

ECONOMIC LIBERALIZATION, GLOBALIZATION AND DEVELOPMENT IN AFRICA

Jomo Kwame Sundaram
*United Nations Assistant Secretary-General
for Economic Development*

and

Rudiger von Arnim
G24, UNDESA

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Economic Liberalization in Africa

Berg Report (World Bank, 1981)

- anticipated Washington Consensus
- serves as basis for structural adjustment in SSA

Since 1980s:

- Liberalization of trade, finance, investment and other flows, but not labour/people.
- Privatization of enterprises, especially associated with ISI, food security and 'public goods'.

Berg focus

- on **domestic** determinants of economic performance, rather than **external** factors.

Policy choice?

IMF's short-term stabilization programs and WB's medium-term structural adjustment programs (SAPs) generally contained **policy conditionalities**

No real reduction in conditionalities due to bunching, renaming.

Though Washington Consensus II (post-WC) challenged, continues to be conventional wisdom for economic analysis and policy-making in developing countries, especially in Africa, due to its policy space, conditionalities, e.g. IMF's PRGF.

Retreat of African state

- ❖ Due to stabilization and structural adjustment programs, new leadership
- ❖ Less taxation, less progressive taxes
- ❖ Reduced fiscal means, less govt spending; [*update*]
- ❖ Reduced role of government in many African countries, esp. economic and social spending
- ❖ Aid mainly redistributive, neglects productive capacities, capabilities

SSA Economic Trends

| <i>Period</i> | 60-65 | 65-70 | 70-75 | 75-80 | 80-85 | 85-90 | 90-95 | 95-00 | 00-02 |
|---|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| GDP per capita (1995 US\$) av growth rates | 2.76 | 2.37 | 1.79 | -0.32 | -1.90 | -0.40 | -1.43 | 0.68 | 0.75 |
| Exports (1995 US\$) av growth rates | 6.91 | 4.25 | 0.81 | 4.46 | 0.18 | 2.86 | 3.28 | 4.73 | 1.79 |
| Manufactured Xs (million US\$) av growth rates | | | | | | | | 5.47 | |
| X Price Indices* Unit Value (US\$) av growth rates | 1.40 | 0.27 | 21.12 | 22.45 | -4.45 | -2.22 | 1.86 | -4.17 | -1.78 |
| Year | 1960 | 1965 | 1970 | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 |
| Manuf Xs (US\$m) | | | | 4,683 | | | | 29,699 | 38,757 |

SSA Structural Change

| Averages of percentage shares in GDP | 1970 to 1979 | 1980 to 1989 | 1990 to 1999 | 2000 to 2006 |
|--|-----------------|-----------------|-----------------|-----------------|
| Sub-Saharan Africa excluding South Africa | | | | |
| Agriculture, hunting, forestry, fishing | 30% | 28% | 31% | 29% |
| Industry | 40% | 40% | 32% | 35% |
| Mining, Manufacturing, Utilities | 34% | 36% | 28% | 31% |
| Manufacturing | 21% | 22% | 12% | 9% |
| Construction | 6% | 4% | 4% | 4% |
| Services | 30% | 32% | 38% | 36% |
| All developing economies | | | | |
| Agriculture, hunting, forestry, fishing | 21% | 17% | 13% | 11% |
| Industry | 37% | 38% | 35% | 37% |
| Mining, Manufacturing, Utilities | 32% | 32% | 29% | 32% |
| Manufacturing | 22% | 22% | 22% | 23% |
| Construction | 6% | 6% | 6% | 5% |
| Services | 42% | 45% | 52% | 52% |

Source: Unctad Handbook of Statistics and author's calculations

GDP per capita, 1960-2006

GDP per capita in constant 2000 US\$

| Annual average compound growth rates | 1960 to 1969 | 1970 to 1979 | 1980 to 1989 | 1990 to 1999 | 2000 to 2006 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>World</i> | 3.4% | 2.1% | 1.4% | 1.2% | 1.7% |
| East Asia & Pacific | 1.3% | 4.4% | 6.1% | 7.1% | 7.6% |
| Europe & Central Asia | | | | -2.0% | 5.5% |
| Latin America & Caribbean | 2.4% | 3.1% | -0.8% | 1.5% | 1.7% |
| Middle East & North Africa | 1.8% | 2.8% | -0.4% | 1.8% | 2.4% |
| South Asia | 2.0% | 0.3% | 3.2% | 3.3% | 5.1% |
| Sub-Saharan Africa | | 0.7% | -1.0% | -0.5% | 2.1% |
| <i>Averages per decade</i> | | | | | |
| <i>World</i> | 2806 | 3659 | 4177 | 4780 | 5446 |
| East Asia & Pacific | 140 | 210 | 358 | 696 | 1184 |
| Europe & Central Asia | | | 2296 | 1847 | 2270 |
| Latin America & Caribbean | 2277 | 3099 | 3446 | 3643 | 3994 |
| Middle East & North Africa | 923 | 1295 | 1372 | 1464 | 1720 |
| South Asia | 201 | 224 | 274 | 373 | 510 |
| Sub-Saharan Africa | 475 | 577 | 552 | 504 | 536 |

Source: World Development Indicators, World Bank and author's calculations

Recent African growth upturn

Annual average growth rates of real GDP, 2003-2006

| Selected regions | 2003 | 2004 | 2005 | 2006 |
|--|------|------|------|------|
| World | 2.8 | 4.0 | 3.5 | 4.1 |
| Developing economies | 5.6 | 7.1 | 6.5 | 7.0 |
| Economies in transition | 6.6 | 7.4 | 6.6 | 7.1 |
| Developed economies | 1.8 | 2.9 | 2.4 | 3.0 |
| Developing economies: Africa | 5.6 | 5.5 | 5.5 | 5.3 |
| Developing economies: America | 2.1 | 5.8 | 4.4 | 5.1 |
| Developing economies: Asia | 6.9 | 7.8 | 7.4 | 7.8 |
| LDCs: Africa and Haiti | 4.5 | 7.6 | 7.9 | 8.2 |
| Major petroleum exporters: Developing Africa | 9.1 | 6.2 | 6.5 | 5.8 |
| Sub-Saharan Africa | 4.5 | 5.9 | 5.9 | 5.4 |
| Sub-Saharan Africa excluding South Africa | 5.1 | 6.4 | 6.2 | 6.2 |

Source: Unctad Handbook of Statistics and author's calculations
(8.2 Annual average growth rates of real gross domestic product)

Poverty rose in Africa, 1981-2001

| | % living on < \$2/day in 2001 | Change in proportion and number of poor people between 1981 and 2001 % | millions |
|----------------------------|-------------------------------------|---|------------|
| World | 53 | -8 | 81 |
| East Europe + Central Asia | 20 | 15 | 70 |
| Middle East + North Africa | 23 | 2 | 19 |
| Latin America + Caribbean | 25 | -3 | 3 |
| East Asia + Pacific | 47 | -23 | -252 |
| Sub-Saharan Africa | 77 | 2 | 134 |
| South Asia | 77 | -9 | 106 |

Source: UN Millennium Project (Sachs Report)

Population shares below \$1PPP/day

Percentage of population below poverty line, 1981-2004 "1 PPP \$ a day"

| | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 2004 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>By geographical region</i> | | | | | | | | | |
| East Asia and Pacific | 57.7% | 39.0% | 28.2% | 29.8% | 25.2% | 16.1% | 15.4% | 12.3% | 8.9% |
| Europe and Central Asia | 0.7% | 0.5% | 0.4% | 0.5% | 3.6% | 4.2% | 3.6% | 1.3% | 1.0% |
| Latin America and the Caribbean | 10.8% | 13.1% | 12.1% | 10.2% | 8.4% | 8.9% | 9.6% | 9.1% | 8.7% |
| Middle East and North Africa | 5.1% | 3.8% | 3.1% | 2.3% | 2.1% | 2.2% | 2.1% | 1.7% | 1.5% |
| South Asia | 49.6% | 45.4% | 45.1% | 43.1% | 36.9% | 36.1% | 35.0% | 33.4% | 31.1% |
| Sub-Saharan Africa | 42.4% | 46.3% | 47.5% | 46.8% | 45.7% | 48.0% | 46.1% | 42.6% | 41.1% |
| <i>By income level</i> | | | | | | | | | |
| Low income | 48.7% | 46.1% | 45.9% | 43.8% | 38.6% | 38.7% | 37.3% | 35.0% | 33.0% |
| Lower middle income | 44.2% | 30.3% | 21.9% | 23.5% | 20.2% | 13.3% | 13.1% | 10.6% | 8.0% |
| Upper middle income | 3.2% | 3.6% | 3.9% | 2.1% | 4.3% | 4.8% | 4.2% | 3.7% | 2.9% |

Source: World Bank PovcalNet, see <http://research.worldbank.org/PovcalNet/>

Informal employment highest in Africa

Share of informal workers in non-agricultural workforce by region

- North Africa: 48%
- Latin America & Caribbean: 51%
- Asia: 65%
- **Sub-Saharan Africa:** **78%**
(excl. South Africa)

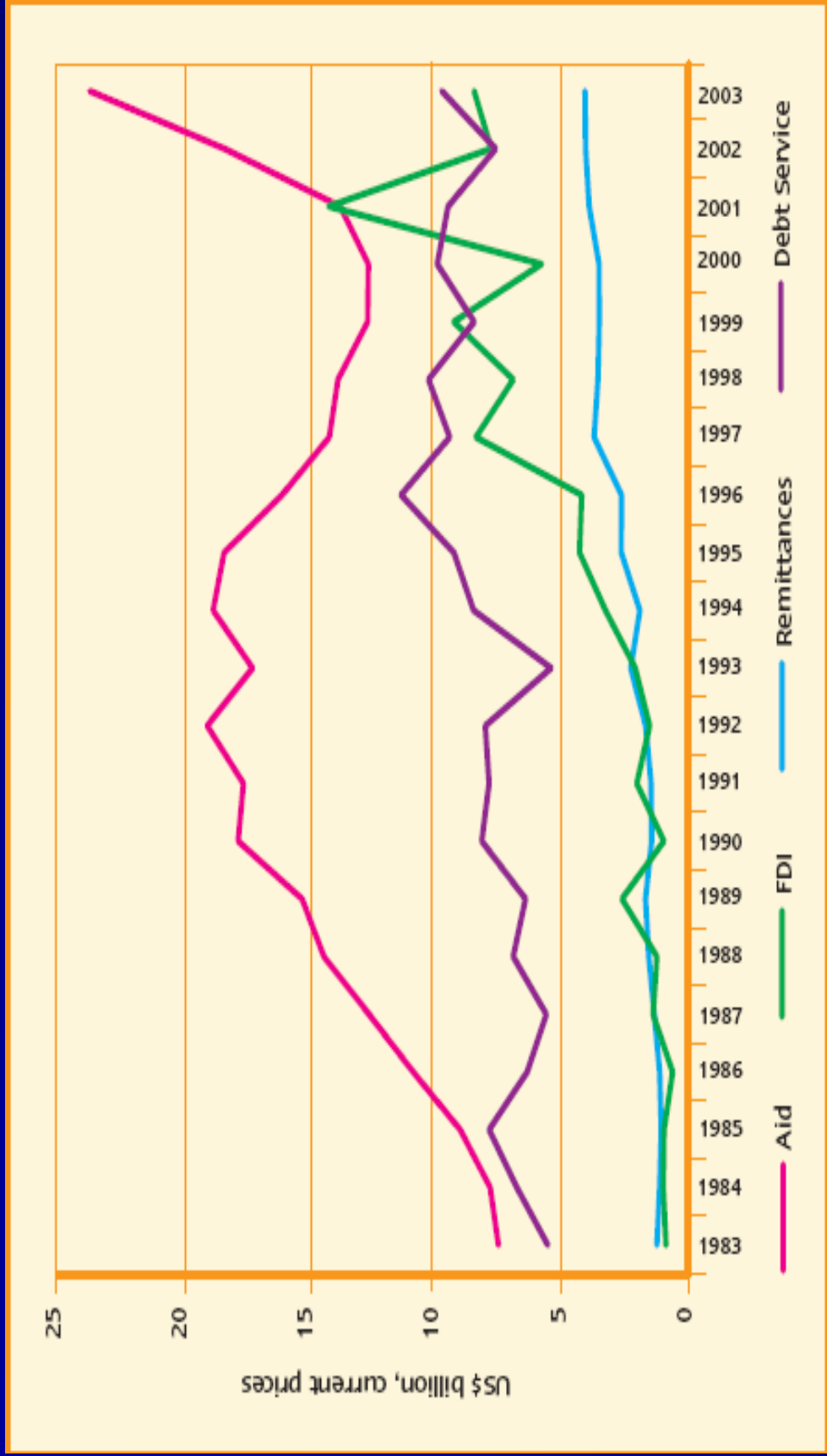
Note that more than 80% of African PRSPs lack employment strategy!

Low school enrolment rates

Africa has lowest enrolment rates, primary and secondary in 2001 in regional comparison

| <i>Net Enrolment Ratio</i> | <i>Highest</i> | <i>Lowest</i> |
|----------------------------|---------------------------------------|-----------------------------|
| Primary School | 95.7% Latin America & Caribbean | 62.8% Sub Saharan Africa |
| Secondary School | 89.2% N. America & W. Europe | 21.3% Sub Saharan Africa |

Financial flows to/from Africa



Source: Africa Commission

Capital Inflows To Sub-Saharan Africa By Type Of Flow, 1975–98 (% of GNP)

| Type of flows | Including Nigeria | | | Excluding Nigeria | | |
|--------------------------|-------------------|-------|-------|-------------------|-------|-------|
| | 75-82 | 83-89 | 90-98 | 75-82 | 83-89 | 90-98 |
| Total net inflows | 8.6 | 9.9 | 9.3 | 11.5 | 10.0 | 10.6 |
| Official inflows | 4.7 | 6.8 | 7.5 | 7.2 | 8.0 | 9.1 |
| ODA grants | 1.7 | 3.3 | 5.4 | 2.6 | 4.0 | 6.4 |
| Official credit | 3.0 | 3.5 | 2.1 | 4.6 | 4.0 | 2.7 |
| <i>Bilateral</i> | 1.6 | 1.8 | 0.4 | 2.5 | 2.1 | 0.6 |
| <i>Multilateral</i> | 1.4 | 1.7 | 1.7 | 2.1 | 1.9 | 2.1 |
| Private inflows | 3.9 | 3.1 | 1.8 | 4.3 | 2.0 | 1.5 |
| Interest payments | 1.5 | 3.2 | 2.7 | 1.8 | 2.7 | 2.3 |
| Profit remittances | 1.4 | 1.1 | 1.1 | 1.1 | 1.0 | 1.2 |
| Net transfers | 5.7 | 5.6 | 5.5 | 8.6 | 6.3 | 7.1 |

Source: *Global Development Finance 2000*

Financial flows to Africa?

- Aid flows steady?
 - Upturn after Monterrey
- FDI rising steadily?
 - mainly in a few countries,
 - mainly for minerals
- Debt sustainable?
 - net financial outflows during '90s
- Remittances provide inflows?
 - offset by capital flight

K flight from SSA

Despite impression of net flows to SSA

- ❖ 40% of private African wealth invested outside Africa in 1990 (Mkandawire 2002);
- ❖ **K flight** from SSA estimated at \$193 bn (\$285 bn with imputed interest) in 1970-96 (Boyce & Ndikumana 2000) compared to combined debt (\$178 bn in '96; higher now) (Mkandawire 2002)
- ❖ **K flight** from Africa largely debt-financed (Ndikumana & Boyce 2002)

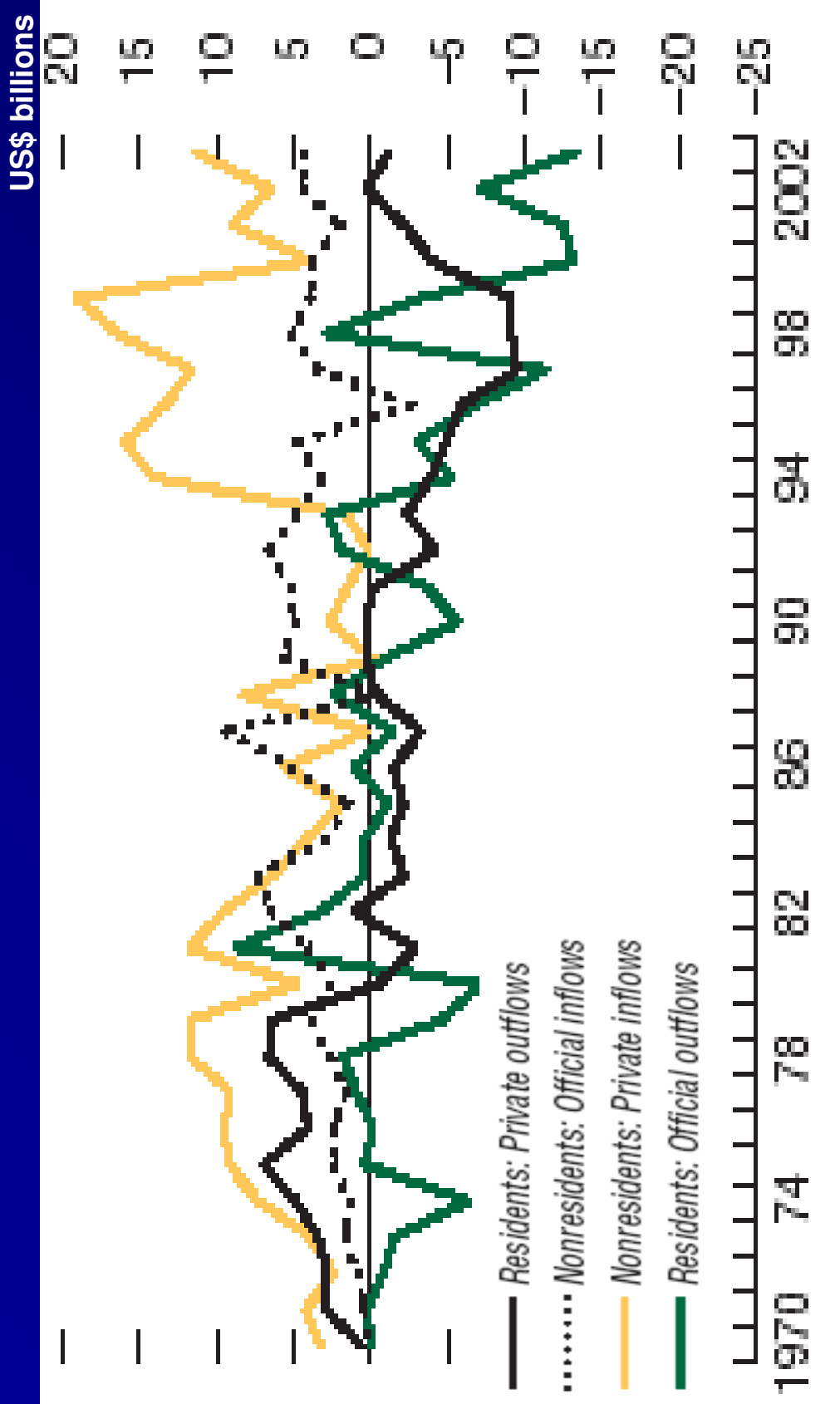
K flight from SSA, 1970-1996

| Country | Net external assets | | Capital flight plus interest on same, less debt stock |
|------------------------------|---------------------|--------------------------------|---|
| | Debt stock 1996 | Capital flight less debt stock | |
| Angola | 11,225.1 | 5,807.4 | 9,179.9 |
| Burkina Faso | 1,196.1 | 69.4 | 700.4 |
| Burundi | 1,126.9 | -308.0 | -146.0 |
| Cameroon | 9,541.6 | 3,557.8 | 7,364.4 |
| Central African Republic | 941.1 | -691.0 | -482.1 |
| Democratic Republic of Congo | 12,826.4 | 561.4 | 10,164.1 |
| Congo-Brazzaville | 5,240.6 | -4,781.4 | -3986.6 |
| Ivory Coast | 19,523.6 | 3,847.4 | 15,221.9 |
| Ethiopia | 10,078.6 | -4,555.8 | -2060.7 |
| Ghana | 6,442.2 | -6,034.9 | -6,152.9 |
| Guinea | 3,240.3 | -2,897.5 | -2,806.1 |

| | | | |
|--------------|------------------|-----------------|------------------|
| Kenya | 6,931.0 | -6,115.9 | -4,458.4 |
| Madagascar | 4,145.8 | -2,496.8 | -2,568.3 |
| Malawi | 2,146.1 | -1,441.0 | -971.3 |
| Mali | 3,006.0 | -4,209.6 | -4,533.2 |
| Mauritania | 2,404.2 | -1,273.4 | -572.2 |
| Mozambique | 7,566.3 | -2,255.0 | -1,359.4 |
| Niger | 1,623.3 | -4,776.3 | -6,392.1 |
| Nigeria | 31,406.6 | 55,355.3 | 98,254.4 |
| Rwanda | 1,043.1 | 1,072.8 | 2,470.8 |
| Sierra Leone | 1,205.1 | 267.6 | 1,072.7 |
| Sudan | 16,972.0 | -9,989.3 | -5,358.3 |
| Tanzania | 7,361.8 | -5,662.7 | -1,158.4 |
| Uganda | 3,674.4 | -1,519.5 | -358.3 |
| Zambia | 7,639.4 | 2,984.1 | 5,491.8 |
| Total | 178,507.6 | 14,515.1 | 106,556.1 |

Sources: Calculated by Boyce and Ndikumana (2000) based on IMF, *Direction of Trade Statistics Yearbook* (various issues); IMF, *International Financial Statistics Yearbook* (various issues); World Bank, *World Development Indicators 2000* (CD-ROM edition), and World Bank, *Global Development Finance 2000* (CD-ROM edition).

K flight from SSA, 1970-2004 – Net



Financial liberalization: Promises?

- K flows from K rich to K poor?
Actually net from Africa
- Lower cost of funds?
Market risk rating against Africa
- Less volatility, greater stability with financial deepening, new financial derivatives?
Limited benefit to Africa

Financial liberalization not developmental

- *Deflationary* macroeconomic impact
e.g. independent central bank's emphasis on *inflation targeting*, rather than growth/employment targeting
- *Demise of* financial policy instruments, arrangements for '*catching up*', etc.
- *Exclusive*, not inclusive finance
- Finance *pro-cyclical*, rather than counter-cyclical

FDI to Africa still modest

FDI flows to Africa only @ 2% of global FDI flows despite ongoing efforts to attract, including:

- BVI policies adhered to;
- Macroeconomic stability largely achieved;
- Much higher rates of return to FDI in Africa than any other region.

FDI: African share of inward flows

| Africa's share in inward foreign direct investment | 1970 to 1979 | 1980 to 1989 | 1990 to 1999 | 2000 to 2006 |
|--|-----------------|-----------------|-----------------|-----------------|
| US Dollars at current prices in millions | | | | |
| <i>Share of world FDI</i> | | | | |
| Developed economies | 75% | 75% | 68% | 68% |
| Developing economies | 25% | 25% | 31% | 29% |
| Developing economies: Africa | 5.1% | 2.5% | 1.9% | 2.4% |
| Developing economies: America | 12% | 8% | 10% | 9% |
| Developing economies: Asia | 8% | 14% | 19% | 18% |
| <i>Addendum: China</i> | n/a | 2% | 8% | 7% |
| Economies in transition | n/a | 0% | 1% | 3% |
| <i>Share of developing country FDI</i> | | | | |
| Developing economies: Africa | 24% | 10% | 6% | 8% |
| Developing economies: America | 50% | 36% | 32% | 30% |
| Developing economies: Asia | 26% | 54% | 62% | 62% |
| <i>Addendum: China</i> | n/a | 8% | 24% | 23% |

Source: Unctad Handbook of Statistics and author's calculation.
(Table 7.3 Major FDI indicators (WIR 2007))

FDI concentrated in minerals

SSA economies with the highest share in the region's total FDI

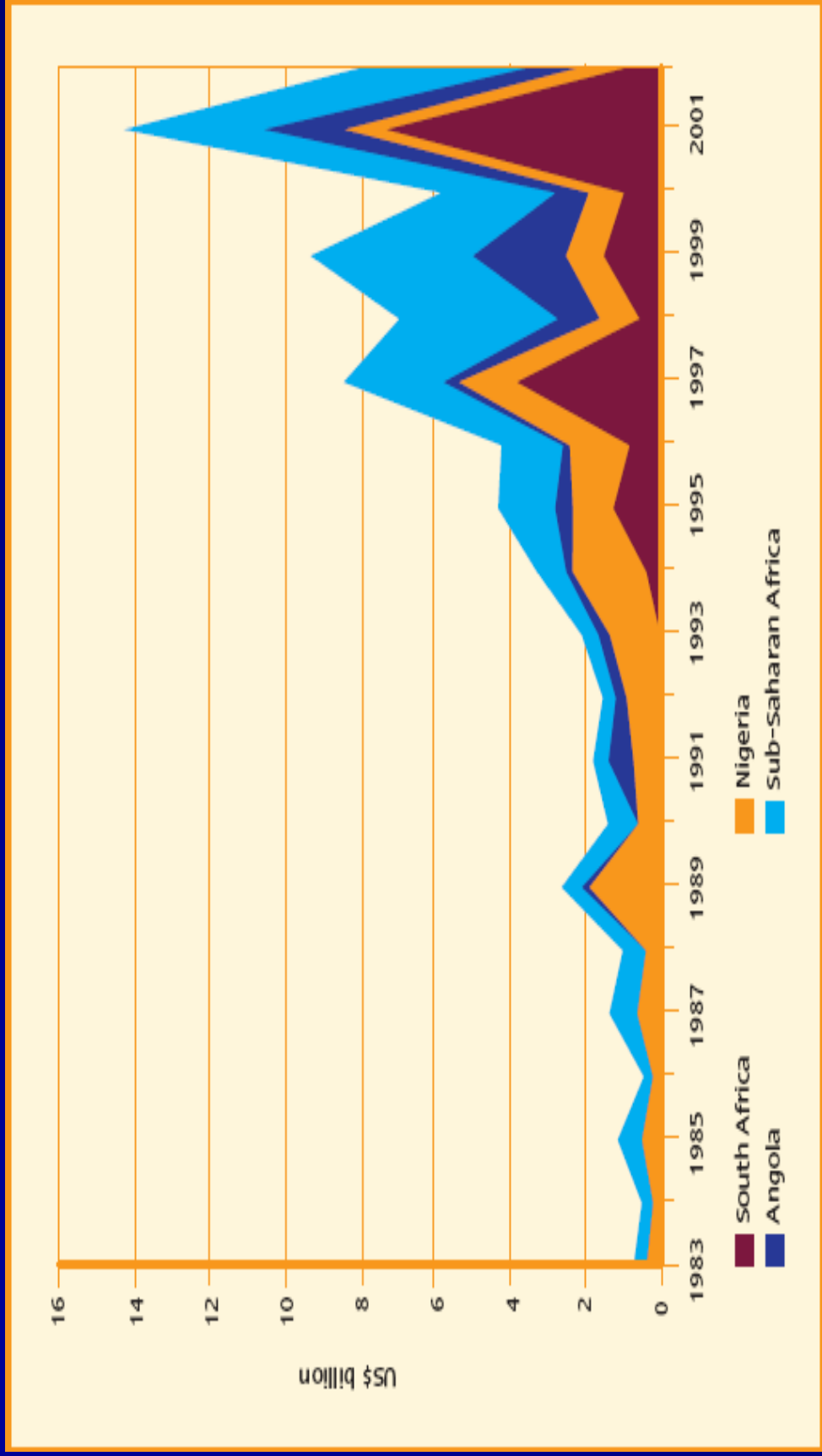
| | 1970 to 1979 | 1980 to 1989 | 1990 to 1999 | 2000 to 2006 |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| Nigeria | 35.4% | 3.0% | 40.6% | 21.7% |
| South Africa | 7.1% | 0.7% | 13.3% | 16.8% |
| Angola | 0.3% | 13.1% | 9.8% | 9.7% |
| Equatorial Guinea | 0.0% | 0.2% | 1.9% | 8.9% |
| Chad | 1.2% | 1.2% | 0.5% | 4.8% |

Source: Unctad Handbook of Statistics and author's calculation.

FDI in minerals has limited benefits, as it does not

- * stimulate broad-based devt;
- * significantly expand employment;
- * diversify exports; or
- * involve meaningful technology transfer.

FDI recipients in Africa



Source: Africa Commission

FDI: Global trends not encouraging

1990s global predominance of portfolio over direct investments, and 'brown-field' acquisitions over 'green-field' FDI, due to FDI policies adopted.

Africa always rated as more risky than warranted by economic indicators. Reliance on market standards and norms exacerbates 'Afro-pessimism'

FDI and domestic investment

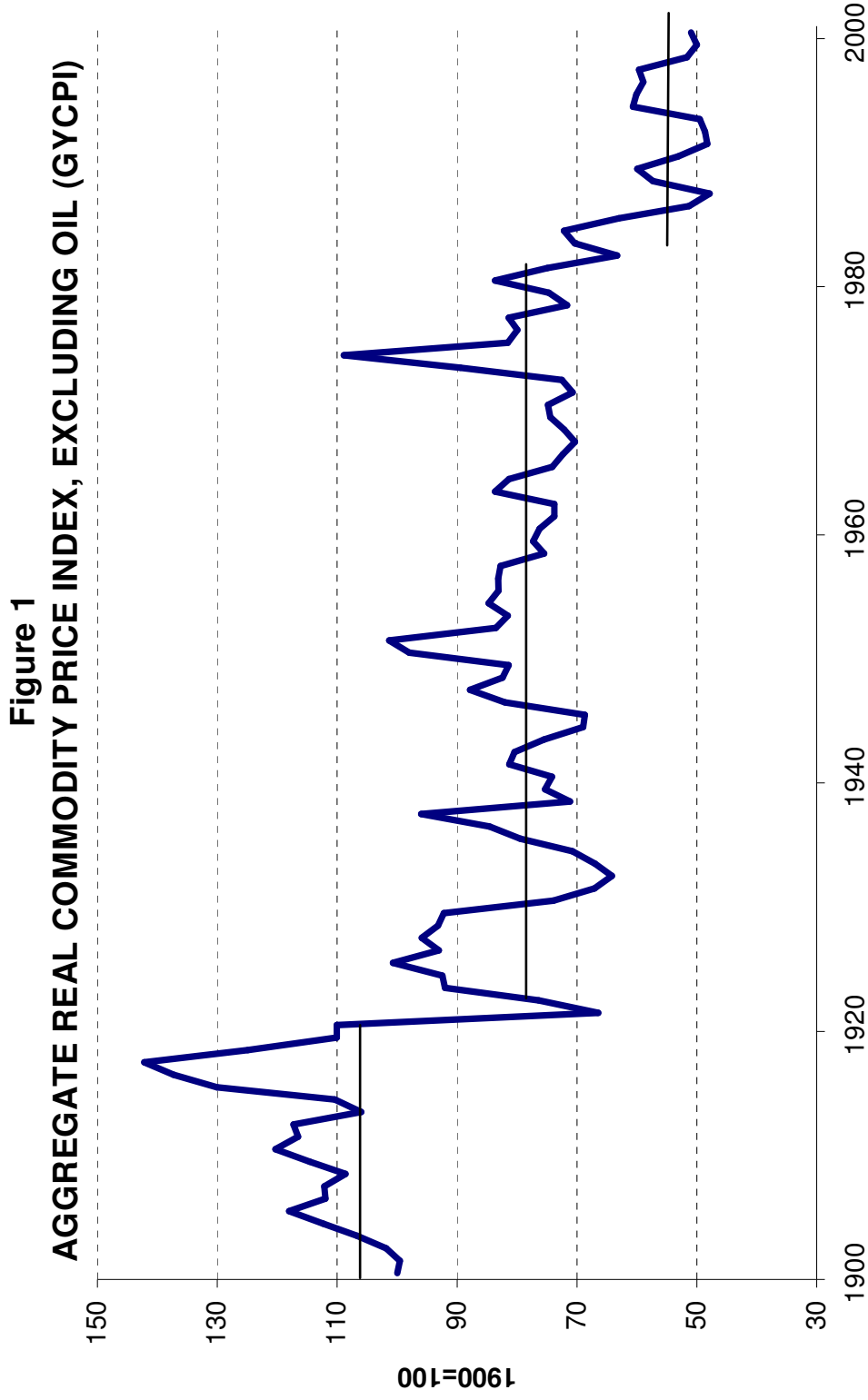
- FDI generally follows, not leads domestic investment
- Public investment can 'crowd in', rather than 'crowd out' private invt
- Domestic entrepreneurs important, domestic elite should not be primarily financial rentiers

Trade Liberalization

International terms of trade against developing countries

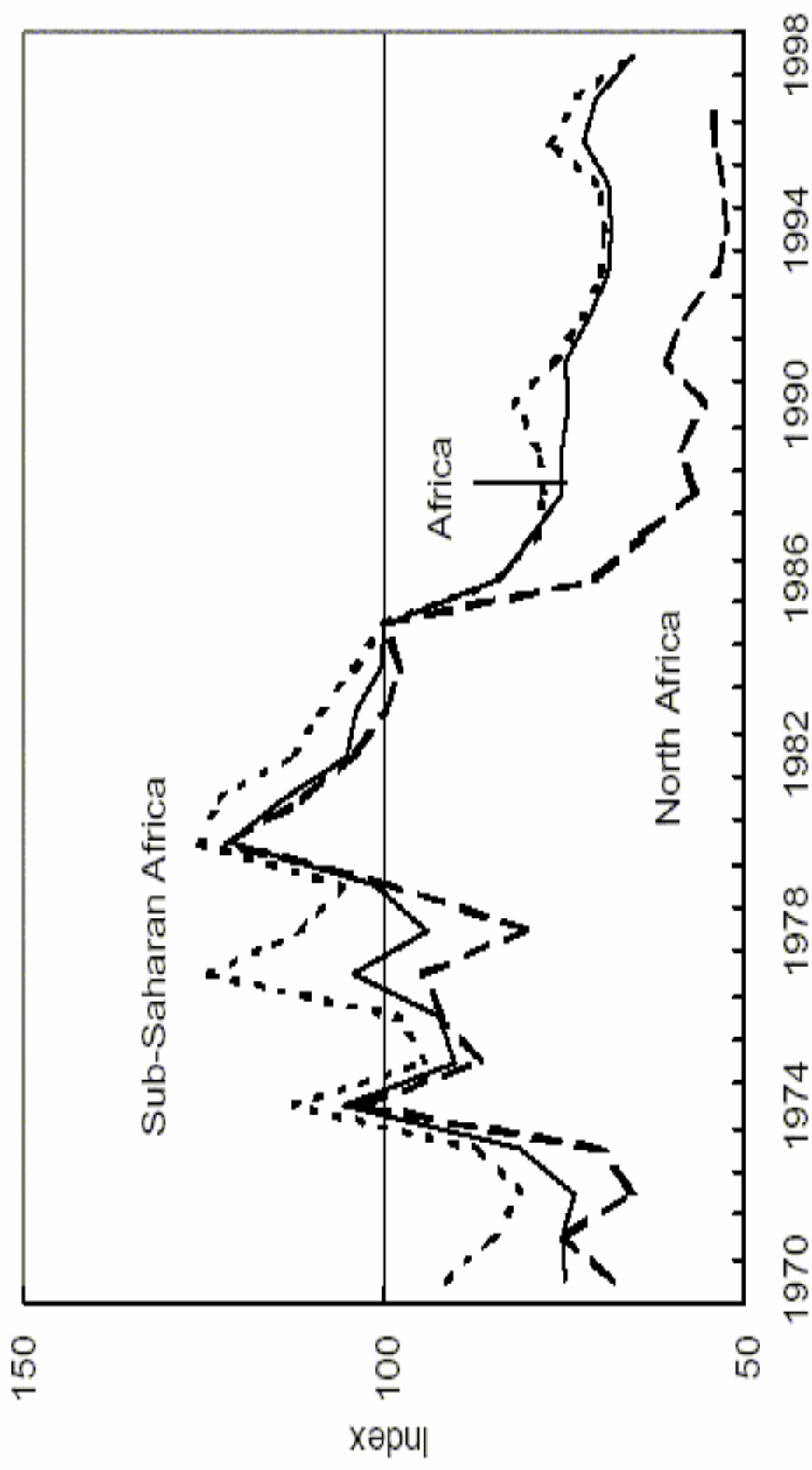
- ❖ Primary commodities vs manufactures
- ❖ Tropical vs temperate agriculture
- ❖ Manufactures from developed vs developing countries; i.e. generic vs. high value added products, protected by intellectual property rights

Commodity prices declined after 1970s



Source: Grilli and Yang (1988); Ocampo and Parra (2003).

Africa's falling terms of trade



Source: UNCTAD secretariat estimates, based on World Bank database.

Africa's falling terms of trade

| | 1980–81 | 1996–97 |
|-------------------|---------|---------|
| Terms of trade | 100 | 64.7 |
| Volume of exports | 100 | 125.0 |

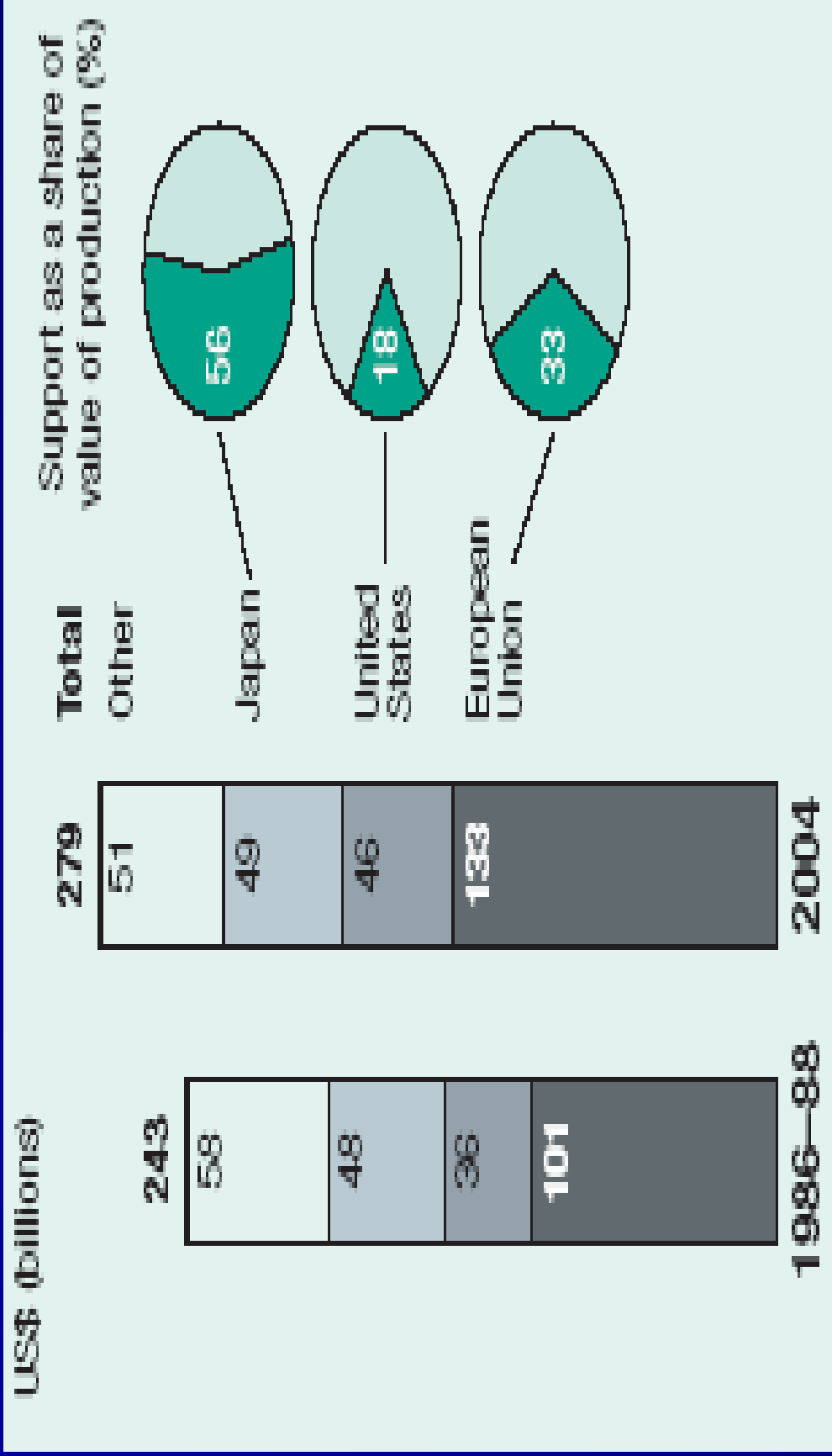
Source: Eric Toussaint

Higher commodity, but especially mineral prices in recent years

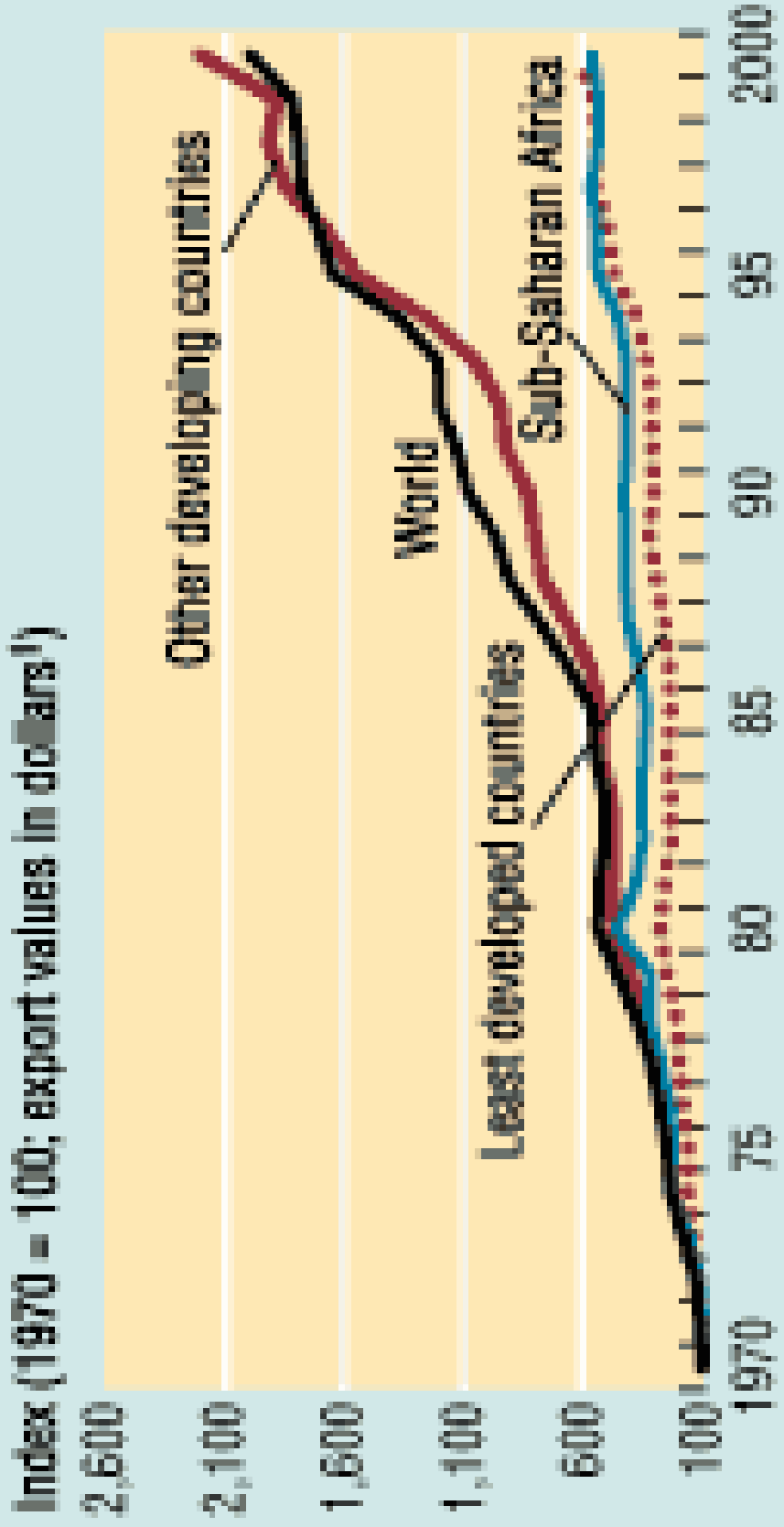
Tariff bias against developing countries

- Imports between developed countries average **1%**
- Tariffs on agricultural products from developing countries as high as **20%**
- Tariffs on textiles from developing countries can be as high as **9%**
- **African preference erosion**
- **Some recent improvements?**

Northern agricultural subsidies



Trade share of Africa decreased



Source: IMF World Economic Outlook database.

¹Merchandise exports, excluding oil exports.

Trade: African trade origin & destination

| Destination of SSA exports Shares, selected regions, 1960-2006 | 1960 | 1970 | 1980 | 1990 | 2000 |
|---|---------|---------|---------|---------|---------|
| | to 1969 | to 1979 | to 1989 | to 1999 | to 2006 |
| To developed countries | 74% | 69% | 64% | 62% | 59% |
| To ASEAN+3* | 5% | 6% | 6% | 8% | 14% |
| Intra-Sub Saharan Africa | 5% | 5% | 4% | 10% | 12% |
| To rest of the world | 16% | 20% | 26% | 20% | 15% |

Source: Unctad Handbook of Statistics and author's calculations

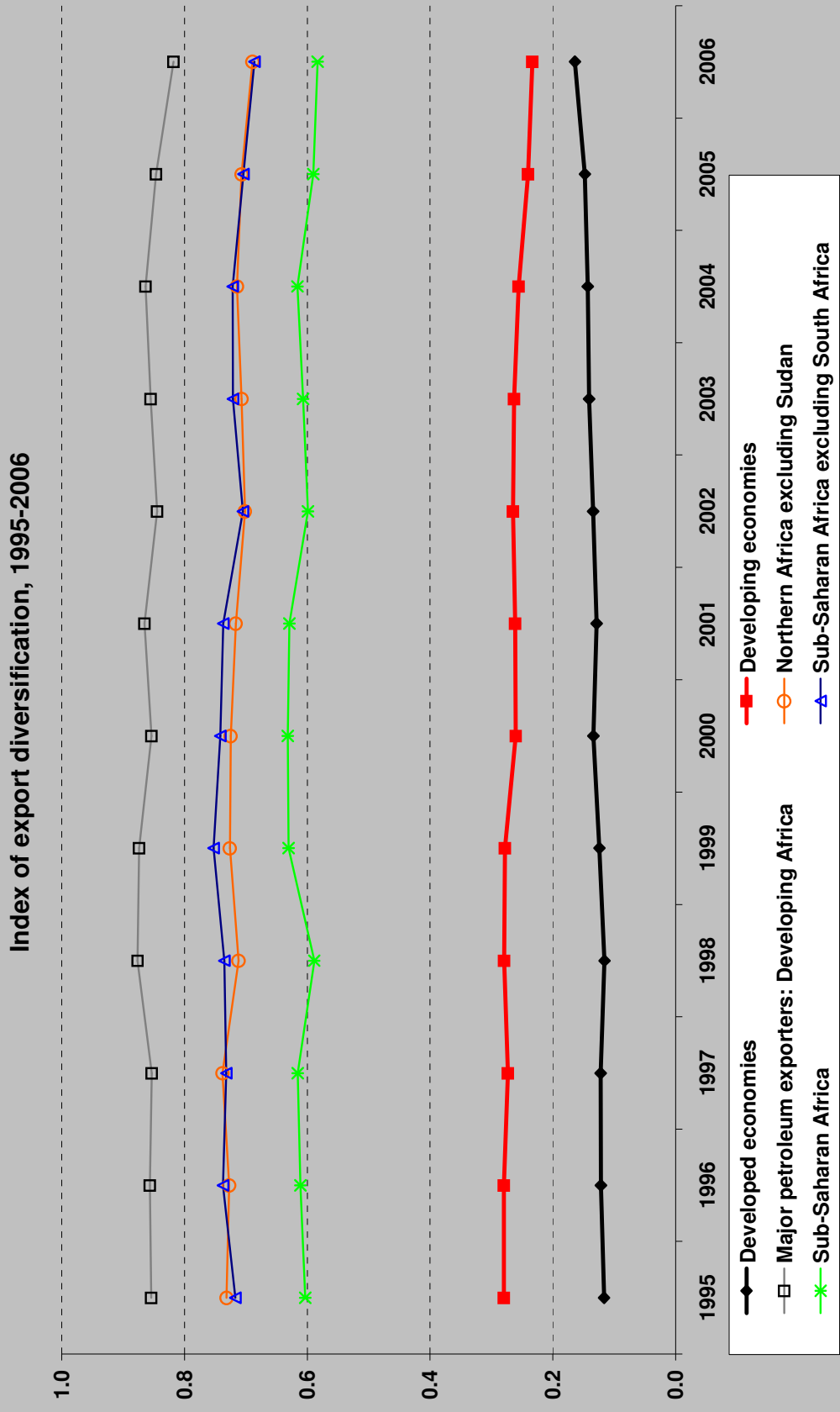
*Note: ASEAN+3 includes the ASEAN members plus China, Japan and South Korea.

| Origin of SSA imports** Shares, selected regions, 1960-2006 | 1960 | 1970 | 1980 | 1990 | 2000 |
|--|---------|---------|---------|---------|---------|
| | to 1969 | to 1979 | to 1989 | to 1999 | to 2006 |
| From developed countries | 80% | 80% | 71% | 64% | 53% |
| From ASEAN+3 | 7% | 10% | 11% | 18% | 20% |
| Intra-Sub Saharan Africa | 5% | 5% | 6% | 10% | 12% |
| From rest of the world | 8% | 4% | 12% | 8% | 15% |

Source: Unctad Handbook of Statistics and author's calculations

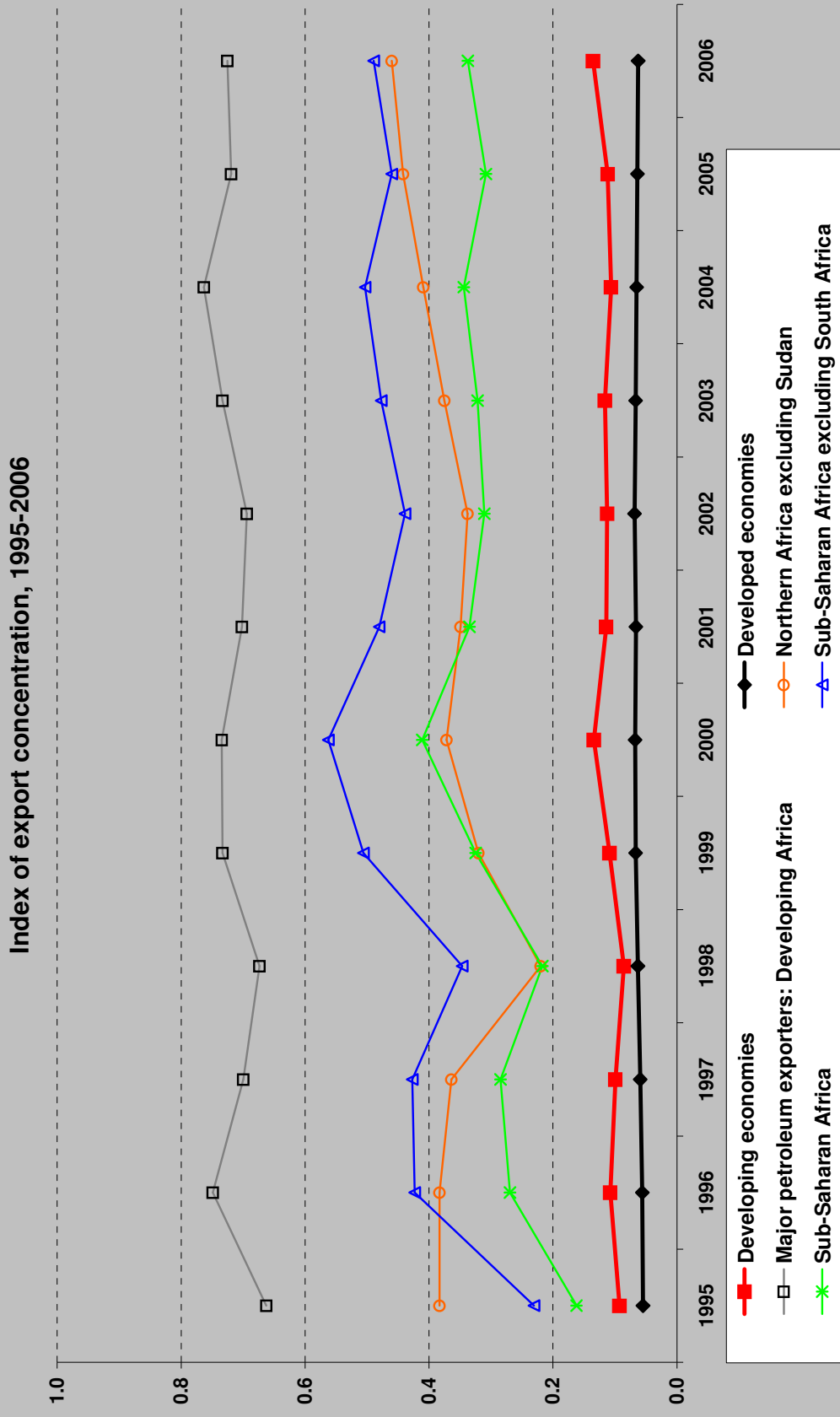
*Note: ASEAN+3 includes the ASEAN members plus China, Japan and South Korea.

Trade: African export diversification



Notes: The index of export diversification reports a degree of similarity of a country's composition of exports to world export composition. The closer the index to 1, the less diversified a country's exports.
Source: Unctad Statistic Handbook 2007, Table 4.1.

Trade: African export concentration



Notes: The index of export concentration reports the degree to which a country's exports are concentrated amongst few products. The "Herfindahl-Hirschman" index is calculated at the SITC revision 3 level.

Source: Unctad Statistic Handbook 2007, Table 4.1.

Trade: African export dependence

| Country or region | % Share of primary commodities in: exports (2000) | GDP (2000) |
|--------------------------|--|-------------|
| Equatorial Guinea | 91.8 | 89.0 |
| Angola | 92.6 | 81.6 |
| Congo | 97.5 | 79.1 |
| Gabon | 86.6 | 62.4 |
| Guinea-Bissau | 99.7 | 50.9 |
| Nigeria | 98.1 | 50.1 |
| Africa (average) | 78.6 | 21.2 |
| All developing countries | 30.6 | 9.6 |
| Developed countries | 15.8 | 2.6 |
| World | 21.4 | 4.3 |

Source: Africa Commission

Trade trends, SSA (excl. RSA)

| | 1995 to 2000 | 2001 to 2006 |
|---|-----------------|-----------------|
| SSA excl. RSA | | |
| <i>Share of world exports</i> | | |
| Merchandise exports | 0.85% | 1.03% |
| World manufacturing exports | 0.16% | 0.22% |
| <i>Share of SSA excl. RSA export</i> | | |
| Primary commodity exports | 85.48% | 83.27% |
| Agricultural exports | 27.90% | 18.45% |

Source: Unctad Handbook of Statistics and author's calculations

Trade liberalization & deindustrialization

African industries **prematurely** exposed to global competition by trade liberalization.

- ❖ Share of manufacturing in GDP has fallen in most African countries, e.g. from 22% in 1980-89 to 9% in 2000-06 in SSA-RSA!
- ❖ Rates of growth of manufacturing value added have fallen continuously from 1970s, and contracted by an annual average of 1% during 1990-97.
- ❖ In 10 industrial branches in 38 African countries, labour productivity declined by 7% during 1990-95, attributable to de-industrialization (UNIDO).

Trade: Agricultural liberalization

Dubious gains:

Not clear whether and how much Africa would gain; agric. share of SSA-RSA Xs fell from 27.9% (1995-2000) to 18.5% (2001-6).

- Mainly benefit main agricultural exporters, i.e. Cairns Group
- Food importing African countries (most) worse off without subsidized food Ms
- 20th century decline of ToT for primary commodities [vs manufactures], especially tropical [versus temperate] agriculture (Lewis)

Optimistic Projected Welfare Gains From Full Merchandise Trade Liberalization

| | Total Welfare Gains | Gains from Developed Countries' Liberalization | Gains from Developing Countries' Liberalization | Agric., Food + Other Primary | Manu- factures |
|----------------------------|---------------------|--|---|------------------------------|----------------|
| Global | 254.3 | 139.6 | 114.7 | 167.51 | 86.8 |
| Developed | 146.2 | 96.6 | 49.6 | 121.84 | 24.4 |
| Economies in transition | 6.4 | 4.5 | 1.9 | 3.51 | 2.9 |
| SSA | 4.6 | 2.6 | 2.0 | 3.95 | 0.6 |
| Middle East + North Africa | 0.3 | -1.0 | 1.2 | -3.15 | 3.4 |
| Latin America | 35.7 | 17.9 | 17.8 | 23.03 | 12.7 |
| Asian NICs + China | 22.3 | 5.1 | 17.2 | 1.62 | 20.7 |
| South Asia | 15.4 | 9.0 | 6.4 | 5.72 | 9.7 |
| Rest of world | 23.4 | 4.9 | 18.5 | 10.99 | 12.4 |

Source: Anderson, et al (2001)

Effects of global ag. trade liberalization

| | 50% tariff cut | 50% domestic support cut | Elimination of export subsidies |
|--------------------------------|----------------|--------------------------|---------------------------------|
| Laird, et al (2003) | | | |
| World | 27.5 | .. | -4.0 |
| Developed Countries | 11.1 | .. | 1.9 |
| Developing countries | 8.2 | .. | -2.9 |
| NICs + China | 4.4 | .. | -0.2 |
| South Asia | 0.3 | .. | 0.0 |
| SS Africa | 0.2 | .. | -0.4 |
| North Africa + ME | 3.0 | .. | -2.2 |
| Others | 0.3 | .. | -0.2 |
| Dimaranan, et al (2004) | | | |
| Developing countries | .. | -0.36 | .. |
| Asia | .. | -0.11 | .. |
| Latin America | .. | 0.14 | .. |
| North Africa and Middle East | .. | -0.27 | .. |
| SS Africa | .. | -0.13 | .. |

Sources:

Laird et al (2003) and Dimaranan et al (2004)

Aid: Vast inflows?

- Actual inflows declined in 1990s, esp. after 1996
- Much for debt relief, i.e. not much additional
- Much goes for debt servicing
- ODA to Africa from G-8 < from Nordics
- ODA mainly social, not economic
- Recently, countries like China, India and Brazil, increasing ODA to Africa, mainly to productive sectors

Aid – ‘quality’ problems

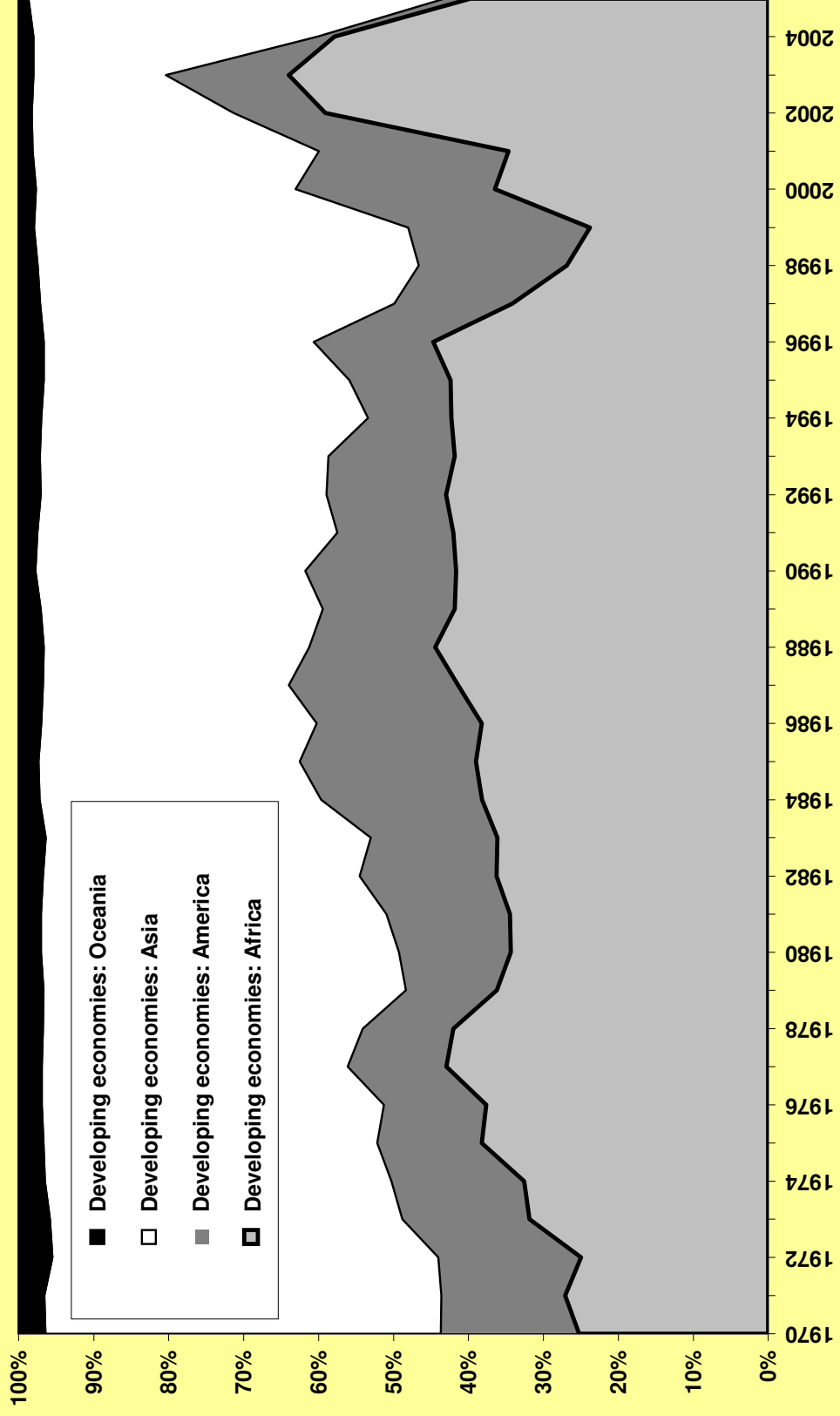
- Policy conditionalities, advice
→ less policy space
- Poor harmonization
→ high transaction costs
- Much bilateral aid tied
- Mainly project, not budget support

Aid – ‘quality’ progress?

| | |
|--|-------|
| Coordinated technical assistance | 16.6% |
| No. of PIUs parallel to country structures | -2.1% |
| Disbursements on schedule | 1.3% |
| Untied bilateral aid | 9.4% |
| Programme-based aid | -6.9% |
| Coordinated donor missions | 13.0% |
| Coordinated country analysis | 20.8% |

ODA flows by region, 1970-2006

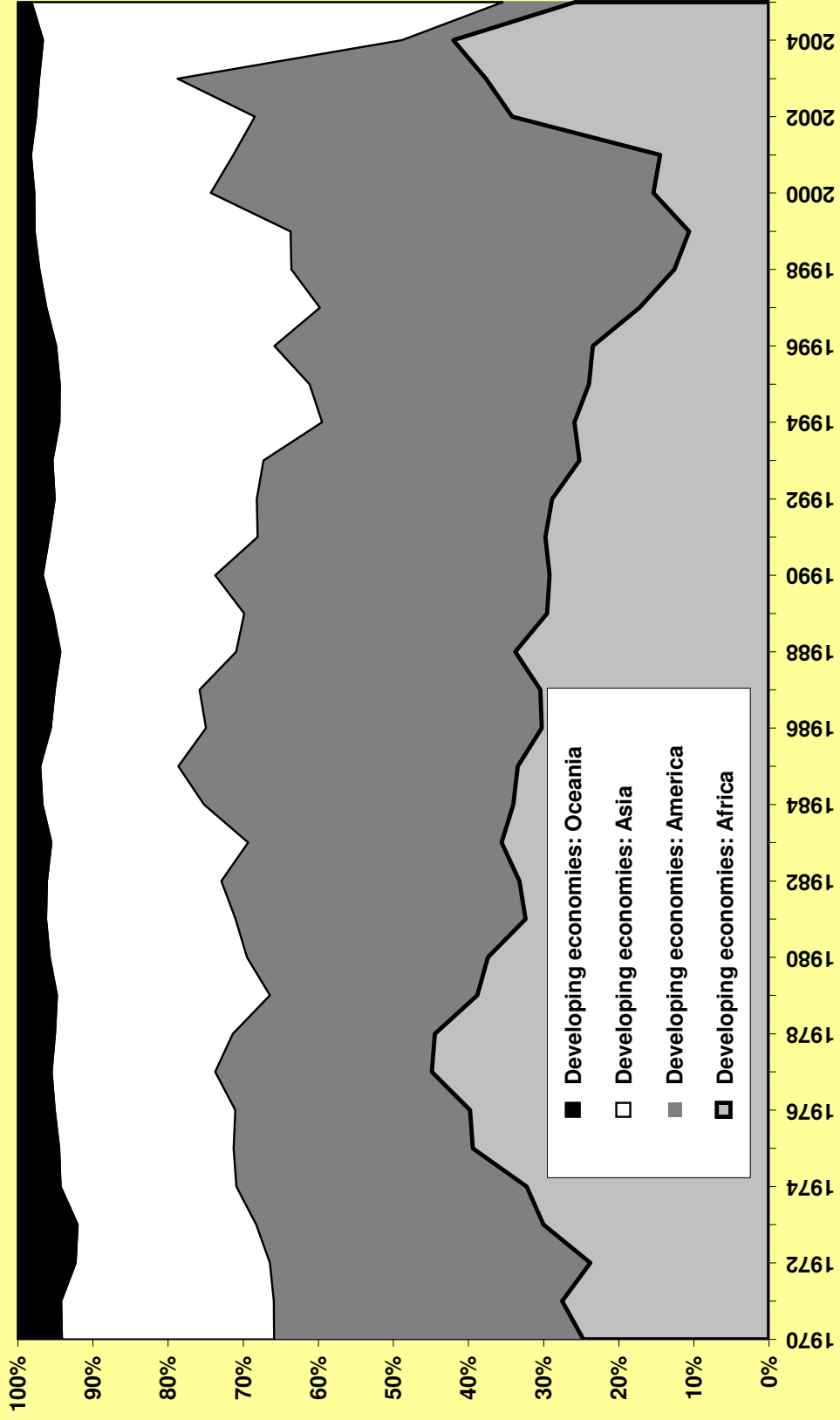
Total official aid flows: Regional composition, 1970-2005



Source: UNCTAD Handbook of Statistics and authors calculation.

ODA weighted by regional GDP per cap.

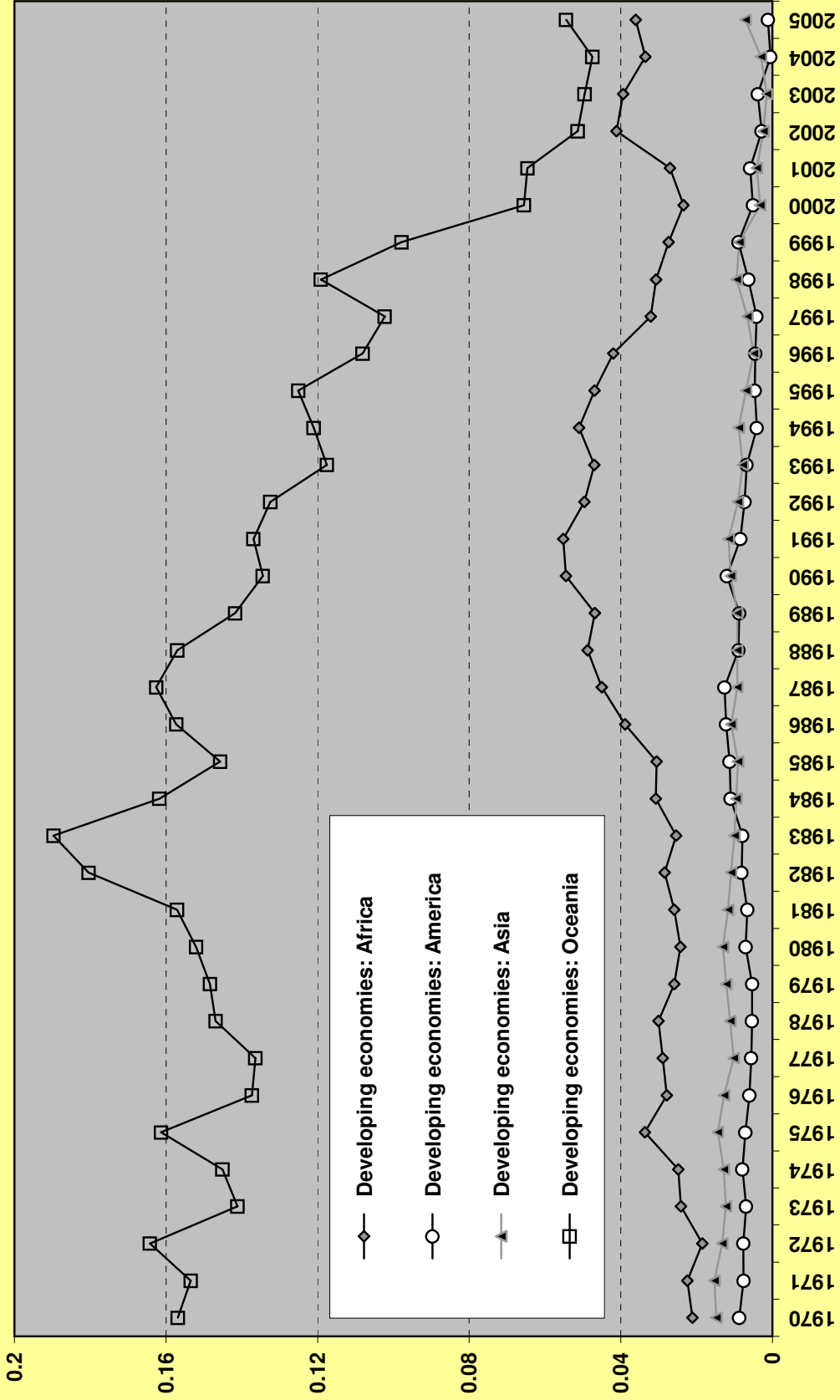
Total official aid flows: Regional composition, weighted by GDP per capita, 1970-2005



Source: UNCTAD Handbook of Statistics and authors calculation.

ODA relative to regional GDP, 1970-2006

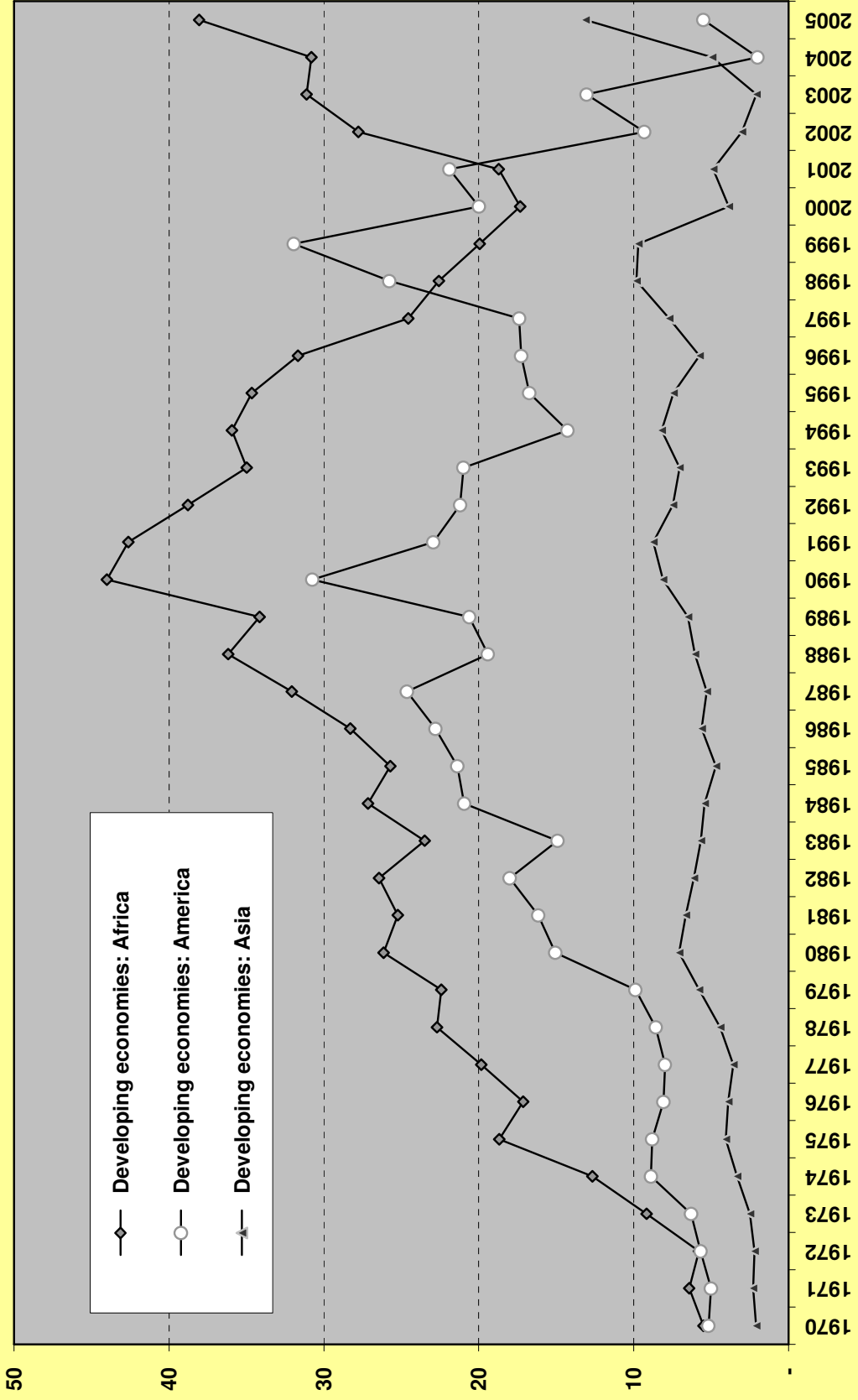
Total official aid flows relative to (recipient region's) GDP, 1970-2005



Source: UNCTAD Handbook of Statistics and authors calculation.

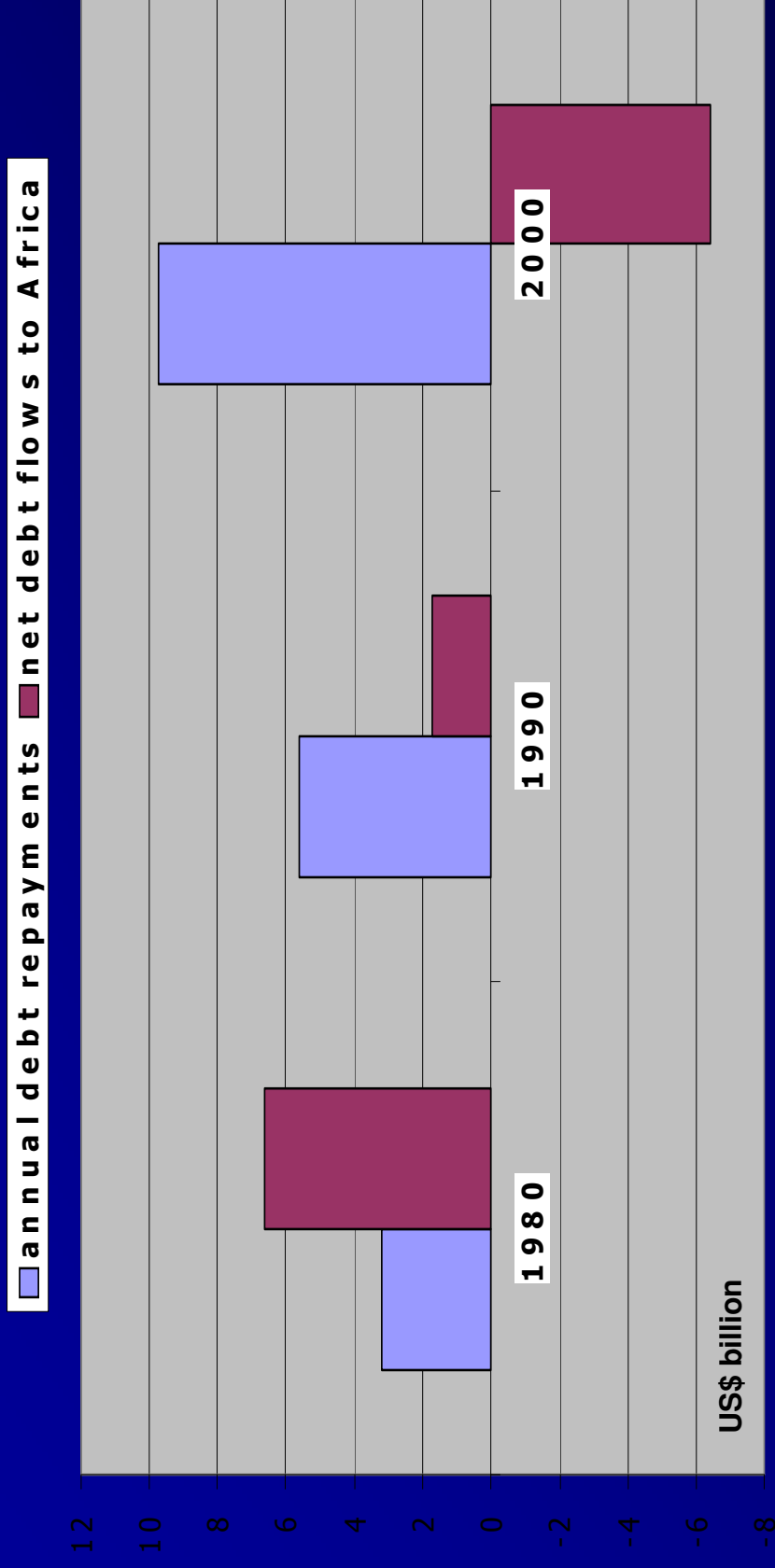
ODA US\$ per capita, 1970-2006

Total official aid flows: Current US\$ per capita, 1970-2005



Source: UNCTAD Handbook of Statistics and authors calculation.

Debt: Africa paying more than it receives



1980-2000: SSA's debt repayments rose,
new loan inflows slowed → net financial outflows

Net debt transfers, 1990-2004

Net debt transfers = loan disbursements – debt service
(principal plus interest payments) from all sources of
creditors

| Ratio to GDP | 1990 to 1994 | 1995 to 1999 | 2000 to 2004 |
|------------------------------------|-----------------|-----------------|-----------------|
| LDCs: Africa and Haiti | 0.9% | -3.1% | -1.3% |
| Major petroleum exporters (Africa) | 0.3% | -1.4% | -0.8% |
| Sub-Saharan Africa | 0.6% | 0.2% | 0.4% |
| SSA excluding South Africa | -1.5% | -1.9% | -2.0% |

Source: Unctad Handbook of Statistics and author's calculation.

Thank you for your interest and attention

- United Nations Development Agenda and NDS Policy
- Notes available at: <http://esa.un.org/>
- Policy Matters: Economic And Social Policies To Sustain Equitable Development
- Report on the World Social Situation, 2005, 2007
- World Economic and Social Survey (annual), latest (2008) on economic insecurity
- DESA Working Papers
- Also see: IDEAs website: www.ideaswebsite.org