africa. Thus reducing bottlenecks to intra-African movement of goods would certainly reduce transaction costs and also increase the flow of goods and services.

Thus, it is in this light that the ongoing tripartite discussions between the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC) be encouraged and pursued to a logical conclusion. If this pulls through successfully, then the much talked about Cape-to-Cairo free trade arrangement would be speedily realised. RECs should be encouraged to take concrete actions that will ensure that all types of overlap, confusion, duplication, and so on are urgently corrected. Further mergers should also be encouraged. The various national markets need to be consolidated into one huge internal market - the African market. It is based on this internal market that Africa will anchor its growth, not on some unpredictable and volatile global markets. In the short-term, exportation to earn foreign exchange to finance growth and development and repay foreign loans is still important, but sustained and sustainable growth and development would have to be internally designed, motivated, financed, managed and sustained – this, essentially, is the justification for market integration in Africa.

Enhancing Productivity and Competitiveness

Productivity measures indicate the capacity of a country to harness its human and physical resources to generate economic growth. They are key indicators of economic performance. It should be observed that, among several factors, the inefficiency of public enterprises is one of the key ones that led to the dismal African growth profile of the 1970s and 1980s. These enterprises enjoyed monopoly power and were also being subsidised by the public budget.

Thus, sheer incompetence and lack of innovation were the order of the day, leading to gross failure of these enterprises. Also, the 1970s and 1980s witnessed a boom in public investment expenditure with little or no return. Most of the public expenditures were made on ill-conceived projects, while a lot of the projects were also not completed. Thus they served no meaningful purpose.

Given the above narration, it is important that African countries start to learn the art of prioritising public investment based on productivity. Rigorous methods of public investment analysis must be applied so that so-called 'white-elephant' projects are not given priority. Rather, investment expenditures should be channelled to projects that enhance productivities of the public service and private sectors. A major challenge to industrialisation in Africa is energy and transportation. Poor provision of these services reduces productivity and also raises the cost of operation and service delivery. Thus, it is important that African governments concentrate on providing uninterrupted energy and efficient transport systems. In most African countries, the rail systems are obsolete, inefficient and unreliable, thus leading to increased degradation of the already unviable road network system. The result of poor transport systems is that the costs of delivering goods to many land-locked countries have increased significantly in recent times.

It is also important that African countries invest significantly in human capacity development through investment in technology and education. If we understand that productivity is determined by the available technology or know-how for converting resources into outputs desired in an economy, then it is important that African countries put in place efficient and effective methods for continually developing and improving their educational systems for productivity enhancement. The world is currently driven by knowledge and African countries cannot afford to be left behind in this regard. Emphasis must shift to the important role of tertiary education in the quest for human capacity development. Technological advancement, research and development, and innovations do not significantly come from primary or secondary education, but from a well-functioning tertiary education system which would have a good interface with other sectors of the economy. Furthermore, since there is a large pool of African professionals outside the continent, African countries should have in place means of using the services of these professionals for the development of the continent. Professional services can be provided without the professionals having to leave their places of work. This suggests the importance of investing significantly in information and communications technology so as to reap the enormous productivity benefits it offers.

African countries can also identify key sectors of the economy and target them for productivity increases. First, identify sectors that employ significant proportions of the labour force; second, identify sectors that have potential for rapid and significant growth and linkages with the other sectors of the economy. These sectors can be deliberately targeted for productivity increases. It is important to note that when sectors that employ a large percentage of the labour force are productive and growing significantly, poverty and income inequalities tend to reduce significantly. In this connection, the goal would be to encourage the growth of small and medium-sized businesses. The development of the financial system would significantly boost productivity as it eases the constraints involved in effecting transactions. A well-developed and competitive financial system would ensure that business information be accessible and widely distributed. There should also be in place efficient legal systems that would guarantee redress on the enforcement of business and property contracts, etc. All this would translate to higher productivity in the private sector.

Another way the government could intervene to improve productivity is to establish a productivity enhancement fund for the benefit and use of organizations in such areas as training, skill upgrade, consultancy, and so on. Thus, if firms contribute to the fund, they can be given access to such funds in form of grants or subsidies for the purpose of training and upgrading their workforce. Enterprises should also be mandated to have and regularly implement a workforce development programme. This and other related productivity issues can be managed and overseen by a national productivity enhancement authority. Incentive rewards for innovative and productivity enhancement enterprises can be put in place to ensure that enterprises conduct businesses based on best practices. The role of research universities and research centres is crucial here. In the industrialised nations technological research of all kinds is usually carried out by universities and research institutes, both of which are often jointly supported by government and business. In this regard, the maintaining of research centres and research universities of high and reputable quality is crucial here. Proof of Africa's lag here is that its output of research papers in the natural and social sciences plus patents is less than two percent worldwide. The problem is that given the fragmented state of the African continent in terms of scientific and technological research infrastructure, not much can be done in the way of competing with areas such as the West and Asia. This is another reason for initiatives such as regional integration in all dimensions.

Thus, if regional integration is deepened, and there is adequate investment in infrastructure and trade facilitation as earlier discussed, then what African

countries need to do to enhance (international) competitiveness is to enhance value-addition in export by not only diversifying the range of goods and services available for export, but putting more value and quality into goods and services before they are exported. The recent global financial/economic crisis has made this more imperative than ever. It should be realized that, among other things, value-addition requires innovations, which implies that African government cannot afford to underplay the importance of research and development in expanding value-addition. Again, incentive structures such as 'value-addition' funds, tax rebates, easy credit access, grants, and so on, can be provided by the government to encourage firms to increase value-addition in exports. An important advantage of expanding value-addition in production and export is that, given the presence of flexible and efficient counter-cyclical measures, it would aid in mitigating shocks during export demand or international price contractions.¹² Thus, expanding value-addition in exports not only boosts growth but can also act as a stabilization instrument.

Reinventing Africa's Labour Markets and Institutions

There is no doubt that when one is looking for the connection between growth, employment, poverty and inequality, the labour market is the place to look. Africa's labour markets, standards and institutions are some of the most rigid, weak and underdeveloped in the world, despite the ratification of several core international labor conventions. A major reason for this is that there are wide gaps between these various commitments and national labour laws on the one hand and between national labour laws and the enforcement of these laws on the other hand. In most countries, labour organizations form unions for the purposes of ensuring that workers' welfare and rights are respected and upheld. In the case of Africa such functioning workers' unions are limited to workers in the urban areas as in industrialising nations such as South Africa.¹³ But with the norm of large informal sector employment, particularly in agriculture and retailing, this would mean that a large proportion of the labour force is not enfranchised for any meaningful bargain or standard. Core neo-liberal economic thinking sees labour unions as constituting market distortions and that income distribution does not matter for growth and development.¹⁴ It is worth noting that labour standards in the form of employment laws regulating hiring and firing practices, working hours, and other individual employment relations can be seen by employers as obstacles that reduce economic opportunities. Hence, since formal employment laws and standards are not generally observed in the informal sectors, many enterprises prefer to operate in the more informal sector due to the flexibility it affords. Thus, due to the low rate of unionisation, the impact of labour unions on market outcomes is at best minimal and limited in scope.

However, unions are a private sector solution to market failure concerning the huge imbalance of power that exists between individual workers and their enterprises. Economic efficiency requires absence of market power, yet real world labour markets are characterized by significant imbalances of power that favour firms over individual workers. This is particularly so in African countries where workers have few rights and social safety nets are lacking. Moreover, employers' power advantage has been increasing owing to technological and capital markets developments that have increased the mobility of businesses. Seen in this light, the development of workers' unions in Africa will signal another step in the right direction of balanced economic growth and development.

Labour standards fit with this new approach. Freedom of association and unions can be viewed as creating the counter-veiling powers that check such practices. The mainstream counter is that open markets can compete away the problem of corruption, yet the reality is that open markets simply get captured by corruption. The logic of capture is reflected in the problem of bribery. Despite the wastefulness and inefficiency of bribery as a way of doing business; left to itself the market will produce a world in which bribery prevails. This is because every private agent has a private incentive to bribe to try to win business. However, the socially optimal outcome involves no bribery, and the only way to achieve this is through legal prohibition of bribery and enforcement of anti-bribery measures. In effect, political action is needed to deal with the problem of bribery. Labour standards and the promotion of the right of freedom of association – which extends beyond just the right to join trade unions – can be viewed as fostering political conditions supportive of such measures.

Another argument in favour of labour standards is that by promoting good governance, they draw on all elements of civil society which in turn facilitates economic crisis management. Furthermore, there is empirical evidence (Palley 2001) that countries with improved labour standards appear to be less susceptible to financial crisis. A possible explanation for this finding is that financial markets recognize the benefits of sound civil society institutions and give economies with such institutions more financial space.

Through all of these channels, labour standards can help put in place the income distribution and political conditions necessary to sustain domestic demand-led growth. But the benefits of labour standards do not end there. Labour standards can also benefit the international economy by helping solve the contradictions of export-led growth. As noted above, trade and exports will remain a vital necessary ingredient of development, but the challenge is to avoid the pitfalls of export-led growth. By improving income distribution

and increasing the space for domestic consumption, the growing productive capacity of developing countries will be subtly tilted away from world markets. This should help mitigate the problem of declining terms of trade which has so far afflicted African countries, both in their traditional role as primary commodity producers and in their newer role as producers of lower-end manufactured goods.

Labour standards can also help block off the race to the bottom, which has an incentive structure that parallels that of the problem of bribery – which can be viewed as a race to the bottom in corporate business practice. In an export-led growth world every country tries to gain international competitive advantage by exploiting every possible margin. Good competition focuses on productivity and quality; bad competition eats away at workplace safety, the environment, and income distribution. Labour standards can contribute to ruling out the bad competition outcome by blocking countries from gaining competitive advantage by eroding standards.

Thus, Africa governments must, as a matter of urgency, redesign and reorganize labour institutions to eliminate all forms of discrimination in the labour markets, and also to reduce child labour and other forms of abuses. A way of doing this is to follow in the steps of Mauritius, a country that has made quality education free and compulsory, at least at the primary school level. In an attempt to use the labour market and its institutions to reduce poverty, African countries must implement and enforce minimum wage rules across all economic sectors.

At the same time, national labour market institutions like labour advisory councils, labour productivity boards, and so on, should be empowered to effectively enlist the support and cooperation of employers and union members in addressing all issues relating to labour-management relations and productivity in a tripartite manner. Such a tripartite framework would provide the mechanism for reaching good labour relations, increasing productivity, and building consensus on socioeconomic issues. However, there is the tendency in many countries to turn it into a state-controlled mechanism. This would only result in friction and dissent. In sum, while it is necessary to get the microeconomic structure of labour markets right, domestic demand-led growth also requires that countries get the macroeconomic environment right.

Paradigms of Growth and Development

In the above discussion we have looked at the actual empirical state of Africa's post-colonial economies and have seen them wanting in dimensions. But given the enormous influence that Western-generated economic theories have had on the economic life of the continent, it would be useful now to examine

such theories critically to determine whether or not the African problematic springs from theories that have not been adequate for the task at hand.

There was a time when it was argued that economic socialism or communism was the way to develop non-Western economies. The Soviet Union and China were the models to be followed. But both the Soviet Union and China abandoned the strict socialist model – state control of the means of production – in the 1990s to adopt both market and statist economic initiatives. Well, how have they fared? The Soviet Union that became Russia has not produced the free market paradise as the neoliberal mantra argued for. There is much poverty due to the fact that state welfare institutions have been dismantled. There is much crime and corruption. China experienced much economic growth ever since market structures were adopted. But such growth has been unbalanced growth and the poverty index has been rising. So which model should African nations adopt once regional integration and other restructurings will have been adopted? In practice there have been the experiments of Ghana and Tanzania introduced by Nkrumah and Nyerere respectively. And there have been the writings of Samir Amin, Claude Ake and Bade Onimode. But it has been the neoliberal theories emanating from the West that Africa has been made to comply with.

Perhaps the path of least resistance is to seek to establish welfare-type economic systems that prevail in the Scandinavian countries, countries that always top the annual UN ‘quality of life’ list in terms of metrics such as general welfare, GINI coefficient, life expectancy, education, health, etc. What stands out above all in these countries is the spirit of communitarianism that is woefully lacking in most African nations. And what characterizes such countries’ economic systems is a judicious mix of market economics and welfare economics. But we should pay attention the caveat that welfare economics systems can work only when there is a spirit of social communitarianism. Perhaps one reason for the lack of communitarianism in most African nations is that the level of Civil Society development is quite low. This lack would clearly encourage corruption and influence-peddling all designed to distort efficient economic decision-making and encourage unscrupulous rent-seeking.

I turn my attention now to the economic theories that have determined Africa’s growth patterns over the years. In terms of theory, there has been vast theoretical literature on the issue of economic growth as it applies to all economies worldwide. The point is that for an economy not to fall into recession it must continue to grow. In this regard, there has been much research done on what ought to be the necessary and sufficient conditions for growth. The British classical economists (Smith, Ricardo, and Malthus)

all wrote on the growth trajectory of the modernizing economy. While Smith was optimistic about growth, Ricardo and Malthus were more pessimistic on grounds of the limits to land, increasing wages and population growth. Later came the theories of growth expounded by Keynes (1936), Harrod (1936), Domar (1949), and Lewis (1955), all of which were concerned about establishing the conditions of growth when all savings were invested and full employment guaranteed. The works of Harrod and Domar were combined to form the Harrod-Domar model which stated that an economy's growth rate was determined by its marginal propensity to save (dS/dY) and its marginal productivity of capital.

In the case of Africa and other areas, models such as the Harrod-Domar model and the Lewis model were seen as the way forward. Since there was little savings in post-independence Africa the solution was to borrow from Western institutions such as the IMF and the World Bank to help develop capital infrastructure. This venture invariably led to greater indebtedness which in turn opened up the way for IMF-engendered SAP conditionalities.

With the growing recognition of the importance of technology in productivity and growth, the new theory to be touted was the neoclassical growth theory developed by Robert Solow (1956). Solow's model improved on the Harrod-Domar model by questioning the assumption of fixed capital-labour ratios and positing that over time there should be flexibility in production function in that all factors of production could be subjected to varying degrees of substitution. With the assumption of an added role for technology, the transition from growth to development was established. Today, of course, the mantra is 'sustainable development'. All of this is good in theory, but as we have seen above, the real world is a world of politics, economics, and sociology. The fact is that the touted growth and development theories formulated by Western economists will continue to fail Africa unless there is serious restructuring such as regional integration, stronger and more viable currencies, workers' right, less individual rent-seeking, etc., as was recommended above. Once this has been achieved, then African governments would need to invest greatly in human capital, fund technological research collectively and establish efficient banking systems.

The present state of the economies of Africa is indeed puzzling when one considers the fact that there has been much growth and outside the Western orbit in the last forty years especially in East Asia. Countries like South Korea and Taiwan, following on the heels of Japan, have now effectively attained the status of technologically advanced nations. And China, of course, is now the world's second largest economy. Some authors such as Samir Amin (1976, 1979) invoke the centre-periphery thesis and argue that Africa's

problems of growth and development stem from the fact that Africa's economies are too firmly embedded in the world's capitalist system for genuine development to take place. As was discussed above, one of the main reasons for the African problematic is the fact of the peculiar configuration of the collective African nation states. There are now 54 nations on the African continent with relatively few of them viable in any conceivable way. It thus becomes absolutely necessary that there be regional integration at all economic levels. This integration must be a complete one, and not in the half-measured way of the European Union, if success is to be expected.

Conclusion

After five decades since the first set of African countries started achieving political independence, the growth profiles of these and others that followed have not been impressive. Growth has continued to be highly variable and volatile. This article observed that the structure of these economies at independence was not designed to ensure sustainable domestic growth, but to service the economies of former colonial powers. However, attempts to re-structure these economies have failed woefully to stimulate growth and, in some cases, have generated growth-dampening conflicts. This article has reviewed the growth profile of African countries and further interrogated the various growth strategies adopted over time. Given the pervasive tendency of African political elites to act in economically and politically irrational ways, the article has pointed out grave faults in relation to the various growth strategies African countries have adopted over time. The article has alluded to the fact that there are hardly any of these growth strategies that are motivated and designed internally. Most are borrowed or imposed models that lead to disastrous economic growth and human development consequences. The recent global economic\financial crisis has further demonstrated how fragile and vulnerable Africa's economies are. The article has suggested that Africa's growth strategy should be based on internal market-led growth through the proper integration of the various narrow national markets. Furthermore, enhancing productivity and competitiveness through investment in technology and education; broadening the range and enhancing value-addition in exports; and, making the necessary investments in production and trade facilitation, are crucial to the resumption and sustainability of growth. The article has canvassed for the reinventing of Africa's labour markets so as to ensure that they are growth-inducing and poverty-reducing. The importance of exports in generating foreign exchange for development financing and debt repayment is acknowledged, but sustained and sustainable long-term growth of African countries would depend on building the 'one

African' market, as envisaged in the Lagos Plan of Action. In the process of growing the African market, the issues of pervasive and widespread gainful employment, social welfare, and reduced poverty and inequality also need to be taken into consideration. The ultimate goal, of course, is economic development.

Notes

1. Dedicated to the memory of the late Dr. Tajudeen Oladipo Busari of UNIDEP, Dakar, Senegal.
2. Except otherwise stated, data used in this and subsequent sections are from World Bank's World Development Indicators & Global Development Finance (Online) and Africa Development Indicators (ADI) 2010 (Online).
3. In the 1960s, a leading development textbook ranked Africa's growth potential ahead of East Asia's, and the World Bank's chief economist listed seven African countries that 'clearly have the potential to reach or surpass' a 7 per cent growth rate. The seven promising countries identified by the World Bank's chief economist were among those African countries that have suffered negative growth (Easterly and Levine 1997).
4. The African Economic Outlook (2009) report specifically mentions that Africa's trade with China has multiplied by 10 since 2001, reaching over USD 100 billion in 2008. The economies of China and India have grown rapidly, while Latin America has also experienced moderate growth, lifting millions above subsistence living.
5. Hammouda (2004).
6. Bannock et al. (1984) defined national development as the process of growth in total and per-capita income in a country, over time, accompanied by fundamental changes in the structure of the economy of the country. Associated with this economic process are important social and political reforms, such as revision in the system of land tenure, and a greater democratization of the political system. The main objective of national development is to raise the living standard and general well-being of the people in the economy.
8. The statistics reported are African averages.
9. Mayer (1996) shows that in general, import substitution will lead to a shift of the workforce to formerly imported goods and rapid learning effects will occur. However, this shift represents a one-time stimulus to learning, while thereafter the production mix of the closed economy will change only slowly, i.e., at the pace of the economy's shift in consumption pattern. This means that import substitution may stimulate growth in the short run but will be detrimental to long-term growth. Entering into competition with foreign firms is likely to generate more learning effects than living in autarky, and being active in the world, rather than only in the domestic market, is likely to give rise to more

spillover effects. The assumption here is that the foreign firms are not capital-deep multinational corporations.

10. Other reasons identified by Oyejide, Ndulu and Gunning (1999) as stimuli for the liberalisation of trade regimes include the conditions imposed for gaining access to external finance, positive external shock, specific country own initiative, and membership in a sub-regional economic integration scheme.
12. An example of a flexible counter-cyclical instrument is the current account of the public budget, as it does not require lengthy legislative process and consultations to adjust. It becomes efficient if it minimizes leakages and is well-targeted during recessions.
13. Again, much of these formal-urban enterprises have disappeared (closed shop or became informal) due to the impact of liberalization process that started in the 1980s.
14. The argument of the neo-liberal economic thinkers is that incessant agitations and strikes of organized labour groups have negative implication for economic growth and development. However, this has been proved otherwise. For example, Irrmen and Wigger (2000) argued that a labour union whose purpose is to raise wages above the competitive level may foster economic growth if it succeeds in shifting income away from the owners of capital to the workers and if the workers' marginal propensity to save exceeds the one of capitalists.

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