Africa Undergoing Economic Revival
Jobs Policy Can Ignite Further Growth

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GENEVA (ILO News) Sub-Saharan Africa, long beset by economic adversity and civil disorder, is showing the first signs of an economic resurgence, with 33 countries enjoying economic growth rates greater than the rate of increase in their populations, says a new report by the International Labour Office (ILO) and the United Nations Development Programme (UNDP): ***Jobs for Africa.*** (Endnote 1)

The report says that while recovery prospects can be boosted by further domestic reforms and increased international investment, accelerated job and income growth are now critical to sustaining the upturn and maintaining political stability in what has become the world's poorest region.

It concludes that "Africa has no alternative but to embark on a process of sustained GDP growth if it is to avoid continued marginalization" from the global economy.

However, the report says that while the economic performance of most SSA countries has been far from satisfactory for the last two decades, "the outcome has not been uniformly bad: some countries have performed better than others and in a few countries performance has been good."

The overall economic growth rate in SSA rose to 3.7 percent in 1995, the last year for which accurate figures are available, up from 1.9 percent in 1994. Among the stronger performers were:

Five countries which enjoyed average gross domestic product (GDP) growth rates of 7 per cent or more during 1992-95; three of these, Equatorial Guinea, Lesotho and Uganda, grew by more than 8 per cent. Mozambique and Sudan grew by 7 per cent;

A further five countries Ethiopia, Ghana, Mauritania, Mauritius, and Seychelles whose economies grew by an average of 4-5 per cent from 1992-95;

Eight other countries, Benin, Botswana, Cape Verde, Guinea, Guinea-Bissau, Mali, Namibia and Tanzania, which grew by roughly 3-4 per cent during the last four years.

An additional seventeen countries' economies reported modest but none the less positive growth (0-3 per cent). Eight SSA countries experienced real declines: Angola, Burundi, Cameroon, Congo, Gabon, Rwanda, Sierra Leone and Zambia. For five others no figures are available.

The main reasons for the turnaround include:

Rising levels of domestic investment, which increased, on average, more than 10 per cent in eight countries (Angola, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Lesotho, Uganda and Zambia).

Rising levels of foreign direct investment in Africa, which, while tiny by international comparisons, none the less grew by more than 100 per cent in ten countries (Botswana, Cameroon, Chad, Guinea, Kenya, Lesotho, Mauritius, Mozambique, Uganda and Zambia) and increased markedly in several others.

Stronger prices for raw materials and agricultural commodities such as cocoa, coffee and cotton plus widespread improvements in agricultural productivity. Uganda, in particular, has achieved food sufficiency and increased coffee exports in recent years. Cote d'Ivoire, Africa's largest cocoa producer and second largest cotton producer, increased its output of both commodities. Other countries that have seen rapid growth in agriculture include Benin, Botswana, Ghana, Kenya, Mauritius and Tanzania.

Increased European demand for African manufactured goods, mainly for low and moderately priced casual wear (tee shirts, jeans, shorts etc.) from such countries as Cote d'Ivoire, Kenya and Zimbabwe but also for higher value fashions and manufactured goods from Mauritius and South Africa. Unit labour costs show that African producers of standardized garments, like men's shirts, are well within the competitive cost ranges of Asian producers.

Expanding African entrepreneurship and rising labour productivity. The report cites evidence of increasing entrepreneurship and labour productivity growth in Botswana, Lesotho, Cote d'Ivoire, Ghana, Kenya, Malawi, Mauritius, Mozambique and Uganda.

Heightened international commitment to African development in the aftermath of the UN World Summit on Social Development (Copenhagen, 1995), the UN's Special Initiative on Africa and a series of government initiatives, notably the US Government's recent decision to establish the "Partnership for Growth in Africa" program.

The report's main author, ILO economist Samir Radwan said that "the turnaround in growth signals the beginning of a new start in Africa if the right policies are put in place and pursued consistently." He says that the main emphasis of policy makers today, "should be on encouraging new, private-sector enterprises, particularly those which are small in scale and labour intensive, and on enabling small enterprises to expand, innovate and penetrate new markets, including export markets."

The ILO report calls for a reduction of the external debt of the 29 severely indebted low income countries. Currently, debt service accounts for about 4 per cent of GDP in the region, a figure which ILO says should be cut in half to free up resources for future productive investment.

Still Beset by Major Problems

The ILO report acknowledges that Africa's recent reversal of fortune is still anaemic and highly vulnerable. Among the potential stumbling blocks, the report cites "the development of productive employment, which has not kept pace with the increased labour supply."

From 1978 to 1994 SSA labour force continued to grow at about 3 per cent annually. The result: "declining or stagnating levels of wage employment, decreasing real wages and deteriorating working and living conditions" throughout the region.

According to UN estimates, SSA is the only region of the world where the proportion of the population living under the poverty line is expected to increase, from today's 48 to over 50 per cent by the year 2000. Half the region's population already lives on less than 1 US dollar per day.

Only one in ten workers in SSA is engaged in formal, wage-style employment in modern manufacturing and service sectors. Many workers, especially women, are self employed and their economic contribution is ill remunerated and scarcely registered. With poverty pervasive, child labour is rife, with as many as 16 million children between the ages of 10 and 14 working in SSA.

Nearly 75 per cent of the labour force in SSA (approximately 314 million men and women, or 9 percent of the world's labour force) still work outside the perimeters of the formal economy, often in subsistence agriculture or in badly paid "informal" activities such as small-scale manufacturing, street peddling and the provision of small services.

Open unemployment rates in urban areas doubled over the last 15 years to over 20 per cent and are expected to approach 30 per cent by decade's end, but hidden unemployment is usually far higher upwards of 50 per cent of the workforce. Meanwhile the population is growing in both rural and urban areas. The report highlights demographic trends which indicate that "between now and the year 2010, there will be on average some 8.7 million new entrants to the labour markets every year in Africa for whom jobs have to be found."

The ILO report insists that many countries in the region could break with the legacy of poverty and that the nascent recovery should be seen as a "launching pad for take-off if the right policies are introduced and are pursued."

The building blocks of the strategy are:

Going for Growth The report advocates deepening the process of economic reform to go beyond current preoccupation with "structural adjustment", which most often leads to stabilization but at the price of economic contraction. Since the early 1980s, 25 countries of SSA have undergone structural adjustment, a process designed to restore macroeconomic balance via reduced government budget deficits and more liberalised trade and pricing policies. In light of the extreme poverty and scarcity in the region, the ILO report insists upon "the urgent need to increase investment and to improve its allocation among sectors and projects." These twin goals, it argues "should be the primary task of macroeconomic policy in Africa."

Restructuring Incentives The report says that both public and private sector investment are "poorly allocated" in SSA with potentially profitable investments in human capital (especially education and health care) inadequate or non-existent. Poorly functioning capital markets all too often target unproductive investments and are unresponsive to the real needs of the economy and the vast majority of the people. The report highlights the need for improvements to capital markets via "institutional innovation, improved regulation of the banking sector, credit programs targeted at specific groups (such as women, informal sector entrepreneurs and small farmers) and by increasing the supply of venture capital."

Mobilizing Domestic Resources The report warns that in spite of improvements in economic performance, large inflows of private foreign capital into SSA are unlikely given high levels of public debt, low domestic savings and the paucity of profitable investment opportunities. What is needed, argues ILO, is a strategy of adjustment through public investment in which "the composition of government expenditure at all levels, should be shifted as far as possible in the direction of investment in human, physical and natural capital." The report says that under the conditions prevailing today in SSA, state sponsored investments in such areas as transport, power, water and sewage facilities, vocational training, health and nutrition and applied agricultural research could stimulate productivity and "are likely to be complementary to private sector investment."

Capacity building at the regional and national level The report proposes specific institutions for the generation of employment: regional training funds, small and medium-sized enterprise centres and labour market information systems. The training fund, to be financed by donors and the private sector, would aim to increase the productivity of African workers. The SME development centres would serve as a clearing house for technical assistance and information on business development strategies. Labour market information systems would improve the data base for employment policy making.

Boosting Agricultural Productivity Most SSA countries are primarily rural and the agricultural economy requires a number of basic changes. The first major requirement is to abandon the age-old system whereby governments impose artificially low prices for staples such as bread and rice, a practice which feeds urban dwellers but keeps farmers in poverty. A second requirement is to diversify production away from large-scale commodity production to areas of greater export potential, such as cut flowers, tropical fruits and vegetables. A third major requirement is land reform. Land is the primary resource in rural SSA and access to land is highly restricted. Ownership is often concentrated in the hands of large proprietors, who often make very poor use of their holdings, either leaving them idle or holding them for speculative purposes, whereas it is well documented that small land holders absorb more labour per acre and are more productive.

Increasing Aid and Reducing Debt Given the extent of the difficulties in SSA, countries will continue to require a substantial inflow of external resources, both financial and technical, which cannot yet come from export earnings or private foreign investment. The region is heavily dependent on aid. In 1994, SSA received 32 per cent of all official assistance to the less developed countries (LDCs), more than five times what South Asia received. The problem is that SSA countries received only 3 per cent of all private capital flows to LDCs that same year. That percentage is not likely to increase until the region's economic trends are decisively reversed.

Endnote1:
Jobs for Africa. A policy Framework for an Employment-Intensive Growth Strategy. Report of the ILO/UNDP Programme on Employment Generation and Poverty Reduction. Geneva, August 1997. ISBN 92-2-110877-5.

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