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Africa: Development Issues and Policy Options

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Africa: Development Issues and Policy Options

Summary

Sub-Saharan Africa has been a focus for U.S. development assistance for decades. Many believe that U.S. interests in the region are increasing, partly because of its oil resources and the international terrorist threat. However, at the beginning of the twenty-first century, Africa faces grave challenges that potentially threaten long-term stability, including the world's most serious HIV/AIDS pandemic, widespread rural poverty, and high levels of urban unemployment. In constant dollar terms, incomes in Africa are only about $100 higher than in 1960. Recently, gross domestic product (GDP) has been growing, but at rates well below the 7% or better needed to make significant headway against poverty.

The reasons for slow growth and poverty in Africa are the source of much analysis and debate. Some emphasize factors largely beyond Africa's control, such as a difficult geographical endowment that has limited growth in manufacturing, agriculture, and trade. Dependence on primary product exports has made the region vulnerable to cyclical price trends and global economic downturns. Meanwhile, the HIV/AIDS pandemic and the "brain drain" to developed countries have taken away large numbers of adults in their most productive years. The colonial powers made minimal investments in African infrastructure, and left the region divided into some 48 separate countries — several of them landlocked — complicating prospects for economic integration and growth. Trade barriers imposed by developed countries to Africa's exports of cotton and other primary products have also come in for criticism.

Many analysts blame Africa's economic problems primarily on the limited capabilities of African governments, inappropriate economic policies pursued into the 1990s, and corruption. They maintain that further free market reforms are essential if the continent is to grow more rapidly. Some stress Africa's heavy burden of foreign debt, which required the payment of $12 billion in debt service in 2002. Africa's difficulties have limited foreign investment in the region, hampering the development of an export manufacturing sector that could provide jobs and growth.

Development experts and advocates are recommending a number of measures to accelerate growth in Africa, including increased foreign assistance; debt forgiveness; the easing of trade barriers; expanded HIV/AIDS programs; and support for capacity building, both in terms of human capital and infrastructure. Investment promotion programs and expanded applications of research and technology also have support. Each of these approaches has its critics and some could face political problems in the donor countries. In both Europe and the United States, for example, there is strong opposition to any proposal perceived as having the potential to export jobs, as some fear would happen if trade barriers were eased. Moreover, some experts doubt that existing assistance agencies in the developed countries have the knowledge and capacity needed to help Africa grow. Thus, Africa's ability to escape its current economic dilemmas remains very much in question. For background on the U.S. foreign aid program in Africa and information on current legislation, see CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues.* This report will be updated as events warrant.

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At the beginning of the twenty-first century, the 700 million people of sub-Saharan Africa continue to face several grave challenges, including the world's most serious HIV/AIDS pandemic, widespread rural poverty, and high levels of urban unemployment. Per capita incomes have grown only marginally since the 1960s, when most African countries became independent, and the rate of growth in GDP continues to lag, suggesting that incomes will not soon rise.

"Stalled development"[1] and continuing poverty in Africa are a concern to many in the United States, in part because Africa has been an important focus of U.S. assistance programs for decades. In FY2004, bilateral U.S. economic and humanitarian aid to Africa is expected to total more than $2.7 billion,[2] and Africa is also a major beneficiary of indirect U.S. assistance provided through the World Bank and other international organizations. In view of this volume of aid, and of the many billions of dollars provided by other donors each year, many wonder why the sub-Saharan region has not developed.

For a wide range of policy makers and analysts, stalled development in Africa is also a concern because it jeopardizes U.S. interests. Before leaving on a trip to Africa in 2003, President George W. Bush said

> We believe that growth and prosperity in Africa will contribute to the growth and prosperity of the world. We believe that human suffering in Africa creates moral responsibilities for people everywhere.[3]

If development does not accelerate, observers argue, the humanitarian objectives of the United States and other donors with respect to reducing poverty, hunger, and disease in Africa cannot be realized. Moreover, many believe that continuing poverty in the region will promote political instability, jeopardizing U.S. interests in combating terrorism and crime,[4] or in boosting trade. Finally, many emphasize that

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[1] This term was introduced by David K. Leonard and Scott Straus, *Africa's Stalled Development: International Causes and Cures* (Boulder, Colorado and London: Lynne Reiner Press, 2003).

[2] See CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*, by (name reda cted).

[3] "President Bush Outlines his Agenda for U.S.-African Relations, Remarks by the President to the Corporate Council on Africa's U.S.-Africa Business Summit," Washington, June 26, 2003.

[4] Two recent bipartisan reports describe deepening U.S. interests in Africa: Commission on (continued...)

the United States looks to Africa as a petroleum supplier of growing importance in the years ahead, and this role could well be threatened by instability. (It should be noted, however, that some observers view U.S. strategic and economic interests in Africa as quite limited, and they predict that the region will be given a lower priority than other parts of the world by policymakers.)[5]

The purpose of this report is to examine the sources of Africa's slow growth and continuing poverty, and to review the principal options being discussed by development experts and advocates for reducing poverty and promoting economic growth. For more detailed information on the U.S. assistance program in Africa and current legislation, see CRS Issue Brief IB95052, *Africa: U.S. Foreign Assistance Issues*. This report will be updated as events warrant.

Slow Growth and Poverty in Africa

Africa's slow growth and poverty seem surprising in some ways, since the continent has a number of strengths that would seem to give it considerable economic potential. Low wages prevail through most of the region, and might be expected to attract investors in textiles and other manufacturing industries, as has happened in China and elsewhere. Africa is located closer than Asia to most markets in the developed world, so that it ought to be possible to export manufactured goods at lower cost than Asian competitors. Many countries, moreover, are well-endowed with natural resources, including oil, and could supply many of the inputs to production from domestic sources.

Yet, at least for the present, Africa remains in the grip of poverty. At the United Nations Millennium Summit in 2000, the international community set ambitious Millennium Development Goals (MDGs) to be met by 2015 in order to reduce poverty worldwide. The goals were endorsed at a U.N.-convened conference on financing for development that was held in Monterrey, Mexico in March 2002, and attended by President Bush.[6] Chief among the MDGs is the goal of halving the proportion of the world's population living in extreme hunger and poverty by 2015 as compared to 1990. However, a recent joint report by the World Bank and the

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[4] (...continued)
Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security*, sponsored by the Center for Global Development (Washington, June 2004); Africa Policy Advisory Panel, *Rising Stakes in Africa: Seven Proposals to Strengthen U.S.-Africa Policy*, sponsored by the Center for Strategic and International Studies (Washington, May 2004).

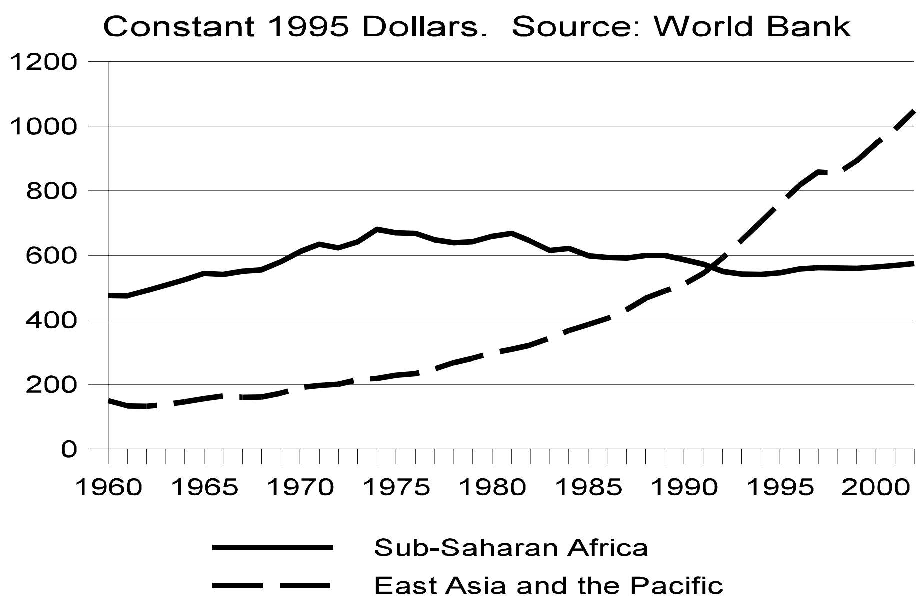
[5] See Karl P. Magyar's introduction to Karl P. Magyar, ed., *United States Interests and Policies in Africa: Transition to a New Era* (New York: St. Martin's Press, 2000), p. 1-14.

[6] See [http://www.developmentgoals.org]; United Nations, *Report of the International Conference on Financing for Development*, Monterrey, Mexico, 18-22 March 2002. The possibility of achieving the Millennium Development Goals and targets in sub-Saharan Africa has met with some skepticism in the development community. Michael Clemens and Todd Moss, "Setting Up Africa for Failure," *Mail and Guardian* (Johannesburg), June 1, 2004.

International Monetary Fund (IMF) noted that while most regions of the world will likely achieve or come close to this MDG, "[s]ub-Saharan Africa is seriously off track, with just 8 countries representing about 15 percent of the regional population likely to achieve that goal."[7]

The inability of Sub-Saharan Africa's economies to raise incomes is indicated in **Figure 1**, which shows that GDP per capita, in constant dollar terms, rose somewhat into the 1970s, but began a sustained decline in 1981 before leveling off in the later 1990s at about $100 above the 1960 figure. The chart also indicates that per capita GDP in the developing countries of the East Asian and Pacific region, which include China, Indonesia, and Vietnam, was lower than Africa's in 1960, but has since risen well above the African level. GDP per capita in Nigeria and Indonesia in 1960 was estimated at $224 and $249 respectively (constant 1995 dollars), but by 2002, the figures were $248 for Nigeria and $1,060 for Indonesia.[8] Latin America and the Caribbean were already considerably ahead of sub-Saharan

Figure 1. GDP Per Capita



Africa in 1960, with an average GDP per capita $2,058 in 1995 constant dollars, but by 2002, this figure had reached $4,052, almost doubling while African growth stagnated.

Figure 2, "Economic Growth in Sub-Saharan Africa," records the annual percentage change in the region's GDP. Africa attained some strongly positive growth rates through 1974, with dips in 1966 and 1972 — a year when a great drought and famine afflicted much of Africa — before plunging in the mid-1970s,

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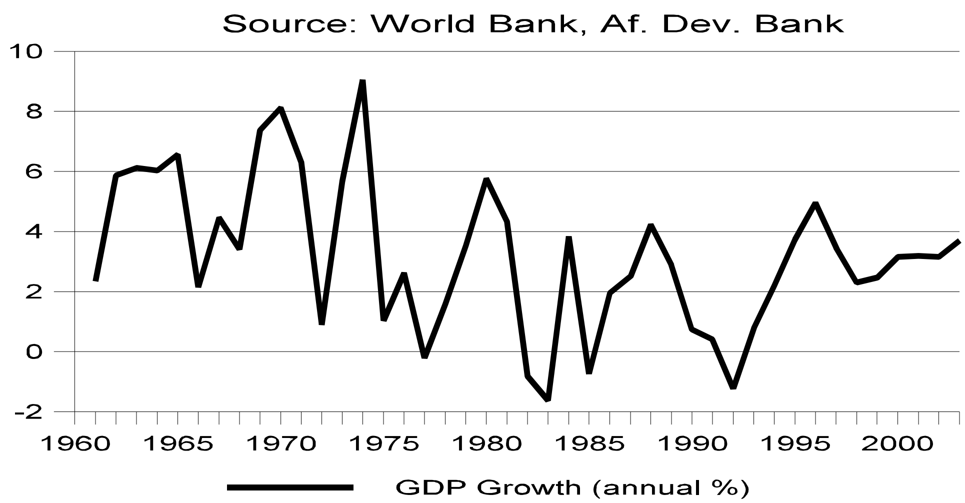
[7] World Bank and IMF, Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, *Global Monitoring Report 2004: Policies and Actions for Achieving the MDGs and Related Outcomes* (Washington: April 16, 2004), p. 1.

[8] World Bank, *World Development Indicators Online*.

as the world economy suffered the shock of the 1973-1974 Arab oil embargo. Overall, African economies grew at an average of 3.2% from 1961 through 2002, just fractionally above the population growth rate of 2.7%. In other regions, GDP growth has outpaced population growth by wider margins, allowing greater progress in raising incomes. For example, in East Asia and the Pacific, GDP grew at an average rate of 6.6% per year from 1961 through 2002, while population grew at a rate of 1.7%. The World Bank points out that meeting the MDG of halving the incidence of severe poverty in sub-Saharan Africa by 2015 would require annual growth averaging 7% or more, well below the actual growth rates indicated in Figure 2.[9]

Figure 2. Economic Growth in Sub-Saharan Africa



Is Africa, then, no better off in 2004 than it was in 1960? One indicator, life expectancy at birth, would suggest perhaps not. In 1960, life expectancy for new-born Africans was about 40 years. This indicator reached a peak of about 50 years in 1992, and has since fallen to about 46,[10] reflecting the impact of the AIDS pandemic. But some analysts point out that there have been gains in a number of other areas. Although there is much variation from country to country, on average illiteracy among females fell from 82% in 1970 to 45% in 2002; and infant mortality dropped from 151 per thousand to 105 per thousand.[11] African universities and university graduates were scarce in 1960, but today there are thousands of African scientists, engineers, and administrators educated both in Africa and abroad. As a result of widening educational opportunities generally, one author detects a "new mass of literate, young, culturally liberated, mobile, and organizationally skilled rural Africans," whose "importance should not be underestimated."[12] In recent years, cell phone use has dramatically increased in many countries, easing bottlenecks in

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[9] World Bank, *Can Africa Claim the 21st Century*? (Washington: 2000), p. 2.

[10] World Bank, *World Development Indicators Online*.

[11] World Bank, *World Development Indicators Online*.

[12] John Sender, "Africa's Economic Performance: Limitations of the Current Consensus," *Journal of Economic Perspectives* 13 (Summer 1999) p.100.

communication. Few Africans were able to travel beyond the continent in 1960, but today tens of thousands live and work abroad, learning new skills and sending money home. Several of the conflicts that have plagued the region for years have ended, as in oil-rich Angola, for example, or Sierra Leone, suggesting to some that Africa's potential for growth is increasing. African civil society has strengthened in recent years as the capabilities of non-governmental organizations and advocacy groups have improved.

Meanwhile, as will be discussed below, there has been progress with respect to governance and transparency, and multi-party elections have been held in many countries. In 2001, African leaders founded NEPAD, the New Partnership for Africa's Development, dedicated to promoting sustainable development by reducing poverty, attracting aid and investment, reducing debt, and attaining broader access for Africa to global markets.[13] Many supporters of development in Africa are placing particular hope in NEPAD's voluntary "peer review mechanism," which will see African governments evaluated by teams of African experts with regard to respect for human rights, governance, transparency, economic performance and other criteria. Some expect aid and investment to increase for countries receiving a clean bill of health through the peer review process.[14] NEPAD and the peer review process have been welcomed by the G-8 countries, including the United States.[15]

Finally, analysts point to what they see as economic "success stories" in Africa, where substantial growth has occurred despite problems elsewhere. The success stories are seen as demonstrating that growth is possible in the African context and could become more widespread. Botswana's economy, fueled by diamond mining and steadied by a stable, democratic political system, achieved double-digit growth in most years between 1968 and 1989; and has continued to expand, though at slower rates, in every subsequent year. GDP in Mozambique grew at an average of 9% per year from 1997 through 2002. Ghana, Uganda, and some other countries have been achieving GDP growth rates in the 4% to 6% range in recent years, and Uganda's economy performed at even higher rates in the 1993-1996 period, as well as in 1999.[16]

However, despite progress in some areas, and despite some success stories, widespread poverty and slow economic growth remain serious problems. Even in the better-performing countries, such as Ghana and Uganda, only very slow headway is being made in lifting per capita incomes. Some also point out that the lessons to be drawn from Botswana and Mozambique are limited. Botswana's diamond wealth and small population make it unusual among African states, and its reputation as a success has been undercut by its estimated 37.3% HIV infection rate among adults

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[13] CRS Report RS21353, *New Partnership for Africa's Development (NEPAD)*, by (name r edacted).

[14] "Peer Review Is Bold Advance for Africa," *Business Day* (South Africa), February 18, 2004; "Well, a Little — Assessing African Governments," *The Economist*, February 21, 2004.

[15] CRS, *New Partnership for Africa's Development (NEPAD)*, p. 5-6.

[16] World Bank, *World Development Indicators Online.*

(2003). The country's President, Festus Mogae, talked of his own discouragement in February 2004: "It places horrendous strain on you, when you are the leader of the country that was admired and now you are the most seriously affected and considered a disaster."[17] Mozambique, which started from a position of extreme poverty when peace was established there in 1992, remains one of the world's poorest countries with an annual per capita income of just over $200.

Skeptics of NEPAD note that to date just 17 countries have agreed to be reviewed and question whether the reviews will have "teeth." Some also suggest that African leaders to date have shown little willingness to discipline governments guilty of human rights violations and corruption. The case of Africa's seeming reluctance to deal with the political and economic turmoil in President Robert Mugabe's Zimbabwe is often cited.

Sources of Slow Growth and Poverty

The reasons for slow growth and poverty in Africa are the source of much analysis and debate among development economists and advocates. Part of the debate centers on the degree to which slow growth results from factors which are largely beyond Africa's control — particularly trends in the global economy, geographical realities, and the special burdens imposed by Africa's history — or from policies adopted by African governments in the post-independence period through the 1980s and beyond. Another debate focuses on the degree to which the policies and policy recommendations of the major donors, including the international financial institutions, might be helping or hindering African development. The following catalog of factors that have been put forth as contributors to Africa's slow growth and poverty suggests that the sources of these problems are many and complex; and that restarting African growth and development poses a difficult challenge indeed.

Trends in the Global Economy

Some analysts, considering the course of GDP growth in Africa as depicted in Figure 2 above, are struck by the coincidence of Africa's downturns with downturns in the global economy. Two African economists, Thandika Mkandawire, head of the United Nations Research Institute for Social Development, and Charles Soludo of the African Institute for Applied Economics in Nigeria, place great weight on the impact of global trends on growth in Africa. According to Mkandawire and Soludo, the global recession following the first oil shock was the precipitating factor in Africa's subsequent stagnation.[18] The fact that there was lively growth in many previous years

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[17] Stephanie Nolen, "AIDS Ends African Success Story," *Globe and Mail* (Toronto), February 12, 2004. According to data released in July 2004, Swaziland had become the country most heavily affected by HIV/AIDS, with an infection rate of 38.8%. United Nations Joint Program on HIV/AIDS (UNAIDS), *2004 Report on the Global AIDS Epidemic* (July 2004).

[18] Thandika Mkandawire and Charles C. Soludo, *Our Continent, Our Future: African*

(continued...)

underscores for them not only that high rates of growth are attainable in the African context, but also that African economies are particularly vulnerable to external trends and events. With "petrodollars" flooding world credit markets, many African countries borrowed heavily after the first oil shock. This left them vulnerable to the next global downturn in the early 1980s,[19] following the second oil shock, in the wake of the 1979 revolution in Iran, when the rate of growth in Africa fell into negative territory.

Negative growth occurred again in 1985. Ethiopia and some other parts of Africa were affected by severe drought at this time, contributing to the region's poor economic performance. But this was also a period when, according to the International Monetary Fund (IMF), "the slowdown in industrial countries, particularly in the United States, was sharper than expected, world trade was sluggish, protectionist pressures intensified, [and] real primary commodity prices declined steeply...."[20] As will be noted below, dependence on primary commodity exports — agricultural produce, unprocessed mineral ores, and crude oil — is a key feature of Africa's economies, and a major source of vulnerability to trends in the global economy. Africa's economic performance hit another low in 1992, following a year of contraction in the economies of the industrialized world.[21] But other regions faced the same international economic environment as sub-Saharan Africa and managed to grow at faster rates overall. Thus, there must be additional factors that help to explain Africa's problems.

Geography and Demography

A widely discussed 1998 paper by David Bloom and Jeffrey Sachs described a number of obstacles to growth arising from Africa's geography.[22] Bloom is professor of economics and demography at Harvard's School of Public Health, while Sachs, formerly at Harvard, is Director of the Earth Institute at Columbia University and Special Advisor to the UN Secretary General on the Millennium Development Goals. According to Bloom and Sachs,

> At the root of Africa's impoverishment, in our view, lies its extraordinarily disadvantageous geography, which has helped to shape the nature of African societies and Africa's interactions with the rest of the world. Throughout the old world and the new world, tropical regions have lagged far behind the temperate

[18] (...continued)
Perspectives on Structural Adjustment (Trenton and Asmara: Africa World Press, 1998), p. 5-6.

[19] Leonard and Straus, p. 23.

[20] IMF, International Monetary Fund Annual Report, 1986, p. 1.

[21] IMF, International Monetary Fund Annual Report, 1992, p. 3, describing global economic performance in 1991.

[22] David E. Bloom and Jeffrey D. Sachs, "Geography, Demography, and Economic Growth in Africa," *Brookings Papers on Economic Activity* (1998:2), p. 207-295, 1998. See also, Jeffrey D. Sachs and Andrew M. Warner, "Sources of Slow Growth in African Economies," *Journal of African Economies* 6 (December 1997) p. 335-376.

> regions in economic development, and sub-Saharan Africa is by far the most tropical of all the major regions in the world economy (in the simple sense of the highest proportions of land and population in the tropics).[23] Moreover, in several dimensions — climate, soils, topography, and disease ecology — its environment is without parallel in raising obstacles to growth. The consequences include chronically low agricultural productivity (especially in food production), high disease burdens, and very low levels of international trade, with trade concentrated in a few primary commodities.

They further point out that the Earth's highest concentrations of people are in the northern latitudes, creating larger markets there and offering higher payoffs to innovation. In sub-Saharan Africa itself, much of the population in eastern and southern regions is concentrated on the inland plateau, where higher, cooler elevations make for a healthier environment and better farming prospects. But this raises what economists call "transaction costs," since the products of the highlands must be transported to the coasts before they can be shipped abroad. Transaction costs would be lower if people were concentrated at the coasts — but the highest population densities are in Rwanda and Burundi, deep in the interior. Africa's relatively low population densities overall, and low levels of urbanization, raise the relative costs of providing infrastructure, such as roads and telecommunications.[24] Bloom and Sachs, with other authors, point out that much of Africa is arid or semi-arid and subject to recurrent drought; that Africa lacks rivers that are navigable from the interior all the way to the sea; and that much of Africa's coastline lacks good natural harbors. Finally, again with other authors, they note that several countries with significant economic potential, such as Uganda, Zambia, and Zimbabwe, are landlocked — placing them at permanent disadvantage in world trade.

In a subsequent article, Paul Collier, professor of economics at Oxford, and Jan Willem Gunning, professor of economics at the Amsterdam Institute for International Development, worried that the Bloom and Sachs approach might create the impression that slow growth is Africa's destiny.[25] They point out that Switzerland is landlocked but prosperous, as is Botswana; and argue that Africa has certain advantages such as those noted above: low wages potentially attractive to investors, and a location closer to most developed economy markets than Asia. Acknowledging many of the problems described by Bloom and Sachs, Collier and Gunning insist that African economies could grow if they changed their policies to attract investment — an issue discussed below. The extent to which there is a disagreement between Bloom and Sachs on the one hand and Collier and Gunning on the other on these issues is unclear, since Bloom and Sachs insist they "believe emphatically"[26] that "policy matters" and that past mismanagement of policy by African governments has indeed been an obstacle to growth. In another co-authored paper, Sachs argues that "Africa's physical geography, difficult as it is, does not pose an insurmountable

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[23] Bloom and Sachs point out that the climate is moderated by monsoon rains or locations near the sea in tropical countries that are outperforming Africa in south and southeast Asia.

[24] Bloom and Sachs, p. 23.

[25] Paul Collier and Jan Willem Gunning, "Why Has Africa Grown Slowly," *Journal of Economic Perspectives* 13 (1999).

[26] Bloom and Sachs, p. 5.

challenge to faster growth, even if it will tend to diminish growth rates compared to some other parts of the developing world."[27] At the same time, Bloom and Sachs believe that economists have tended to neglect the importance of geography and that good policies should take geographic realities into account.

Enclaves and the "Resource Curse." David Leonard and Scott Straus, authors of *Africa's Stalled Development*, note a particular problem in Africa: "enclave production,"which entails the export of primary products, such as minerals, oil, or state-produced agricultural products, from a small geographic area.[28] (Leonard is dean of international and area studies at the University of California, Berkeley, where Straus, a former journalist based in Africa, is a graduate student .) A corrupt leader can thrive on the revenues derived from such production, while doing nothing to boost overall productivity or wealth-generation in society at large. Thus, they argue, Mobutu Sese Seko's government was able to remain in power in Zaire (now the Democratic Republic of the Congo or DRC) for 32 years (1965-1997) by extracting wealth from minerals exports — while at the same time collecting foreign aid — as the country's economy disintegrated.[29] Leonard and Straus also point out that enclave economies have contributed to the conflicts that have troubled a number of African states in the post-independence era.[30] Many of these conflicts, they argue, as in Sierra Leone or the DRC, can be understood as contests between warlords and governments over control of enclave resources. In a quantitative study, Paul Collier and a colleague, Anke Hoeffler, have confirmed that primary commodity exports can finance unrest and make "rebellion feasible and perhaps even attractive."[31]

Petroleum resources are coming in for particular examination worldwide as a "natural resource curse" that leads to corruption, weakens institutions, and undermines both democracy and prospects for economic growth.[32] Thus, many are calling for measures to compel oil-producing countries to produce accurate and timely reports on oil revenues as a first step in assuring that oil income is used to promote social and economic development. Catholic Relief Services, in a 2003 report, argues that without greater transparency in the petroleum sector, Africa's increasing oil revenues in the years ahead may only worsen the situation of the region's poor.[33] A study, focusing on Nigeria, urges that oil revenues be distributed directly to poor Nigerians, who could make their own decisions about how the money

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[27] Sachs and Warner, "Sources of Slow Growth in African Economies."

[28] *Africa's Stalled Development: International Causes and Cures* (Boulder, Colorado and London: Lynne Reiner Press, 2003), p. 12-19.

[29] *Africa's Stalled Development*, p. 13.

[30] *Africa's Stalled Development*, Chapter 4.

[31] Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War,"*World Bank Working Paper* (October 21, 2001).

[32] Nancy Birdsall and Arvind Subramanian, "Saving Iraq from Its Oil," *Foreign Affairs* 83 (July/August 2004),

[33] Ian Gary and Terry Lynn Karl, *Bottom of the Barrel: Africa's Oil Boom and the Poor* (Baltimore: Catholic Relief Services, June 2003), p. 1.

can best be spent.[34] In this way, per capita incomes would rise, and the oil income would be kept away from government, where it can be siphoned off through corruption.

Delayed Demographic Transition. Africa, like other developing regions, achieved sharp declines in child mortality when modern public health practices and technologies were introduced after World War II.[35] Unlike other regions, however, Africa did not subsequently undergo a "demographic transition" from a situation of high child mortality and high birth rates to one of low mortality and low birth rates. Instead, birth rates remained high, giving the region an unusually large proportion of children under 15, as compared to adults in their most productive working years, 15-64 (**Table 1)**.

The reasons for the absence of a demographic transition in sub-Saharan Africa may include the continuing value of children as a source of labor in small-holder, subsistence farming, and as source of support in old age. Some speculate that socio-cultural norms favoring large families may remain unusually strong in Africa due to the region's long history of losing large numbers to famine, disease, and the slave trade.[36] Africa's large population of children who can contribute little to production makes it all the more difficult for the region to make gains in per capita income, and places a heavy burden on education systems.

Table 1. Age of Population, 2002

	0-14 (%)	15-64(%)
Sub-Saharan Africa	43.8	53.3
East Asia and Pacific	26.3	67.2
South Asia	34.2	61.2
Latin America and Caribbean	30.9	63.6

Source: World Bank, *World Development Indicators Online*.

A demographic transition of the classic sort seems unlikely to occur in the near future, since the rate of fertility remained above 5 children per woman in 2002, far above the replacement rate of 2.1; and the population growth rate was at 2.2% per year — a rate that would double the population in just over 30 years. The population growth rate is slowing somewhat, probably reflecting the impact of the AIDS pandemic (see below), but a demographic transition achieved through AIDS would be disastrous, since the disease primarily kills adults in their productive years. Consequently, the proportion of children to working adults, already large, could increase further.

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[34] Xavier Sala-i-Martin and Arvind Subramanian, "Addressing the Natural Resource Curse: An Illustration from Nigeria," *IMF Working Paper* (July 2003).

[35] Bloom and Sachs, p. 24.

[36] Bloom and Sachs, p. 25.

Brain Drain. The departure of Africans, particularly professionals and skilled workers, to work at higher wages in the developed countries also detracts from the region's development prospects. Recent, authoritative data on the scale of the brain drain appear to be lacking, but the World Bank estimated in 2000 that 23,000 professionals leave Africa each year.[37] In 2002, according to one study, 7,915 African nurses applied for work permits in the United Kingdom alone.[38] Large numbers of physicians, scientists, and academics also leave Africa to work abroad, principally in Europe and North America. Those who depart may send home remittances from their foreign earnings to their families, and to some extent the loss of expertise is made up for by foreigners brought in under development assistance programs.[39] But clearly, the annual loss of skilled personnel on a large scale reduces Africa's capacity for dealing with its development problems. Resolving the brain drain problem would likely require not only higher salaries for professionals, but also improvements in the quality of life, including reductions in crime and enhancements in social services, notably health care and education.[40]

Historical Burdens

Many analysts believe that the 400-year African slave trade must in some way lie in the background of Africa's economic difficulties. An estimated 11 million Africans were taken away in the Atlantic slave trade, and millions more were taken to the Middle East and elsewhere.[41] The captives were typically in their most productive years, just as is the case with those taken by the AIDS pandemic today, and Africa was deprived of the contribution they might have made to development. Moreover, the traders brought firearms and munitions into Africa to be exchanged for slaves, and these contributed to political instability — as did the raids and wars waged by Africans trying to acquire captives for the trade.[42] Leonard and Straus believe that the slave trade left behind "a weakened and fractured political

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[37] World Bank, *Can Africa Claim the 21st Century*? (Washington: 2000) p. 44.

[38] Delanyo Dovlo, "The Brain Drain and Retention of Health Professionals in Africa," paper presented at a conference on improving tertiary education in sub-Saharan Africa, Accra, Ghana, September 23-25, 2003. Available at [http://www.worldbank.org].

[39] According to the World Bank, 100,000 foreign advisors are funded in Africa through $4 billion in aid. *Can Africa Claim the 21st Century*, p. 44. This is a particular sore point for Mkandawire and Soludo (see below).

[40] "Reversing Africa's 'Brain Drain,'" *Africa Recovery* (United Nations Department of Information), July 2003.

[41] Paul E. Lovejoy, *Transformations in Slavery: A History of Slavery in Africa*, 2d ed. (Cambridge, Cambridge University Press, 2000), p. 19, 26, 47. See also, David Eltis, "The Volume and Structure of the Transatlantic Slave Trade: A Reassessment," *The William and Mary Quarterly* 58 (2001), p. 6. The Atlantic slave trade came to an end in 1870, when the export of slaves to Cuba was halted.

[42] Robin Law, *The Slave Coast of West Africa, 1550-1750: the Impact of the Atlantic Slave Trade on African Society* (Oxford: Clarendon Press, 1991), p. 345-350.

landscape,"and assert that this had a "significant negative impact on the continent's state development."[43]

Weakened by the slave trade, the continent lay open to the European "scramble for Africa," which began in earnest in the 1870s and ended in 1920 with all of the continent, except Liberia and Ethiopia, under European control. While colonial rule brought some infrastructure and education to Africa, scholars are generally quite negative in assessing its impact. The overall effect of the colonial era, in their view, was to leave the vast majority of Africans with very low incomes and very low rates of savings — in a sort of "poverty trap" from which the continent has had difficulty escaping.[44]

Some point out that the European colonizers expected the colonial governments they established in Africa to operate on "shoestring budgets," so that when governance was transferred to Africans, the newly independent governments — though coercive, like their colonial predecessors — tended to have very limited capabilities.[45] Colonial governments were dedicated to extracting profits from Africa for European elites rather than to the development of the people in the colonized territories, setting a pattern that may have influenced African elites when they took power. Transportation infrastructure was designed to facilitate the extraction of commodities from the interior of individual colonies to the sea, rather than to promote the economic development and integration of regions and subregions. Many conclude that colonial regimes did little to promote the development of institutions in Africa. According to Deborah Brautigam of American University and Harvard's Kwesi Botchwey, former Minister of Finance in Ghana,

> Only six universities had been established in all of sub-Saharan Africa, and in 1960, post-secondary enrollment levels were about one-sixtieth of those in Asia and Latin America. During their occupation of India, the British had established the Indian Civil Service, providing a dense network of several generations of well-trained civil servants with a growing tradition of meritocracy. Few countries in Africa had any comparable experience.[46]

The colonial powers created African economies based largely on the export of a narrow range of agricultural and mineral commodities that are subject to volatile price fluctuations in the global market. The resulting cycles of boom and bust destabilized government budgets and disrupted investment.[47] With the sag in commodity prices in the early 1980s, just two decades after most became

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[43] Leonard and Straus, *Africa's Stalled Development*, p. 8.

[44] On "poverty traps" see Jeffrey Sachs, "Resolving the Debt Crisis of Low Income Countries" *Brookings Papers on Economic Activity* (2002:1), p. 5,8.

[45] Leonard and Straus, *Africa's Stalled Development*, p. 10.

[46] Deborah Brautigam and Kwesi Botchwey, "The Institutional Impact of Aid Dependence on Recipients in Africa," *Working Paper* (Bergen, Norway: Chr. Michaelsen Institute, 1999), p. 5.

[47] Collier and Gunning, "Why Has Africa Grown Slowly?" p. 13.

independent, African governments became ever more dependent on borrowing and foreign aid.[48]

The colonial powers set the boundaries of independent Africa, creating landlocked states and dividing the region, which has about half the population of India, into 48 separate countries — vastly complicating prospects for economic integration and growth.[49] Many scholars also believe that within African states, the tendency of colonial authorities to favor one group over another for administrative or military posts laid the basis for the ethnic conflicts and divisions that trouble many African states today.[50]

Government Capabilities

According to many experts, slow growth in Africa has resulted in significant measure from the weakness of African governments. Nicolas van de Walle, professor of political science at Michigan State University, is one of the leading proponents of this view. He writes that, since independence, there has been a "progressive loss of state capacity."[51]

> African civil services are characterized by pervasive absenteeism, endemic corruption, politicization, declining legitimacy, and low morale. Low-skill positions tend to be overstaffed, with several officials doing the work of a single individual, while high-skill positions are left unfilled because of the absence of viable candidates at prevailing wages.... Administrative services are plagued by the resignations of a high number of their most experienced managers, who have left for better paying jobs in the private sector, working for donors or in the increasingly important private sector. Brain drain from the region is a massive problem....

The resulting "low state capacity" has been a major obstacle to development, according to van de Walle.[52]

Van de Walle and others are concerned that African governments do not depend on taxes raised among the population, and have little capacity to collect such taxes, but rather rely on "clientelism," taxes on commodity exports, and foreign aid to remain in power. In this sense, governments are not connected to their people and need not respond to the needs of the people for economic development and higher incomes. According to van de Walle, political authority in Africa[53]

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[48] Leonard and Straus, *Africa's Stalled Development*, p. 23.

[49] Collier and Gunning, "Why Has Africa Grown Slowly?" p. 9.

[50] Bruce Berman, "Ethnicity, Patronage, and the African State: the Politics of Uncivil Nationalism, *African Affairs* 97 (July 1998): p. 305-341.

[51] Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge: Cambridge University Press, 2001), p.131.

[52] Ibid, p. 46.

[53] Ibid., p. 51-52.

> is based on the giving and granting of favors, in an endless series of dyadic exchanges that go from the village level to the highest reaches of the central state. Under this general rubric of clientelism can be placed a wide variety of practices involving the giving and receiving of favors, almost invariably based on corruption.... Outwardly, the state has all the trappings of a Weberian rational-legal system, with a clear distinction between the public and the private realm, with written laws and a constitutional order. However, this official order is constantly subverted by a patrimonial logic, in which officeholders almost systematically appropriate public resources for their own uses .... This is true , not only in the smallest, most backward states in the region, but also in some of the bigger, allegedly more institutionalized states, like Côte d'Ivoire or Nigeria.

Mkandawire and Soludo are highly critical of the school of thought van der Walle represents, complaining that it has been "championed largely by Africanists based in North American universities and immediately embraced by the World Bank"[54] to the detriment of development in Africa. In their view, the approach carries "the cynical implication that state officials, politicians, policymakers, and bureaucrats do not have the slightest sense of duty," leading to the "denigration and vilification of African civil servants" and their "demoralization."[55] They fear that the van de Walle approach has led donors to the conclusion that foreign institutions should take over the "driver's seat" in Africa. As a result, they maintain, while African governments have been pressured to cut back the size of the civil service, "100,000 expatriate technical-assistance staff work in Africa, meddling in every aspect of policy analysis, advice, [and] policy-making....."[56]

Mkandawire and Soludo concede that there are problems in African governance, and that African governments have made economic policy errors. Nonetheless, they criticize the van de Walle approach, arguing that it focuses on one aspect of Africa's development problems, while there are a host of other issues, such as the need for an industrialization policy for Africa, human capital development, and expanded domestic savings and investment. Leonard and Straus also warn against too great a stress on governance problems, asserting that "patronage, clientelism, and corruption are prevalent in many places, including many comparatively wealthy and developed Western countries." They mention Italy as an example, and note that patronage politics are not unknown in the United States. Governments almost everywhere, like those in Africa, they argue, "survive and gain support through distributing goods and services."[57]

In short, experts seem to agree that there are serious problems with respect to government capabilities and the quality of governance in Africa, but differ over the extent to which these problems can be blamed for slow growth in Africa. Some also point out that the government capabilities are more an issue in some countries than others. The governments of South Africa, Botswana, and Ghana, for example, have

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[54] Mkandawire and Soludo, *Our Continent, Our Future*, p. 24.

[55] Ibid., p. 26.

[56] Ibid., p. 37.

[57] Leonard and Straus, *Africa's Stalled Development*, p. 5.

greater capabilities and are better able to deal with development problems than those in a number of other countries.

Government Policies

After independence, many African governments adopted policies that featured strong state involvement in the economy aimed at sparking rapid economic growth. Accompanied by socialist rhetoric in Ghana, Tanzania, Zambia, and some other countries, this strategy typically included nationalization of strategic enterprises, government efforts to launch new industries, fixed exchange rates, price controls, and an expansion of the civil service. By the early 1980s, a consensus was emerging among development experts that this state-centered approach to development had been a mistake and was responsible for the growth setbacks Africa was experiencing. This consensus was crystallized in the World Bank's 1981 report *Accelerated Development in Africa,* by Elliott Berg, which argued that market-oriented domestic policy reforms were essential to returning Africa to the growth path. By the mid-1980s, according to van de Walle, Berg's findings — now known as the Washington Consensus — had come to be widely accepted among western development experts.[58] The Washington Consensus, in broad terms, called for the withdrawal of African governments from the economies of their countries through privatization, removal of price controls and other forms of market regulation, free trade, and free exchange rates — to be accompanied by fiscal discipline in the form of balanced budgets and civil service cutbacks.

Ravi Kanbur, formerly chief economist in the Africa Division at the World Bank and now at Cornell University, points out that during the 1980s and 1990s, many of the reforms advocated under the Washington Consensus were adopted.[59]

> It is now generally recognized that there have been tremendous advances in key areas such as exchange rates and import quotas. Black markets in foreign exchange have basically disappeared from Africa, as have import licenses. Price controls, in general, are a thing of the past.

But Kanbur agrees with van de Walle and others in arguing that reforms in Africa have not gone far enough in such areas as privatization, civil service reform, and financial market reform. These deeper reforms, part of what is known as "structural adjustment," have been only partially achieved, van de Walle argues, so that, for example, in some countries it can still take months to register a new company, and licenses and approvals may still require some sort of "side payment."[60] According to van de Walle, governing elites have resisted, delayed, and reshaped reforms that might threaten their sources of income and power. Privatization has moved ahead slowly partly because many in Africa continue to believe that strategic enterprises should be in state hands and because of infighting among the elite along factional and ethnic lines over how shares will be distributed. From this point of view, then,

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[58] Van de Walle, *African Economies and the Politics of Permanent Crisis*, p. 213.

[59] Ravi Kanbur, "Aid and Debt Conditionality as Restraints," in Paul Collier and Catherine Patillo, *Investment and Risk in Africa* (New York: St. Martin's Press, 2000), p.311.

[60] Van de Walle, *African Economies and the Politics of Permanent Crisis*, p. 70-71.

policy remains an obstacle to economic development in Africa, and reforms must go further before substantial progress can occur.

There are some critiques of the view that free market policy reforms are the key to faster growth in Africa. John Sender, professor of economics at the University of London, argues that the fiscally conservative policies urged on Africa under the Washington Consensus have been essentially deflationary, at a time when African economies have needed to expand; and that the Consensus calls for a minimalist state in Africa when Africa needs stronger states to deal with economic problems.[61] Joseph E. Stiglitz of Columbia University, who served on the Council of Economic Advisers in the Clinton Administration before serving at the World Bank, also criticizes the "tight money" policies demanded by the Washington Consensus. He points out that the United States Government has itself long been heavily involved in the nation's economy by regulating the financial system, setting minimum wages, setting safety standards for the workplace, and other measures. Protection of "infant industries" with government-imposed tariffs, Stiglitz argues, played an important role in economic development in the United States and Japan.[62]

Critics also maintain that in focusing on cutbacks and austerity, the Washington Consensus failed to recognize the importance of building capabilities in Africa. Van de Walle is in agreement on this point, arguing that the reforms required of African governments trying to conform with the Washington Consensus meant cuts in public investment budgets even though investment was critically needed in road maintenance, health facilities, and other infrastructure. During the 1990s, according to this view, states struggling to conform with donor demands for structural adjustment became far less capable of responding to the needs of the poor in health and education. According to van de Walle, [63]

> The striking thing about the first decade of adjustment was the extent to which the long-term needs of institution building in sub-Saharan Africa were forgotten, both by donors and by governments themselves. The decay of the civil service was allowed to accelerate, national statistics collection systems deteriorated and were all but gutted in some countries, and little or no attention was paid to the dismal quality of the judicial system, although again it varied in quality across the countries of the region.

Van de Walle's view reflects what seems to be the new consensus on African development among western experts: policy reforms remain key but must be accompanied by capacity building as well. In 2000, the World Bank issued a report, *Can Africa Claim the 21st Century*, summarizing current views on how Africa could move forward. The report again emphasized the importance of policy reforms in Africa's recovery, but at the same time included discussion of such topics as "rebuilding states," "investing in people," and "catching up on infrastructure." In April 2004, in addition to calling for continued reforms, the World Bank and the IMF

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[61] Sender, "Africa's Economic Performance," p. 102-103.

[62] Joseph E. Stiglitz, *Globalization and its Discontents* (New York: W.W. Norton, 2002), Chapters 2 and 3.

[63] *African Economies and the Politics of Permanent Crisis*, p. 227. See also pages 85-112.

recommended a "substantial scaling up of investment in infrastructure" as well as additional resources for education and health.[64]

Low Levels of Investment

Analysts agree that one result of Africa's weaknesses in governance and economic policy has been a low level of foreign direct investment. Collier and Gunning report research indicating that despite the reforms that have taken place in Africa, the region continues to be "perceived as a 'bad neighborhood'" by foreign investors.[65] Corruption is widely seen as perhaps the most important deterrent to foreign investment in Africa, and sub-Saharan countries score poorly on Transparency International's Corruption Perception Index. A non-governmental organization focused on fighting corruption, Transparency International included 133 countries worldwide in its 2003 index, based on surveys of business people and country experts.[66] Twenty-four African countries were included in the index, and of these, only four — Botswana, Namibia, Mauritius, and South Africa — were perceived as among the least corrupt half of countries worldwide. Fifteen African countries were ranked among the most corrupt third. Nigeria, with Africa's second largest economy, was perceived as the second most corrupt country in the world after Bangladesh. Apart from corruption, Africa is also seen as a risky place to invest because of crime, civil unrest in some countries, and instances of government takeovers and other interference with the private sector.

Some argue, however, that Africa may be rated as more risky than is justified by the economic fundamentals of the region.[67] Investors may have formed an image of Africa in the past, according to this line of argument, that causes them to doubt that investments today will be secure. While the governments of Ghana and Uganda, for example, may have interfered with the private sector under previous regimes, each welcomes foreign investment today and seems unlikely to take actions that might undermine business confidence. Some also fear that investors may unfairly generalize reports of difficulties in some countries to the entire continent. Skeptics argue that there is good reason for continuing caution in investing in Africa, citing such events as the recent land seizures in Zimbabwe or the October 2003 takeover of an American-owned cellular telephone company in Ivory Coast.[68]

At any rate, as a result of low investment levels, African countries have not been able to establish the manufacturing and service sectors that have been the source of export-led growth elsewhere, including "the biggest tropical success stories — Hong

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[64] IMF and World Bank, *Global Monitoring Report* 2004, p. 8.

[65] "Why has Africa Grown Slowly," p. 20.

[66] Available at [http://www.transparency.org].

[67] Nadeem Ul Haque, Nelson Mark, and Donald J. Mathieson, "Rating Africa: The Economic and Political Content of Risk Factors," in Collier and Patillo, *Investment and Risk in Africa*.

[68] U.S. Department of State, *Washington File*, "U.S. Investors Cry Foul in Cote d-Ivoire," October 27, 2003.

Kong and Singapore."[69] Thus, some advocate measures that would reassure investors by "locking in" reforms, such as binding agreements on low tariffs and on the protection of investments, both to be enforced by the World Trade Organization.[70] Whether African governments would agree to such restraints on their sovereignty is unclear. In any event, many observers do not anticipate a surge in investment in Africa, with the possible exception of the oil sector, until there are major improvements in a wide range of areas, including communications, transportation, public safety, education, and the provision of public services.

Trade Barriers

Tariffs on exports of manufactured goods are not generally regarded as a major problem for Africa, with the exception of tariffs on textiles.[71] However, barriers to exports of African agricultural products remain controversial and continue to be cited as a major obstacle to African development. Producer subsidies paid to farmers in the developed countries are seen as creating an oversupply of commodities produced in Africa and reducing prices to African farmers. Export subsidies, used principally by the European Union to support such exports as coarse grains, butter, beef, and skim milk powder,[72] are also cited as obstacles to growth in Africa, as are import quotas. Numerous reports and commentaries maintain that such barriers make it more difficult for African farmers to export cotton, sugar, peanuts, and other crops that can be grown in Africa at relatively low cost. U.S. subsidies to domestic cotton producers as well as European Union (EU) beet sugar subsidies and U.S. sugar quotas have come in for particular criticism.[73]

According to the Organization for Economic Cooperation and Development (OECD), the developed countries provided support to their agricultural sectors averaging $315 billion per year for the years 2000-2002, with EU support averaging $113 billion and U.S. support $93 billion.[74] Commentators typically note that this support to domestic agriculture in the developed countries vastly exceeds aid to

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[69] Bloom and Sachs, p. 4.

[70] Paul Collier and Catherine Patillo, "Investment and Risk in Africa," in ibid., p.26.

[71] IMF and World Bank, *Global Monitoring Report 2004*, Chapter 10, paragraph 25. As will be noted below, the United States has temporarily done away with tariffs on textiles and a wide range of other goods from most African countries through the African Growth and Opportunity Act (AGOA).

[72] CRS Report RS20858, *Agricultural Export Subsidies, Export Credits, and the World Trade Organization*, by (name redacted) and (name redacted), p. 3.

[73] See, for example, the 2003 *New York Times* editorial series "Harvesting Poverty," especially "The Long Reach of King Cotton," August 5, 2003; "America's Sugar Daddies," November 29, 2003; and "The Unkept Promise," December 30, 2003; also, the Oxfam reports "Cultivating Poverty: the Impact of U.S. Cotton Subsidies on Africa" (September 27, 2002) and "Dumping on the World: How EU Sugar Policies Hurt Poor Countries" (April 14, 2004)

[74] Organization for Economic Cooperation and Development (OECD), *Agricultural Policies in OECD Countries: Monitoring and Evaluation, 2003* (Paris, 2003), p. 211, 240, 276.

Africa from all donors (just under $18 billion in 2002),[75] although quantitative assessments of the actual impact of subsidies on African incomes have been rare. With respect to cotton, however, the World Bank has estimated that subsidies reduce world cotton prices by about 10%, leading to annual income losses for West African cotton producers of $250 million per year.[76] Mali's President Amadou Toumani Toure told a House hearing in June 2003 that "subsidies have killed African agriculture, in particular cotton;"[77] and World Bank President James Wolfensohn has said that "the best way to help Africa and the best way to help developing countries is to get rid of agricultural subsidies and tariffs and free up markets."[78]

Supporters of subsidies argue that they protect jobs and preserve open land in the rural areas of developed countries,[79] keep prices low, and help to assure a stable supply of essential commodities. Some question whether a reduction in subsidies would have as large an impact as proponents predict — higher cotton prices, for example, might draw increased competition from those synthetic fibers that can be substituted for some uses of cotton, reducing gains to African cotton farmers.[80] Moreover, even proponents of reducing subsides suggest that further policy reforms are needed in Africa before farmers receive the full benefit of any price rise that does occur.[81] Nonetheless, proponents of ending or reducing subsidies continue to insist that doing so would open new opportunities for African farmers. Many believe that early action on easing barriers to agricultural trade is needed to affirm support for free trade principles among the developed countries and to set an example for developing countries. In November 2002, Nicholas Stern, then the World Bank's Chief Economist, argued that "It is hypocritical to preach the advantages of trade and markets and then erect obstacles in precisely those markets in which developing countries have a comparative advantage."[82]

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[75] World Bank, African Development Indicators, p.289.

[76] *Global Monitoring Report 2004*, Chapter 10, p. 7. See also, CRS Report RS21712, *The African Cotton Initiative and WTO Agricultural Trade Negotiations*, by (name reda cted), p. 4. A recent quantitative study cl aims that U.S. cotton subsidies are not an "overly important" determinant of world prices and that even a 90% reduction in subsidies might not lead to an increase in world cotton prices. Ben Shepherd, "The Impact of U.S. Subsidies on the World Cotton Market: A Reassessment," *Groupe d'Economie Mondiale de Science Po* (March 2004), p. 25.

[77] U.S. Congress. House. Committee on International Relations. *Boosting Africa's Agricultural Trade*, Hearing before the Subcommittee on Africa (June 24, 2003), p. 8.

[78] Press conference, April 22, 2004.

[79] Hanrahan (p. 2) notes, for example, that cotton production employs more than 170,000 people in the United States, and that 200,000 more are employed in related industries, such as cotton marketing and transport.

[80] Shepherd, p. 27.

[81] John Baffes, "Cotton: Market Setting, Trade Policies, and Issues," *World Bank Policy Research Working Paper* 3218 (February 2004), p. 31.

[82] "World Bank Chief Economist Urges Cuts in Rich Country Agricultural Subsidies," *World Bank press release*, November 19, 2002.

Debt

African countries bear a heavy burden of external debt as measured against their ability to repay. The solid line in **Figure 3** charts the growth of this debt through the 1980s to a 1995 peak of $235.4 billion, followed by a slight falling off. External debt in the sub-Saharan region stood at $210.3 billion in 2002, up from $202.6 billion in 2001. Africa's debt in 2002 totaled 66% of its GDP as compared with 23% in 1980.[83] Thirty-two of the 38 countries considered by the World Bank and the IMF to be heavily indebted are in the sub-Saharan region, and they typically face foreign debts that approach or even exceed their annual GDP. There have been various efforts to reduce Africa's stock of debt over the years, and in 1996, the World Bank and the International Monetary Fund (IMF) launched the Heavily Indebted Poor Countries (HIPC) Initiative to increase debt relief. HIPC includes debt relief by bilateral and commercial creditors, as well as by the multilaterals, which use a special HIPC Trust Fund to purchase and retire debt.[84] The objective is to reduce debt to a level regarded as "sustainable" by the World Bank and the IMF. A sustainable debt is primarily one that is 150% or less of annual export earnings — at this level a country is regarded as capable of making its annual debt service payments.[85]

As of March 2004. 23 African countries were participating in this initiative, although several countries with large debts, including Nigeria and Cote d'Ivoire are not part of the program.[86] Figure 3 suggests that HIPC may have contributed to an improvement in Africa's debt situation, although there has not yet been a decisive downturn even for the countries participating. Many see the debt relief achieved to date as representing substantial progress. Jeffrey Sachs, however, maintains that the "guiding principle of official debt relief in the past twenty years has been to do the minimum possible to prevent outright disaster, but never enough to solve the debt crisis."[87]

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[83] Calculated by CRS from data appearing in World Bank, *African Development Indicators 2004*, p, 19, 174.

[84] World Bank, HIPC website: [http://www.worldbank.org/hipc/about/about.html]. For more information, see "Debt Reduction — HIPC Initiative" in the CRS Foreign Operations Appropriations online Briefing Book [http://www.congress.gov/brbk/html/apfor11.html], by (name redacted).

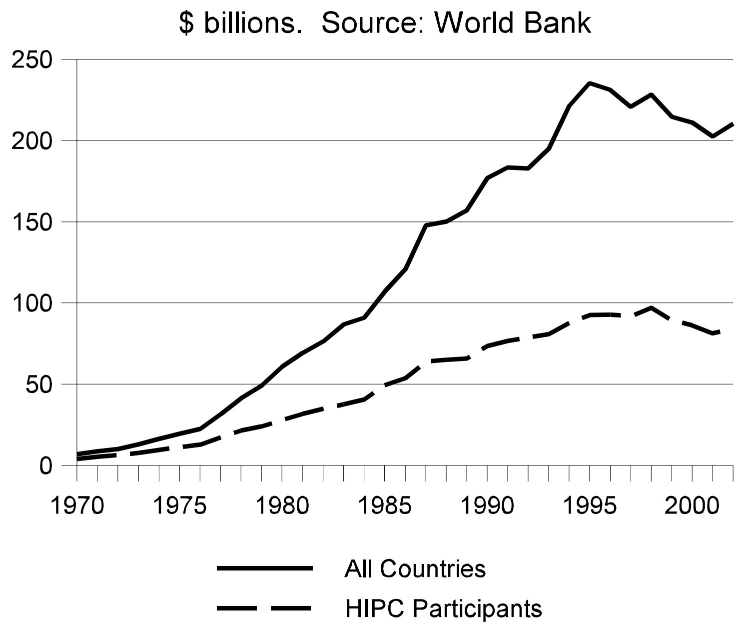
[85] "About HIPC" at the World Bank HIPC website. As part of the reduction process, the "net present value" of the debt is determined, and this amount is used in setting the debt to export ratio. In some instances, other criteria may be taken into account as well, resulting in a lower debt to export target.

[86] International Monetary Fund and International Development Association, "Heavily Indebted Poor Countries (HIPC) Initiative — Statistical Update (March 31, 2004), p. 9-11. Nigeria is not considered eligible, although this is controversial. See "Nigeria's External Debt Burden," *Financial Times*, July 26, 2002. Cote d'Ivoire and eight other African countries are still to be considered for eligibility.

[87] Jeffrey D. Sachs, "Resolving the Debt Crisis of Low-Income Countries," *Brookings Papers on Economic Activity* 1 (2002), p. 18-19.

Leonard and Straus argue that Africa's heavy debt burden arose not because of any "unusually improvident behavior," but because of the economic crisis arising from the second oil price shock at the end of the 1970s, the ensuing global recession, and the fall in prices for Africa's commodity exports.[88] In August 1981, in response to Africa's crisis, the World Bank issued Eliot Berg's *Accelerated Development* report, noted above, calling for sharply increased aid to Africa in exchange for African policy reforms. The increased aid included large concessional loans with very low interest rates and very long repayment periods from both bilateral and multilateral lenders, principally the World Bank.

Figure 3. External Debt: Sub-Saharan Africa



Van de Walle and others assert that Africa's debt burgeoned unnecessarily as lenders made repeated loans in support of reforms that were typically delayed or only partially achieved. When governments proved unable to service their foreign debt, old loans were "rescheduled" and new loans were made in pursuit of the elusive structural adjustments. Meanwhile, in van de Walle's view, as lenders imposed ever stronger policy reform conditions on loans, World Bank and IMF officials acquired growing influence over planning and budgeting in African countries. This tended to weaken governments and to supplant indigenous decision-making institutions.[89] Others argue, however, that Africa has benefitted from the advice of World Bank and IMF experts, who are seen as promoting free market principles and fiscal responsibility.

The consequences of Africa's debt for the region's economic development are the subject of much discussion among analysts. Mkandawire and Soludo argue that

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[88] Leonard and Straus, *Africa's Stalled Development*, p. 23-25.

[89] Van de Walle, *African Economies and the Politics of Permanent Crisis*, p.229.

the "debt overhang" may lead investors to fear eventual economic instability and deter them from making irreversible capital investments.[90] They argue, as do others, that the need to service debts with repayments in hard currency earned from exports has taken away resources that African governments might have devoted to social investments in health and education and to economic development. According to the World Bank, sub-Saharan countries paid nearly $12 billion in external debt service payments on long-term loans and IMF credits in 2002.[91] (Excluding South Africa, sub-Saharan Africa's external debt service totaled $7.5 billion.) On the other hand, some question the impact of debt in retarding growth by noting that new inflows of aid more than fund the debt service that Africa pays. They also note that investors are reluctant to fund African projects for many other reasons apart from debt.

HIV/AIDS

Africa has always borne an extraordinary disease burden due to its tropical location. However, the AIDS pandemic, which spread through eastern Africa in the 1980s and savaged southern Africa in the 1990s, has aggravated the disease threat to an almost unimaginable degree, and with shocking suddenness.

Sub-Saharan Africa has been far more severely affected by AIDS than any other part of the world. In July 2004, UNAIDS (the Joint United Nations Program on HIV/AIDS) reported that in 2003, 25 million people were living with HIV and AIDS in sub-Saharan Africa, up from 23.8 million in 2001. Adult infection rates have stabilized in some countries, in part due to the deaths of large numbers of people infected in earlier years, but the disease continues to spread. An estimated 3 million people were newly-infected in 2003.[92] Africa has about 10% of the world's population but approximately two-thirds of the worldwide total of infected people. The infection rate among adults averages 7.5% in Africa, compared with 1.1% worldwide. According to UNAIDS estimates, approximately 22.9 million Africans have died of AIDS since the beginning of the epidemic, including an estimated 2.2 million who died in 2003. UNAIDS projects that between 2000 and 2020, 55 million Africans can be expected to lose their lives to AIDS. AIDS has surpassed malaria as the leading cause of death in sub-Saharan Africa, and it kills many times more people than Africa's armed conflicts.[93] In six southern African countries, 20% or more of the adult population is infected with HIV, and the rate has reached 38.8% in Swaziland.

Analysts have studied the impact of AIDS on a number of economic sectors in Africa.[94] Much recent attention has been given to the threat AIDS poses to

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[90] Mkandawire and Soludo, *Our Continent, Our Future*, p. 121.

[91] World Bank, *African Development Indicators, 2004*, p. 165.

[92] UNAIDS, *2004 Report on the Global AIDS Epidemic* (July 2004). See also CRS Issue Brief IB10050, *AIDS in Africa*, by (name redacted).

[93] UNAIDS, *2002 Report on the Global HIV/AIDS Epidemic*, p. 46.

[94] Markus Haacker, "The Economic Consequences of HIV/AIDS in Southern Africa," *IMF Working Paper*, February 2002.

agriculture and food production.[95] Stephen Lewis, the United Nations Special Envoy for HIV/AIDS in Africa, used the term "new variant famine" in describing the findings of a January 2003 trip to southern Africa with James Morris, Executive Director of the World Food Program.

> When one travels through these rural villages and hinterlands..., the human toll is desolating. The immune systems of huge numbers of women farmers are desperately weak; seven million agricultural workers have died of AIDS since 1985, FAO estimates that another sixteen million may die by 2020; the household assets have been exhausted by attending to parental illness; children have been pulled out of school to care for sick and dying parents, losing, in the process, the one meal a day that might have been available from a school feeding program; malnutrition is everywhere evident; fields are left untended; crops aren't grown; food isn't taken to market, and if it is, no one has money to pay for it...what we're talking about here is the way in which this virus — the cause of the most appalling communicable disease in human history — attacks the fabric of every sector, making the interplay of health and agriculture but one more shortcut to carnage.[96]

Other studies have looked at the consequences of the pandemic on the health sector, which is facing heavy demand increases at a time when health workers may themselves be infected by HIV or stressed to the point that they emigrate or choose alternative careers.[97] Education is affected as teachers fall ill; an estimated 30% of teachers are HIV positive in parts of Malawi and Uganda, 20% in Zambia, and 12% in South Africa.[98] Much of the concern for southern Africa's future centers on the burgeoning population of orphans. UNICEF estimate that by 2010, there will be 20 million AIDS orphans in Africa,[99] and a total of 50 million orphans due to all causes.[100] In 13 countries, 15% to 25% of all children will be orphans. Most are in southern Africa, but Tanzania and several other countries are also expected to have large orphan populations.

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[95] Alex de Waal and Alan Whiteside, " 'New Variant Famine:' AIDS and Food Crisis in Southern Africa," *The Lancet*, October 11, 2003, p.1234-1237.

[96] Speech to the Global Health Council's Annual Conference, Washington, D.C., May 28, 2003. On this topic, see also, FAO, *HIV/AIDS and Agriculture: Impacts and Responses, Case Studies from Namibia, Uganda, and Zambia*, November 2003; International Food Policy Research Institute (IFPRI), *HIV/AIDS, Food Security, and Rural Livelihoods: Understanding and Responding*, September 2003; FAO, *The Impact of HIV/AIDS on the Agricultural Sector and Rural Livelihoods in Uganda*, August 2003; and Southern African Development Community (SADC), *Towards Identifying Impacts of HIV/AIDS on Food Insecurity in Southern Africa and Implications for Response*, May 2003.

[97] Berhnard Liese, Nathan Blanchet, and Gilles Dussault, "Background Paper: The Human Resource Crisis in Health Services in Sub-Saharan Africa," *World Bank*, September 15, 2003, p. 12-13.

[98] World Bank, *Education and HIV/AIDS: A Window of Hope*, May 2002.

[99] UNICEF, *Africa's Orphaned Children*, November 26, 2003, p. 9.

[100] Unicef, *Children on the Brink 2004: A Joint Report of New Orphan Estimates and a Framework for Action* (July 2004), p. 30.

Yet, despite many studies, there is little clear agreement at present on the overall impact of the pandemic on economic growth, incomes, and development. Some quantitative analyses suggest that in countries where 20% or more of adults are HIV positive, as in southern Africa, real GDP per capita is between 1.2% and 2% lower each year than would have been the case without AIDS.[101] Another survey places the reduction in national economic growth rates at 2%-4% per year.[102] A 2003 World Bank case study of AIDS in South Africa concluded that "an economic collapse is on the cards" in that country over the long term.[103]

> By killing mostly young adults, AIDS does more than destroy the human capital embodied in them; it also deprives their children of those very things they need to become economically productive adults — their parents' loving care, knowledge, and capacity to finance education. This weakening of the mechanism through which human capital is transmitted and accumulated across generations becomes apparent only after a long lag, and it is progressively cumulative in its effects.

However, South Africa's finance minister, Trevor Manuel, called this report a "scare story" that did not take into account behavior changes that would likely occur among South Africans; while other commentators noted that it did not take into account likely responses from government and society.[104] A report by a South African economist reportedly finds that the pandemic will likely reduce spending by households on durable goods and non-essentials in South Africa, but that the AIDS will not devastate the economy because firms will diversify their markets into the global economy and take other measures to protect themselves.[105]

The economic consequences of the AIDS pandemic, however they are assessed, could be reduced by the prevention, care, and treatment programs that are now being expanded, including the President's Plan for Emergency AIDS Relief (PEPFAR) launched by the United States in FY2004 (see below).

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[101] Deoardo Gaffeo, "The Economics of HIV/AIDS: A Survey," *Development Policy Review* 21 (2003), p. 35-36. See also, Africa All Party Parliamentary Group (British Parliament), *Averting Catostrophe: AIDS in 21st Century Africa* (London: 2004) p. 26.

[102] Simon Dixon et al, "The Impact of HIV and AIDS on Africa's Economic Development," *BMJ* 26 (2002), p 232-234.

[103] Clive Bell, Shantayanan Devarajan, and Hans Gersbach, "The Long-run Economic Costs of AIDS: Theory and an Application to South Africa," *World Bank*, June 2003.

[104] "World Bank Study on AIDS a 'Scare Story,' " *Business Day* (South Africa), July 30, 2003; and "Doomsday Report No Forecast for the Future," *Mail and Guardian* (South Africa), August 6, 2003.

[105] "Incomes Suffer as AIDS Cuts Deep Into Families," *Business Day*, October 16, 2003.

Options and Policy

Development experts and advocates have proposed a number of policy options for reducing poverty and spurring economic growth in Africa. Many of these are already being pursued to some degree by the United States and other donors, but advocates urge that more be done. Other options, such as complete debt forgiveness or the elimination of barriers to agricultural trade are still subjects of contentious debate.

Aid

Over the years, Africa has received substantial amounts of foreign assistance. **Figure 4** shows Official Development Assistance (ODA) to Africa, measured in constant dollars, as reported by donors to the Organization for Economic Cooperation and Development.[106] The figure indicates that aid to sub-Saharan Africa has been rising since the Millennium Summit, reaching $17.7 billion in 2002. Indeed, aid now exceeds levels seen in the 1980s and early 1990s, when the Cold War was still a factor in aid allocations. U.S. economic and humanitarian assistance in FY2004, as noted above, will total an estimated $2.7 billion, and in 2002, the United States directed about 22% of its ODA to Africa, compared with 58% in the case of France, and 27% for both Britain and Germany.

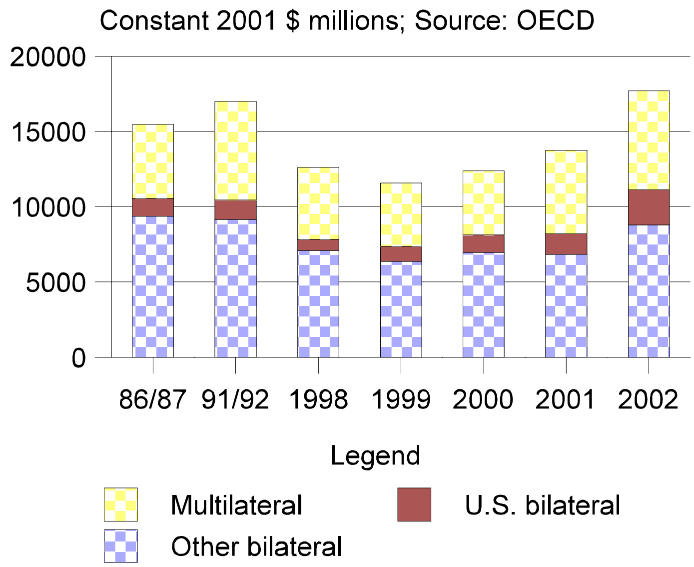
Many development experts and advocates are convinced that more aid is needed. Oxfam, the British-based development and relief advocacy organization, maintains that for the poorest countries worldwide, not just in Africa, "At least an additional $40-60 billion a year is needed. Oxfam estimates this figure could be much higher." DATA (Debt, AIDS, Trade, and Africa), another leading advocacy group, puts the figure at $50 billion, as does Jan Vandemoortele, head of the U.N. Development Program's poverty reduction group.[107] These are very broad figures, however, and the amount that would be needed specifically for Africa if it is to meet the MDGs is the subject of a detailed "needs assessment" being conducted by the Millennium Project, a United Nations advisory body headed by Jeffrey Sachs. Sachs, has written that there is an annual "unmet need" of about $50 per person in Africa for basic infrastructure, basic health care, and other high priority items[108] — suggesting that a possible additional $30-$35 billion in assistance from all donors might be needed to meet the MDGs.

[106] ODA is a broad measure of assistance, including contributions made by all donor country agencies to developing countries for the promotion of economic development and welfare. The data for 1986/1987 and 1991/1992 are annual averages.

[107] This estimate can be found at the DATA website: [http://www.data.org] under *Why Africa?* The Vandemoortele estimate is in "Africa Struggles to Attain Millennium Goals," *Africa Recovery,* October 2003.

[108] Jeffrey Sachs, "Doing the Sums in Africa — Developing Africa's Economy," *Economist*, May 23 2004. In this article, Sachs urges $9 billion in additional aid for six well-governed countries.

Figure 4. Development Aid to Africa



Whether additional assistance on this scale will be forthcoming in the foreseeable future, given competing priorities, seems unlikely to many observers, although advocates defend such an increase as a good investment in Africa's stability and the welfare of its people. They note that at the 1992 "Earth Summit" at Rio de Janeiro, the developed countries reaffirmed their commitment to the United Nations target of .7% of GDP as the appropriate level of development assistance they should be providing.[109] If met, this target would make available substantial new assistance resources, but critics point out that as of 2003, developed countries were providing just .41%, with the United States at .13%. Others see the .7% target as arbitrary and argue that as a superpower, the United States makes other contributions to developing countries — through support for international peacekeepers, for example — that are not counted as part of ODA.

In any event, some development experts, might have reservations about a large boost in aid to Africa because of their concern over the phenomenon of "aid dependence." Brautigam and Botchwey argue that

> When a country is heavily dependent on aid, donor goals and vision can come to substitute for those of a country's leadership. Foreign experts and technical assistants substitute for public institutions, providing plans, programs, and policies. The deep involvement of aid donors in the affairs of the government mean that accountability can become something between government and external actors, rather than between a government and its people.[110]

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[109] See Chapter 33 of "Agenda 21" adopted at the conference. Available at [http://www.un.org/esa.]. Click on "Sustainable Development" and "Documents."

[110] Deborah Brautigam and Kwesi Botchwey, "The Institutional Impact of Aid Dependence on Recipients in Africa," *Working Paper* (Bergen, Norway: Chr. Michaelsen Institute, 1999), p. 1.

However, Brautigam and Botchwey also maintain that "none of these outcomes is inevitable," and recommend a variety of measures to reduce aid dependence. Like other experts, they suggest abandoning "project aid," under which donors carefully supervise the expenditure of funds for specific projects, and replacing it with aid for programs supervised by African governments — once "underlying policy and governance fundamentals are in place."[111] The World Bank argues that recipient country "ownership" of development programs is being promoted by the Poverty Reduction Strategy Paper (PRSP) process that is part of the HIPC debt relief program.[112] PRSPs describe the policies and programs a country will pursue in order to promote growth and reduce poverty, and a PRSP must be completed, with the help of representatives of the Bank and the IMF, before a country can enter the program. The papers are seen as requiring the governments to set their own priorities, and to take responsibility for their own development plans, thus reducing aid dependence.

"Selectivity" is the current watchword among a large number of development experts who argue that aid is likely to be used most effectively, and with least risk of aid dependence, if it is focused on selected governments with "sound institutions and policies."[113] Craig Burnside and David Dollar of the World Bank, in the seminal paper on this issue, argued that their statistical analysis showed that aid had a positive impact on growth in what they see as good policy environments, featuring the free market practices, transparency, and fiscal discipline supported by the Washington Consensus. They also found that through the mid-1990s, bilateral donors were not targeting aid to such environments, although multilateral agencies were.[114] Looking at the entire decade of the 1990s in a followup paper, Burnside and Dollar found that both bilateral and multilateral donors were targeting countries with good policy environments,[115] underscoring the degree to which the selective approach to providing aid had become the consensus strategy. It forms the basis of the Administration's Millennium Challenge Account, which in the words of President Bush is "devoted to projects in nations that govern justly, invest in their people, and encourage economic freedom."[116] Andrew Natsios, the Administrator of the U.S. Agency for International Development, told the Senate Foreign Relations Committee in March 2003 that the themes of "governance and country ownership, the emphasis on performance and accountability, must infuse all of our development assistance."[117]

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[111] Ibid., p. 29.

[112] World Bank, *Can Africa Claim the 21st Century?*, p. 248.

[113] Craig Burnside and David Dollar, "Aid, Policies, and Growth: Revisiting the Evidence," *World Bank Research Working Paper 3251*, March 2004.

[114] Craig Burnside and David Dollar, "Aid, Policies, and Growth," *American Economic Review* 90 (September 2000): p. 864. A draft version of the article circulated widely as a working paper in the late 1990s.

[115] "Aid, Policies, and Growth: Revisiting the Evidence," p. 7.

[116] Remarks by the President at the United Nations Financing for Development Conference, Monterrey, Mexico, March 22, 2002.

[117] Testimony, March 4, 2003.

The focus on selectivity has been criticized on various counts. In a 2003 article, William Easterly, a former World Bank economist now at New York University, argued that the Burnside and Dollar findings became the accepted wisdom among policymakers before they had been subjected to rigorous scholarly review.[118] According to Easterly, who cites similar findings by others, the Burnside and Dollar results are "fragile" and can disappear when different time periods are studied and different definitions of the variables are used. Easterly, who regards the quantity of aid currently available as small, maintains that "There is no Next Big Idea that will make the small amount of foreign aid the catalyst for economic growth of the world's poor nations."[119] Burnside and Dollar, however, in their followup paper, respond that in their new data set extending through the 1990s, the relationship between aid and economic growth in good policy environments is "robust."

Another concern is that selectivity may tend to reduce aid to most African countries and most African people, since few countries can meet rigorous policy environment criteria. The Millennium Challenge Corporation (MCC), which administers the Millennium Challenge Account, uses sixteen publicly available indicators, including a corruption index and an estimate of the number of days required to open a new business, to assess eligibility for the program.[120] In May 2004, the MCC announced that 8 African countries had met the requirements: Benin, Cape Verde, Ghana, Lesotho, Madagascar, Mali, Mozambique, and Senegal. This was more than many had expected, and the African countries made up half of the 16 qualifiers worldwide. Some analysts noted, however, that the African qualifiers account for just 12% of the region's population. The MCC indicated that it had set aside $40 million for a "threshold" program to be developed jointly with the U.S. Agency for International Development (USAID) to help countries that just missed eligibility to meet the targets.[121] Meanwhile, USAID assistance programs for a much broader range of countries will continue.

Nonetheless, some analysts worry that with the United States and other donors focusing more on "good performers," the poor will be neglected. The United Nations Development Program's Vandemoortele is concerned that rewarding successful countries with greater aid will tend to entrench poverty among the poor who have the misfortune to live in countries that are not well governed. He maintains that during the 1990s, "the countries with the highest child mortality rates suffered the greatest drop in ODA."[122] On the other hand, Sachs, in a recent article, seems to acknowledge a potential disproportionate impact of selectivity by arguing that just $9 billion in annual additional aid directed at six countries he regards as well-governed —

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[118] William Easterly, "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives* 17 (Summer 2003), p. 30. Easterly is also a Senior Fellow at the Center for Global Development in Washington.

[119] Ibid., p. 40.

[120] See CRS Report RL32427, *Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative*, by (name redacted).

[121] Testimony of Paul V. Applegarth, Chief Executive Officer of the MCC, before the House Committee on International Relations, May 19, 2004.

[122] *Africa Recovery*, "Africa Struggles to Attain Millennium Goals."

Ethiopia, Ghana, Kenya, Senegal, Tanzania, and Uganda — would “fuel regional economic development” and “provide the foundation for self-sustained growth.”[123]

Easterly, who as noted above believes that it is unrealistic to expect the quantity of aid being offered to achieve the transformations promised by the Millennium Development Goals, calls for improvements in the “quality” of aid. Such aid would have a modest goal: “simply to benefit some poor people some of the time.” He urges donors to find ways of channeling aid that will help poor people directly, through small-scale water projects, for example.[124] Some see “microcredit” programs as an effective way to channel resources directly to the poor. These programs make small loans to poor people, often women, to help them undertake income-generating activities.[125]

Debt Forgiveness

The various problems posed by Africa’s debt have led some activists to call for complete debt cancellation. The Jubilee 2000 campaign claims that it collected 24 million signatures on petitions asking the developed countries to cancel the unpayable debts of the world’s poorest countries by the year 2000. Though ultimately unsuccessful, the campaign, which remains active, claims credit for the limited debt reduction that has occurred.[126] The American Friends Service Committee continues to work for complete debt forgiveness for Africa through its Life Over Debt Campaign.[127] The “50 Years is Enough” campaign is also seeking 100% debt forgiveness.[128] Some campaigners note that the Administration is urging the international community to write off the vast majority of Iraq’s debt and argue that consistency should require similar treatment for Africa. Administration officials, however, see Iraq as “uniquely in need of deep debt reduction.”[129]

As an alternative to complete forgiveness, some propose that debt sustainability should be determined not in terms of export earnings but in terms of the resources a country requires to achieve the Millennium Development Goals; debt should then be forgiven to the extent necessary to provide these resources.[130] Some analysts also

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[123] Sachs, “Doing the Sums in Africa.” Sachs adds that the aid should be “well-targeted” toward needs to be determined in a needs assessment for each country.

[124] Easterly, “Can Foreign Aid Buy Growth,” p. 40.

[125] See the website of the Microcredit Summit Campaign [http://www.microcredit summit.org] and the Virtual Library on Microcredit of the Global Development Research Center [http://www.gdrc.org/icm].

[126] See [http://www.jubilee2000uk.org/] and the report available there: “The World Will Never be the Same Again.”

[127] [http://www.afsc.org]

[128] [http://www.50years.org]

[129] White House, “G-8 Briefing on Development: Background Briefing by Senior Administration Officials on Development Issues,” June 9, 2004.

[130] Romilly Greenhill and Elena Sisti, *Real Progress Report on HIPC* (London, Jubilee (continued...)

support an orderly and transparent bankruptcy process, possibly overseen by independent arbitrators, that would allow countries in need to reduce their own debt to levels that would allow them to meet critical development needs.[131]

Supporters of existing debt relief efforts argue that the HIPC program, which was expanded in 1999 as part of an international commitment to "deeper, broader, and faster" debt relief,[132] is meeting the problems posed by debt. According to this view, the sustainability target of a debt stock that is 150% of annual export earnings should permit a country to repay its debts while at the same time allowing expenditures to be made on poverty-reduction programs and social investments. Sponsors maintain there is evidence that the program has been successful in reducing debt stock and debt service payments, while boosting social spending,[133] Another benefit of the program, cited by proponents, is that African countries benefit from the planning and prioritizing that goes along with completing their PRSPs in preparation for debt relief. Moreover, some maintain that the HIPC process allows African countries to maintain their creditworthiness — which might be damaged by any sort of bankruptcy proceeding. By assuring that the multilaterals will eventually be repaid, the HIPC process helps maintain a stock of capital that can be lent out for development purposes in the future.[134] Some also doubt that debt forgiveness or sharply expanded debt forgiveness would be politically feasible in the donor countries if, like the HIPC program, it was based on donors paying into a central trust fund in order to buy down the debts of poor countries. Some donor governments might object that such payments, as well as additional foreign aid aimed at realizing the MDGs, would be too great a burden in view of competing priorities.

Nonetheless, critics see the HIPC process as proceeding much too slowly for the African countries, and as leaving the continent with too great a burden of debt. As of March 2004, 7 African countries had reached the "completion point" at which promised debt relief actually becomes available, achieving a reduction of about $7 billion in the stock of debt measured in terms of "net present value" and about $13 billion in debt service relief.[135] Meanwhile, 16 were still moving toward the "decision point" at which creditors are expected to promise about $18 billion in debt stock reduction and $30 billion debt service relief. In view of the debt levels indicated in Figure 3, critics do not regard this amount of debt relief as sufficient. Whether even the successful HIPC participants will find the relief they receive

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[130] (...continued)
Research, September 2003)

[131] Greenhill and Sisti regard this option as ideal. See also Sachs, "Resolving the Debt Crisis of Low-Income Countries."

[132] "100 Percent Debt Cancellation? A Response from the IMF and the World Bank," Issue Brief by IMF and World Bank Staffs, July 2001.

[133] IMF HIPC website: [http://www.imf.org/external/np/exr/facts/hipc.htm]; IMF and International Development Association (World Bank), *Heavily Indebted Poor Countries (HIPC) Initiative — Status of Implementation* (September 12, 2003), p. 7-14.

[134] IMF and World Bank, "100% Debt Cancellation? A Response."

[135] IMF and International Development Association (World Bank), *Heavily Indebted Poor Countries (HIPC) Initiative — Statistical Update* (March 31, 2004), p. 49.

sufficient so allow sustainable development after they reach their completion points is controversial. A recent study by two IMF staffers concluded, for example, that African HIPCs may not be able to meet both their debt service obligations and their commitments to social investments without higher levels of foreign aid.[136]

Many debt forgiveness advocates had hoped that the June 2004 G-8 summit at Sea Island, Georgia would agree on a more a sweeping debt relief program for Africa.[137] Instead, the summit approved a two-year extension of the existing HIPC program and agreed to consider further debt relief measures. Britain's Prime Minister Tony Blair reportedly anticipates a breakthrough on debt at the 2005 summit, to be chaired by Britain and held in Scotland.[138]

Eliminating or Reducing Trade Barriers

The possibility of eliminating or reducing trade barriers has been a hot topic in the development debate since November 2001, when it was placed on the international agenda of the ministerial meeting of the World Trade Organization (WTO) held in Doha, Qatar.[139] At Doha, the 146-member WTO launched the Doha Development Agenda (DDA). Under the DDA, negotiations were to take place on issues of concern to those who see trade barriers as a significant obstacle to African development, including "substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade distorting support."[140]

Efforts to move forward with this agenda at the next WTO ministerial conference, held in September 2003 at Cancun, Mexico, did not succeed.[141] A coalition of developing states, including South Africa and known as the Group of 20 (G-20)[142] sought sharp reductions in U.S. and EU agricultural subsidies at Cancun, as well as the elimination of export subsidies. The G-20 also wanted improved market access through special treatment for developing countries with respect to tariffs and quotas. Four African countries — Benin, Burkina Faso, Chad, and Mali — demanded the elimination of production and export subsidies for cotton specifically, accompanied by transitional compensation for exporters affected by such

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[136] Analisa Fedelino and Alina Kudina, "Fiscal Sustainability in African HIPC Countries: A Policy Dilemma," *IMF Working Paper* (September 2003).

[137] Jubilee USA Network, "U.S. Movement for Debt Cancellation Outraged by G-8 Failure on Debt," June 10, 2004.

[138] "Blair Hails Push on Debt Relief for Poorest," *The Guardian* (London), June 11, 2004.

[139] See CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by (name redacted).

[140] WTO, Ministerial Conference, Fourth Session, Doha, November 9-14, 2001. Ministerial Declaration (WT/MIN(01)/DEC/1,November 20, 2001), paragraph 13.

[141] CRS Report RS21664, *The WTO Cancun Ministerial*, by (name redacted).

[142] With the addition of two other countries, the group is sometimes referred to as the G-22 or G-20+.

subsidies.[143] The ministerial was adjourned in somewhat controversial circumstances before any agreement on these and other proposals.[144]

The G-20 has continued to press its agenda in a variety of international fora, and a resolution of the outstanding issues is being encouraged by the United States. In January 2004, U.S. Trade Representative Robert Zoellick wrote to all WTO trade ministers urging their support for a consensus, and he reinforced the message with visits to 40 countries in February. In late May 2004, the G-20 issued a proposal that reportedly suggested compromise on certain issues — tariff reductions might not be demanded on certain sensitive products, such as the domestic rice protected by high Japanese tariffs. Allen Johnson, chief U.S. negotiator on agricultural trade, described this proposal, which also offered to lower the highest import tariffs in the developing countries as "constructive," though lacking in specificity.[145] Johnson also said that an EU offer in May to negotiate on export subsidies was bringing the WTO closer to a "potentially historic agreement" to end such subsidies.[146]

Whether an agreement that would reduce barriers to Africa's agricultural exports can indeed be reached remains to be seen.[147] Difficult issues would have to be resolved between the developing countries and the United States, which seeks, for example, easier access for exports of services and industrial products to developing country markets. Other developed countries have their own issues and concerns, and there are disagreements between the United States and the EU, which regards U.S. food aid programs and commodity export credits as a form of export subsidy which should be ended if European export subsidies are to cease. In both Europe and the United States, influential groups favor a continuation of the status quo and no reduction in trade barriers as the best means of preserving jobs and profits.

AGOA Issues. Thirty-seven African countries are eligible for the benefits offered by the African Growth and Opportunity Act (AGOA, P.L. 106-200). AGOA provides duty free access to the United States for a wide range of products, provides trade-related technical assistance to Africa, and offers duty-free and quota free access to the United States for certain apparel products assembled in Africa.[148] The Lesser Developed Country (LDC) provision of the act allows 22 poor African states to source the yarn and fabric used in apparel assembly from outside Africa. The others must source these inputs from Africa or the United States. Many eligible countries have been slow to take advantage of the benefits offered by AGOA, in part because

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[143] *The WTO Cancun Ministerial*, p. 5.

[144] U.S. General Accounting Office (GAO), *World Trade Organization: Cancun Ministerial Fails to Move Global Trade Negotiations Forward; Next Steps Uncertain*, GAO Report GAO-04-250, January 2004.

[145] "Johnson Says Ag Negotiations Continue to Press Ahead," *Congress Daily*, June 4, 2004.

[146] "Agriculture Negotiators Closer to Agreement, USTR's Johnson Says," U.S. Department of State, June 6, 2004.

[147] For a review of the issues, see CRS Report RL32053, *Agriculture in WTO Negotiations*, by (name redacted).

[148] CRS Report RS21772, *AGOA III: Amendment to the African Growth and Opportunity Act*, by (name redacted). AGOA benefits were enhanced in 2002 (P.L. 107-210).

of their limited capacity, but the program is credited with boosting apparel exports to the United States from Kenya, Lesotho, and Swaziland.[149] Moreover, the program is regarded as having the potential to increase textile exports to the United States from several other countries. It may also increase agricultural exports, many believe, once African producers become better able to meet U.S. sanitary and phytosanitary (safe fruit and vegetable) requirements. Seven countries that track AGOA job creation reportedly estimate that the program has already generated 150,000 jobs in their economies.[150]

AGOA itself had been set to expire in 2008, with the LDC provision to expire on September 30, 2004. However, Congress has approved legislation (H.R. 4103/P.L. 108-274) that would extend the AGOA duty-free access provisions until 2015, and the LDC benefits until September 30, 2007. (See CRS Report RS21772, *AGOA III: Amendment to the African Growth and Opportunity Act*). Some worry that the 2007 date is too close to persuade investors to make large-scale investments in clothing plants in Africa, but others believe the deadline creates an incentive for investments in the manufacture of cotton thread and textile weaving, so that cloth can be sourced in Africa.

For some, the importance of the LDC provision is reduced by the looming expiration of the Multifiber Arrangement on January 1, 2005. The arrangement had permitted quotas that limit textile imports on a country-by-country basis, but Africa was exempted from these quotas by AGOA. When the arrangement expires, African apparel exporters will be confronting intensified and potentially threatening competition from China and other Asian producers. The African exporters will still be exempt from tariffs, but some fear that even with tariffs, Asian producers will be able to undercut African apparel prices.

Free Trade Agreements. Free trade agreements (FTAs) along the lines of NAFTA (North American Free Trade Agreement) might offer another vehicle for expanding Africa's access to the U.S. market. In the original AGOA legislation (P.L. 106-200, Sec. 103), Congress explicitly stated its support for "free trade areas that serve the interests of both the United States and the countries of sub-Saharan Africa." In 2003, the Commission on Capital Flows to Africa recommended the conclusion of a free trade agreement with all of sub-Saharan Africa within ten years.[151] The Commission, backed by several corporate sponsors and the World Bank, was made up of 28 business and government leaders from the United States, Africa, Europe, and Asia.

Since November 2002, the United States has been negotiating an FTA with the countries of the Southern African Customs Union (SACU): Botswana, Namibia,

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[149] Ibid., p. 3.

[150] Testimony of Alan P. Larson, Under Secretary of State for Economic, Business, and Agricultural Affairs, before the Senate Committee on Foreign Relations, March 25, 2004.

[151] Commission on Capital Flows to Africa, *A Ten Year Strategy for Increasing Capital Flows to Africa*, June 2003, p. 16. The commission was sponsored by the Institute for International Economics, the Corporate Council on Africa, the Council on Foreign Relations, and the Joint Center for Political and Economic Studies.

Lesotho, South Africa, and Swaziland.[152] The Administration asserts that through an FTA, both the United States and SACU "can expand market access, further link trade to southern Africa's economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth."[153] The details of any proposed agreement are not yet known, however, so it is not at this time possible to assess its impact. Some in the region are concerned that an FTA might result in tough U.S. competition for regional industrial and agricultural producers. Some in the United States might oppose it because of concerns over threats to U.S. jobs or because of the environmental and labor issues that have caused opposition to other FTAs.

Support for Particular Sectors and Activities

Development experts have suggested that donor support for various sectors, such as export manufacturing, or types of activity, such as private foreign investment, could spur African economic growth. Both multilateral donors and bilateral donors, including the United States, already have programs that offer such support, and these are too numerous to mention here — although a few will be highlighted. But many experts and activists urge that more should be done with respect to the particular approach they advocate.

Capacity Building. The new consensus on the importance of building human capacity and strengthening infrastructure in Africa has already been noted. Many see investment in education as the means by which India and China have entered the global economy, and hence urge a sharp expansion of donor support for education in Africa at all levels. Some note that the productive capacity of women, who tend to work much longer hours than men in Africa, has been held back by their lack of access to education. According to the World Bank, equal access to education for women might lift economic growth rates in Africa by .8% annually.[154] Meanwhile, the Bank is calling for $18 billion to be invested each year in African infrastructure, including port, rail, and telecommunications rehabilitation and rural roads.[155] Jeffrey Sachs states that

> Even Uganda, with its impressive record of economic growth in the 1990s, has experienced an upturn in poverty. Without a multi-lane highway from Kampala, the capital, to the port of Mombasa in Kenya, and without a network of roads connecting villages to such a highway, the economy is trapped in a straitjacket.[156]

Some may believe that African countries lack the capacity to maintain the programs and infrastructure that new investments in capacity would create. Others

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[152] CRS Report RS21387, *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background and Potential Issues*, by Ian Fergusson.

[153] Office of the United States Trade Representative, *Trade Facts: Free Trade with Southern Africa, Building on the Success of AGOA.*

[154] *Can Africa Claim the 21st Century*, p. 24.

[155] Ibid., p. 144.

[156] "Doing the Sums in Africa."

would see this concern as an argument for additional, targeted assistance that would help Africa sustain its new capabilities. Many USAID programs and projects in Africa have a capacity-building component, and through the Africa Regional Program, the agency supports several education-related efforts, as well as programs to improve the quality of health care services and strengthen civic institutions.[157] USAID is also assisting in strengthening the capacity of African governments to promote trade.[158]

HIV/AIDS Programs. Under PEPFAR, the President's Emergency Plan for AIDS Relief, the United States has pledged $15 billion over fiscal years 2004 through 2008 to fight AIDS in 15 focus countries, including 12 in Africa. Meanwhile, the World Health Organization (WHO) has launched its "3 by 5" program to secure treatment for 3 million AIDS victims in poor countries with life-saving antiretroviral drugs by 2005, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria is stepping up its program of grants to fight the pandemic.[159] Nonetheless, many are urging that more be done. UN Special Envoy Stephen Lewis has been particularly outspoken on this issue in a series of visits to AIDS-afflicted African countries. In June 2004, he appealed for added debt relief for Zambia to free up resources to fight AIDS, and urged added resources to make treatment widely available in Ethiopia.[160] In March, in seeking $200 million to support the WHO initiative, Lewis said "If 3 by 5 fails, as it surely will without the dollars, then there are no excuses left, no rationalizations to hide behind, no murky slanders to justify indifference."[161] In May 2004, Bono, lead singer in the group U2 and spokesman for DATA (see above), urged Congress to support a U.S. contribution to the Global Fund of $1.2 billion in FY2005. The Administration has requested $200 million.[162] Philanthropist and former computer executive Edward W. Scott, Jr. has founded a new advocacy organization, Friends of the Global Fight Against AIDS, Tuberculosis, and Malaria, to increase resources for the Global Fund.[163] The organization's president is Jack Valenti, former chairman and CEO of the Motion Picture Association of America. Earlier, Scott had backed the founding of DATA with the Bill and Melinda Gates Foundation and the Open Society Institute, headed by George Soros.

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[157] USAID, *Fiscal Year 2005 Budget Justification to the Congress, Annex I: Africa*, p. 521-522.

[158] See, for example, USAID, *U.S. Trade Capacity Building in Southern Africa*, January 2003.

[159] For more information on this topic see CRS Issue Brief IB10050, *AIDS in Africa*; CRS Report RS21181, *HIV/AIDS Appropriations, FY2002-FY2005*; and CRS Report RL31712, *The Global Fund to Fight AIDS, Tuberculosis, and Malaria*, by (name redacted) and Tiaji Salaam.

[160] Statement by Stephen Lewis, "Zambia Test Case for G-8 Summit," June 11, 2004; "Ethiopia Needs Funds to Help Tackle AIDS Crisis, UN Envoy Says," *UN News Service*, June 1, 2004.

[161] Press briefing, March 3, 2004, United Nations.

[162] Testimony before the Senate Appropriations Subcommittee on Foreign Operations, May 18, 2004.

[163] [http://theglobalfight.org/].

On the other hand, some are concerned that Africa is not ready to absorb larger increases. In May 2004, U.S. Global AIDS Coordinator Randall Tobias, based at the State Department, defended the Administration's overall $2.8 billion international AIDS, tuberculosis, and malaria request for FY2005, which includes the contribution to the Global Fund, on grounds that recipients do not yet have the infrastructure to absorb more money. Part of the request would be used to create added capacity, Tobias told a Senate panel, allowing the President's emergency plan to be scaled up in future years.[164] But others believe that more funds could be used immediately to train physicians and staff and to upgrade health systems infrastructure, as well as for intensified efforts in prevention, treatment, and care.

Promoting Investment. Development experts lament Africa's continuing failure, with the exception of Mauritius, to develop a substantial export manufacturing sector that would spur growth and provide jobs through exports.[165] Thus, many support measures that would promote investment in manufacturing in Africa. In the United States the Overseas Private Investment Corporation (OPIC) already promotes and assists U.S. investment in developing countries, including countries in Africa. OPIC is restricted by legislation from participating in projects that would reduce production or employment in the United States,[166] and critics maintain that this prevents it from participating in the sort of labor intensive manufacturing and assembly projects that would most benefit Africa.[167] A recent report by the bipartisan Commission on Weak States and U.S. National Security has urged that reforms are needed in order to permit OPIC to support investments in "all sectors, including textiles, apparel, and agribusiness in low-income countries for the next 10 years."[168] The Commission, sponsored by the Center for Global Development, included 30 former government officials, former Members of Congress, and other experts. Promoting such investment, many believe, would strengthen the world economy and ultimately benefit the United States, but others would strenuously oppose any measure with the potential to export jobs by encouraging competition from African manufacturers.

Expanding Applications of Research and Technology. Many Africans and others have great hopes for the contributions that scientific research and the application of modern technologies can make to sparking growth in Africa. The use

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[164] "Senators Debate Bush Administration AIDS Policy," *Voice of America*, May 18, 2004; "HIV/AIDS Fiscal Year 2005 Budget Request," testimony before the Senate Appropriations Subcommittee on Foreign Operations, May 18, 2004.

[165] United Nations Industrial Development Organization (UNIDO), *Industrial Development Report 2004: Industrialization, Environment, and the Millennium Development Goals in Sub-Saharan Africa*; Mans Soderbom and Francis Teal, "Are Manufacturing Exports the Key to Economic Success in Africa," *Journal of African Economies* 12 (2003), p. 25-26.

[166] CRS Report RS21575, *Overseas Private Investment Corporation: Financing Requirements and Restrictions*, by (name redacted).

[167] Commission on Capital Flows to Africa, *A Ten-Year Strategy for Increasing Capital Flows to Africa*, p. 17-18.

[168] Center for Global Development, Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (June 2004), p. 53.

of information technology for distance learning in teacher education, other training, and literacy programs is arousing considerable interest.[169] In Senegal, distance medicine is being developed so that specialists in the capital can participate in the diagnosis and treatment of patients at remote centers.[170] Senegal's President Abdoulaye Wade is championing a Digital Solidarity Initiative intended to crystallize international support for expanding information technologies in Africa. To date, however, western donors have been lukewarm to this proposal on grounds that it seems to duplicate several existing initiatives. Through the "Leland Initiative," USAID is attempting to encourage internet connectivity in at least 20 African countries.[171] Many efforts are underway or have been proposed with respect to expanding telecommunications access in Africa, in part by laying fiber-optic cable between countries, and to strengthening broadcast infrastructure as well.[172]

Perhaps the greatest enthusiasm at present, however, is for the potential of research and biotechnology to boost agricultural production and improve health. Agricultural research is already credited with the introduction of improved varieties of sorghum, sweet potatoes, maize, rice, and other crops.[173] Meanwhile, there is an expectation by many that recombinant DNA technology, or "genetic engineering" can produce genetically modified crops that are resistant to weeds, pests, and disease, as well as rich in nutrients. Recombinant technology might also be used to develop vaccines and produce medicines cheaply.[174]

Biotechnology is controversial in both developed and developing countries because of health and environmental issues, and this could tend to limit its contribution to African growth. Skeptics worry, moreover, that it may lead to the introduction of western "monoculture" in farming that will destroy indigenous crop varieties.[175] Some are also concerned that Africa may find it difficult to benefit fully from scientific advances due to gaps in infrastructure, limited availability of

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[169] See, for example, the Commonwealth of Learning website [http://www.col.org].

[170] Website of Canada's International Development Research Center: [web.idrc.ca].

[171] See [http://www.usaid.gov/regions/afr/leland].

[172] World Bank, *Can Africa Claim the 21st Century?*, p.153-156.

[173] USAID, *Improving Lives through Agricultural Science and Technology*. M.A.B. Fakorede et al., "Maize Revolution in West and Central Africa: An Overview," Theme Paper available at the website of the International Institute of Tropical Agriculture [http://www.iita.org]. "Farmers Embrace African 'Miracle Rice'" *Africa Recovery* 17 (January 2004).

[174] Abdallah S. Daar et al., "Top Ten Technologies for Improving Health in Developing Countries," *Nature Genetics* 32 (October 2002). For a review of many other possibilities, see Michael Fumento, *Bioevolution: How Biotechnology is Changing our World*, (San Francisco: Encounter Books, 2003).

[175] See, for example, the website of the British Five Year Freeze campaign [http://www.fiveyearfreeze.org]. On the alleged dangers of monoculture, see John Madeley, *Food for All: the Need for a New Agriculture*, (London: Zed Books, 2002).

extension services, and other problems common in resource-poor settings.[176] (This concern could apply to the introduction of non-agricultural technologies in Africa as well.) Nonetheless, a recent report from the UN Food and Agriculture Organization (FAO) concluded that biotechnology can benefit the poor when it is part of an integrated agricultural research and development program, and called for further international support for research capacity building.[177]

The United States supports agricultural research in part through its participation in the Consultative Group on Agricultural Research (CGIAR), headquartered at the World Bank. CGIAR sponsors 16 agricultural research centers worldwide, including four in Africa, and the organization claims responsibility for major advances maize and rice production of benefit to Africa, and in the reduction of pesticide use. USAID's Collaborative Research Support Programs (CRSPs) engages U.S. universities in research on several crops important to Africa, including cow peas and sorghum, as well as in training and exchanges. The agency's Collaborative Agricultural Biotechnology Initiative (CABIO) aims at harnessing biotechnology for the benefit of small farmers, while at the same time strengthening systems to regulate biotechnology safety.[178]

Contributing to Security in Africa. Economic development is hardly possible in countries torn by conflict, and consequently, the United States and other donors have been placing increased emphasis on training African security forces for some time. Under the Africa Contingency Operations Training Assistance (ACOTA) program, the United States trains trainers and provides equipment to prepare African armed forces for peace support operations and humanitarian relief. At the June 2004 G-8 summit in Georgia, donors agreed to an action plan entitled "Expanding Global Capability for Peace Support Operations." The plan calls for training and equipping 75,000 troops worldwide by 2010, with a focus on Africa and on countries that can contribute to peace support operations there.[179] Some observers feel, however, that donors could contribute more directly to enhancing security in Africa by showing a greater willingness to permit their own armed forces to participate in peacekeeping operations there.

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[176] UN Food and Agriculture Organization, *The State of Food and Agriculture 2003-2004, Agricultural Biotechnology: Meeting the Needs of the Poor* (Rome, 2004), Chapter 2.

[177] Ibid., Chapter 8.

[178] See the USAID website [http://www.usaid.gov] and click on "Our Work" and "Agriculture."

[179] "G-8 Action Plan for Peace Support," White House Press Release, June 10, 2004.

Conclusion

The obstacles to economic growth in sub-Saharan Africa have deep roots in the region's history and in the limitations imposed by its geography and demography. Africa has been vulnerable to global economic trends, and this too has set back development. Politics have played their role as well, as many governments in the post-independence era adopted ineffective or counterproductive growth strategies and later were slow to adopt needed reforms. Trade barriers, debt, corruption, armed conflict, and the HIV/AIDS pandemic have imposed their own burdens. Nonetheless, development experts and advocates see a number of strategies that might move the continent forward, including increased aid, deeper debt forgiveness, a reduction in trade barriers, and a variety of other measures including an expansion of HIV/AIDS programs, increased private investment, and an intensification of research and development programs focused on Africa's needs. Each of these approaches has its limitations — as well as its doubters and critics — although reports and studies continue to urge that an integrated approach encompassing a range of measures could contribute to an economic recovery in Africa.

Whether existing development institutions are up to the challenge is an issue currently in debate, though it has not a focus of this report. According to Georgetown University's Carol Lancaster, who has served in Africa positions both at USAID and the Department of State,

> The primary problem is the lack of capacity on the part of aid agencies to undertake the kind of interventions they have attempted with the amount of aid they have attempted to disperse.[180]

William Easterly has written forcefully deploring what he sees as excessive bureaucracy in international development institutions.[181] Jeffrey Sachs has recently decried what he sees as a lack of expertise in development at USAID and other U.S. agencies.[182] A November 2003 report by Interaction expressed concern about the number of U.S. agencies involved in foreign assistance and called for a full scale review to create "a more coherent, cohesive, and modern assistance capability...."[183] Interaction is an alliance of U.S. based non-governmental organizations involved in development and humanitarian relief. The Commission on Weak States and U.S. National Security has proposed that the United States develop an integrated development strategy to be implemented under a single, cabinet-level development agency.[184] This agency would incorporate USAID, the Millennium Challenge program, and some of the assistance programs now under the Department of State,

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[180] Carol Lancaster, *Aid to Africa: So Much to Do, So Little Done* (Chicago: University of Chicago Press, 1999), p. 4.

[181] William Easterly, "The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid," *Policy Reform* 5 (2002), p. 223-250.

[182] Jeffrey D. Sachs, "Don't Know, Should Care," *New York Times* op-ed, June 5, 2004.

[183] Interaction, *Foreign Assistance in Focus: Emerging Trends, an Interaction Policy Paper*, p. 10.

[184] Commission on Weak States and U.S. National Security, *On the Brink*, p. 31.

the Department of Health and Human Services, and other agencies. Even if this proposal were implemented in the United States, however, there would still be a large number of development agencies operating at the international level, although their work is coordinated to an extent in various international fora and through consultations. In any event, some argue that strengthening and expanding existing institutions is likely to be more effective than creating new institutions in promoting development.[185]

In short, while there are many obstacles to development that seem specific to Africa itself and its position in the global economy, there may be other difficulties in the very agencies responsible for helping Africa. As a result, Africa's ability to escape its current economic dilemma remains in question, as does the ability of the United States to realize its humanitarian, economic, and security objectives in the region.

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[185] Sebastian Mallaby, "How to Nurse Sick States," *Washington Post*, July 5, 2004.