

Chapter 1: Achieving Economic Transformation for Inclusive and Sustained Growth in Africa: Prospects and Challenges

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Summary

<Current status of development in Africa>

- The economic growth rate in Africa since 2000 has generally been good, driven in many countries by commodity exports, mainly energy and mineral resources, and helped by the progress in economic reforms and generally stable political conditions. However, poverty reduction is slow, unemployment, especially among youths, is serious, and progress is steady but slow in many MDGs.
- Under such circumstances, achieving economic transformation – transformation from dependency on the export of energy and natural resources into a more diversified economic structure – is imperative, so that economic growth becomes more robust and the benefits are widely shared by the poor, and most notably the young. In other words, a transformation of the economic structure is needed to enable inclusive and sustained economic growth in Africa.

<For achieving economic transformation and inclusive, sustained growth in Africa>

- Productivity improvement in agriculture, Africa's major production sector, is urgently needed; this should be promoted by the public sector as well as by the increased participation of the private sector in both agriculture and its related agro-industries.
- A slump in manufacturing has continued for many years. Efforts to promote industrial development should be intensified, learning from a number of successful cases in Africa as well as from experiences from other continents, particularly Asia.
- Africa has a rich human capital to be developed and mobilized in the coming decades to achieve inclusive and sustained growth. Investing in effective education and healthcare system is imperative to increase

labor productivity and per-capita income. Creating sufficient and decent employment is critical to mobilize the increasing working-age population to growth.

<Toward a differentiated and customized approach for development>

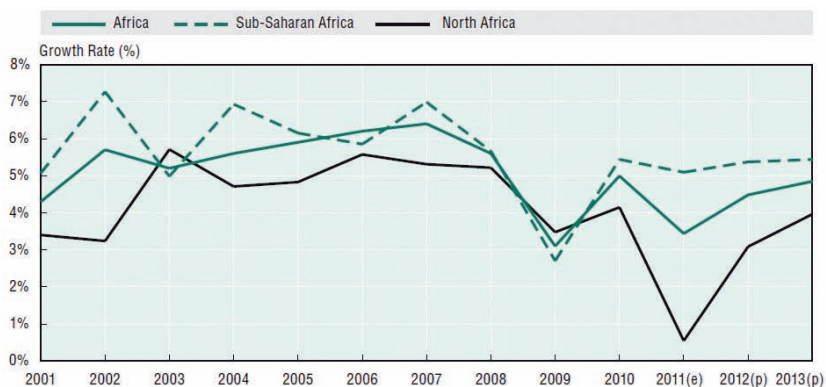
The continent-wide regional integration perspective, which has been one of the principles underpinning the TICAD process, is important and must be further promoted. Along with this, however, the widening diversity of situations and stages of development among countries must be taken into consideration. Therefore, in working out its Action Plan for TICAD V, African leaders and their partners must make sure that each country is encouraged to seek differentiated and customized development strategies to meet its specific needs, while strongly upholding the perspective of regional integration and cooperation.

1. Current Status of Development in Africa

1.1 Rate of economic growth

In recent years, the growth of African economies has received increasing attention. Between 2003 and 2008, the rate of economic growth in Africa, including North Africa, was maintained at a high level, between 5.3% ~ 6.2%. With a small variation, it has continued to grow at a stable pace: 3.1% (2009) → 5.0% (2010) → 3.4% (2011) → 4.5% (2012 – estimate) → 4.8% (2013 – estimate) (OECD et al 2012, p.243). The growth in 2009 was affected by the global recession and the financial crisis in 2008. Unlike the long slump after the oil shocks of the 1970s, however, the African economy showed a rapid recovery in 2010, a remarkable shift away from its dependence on the economies of developed countries in the past. It is also worthwhile noting that while the growth rate in sub-Saharan Africa was 5.1% (IMF 2012b, p.88), that of North Africa was 0.5% (OECD et al. 2012, p.24), which shows a remarkable slowdown in growth in North African countries, generally due to the area's political turmoil.

Figure 1. Change in the rate of economic growth of Africa (2001 ~ 2013)



e: estimates; p: projections.
 Source: Authors' calculations.
 (OECD et al. 2012, P.16)

Such economic growth has been possible mainly due to price hikes in energy and mineral resources since 2000. Mckinsey Global Institute (MGI) estimates that the sum of the increase in earnings from the export of energy and mineral resources and government spending on energy and mineral resource development accounted for 32% of economic growth in 2000-2008 (MGI 2010, p.2). Hirano (2009, p.220) estimates that 78.2% of the exports of sub-Saharan African countries in 2006, excluding South Africa, were from the mining sector and that there has been a strong correlation between the oil prices and the GDP (in nominal US dollars) of sub-Saharan Africa (correlation coefficient of 0.902 (1970-2007)) (ibid, p.202).¹ It is expected that the prices of energy and mineral resources will exceed the pre-2009 levels and the favorable economic environment for African countries will continue for the time being, accordingly (OECD et al. 2012, p.17, IEA 2012).

While oil-exporting countries² have benefited a lot from the above price hikes, oil-importing countries are also growing strongly with an economic growth rate similar to oil-exporters. While the rate of economic growth of oil-exporting countries in Sub-Saharan Africa is 6.0% ~ 7.1%, that of oil-importing countries (except South Africa) is 5.8% ~ 6.0% (IMF 2012b, p.88).

1. See also Hirano (2013) pp.76-80 for updated information.
 2. IMF (2012a) defines Angola, Cameroon, Chad, Republic of Congo, Equatorial Guinea, Gabon, Nigeria and South Sudan as oil-exporting countries, and the others as oil-importers.

The prices of agricultural commodities also have been on a strong upward trend since the early 2000s (IMF 2013). However, a number of the oil-importing countries, which have been growing strongly, as mentioned above, have not benefited from these favorable external conditions, as the terms of trade of the non-resource-rich fast growers³ had been remaining stable or declining since the early 1990s (Figure 2). This trend has been continuing despite strong and sustained growth except in Mali (IMF 2012 pp.99). Hirano (2009, pp.205-213) also suggests that the impact of the price hikes in agricultural raw materials and edibles on growth rates have been important but much weaker than those of energy and metals since the 1990s.

IMF (2008) notes that, while the fast growers⁴ have had a variety of experiences with their terms of trade as in Figure 2, the most important factor for the fast growers has been a significant increase in total factor productivity, and that this underscores the role of strong policies and broad reforms by the fast growers, especially non-resource-rich countries (pp.26-27, p.30, pp.41-42). IMF (ibid p.31) also suggests that growth opportunities based on geography and endowments are not necessary conditions for fast growth based on recent experiences among fast growers in Africa.

Benno Ndulu et al. (2007 p.16) and Jorge Arbache et al. (2007 p.41, 2008 pp.27-28) also argue that the role of policy reforms undertaken in Africa since the 1990s was the most important growth factor since the late 1990s. They also suggest that the quality of policy and governance matter a great deal for growth, rather than initial conditions of geography and natural resources, which matter mostly for income levels, not for growth.

Collier and O'Connell (2007), however, propose a classification of Sub-Saharan African countries into three groups reflecting their initial geography and natural resource conditions: resource-rich, coastal resource-scarce, and landlocked resource-scarce (p.8) and suggest that a different policy choice for growth is required to overcome the

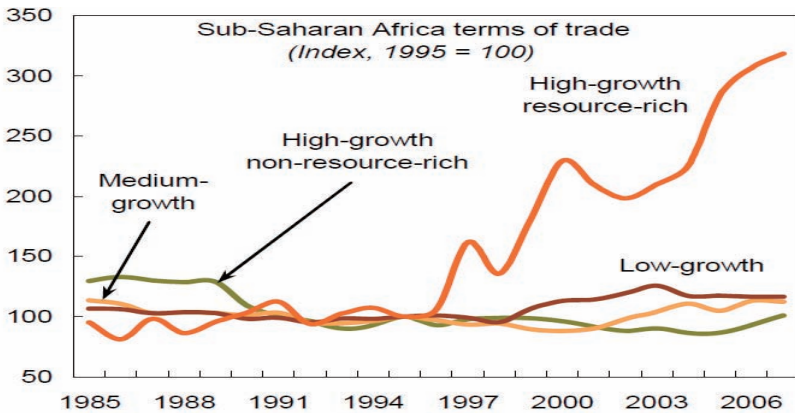
3. See footnote 4.

4. IMF (2008) defines "fast growers" as countries which had average annual real per capita GDP growth above 2.25% for 1995-2007. The group includes 4 oil exporters (Angola, Chad, Equatorial Guinea, Nigeria), 2 resource-rich countries (Botswana, Sao Tome and Principe), and 11 non-resource-rich countries (Burkina Faso, Cape Verde, Ethiopia, Ghana, Mali, Mauritius, Mozambique, Rwanda, South Africa, Tanzania, Uganda) (pp.26-27, p.53).

disadvantages for each group in terms of geography and natural resources (pp.55-58).

As above, the views on the role of initial geography and natural resource conditions for growth, especially those of landlocked resource-scarce countries, are mixed. Collier (2007) defines “landlocked with bad neighbors” as one of the major development traps in Sub-Saharan Africa and argues that growth in landlocked resource-scarce countries depends strongly on the performance of the neighbors. IMF (2008 p.31) notes that the growth acceleration of the five landlocked and non-resource-rich fast growers⁵ may be partly explained by improvements in their neighboring high-growth coastal economies, which are increasingly pulling their landlocked neighbors. IMF (2012a p.27), however, estimates that the spillover effect from South Africa and Nigeria through trade, investment and finance is growing but the role of EU, US, Chinese and Indian markets continues to be the most important for the majority of African countries.⁶

Figure 2. Sub-Saharan Africa Terms of Trade since late 1980s



Source: IMF, *World Economic Outlook*.
(IMF 2008, p.33)

5. Burkina Faso, Ethiopia, Mali, Rwanda, Uganda (*ibid* p.31)

6. In regard to the role of the spillover effect through intra-regional trade, IMF (2011a) estimates the ratio of intra-regional trade to the total amount of trade by Sub-Sahara Africa still remained at 14% in 2010, while WEF et al. (2011, p.17) and Afrika and Ajumbo (2012) argue that informal cross border trade (ICBT) is also to be considered as important as official intra-regional trade despite difficulties in data collection and analysis (see Section 1.8 of this chapter).

The biggest constraint to economic growth in Africa is political instability (including civil war, conflicts and political unrest). The rate of economic growth of the 12 fragile countries⁷ in sub-Saharan Africa was 2.3%⁸ in 2011; this figure was affected by the unrest in the Cote d'Ivoire,⁹ a figure significantly lower than that of the entire sub-Saharan Africa of 6.3% (IMF 2012a, p.76). The slowing down of the economic growth of North African countries caused by political turmoil also shows the magnitude of political risk (OECD et al. 2012, p.24).

Table 1. Growth rate by type of countries in Africa (%)

Calendar year	2010	2011	2012	2013
Sub-Saharan Africa	5.3	5.2	5.0	5.7
Oil-exporting countries	6.6	6.3	6.7	6.0
Middle-income countries, excluding South Africa	6.5	8.2	5.6	5.9
South Africa	2.9	3.1	2.6	3.0
Low-income countries, excluding fragile countries	6.4	5.5	5.9	6.1
Fragile countries	4.2	2.3	6.6	6.5
North Africa	4.1	0.5	3.1	4.0
Africa total	5.0	3.4	4.5	4.8

(Prepared by the author based on IMF 2012a, p.76 and OECD et al. 2012, pp.24, 243)

1.2 Economic relationship with foreign countries (trade, foreign direct investment, emigrant remittances and foreign aid)

Currently, the international balances of trade, foreign direct investment, remittances and foreign aid receipts are all surplus in contrast to the 1990s when Africa was plagued by debt problems and a deficit in its international balance from weak commodity prices. In 2005, foreign direct investment exceeded the amount of foreign aid for the first time and it was said that "Africa has become a target for investment and not a subject for aid". This does not mean, however, that Africa no longer needs aid; the most recent statistics show that foreign aid amounts to \$47.9 billion (2010), a figure comparable to the surplus of \$48.4 billion

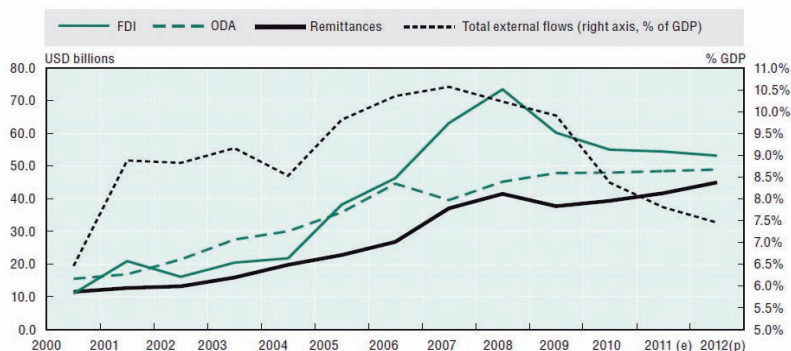
7. IMF (2012a) defines Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Cote d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Sao Tome and Principe, Togo and Zimbabwe as the Fragile States in sub-Saharan Africa.


8. Growth rate of Côte d'Ivoire in 2011 was -4.7%.

9. It is expected, however, to recover rapidly after 2012 due to improved political stability in Côte d'Ivoire.

(2010) in foreign direct investment, and \$38.0 billion (2009) in remittances. (OECD et al. 2012, p.261, p.263 and p.281)

Figure 3. Change in foreign direct investment, emigrant remittances and foreign aid in Africa (2000 ~ 2012)



Source: UNCTAD, OECD/DAC and World Bank. GDP forecast for 2012 from IMF. (This graph excludes loans from commercial banks, official loans and trade credits).
 StatLink  <http://dx.doi.org/10.1787/888932600070>

(OECD et al. 2012, p.41)

The fiscal balance continues to show a deficit both in oil-importing and oil-exporting countries because of their expanded public spending policy after the financial crisis in 2008. It is expected that while oil-producing countries will improve their fiscal balance (to about 2% of GDP) through the improvement in oil prices, non-oil-producing countries will continue to show a higher budget deficit (to about 5% of GDP) (OECD et al. 2012, pp.32-33). Although fiscal and monetary policies have been generally tightened, the budget deficit still continues. High inflation has been observed in Eastern Africa resulting from the expansion of government spending on infrastructure investment and soaring food prices in the “Horn of Africa”. The levels of budget deficits and borrowing are under control at the moment, but some non-oil-producing sub-Saharan countries depend on foreign aid to finance government spending and international balance payments. Overall, it continues to be a challenge for African countries to control and manage their budget deficits and public debt. (IMF 2012b, pp.11-13)

Foreign direct investments are focused mainly on energy and natural resource development. Investments in energy and natural resource sectors are focused on Western Africa (e.g., Nigeria, Ghana

(development of new oil fields)), in Southern Africa (e.g., Angola), and in Central Africa (e.g., Democratic Republic of the Congo, Republic of the Congo), while investments in Northern Africa have dropped by 42% over the previous year (\$9.48 billion in 2011) due to the political turmoil. However, there are signs of diversification in foreign direct investment,¹⁰ such as growing investments in the ICT sector since the 2000s, and strong investment in non- oil-producing countries like Morocco (\$3.44 billion, 2011) (OECD et al. 2012, p. 44).¹¹ Ernst & Young (2012) also suggests a growing share of manufacturing and service sectors in FDI into Africa¹² as an important lead indicator of a broader process of economic diversification from dependence on natural resources and commodity prices.

1.3 Progress of economic reform

Economic reform in African countries is progressing. Although the average CPIA¹³ score for 38 IDA-eligible countries in sub-Saharan Africa (= 3.2) is a bit lower than that of countries in other areas (= 3.4), the level of economic reforms in African countries, excluding fragile countries (=3.5¹⁴), is mostly similar to that of developing countries in other areas (=3.6¹⁵). The trend for improvement in CPIA scores in fragile countries is also remarkable¹⁶ and economic reforms in Africa as a whole are

10. Nishiura and Fukunishi (2008) reports the following six industries as major areas of foreign direct investment in Africa other than energy and mining: Automobile (South Africa), Horticulture (Kenya, Ethiopia, Zambia), Garment (Lesotho, Swaziland, Kenya, Madagascar), Aluminum (Mozambique), Retail Trading (South Africa, Zambia, Malawi), Mobile Phone.

11. Morocco was nominated as the “Top Investment Destination for 2012” by the Financial Times. (OECD et al. 2012, p.44). World Bank’s Doing Business 2012 introduced Morocco as the country that most improved its ranking (ranked 115 ⇒ 94) (World Bank 2012d, p.13).

12. Ernst & Young (2012, pp.27-28) suggests the following key findings on the FDI into Africa during 2003-2011: i) The share of the FDI capital that has gone into the extractive sector is 27.6%, ii) Over 50% of the FDI projects have been in the service sector, iii) 70% of the FDI capital has gone into manufacturing and infrastructure sectors, iv) the manufacturing sector alone accounts for 40% of all new FDI-related job, v) 64% of the FDI capital invested in the manufacturing sector has gone into processing and beneficiation-type activities in the extractive sectors.

13. Country Policy and Institutional Assessment (CPIA) rates countries against a set of 16 criteria grouped in four clusters: (a) economic management, (b) structural policies, (c) policies for social inclusion and equity, (d) public sector management and institutions.

14. The average CPIA score of non-fragile countries (21 countries).

15. The average CPIA score of non-fragile countries in other areas.

16. When compared between 2009 and 2011, the number of countries that showed an improvement in CPIA scores was 8 out of 21 Non-Fragile States in 2009, and 10 out of 17 Fragile States in 2011.

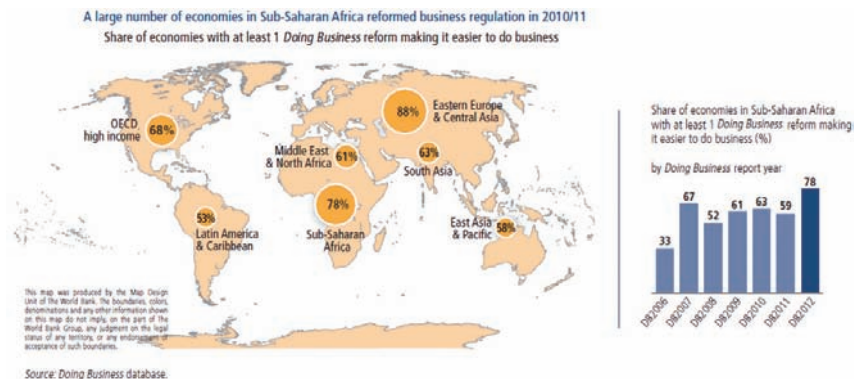
progressing. (World Bank 2012c. p.5)

Seventy-eight percent of sub-Saharan countries implemented some economic reforms in 2010 and 2011, an improvement from the average 56% between 2006 and 2011; it is widely recognized that the speed of economic reforms has considerably increased (Figure 4). Countries that have raised the Doing Business ranking by implementing reforms in more than three items include Morocco (115 \Rightarrow 94), Sao Tome and Principe (174 \Rightarrow 163), Cape Verde (129 \Rightarrow 119), Sierra Leone (150 \Rightarrow 141) and Burundi (177 \Rightarrow 169) (World Bank 2012d, p.1 and p.13).

Despite the progress in economic reforms, the absolute level of their business environment still remains low with many challenges still to be addressed. Out of 183 countries, 43 of 51 African countries score below 94th among 183 countries ranked in the Doing Business Report 2012; improvement in the business environment in African countries is still constrained.

Ernst & Young (2012), however, points out the need to bridge the perception gap among world investors and business leaders many of whom still view Africa as being a more challenging place to do business in than other emerging market regions, despite the fact that 14 African countries are ranked ahead of Russia, 16 ahead of Brazil and 17 ahead of India in the above Doing Business rankings (pp.5, 10).

Figure 4. Progress of economic reforms in sub-Saharan Africa



(World Bank 2012d, P.1)

1.4 Good governance and anti-corruption

UNECA (2009, p.1 and p.12) measures the progress on governance in Africa by using the benchmarks of the first edition of the Africa Governance Report in 2005. It concludes that economic management, pro-investment policies and efficiency of the tax system have made some notable progress; however, corruption has made no progress or a marginal decline of the corruption control index. This shows that corruption remains the most important challenge to the eradication of poverty, the creation of a predictable and favorable investment environment and in general, socio-economic development in Africa.

UNECA and AU (2011, p.4) reports that the socio-economic and political cost of corruption in Africa was estimated at over \$148 billion per year in 2004, which is equivalent to three times the amount of the current foreign direct investment into Africa in 2010, and that 50% of tax revenue, 25% of the continent's GDP and that \$30 billion in aid for Africa are eaten up by corruption. World business leaders raise corruption as the second most problematic factor for doing business in Africa, following lack of access to financing (WEF 2011, p.12). Out of all the 53 countries in the African continent except South Sudan, 48 countries¹⁷ are ranked below 50 in the Corruption Perception Index (CPI) 2012, which shows that public institutions need to be more transparent and powerful officials more accountable in these countries (Transparency International 2012).

Many experts suggest a variety of measures to combat corruption in Africa; however, their views are mixed, as follows:

- UNECA (2009, p.235) proposes three priority areas for African countries: 1) strong institutions including parliament, judiciary, office of auditor-general, public procurement system, anti-corruption bodies, etc., ii) powerful anti-corruption constituency with civil society and media, and iii) better remuneration for public servants to reduce petty and grand corruption undermining all the development and anti-corruption efforts.
- Hanson (2009, pp.5-6) of the US Council on Foreign Relations is suspicious about the effects on African governments brought by donor intervention in an anti-corruption context, while reserving evaluation on some anti-corruption practices such as Millennium Challenge Corporation (MCC), and Extractive Industries

17. Five countries ranked over 50 in the CPI 2012 are Botswana, Cape Verde, Mauritius, Rwanda, and Seychelles.

Transparency Initiatives (EITI).

- Global Integrity (2011) suggests that the “implementation gap” between progress in anti-corruption frameworks and results should be addressed more since the implementation gap in many countries, including those in Africa, is widening. It also notes that the establishment of an anti-corruption agency is relatively ineffective in strengthening transparency and accountability.
- Some academics are very pessimistic about combatting corruption; Collier (2007) raises “Bad Governance in a Small Country” as one of the four major Development Traps that African countries suffer from. Moyo (2009) insists on cutting off foreign aid which, she argues, has brought corruption rather than development to Africa.

Across these discussions, the following could be noted as a broad and minimum consensus on corruption in Africa: i) corruption is undoubtedly the most pressing governance and development challenge that Africa is confronted with today (UNECA and AU 2011, p.3), ii) the progress of anti-corruption is quite slow or making no progress (UNECA 2009, p.1), iii) effective measures and actions are urgently needed.

1.5 Economic growth and poverty reduction

The percentage of the population living below \$1.25 a day in sub-Saharan Africa has decreased and is expected to continue as follows: 58% (1990) ⇒ 59% (1995) ⇒ 51% (2005) ⇒ 47.5% (2008) ⇒ 38% (estimate for 2015) (IMF 2011a, p.14, World Bank 2010a, p.11). In addition, the number of people in poverty in sub-Saharan Africa decreased by 8 million from 2005 to 2008. The World Bank reports that this was the first time that the absolute number (not the rate) of people in poverty in sub-Saharan Africa decreased since the Bank began to record poverty-related statistics (World Bank 2012a).

However, sub-Saharan Africa¹⁸ as a whole is unlikely to achieve the MDG target of halving the poverty rate in 1990 by 2015 (from 58% in 1990 to 29% by 2015) (UNECA et al. 2012, p.3, Table 6). While four countries¹⁹ in Sub-Saharan Africa have already achieved the target, and five countries²⁰ are expected to achieve it, the other countries are lagging

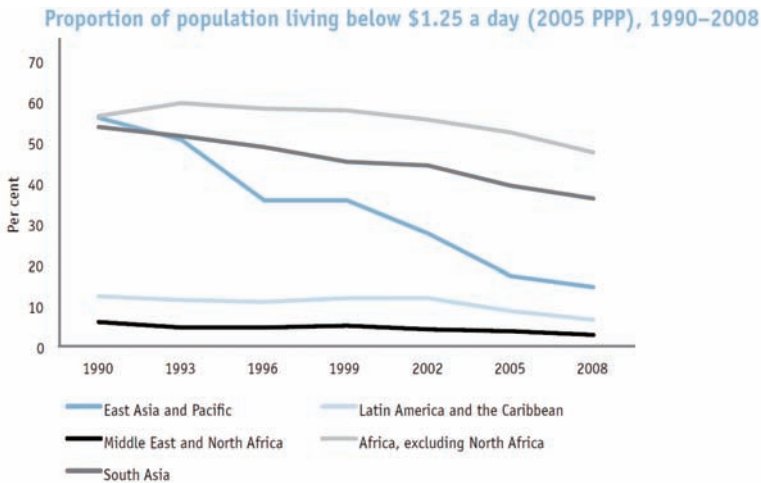
18. North Africa, by contrast, has already achieved the goal of halving the proportion of the population living in poverty (5%) in 1990 by 2015; the rate was lowered to 2% (2008) (United Nations 2012).

19. Cameroon, Kenya, Mauritania and Senegal

20. Central Africa, Ethiopia, Ghana, Seychelles and Swaziland

behind (World Bank 2010a).

Figure 5. Proportion of Population Living in Poverty in sub-Saharan Africa and other regions (1990-2008)



Source: Compiled from World Bank, <http://data.worldbank.org/indicator/SI.POV.DDAY?page=4>, updated February 2012.

(UNECA et al. 2012 p.3)

IMF (2011a) suggests that in sub-Saharan Africa the relationship between per capita GDP growth and poverty reduction is weak, and that it is imperative to realize economic growth in such a way to further accelerate poverty reduction. IMF (2011a) also notes that in high-growth sub-Saharan countries,²¹ an increase by 1% in the growth rate corresponds to a decrease by about 1% in the poverty reduction rate, showing a clear relationship between economic growth and poverty reduction. And according to case studies on some of the high-growth sub-Saharan countries, job creation in the agricultural sector has a high impact on poverty reduction.

However, it is reported that no such relationship between economic growth and poverty reduction was observed in low-growth sub-Saharan countries.

When compared with Asia, the poverty reduction effect of economic

21. IMF (2011a) defines high-growth countries as countries with an average annual growth rate of real GDP per capita of over 2.25% during 1995 and 2010. Low-growth Sub-Saharan countries are those other than the high-growth countries.

growth is modest in sub-Saharan countries; in high-growth Asian countries, an increase by 1% in the growth rate corresponds to a decrease by 2.3% in the poverty reduction rate.

This shows that more efforts are required in Sub-Saharan Africa to make growth more inclusive and to enable more people to enjoy the fruits of growth.

1.6 Demographics, employment and urbanization

It is expected that the population and working-age population will increase in the coming decades in Africa. As of 2008, the youth population (aged 15-24) and that of working-age people were 200 million and 550 million, respectively. The working-age population is increasing by 2.7% every year and is expected to reach 1.7 billion and overtake that of China and India by 2040 (OECD et al. 2012, p.99).²² In most African countries, unemployed youths account for 60% of all the unemployed, and the youth unemployment rate is double the adult unemployment rate (ibid. p.100). As 72% of youths have an income of less than \$2 a day (ibid. pp.99-100), it is imperative to reduce poverty among youths through job creation. In addition to unemployment, underemployment and working poverty are also to be addressed as low-skilled and low-wage employment are so broad in Africa especially in the informal sector.

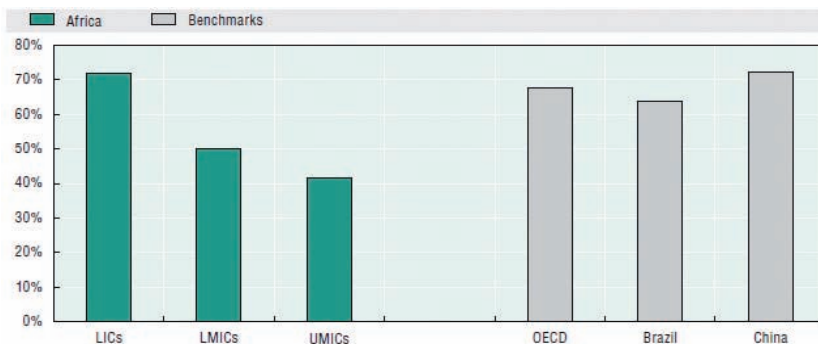
The employment situation in Africa varies depending on the situation of individual countries, but generally, there is a tendency that higher income per capita is associated with a lower employment rate of the working-age population (OECD et al. 2012, p.108 and Figure 6). In low-income sub-Saharan African countries,²³ the employment rate of the working-age population is about 70%, which is comparable to China and Brazil. However, employment in low-income countries has a weak impact on poverty reduction and human resource development because a large part of employment is in the informal sector that depends on low-


22. African Development Bank Group (2011) estimates that the working-age population in 2010 was 399 million people with a growth rate of 3.5%, and the working-age population in 2040 will be in the range of 1.07 billion ~1.12 billion people.

23. Based on the Statistics by the World Bank in 2011, low-income countries (LICs) (less than \$1.025 per day) include Kenya, Ethiopia, DRC, Tanzania, Uganda and Mozambique, while lower-middle-income countries (LMICs) (\$1.026 – 4.035 per day) include Cameroon, Ghana, Egypt, Morocco, and Nigeria, and upper-middle-income countries (UMICs) (\$4.036 – \$12.475 per day) include Angola, Algeria, Gabon, South Africa, and Tunisia, etc.

skilled, low-wage labor. On the other hand, in middle-income sub-Saharan African countries,²⁴ the employment rate of the working-age population is much lower, below 50%, and therefore, a quantitative improvement of employment is strongly needed rather than quality improvement. As the youth unemployment rate is quite high,²⁵ it is imperative to promote youth employment for new entrants in the labor market. (OECD et al. 2012, p.100).

Figure 6. Comparison of the employment rate of the working-age population by country income groups in Africa and others



Source: ILO KILM 7th Edition, 2011, authors' calculations.
 StatLink  <http://dx.doi.org/10.1787/888932600355>

(OECD et al. 2012, P.108)

Figure 7 below shows that higher educational record, including vocational training, does not necessarily contribute to a decrease in the unemployment rate; conversely, a higher educational record tends to be associated with higher rates of unemployment in middle-income countries. This means that the improvement in the education system or labor market legislation alone will not suffice; massive creation of employment opportunities driven by the private sector is called for, to accommodate the increasing number of youths and their improving educational records.

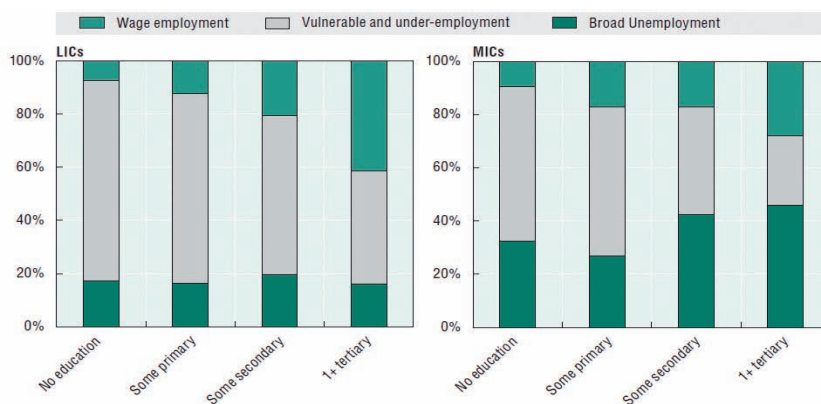
There is also a number of challenges in terms of the quality of education, especially the employability of graduates, ranging from basic education to higher education, and both in levels and content. While the

24. Including both lower-middle-income countries and upper-middle-income countries.

25. 23.4% in North Africa (3.8 times higher than the adult unemployment rate), and 48% in South Africa (2.5 times higher than the adult unemployment rate)

enrollment rate for primary and secondary education has been remarkably improved, the low quality of education, or a decline in quality in some countries, has been growing as a major challenge. It is reported that the average academic achievement of sixth-grade children in sub-Saharan Africa is at the same level as that of second-grade children in OECD countries.²⁶ In addition to the lack of basic literacy and numeracy, the achievement test scores of students in some African countries have dropped when compared to those in the 1990s (MGI 2010, pp.20-21). Also pointed out is the lack of practical skills and knowledge in school education curriculum, as well as a mismatch between the educational content and employment needs (OECD et al. 2012, pp.141-144).

Figure 7. Comparison of the employment rate by education and country income groups in Africa



Source: Gallup World Poll (2010), authors' calculations.
 StatLink <http://dx.doi.org/10.1787/888932600811>
 (OECD et al. 2012, P.142)

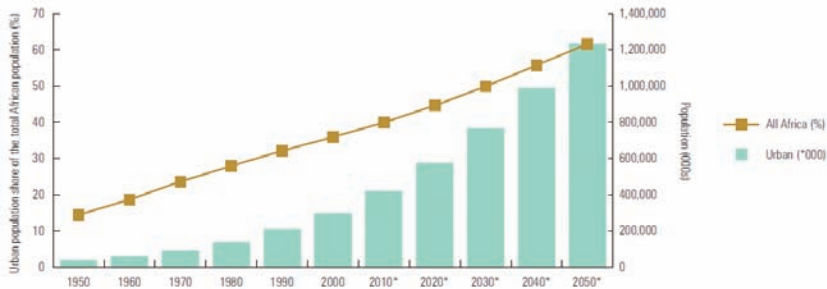
Urbanization in Africa, which is expected to rapidly spread, is to be addressed as a major urgent policy challenge. Urban population levels in Africa have been consistently increasing since the 1950s. In 2009, 395 million people, equivalent to about 40% of the population were living in urban areas, and the number is increasing by about 13 million annually (UN HABITAT 2010). The increase in the urban population in sub-

26. See Chapter 10 of this volume.

Saharan Africa is consistent even during low growth periods,²⁷ as shown in Figure 8. The insufficient government measures to address urbanization have been exacerbating difficulties such as urban poverty, prevalence of slums, and informalization of the urban economy, which are becoming more critical issues to be tackled by African governments and the international community.²⁸

Figure 8. Urban demographics in Africa (1950-2050)

GRAPH 1: AFRICAN URBAN POPULATION TREND 1950-2050



* Projections
Source: WUP 2009

(UN HABITAT 2010 P.1)

The presence of the informal sector has been a buffer to absorb the increase in the urban population and working-age population. So far, however, the response of the international community and African countries to the increase of the informal sector has been insufficient. The dependence on the informal sector may deepen difficulties in urban areas, lead to the further expansion of low wages, low-skilled labor and vulnerable employees.

27. In Africa, from 1970 to 1995, GDP per capita fell by 0.7% annually, but the urban population increased by 4.7% annually. This is reported as “urbanization without economic growth” (Watanabe 2010). As will be mentioned in Chapter 2, although the cropland per capita of the agricultural population in Africa has been decreasing, the increase of the rural population cannot be absorbed in agriculture, resulting in the above continuous population shift to urban areas. In addition, though experts’ views are varied, it is also possible that modernization in agriculture could accelerate the increase in the urban population, since, as some argue, that the improvement in agricultural productivity produces a surplus in the agricultural labor force rather than an increase in employment in the non-agricultural sectors in rural areas (Ranis and Gollin 2012).

28. In the case of Kenya, 60% of the urban population of Nairobi (3.36 million (2007)) live in slums and the informal sector accounts for 60% of overall employment in the country. The unemployment rate in the slums of Nairobi is 26% and that of youths (15-24 years) and women is even higher, reaching 49%; this situation is reported to have contributed to the riots after the presidential election in early 2008 (Watanabe 2010, p.137).

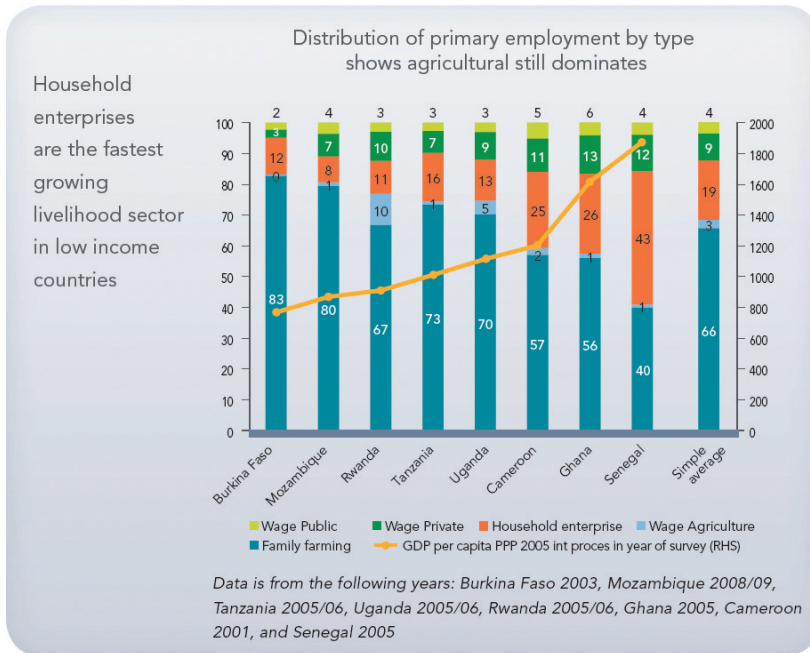
The creation of sufficient formal sector employment is an imperative for Africa in order to achieve sustained economic growth, reduce poverty, and develop and make use of human resources to support its future. Employment is to be created by improving the business environment, i.e., management of local small to medium-sized businesses, development of infrastructure (particularly, stable power supply), improvement of access to finance, promotion of capital investment, improvement of labor productivity, promotion of human resource development, and employment creation that can result in an increase in per capita income. (OECD et al. 2012, pp.135-140)

The informal sector, where most Africans work and will continue to work, plays an important role in poverty reduction and equitable growth. The World Bank (2011c, pp.9-14) argues that even rapid growth of the formal sector is unlikely to keep pace with the growing number of new entrants to the labor market since private wage employment in the formal sector has a very limited share in the labor market of low-income African countries.²⁹ The cross country analysis (Figure 9) suggests that the ratio of household enterprise employment to total employment increases rapidly with growth of GDP per capita and surpasses the increase of wage employment, by absorbing employment shifting out of family farming, the most dominant type of employment in most low-income African countries. Against this background, World Bank (2011c) suggests that raising productivity and income in the informal sector, notably household enterprises,³⁰ should be recognized as an important challenge of employment in low-income African countries.

29. In the case of Uganda in 2003-2006, although wage employment grew at 13% per annum, it only accounted for 20% of the new jobs created. In the case of Tanzania in 2000-2005, private wage employment grew at 11.2% per annum, which was surpassed by household enterprise employment growth at 12.9% per annum.

30. World Bank (2011c, p.14) also notes that more “formality” of household enterprise may not be the answer when the cost and benefits of more regulation are carefully considered. It also notes that legal regulations on household enterprises, as well as local taxes imposed on them, exist in many African countries.

Figure 9. Cross Country Analysis of Distribution of Primary Employment by Type



(World Bank 2011c, p.10)

1.7 Current situation and future expectations for achieving main goals of MDGs

According to the assessment of the progress of MDGs in Africa (UNECA et al, 2011 and 2012), Africa has recorded remarkable progress in the areas of the primary education enrollment rate, gender equality in the primary education enrollment rate, improvement in the literacy rate of 15-24 year olds, women’s participation in political decision-making, immunization for children, prevention of the spread of tuberculosis and HIV/AIDS and the decrease in the malaria mortality rate. A remarkable decrease has also been observed in the under-five infant mortality rate in post-conflict countries.

However, progress is slow in other areas: in halving the poverty rate, creating productive employment and decent work, and reducing hunger and malnutrition. Youth unemployment is also high. Although the primary education enrollment rate has risen, the primary education

completion rate has not risen enough to match the enrollment rate progress. The gender equality in secondary education and higher education is off track. Despite a substantial improvement, the access to safe drinking water target is unlikely to be achieved by 2015. The progress in improving access to sanitation is extremely slow.

The MDGs 2012 Progress Chart (United Nations 2012) shows that sub-Saharan Africa has only two goals that it is likely to achieve by 2015: "Equal girl's enrollment in primary education" and "Halt and begin to reverse the spread of HIV/AIDS". The other 14 goals are assessed as "Progress insufficient to reach the target if prevailing trends persist." With respect to the "Reduce maternal mortality by three quarters," though, the prospects are improving.³¹ In North Africa, 9 of the 16 goals are within the "Target already met or expected to be met", but the "Halt and begin to reverse the spread of HIV/AIDS" is classified as "No progress or deterioration".

As shown above, the progress of MDGs varies by goal and by country, and it is difficult to make sweeping statements about the development goals and policies for Africa beyond 2015. The following, however, are common and major challenges remaining in the post-2015 era:

- Acceleration of poverty-reducing policies or implementation of adequate policies (job creation, agriculture and rural development) toward inclusive growth.
- Initiatives to address the quality of education to upgrade and enhance the curriculum to meet society's needs, while maintaining momentum toward the quantitative improvement toward universal basic education.
- Expansion of access to health services in the field of infectious disease control and maternal and child health, and further expansion of access to safe drinking water and sanitation facilities.
- Continuation of support for achieving MDGs beyond 2015 in countries which will not have achieved them, with diversification of programs and approaches to adapt to conditions of different countries and regions.

31. The progress on this goal was assessed as "No progress or deterioration" in Progress Chart 2011, while the assessment in the 2012 edition improved to "Progress insufficient to reach the target if prevailing trends persist."

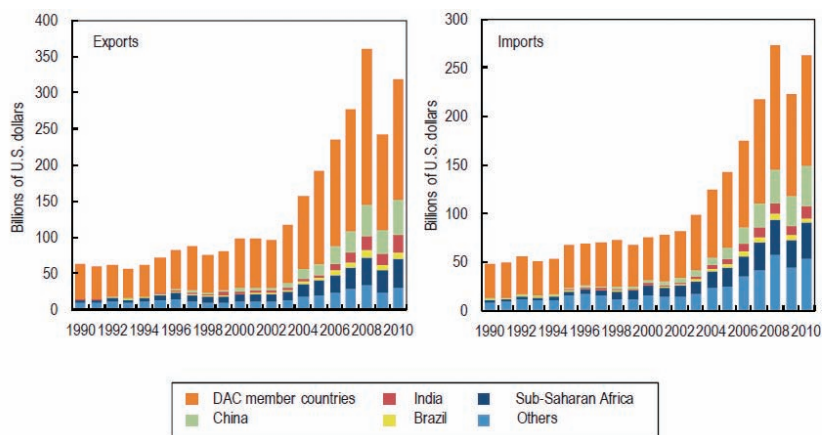
1.8 Diversification of trade partners and the progress of intra-regional integration

Until the 1990s, the African economy used to be heavily dependent on the European market; however, since the 2000s, economic ties have been strengthened with emerging countries (particularly, China, India and Brazil). As a result, the trade with these emerging countries and intra-regional trade have come to account for 50% of exports and over 60% of imports (IMF 2011a, p.39).

Intra-regional trade has come to account for about 14% due to the development in intra-regional economic integration (ibid p.41). Advancements in this respect are facilitated by development of regional infrastructure, promotion of a customs union and common market by regional economic communities (RECs) and elimination of non-tariff barriers. The advancement of intra-region trade is making some African economies less vulnerable to external shocks. For example, EAC countries, which are more dependent on intra-regional trade and are diversified in terms of trade partners compared to countries in other sub-regions, are considered to be more resilient to external economic shocks than countries in other sub-regions; EAC countries experienced a relatively moderate slowdown of economic growth following the financial crisis in 2008, with their growth rate reaching 4.7% in 2009. (WEF et al. 2011, p.16-17)

Despite difficulties in data collection and analysis, informal cross border trade (ICBT) is also quite extensive within Africa. For example, in Uganda, informal exports in 2009 (\$1.56 billion, all of which is for neighboring countries) were equivalent to formal exports (\$1.57 billion, 44% of which is for neighboring countries) (WEF et al. 2011, p.17). Afrika and Ajumbo (2012) estimates that ICBT is a source of income for 43% of Africa's population, and stands at \$17.6 billion per year in the Southern African Development Community (SADC) region, accounting for 20% of GDP in Nigeria and 75% in Benin.

Figure 10. Change of trading partners of Sub-Saharan Africa



(IMF 2011a, p.41)

1.9 Development risks in Africa

Having looked at the current situation, as well as the challenges to economic growth and the achievements of MDGs since the 2000s, we now move to see the risk factors for Africa, among the most notable of which are political instability, global economic downturn, climate change and food security as well as debt sustainability.

1.9.1 Risk of political instability

Political risks, including the possibilities of civil wars and political turmoil, exemplified in the “Arab Spring” in North Africa, pose the biggest risk to economic and social development in Africa. While a number of civil wars and conflicts have been settled thanks to the efforts of African countries throughout the African Union and the support of the international community, there is always a risk of recurrence. With this recognition, efforts must continue by individual countries as well as by regional and international communities to support the peace-building, reconstruction and state-building of conflict-affected or conflict-prone countries. And, in the longer term, countries must achieve inclusive growth for socio-economic stability, since, as seen in the case of the Arab Spring, at the root of political and social unrest lies people’s discontent about persistent unemployment and disparities.

1.9.2 Risk of the impacts of a global economic downturn

Africa always faces the risk of economic slowdown caused by a global

economic downturn such as the financial crisis in 2008, and the recent Euro crisis. Countries with close links to the global economy tend to be strongly affected by such external shocks. South Africa, for example, which has close economic ties with Europe, recorded a considerable slowdown in its growth rate following the financial crisis in 2008³² and there is similar concern in countries in North Africa where export and tourism revenue strongly depends on Europe.³³ Also, as we saw in the previous section, Africa is coming to have closer ties with emerging countries like China, India and Brazil. Any economic downturn in these economies will inevitably affect Africa's economy.

1.9.3 Risk of climate change and food insecurity

While Africa is the region with the least amount of GHG emissions, it is the region most vulnerable to climate change. The risk of climate change in Africa was widely recognized in COP17, which was held in Johannesburg in 2011, and owing to the drought in the Sahel region and the Horn of Africa during 2011-2012. At the Camp David Summit in May 2012, G8 and African Leaders agreed upon forming a New Alliance for Food Security and Nutrition in Africa.

UNFCCC (2007 pp.18-20) highlights some impacts of climate change in Africa on key sectors including: increasing risk of drought, flooding, and inundation due to sea-level rise in the coastal areas; increasing water scarcity and stress; loss of agricultural land and declining production of subsistence crops; increasing infectious diseases such as malaria, tuberculosis and diarrhea; malnutrition for both adults and children; loss of biodiversity; and damage to coastal infrastructure.

The annual cost of adaptation in Sub-Saharan Africa is estimated at \$16.9-18.9 billion (2010-15),³⁴ which is lower than those of East Asia and Pacific (\$19.5-28.7 billion) and Latin America and the Caribbean (\$16.8-22.5 billion); however, in terms of share of GDP, Sub-Saharan Africa

32. South Africa's average growth rate was 4.9% during the 5-year period between 2004-2008. It dropped to -1.5% in 2009, and is expected to recover only to 3.0% in 2013. (IMF 2012a, p.76).

33. OECD et al. (2012 p.33) reports that a 1% decline in the economic growth rate in OECD countries will cause a 0.5% decrease in economic growth in Africa and a 10% drop in export revenue in Africa.

34. In sector analysis, water supply and flood protection (\$6.2-6.6 billion), coastal zone (\$4.0 billion) and agriculture (\$3.3 billion) are the important sectors in Sub-Saharan Africa. The cost of infrastructure is forecast to increase significantly from \$1.1 billion (2010-19) to \$6.0 billion (2040-49).

(0.70%) is much higher than those of East Asia and Pacific (0.20%) and Latin America and Caribbean (0.30%) (World Bank (2010b)).³⁵

The Copenhagen Accord, which was agreed in COP15 in December 2009, recognizes Africa as the most vulnerable developing region for which enhanced action and international cooperation on adaptation is urgently required, and also funding for adaptation will be prioritized in the future climate change financing mechanism, which aims at mobilizing \$100 billion per year by 2020 (para 3, 8). The High-Level Advisory Group on Climate Change Financing (2010), established by the UN Secretary-General in February 2010, also suggests that grants and highly concessional loans are crucial for adaptation in the most vulnerable countries including those in Africa (pp.5, 10). Against this background, the African Development Bank Group (2011) proposes to establish the African Green Fund to complement existing instruments and enhance the ability of African countries to respond to Climate Finance challenges.

Africa has the potential for mitigating the negative impact of climate change. It is endowed with a variety of abundant natural renewable energy resources such as hydro, geothermal, solar and wind power, though much of this potential remains to be developed. Climate change mitigation will increasingly be a challenge for the continent, for it will have to expand its energy production to meet the continent's ever-increasing demand coming from growing economies and increasing populations.

Africa could improve its energy efficiency by taking such measures as the development of renewable energies, installation of high-efficiency natural gas and coal-fired power plants, and reduction of power-transmission loss. Outside the power sector, Africa can also contribute to the mitigation of climate change by conserving the tropical rainforests of the Congo Basin and in other areas, and by developing energy-efficient urban transportation networks.

1.9.4 Debt sustainability

Sub-Saharan countries are employing cautious debt management policies, and debt sustainability has continuously improved. The ratio of

35. World Bank (2010b pp.1, 13) also notes that flexible policies and more research are needed due to the imprecision of existing studies and models providing a wide range of estimates.

the external public debt over the GDP of sub-Saharan countries has significantly improved from 31.0% in 2004 (55.8% when South Africa and Nigeria are excluded) to 9.7% in 2011 (18.5%, *ibid.*). Especially, the improvement between 2004 and 2007 was significant³⁶ due to the debt reduction in the mid-2000s which has led to a considerable reduction in the debt burden. In addition, the outstanding debt has continued to decline since the late 2000s.³⁷ It should be noted, however, that the outstanding debt of oil-importing countries excluding South Africa as of 2011 is 24.0%, which is much larger than the 4.8% of oil-exporting countries (IMF 2012b, p.112 and Table 9).

Table 2. Outstanding government debt of sub-Saharan countries (% of GDP)

Calendar year	2004	2005	2006	2007	2008	2009	2010	2011
Whole of sub-Saharan Africa	31.8	23.0	14.6	12.1	11.2	12.1	10.0	9.7
Excluding Nigeria and South Africa	55.8	45.2	31.0	24.4	20.9	22.6	19.2	18.5
Oil-exporting countries	38.8	20.3	6.8	6.6	5.3	6.1	5.4	4.8
Oil-importing countries (excluding South Africa)	61.1	52.4	38.2	30.0	27.2	28.0	23.9	24.0

(Prepared by the author based on IMF 2012b, P.112)

The sustainability of African debt is not an immediate concern, but it depends to a great extent on the macro-economic policy, fiscal policy, and debt management ability of each country. According to the IDA traffic lights (fiscal 2012/2013), the number of countries in high or medium risk regarding debt sustainability (red and yellow) accounts for the majority among IDA-eligible countries in Africa³⁸ and thus, it is necessary to monitor the performance of each country. Also important is to keep track of the borrowing trend from emerging non-Paris Club countries, such as China, and also borrowings from international financial markets through bond issuance, etc.

36. 31.0% in 2004 (55.8% excluding South Africa and Nigeria) \Rightarrow 12.1% in 2007 (idem 30.0%)

37. 12.1% in 2007 (30.0% excluding South Africa and Nigeria) \Rightarrow 9.7% in 2011 (idem 18.5%)

38. Red: 7 countries, Yellow: 14 countries and Green: 15 countries

2. Toward the Structural Transformation of African Economies and the Achievement of Inclusive and Sustained Growth

2.1 Medium to long-term prospects of African economies

Since the 2000s, while maintaining economic growth primarily led by the export of energy and mineral resources, Africa has also diversified trading partners and regions, deepened intra-continent regional economic integration, expanded the internal market, increased middle class consumers, and improved fiscal and monetary policies as well as debt management. These structural changes seem to have made the African economy more resilient to external shocks, such as sharp declines in energy and resource prices.³⁹

Based on the assumption that the current economic growth will continue, the African Development Bank Group (2011a) envisions the African economy and society in the year 2040 as follows:⁴⁰

- Assuming an economic growth rate of 4.9% to 5.5%, its GDP will grow from \$1.7 trillion in 2010 to \$5.9 trillion in 2040, while the GDP per capita will grow from \$1,667 in 2010 to \$3,733 in 2040, reaching the range between today's Indonesia (\$2,974) and China (\$4,328).
- The population growth rate will drop from 2.27% in 2010 to 1.37% in 2040, but the total population will increase from 1.03 billion in 2010 to 1.59 billion in 2040, which will exceed the prospective population of both China and India in 2040 (estimated to be around 1.5 billion).
- The working-age population (aged 15-64) will increase from 400 million in 2010 to 1.07 billion in 2040, and the ratio of the working-age population over the total population will increase from 40% (2010) to 67% (2040). This is comparable to the current rate of the working-age population of Asian countries which are thought to enjoy a demographic dividend (JICA 2008, p.26).
- The number of middle class people⁴¹ whose daily income ranges from \$4 to \$20 (equivalent to an annual income of \$1,460 to \$7,300)

39. IMF (2011a p.7) remarks "the region's recent sustained strong growth represents a sharp break with the past, when the region lagged far behind other parts of the developing world."

40. The forecast is a 50-year forecast until 2060. Here, we are presenting the estimate in 2040. There are 2 types of simulations, i.e., High-Case Scenario and Low-Case Scenario and the following is all based on Low-Case Scenario.

41. Mckinsey Global Institute defines the middle class in a more precise manner: as a household with an annual income of more than \$5,000, which is a threshold where expenditure other than the necessities of daily life such as food increases, and forecasts that the number of middle class households will increase from 85 million in 2010 to 128 million in 2020 (MGI2010, pp.3-4).

will increase from 360 million in 2010 to 620 million in 2040; and the ratio of middle class people over the total population will increase from 34% (2010) to 38% (2040). However, the percentage of the population with daily income of less than \$1.25 will only decrease from 44.15% in 2010 to 37.77% in 2040; if this forecast comes true, the poverty reduction target of MDGs (to halve the poverty population rate of 1990 (58%) to (29%) in 2015) will not be achieved even in 2040 (African Development Bank Group 2011a, p.70).⁴²

2.2 Prospects for the transformation of African economies

As shown above, even with the assumption of 30-year, continuous economic growth of 5%, in 2040, as much as 37.77% of the total population in Africa will still be living on a daily income of less than \$1.25. Given this kind of gloomy prediction on the one hand, and the brighter-looking forecast of GDP per capita close to \$4,000 on the other, it will be critically important for the African economy to realize “sustained growth” and “inclusive growth,” which will allow the broader population as well as the poor and vulnerable to enjoy the fruits of economic growth in the next few decades.

In order to make such economic development a reality, Africa needs to realize the following:

- Transformation from an economy dependent on energy and mineral resources into an economy led by new leading sectors such as
 - i) agricultural sector revitalized through agricultural productivity improvement resulting in increased agricultural production and growth of agro-industries and agro-business,
 - ii) labor-intensive manufacturing industries, especially local industries that respond to increasing demand from the emerging middle class consumers and regionally integrated market, and
 - iii) modernized and private-sector-led service sector combined with highly educated human capital, innovative technology and better quality of service delivery.
- Provision of employment for a rapidly growing, working-age

42. The African Development Bank Group states that it is necessary to achieve economic growth of over 7% on average in order to produce rapid poverty reduction. In this regard (note: what does ‘redar’?), the growth rate of this forecast is insufficient (African Development Bank Group 2011, p.12).

population, especially for youths, through fostering of the manufacturing and service sectors.

- Equitable income distribution: through job creation, and increase in per capita income through improving labor productivity and agricultural productivity. This must be accompanied by the development and effective use of human capital and the strengthening of social services and a social safety net for the poor and vulnerable.
- Infrastructure development: to support increasing demand for transport, energy and water driven by long-term economic growth, population growth and improvement in living standards. The necessary amount of investment is to be mobilized to fulfill the estimated funding gap of \$40 to \$50 billion per annum (World Bank 2008).

In the following sections, the term “transformation” is used to mean a change in economic structure, which, as described above, will simultaneously bring about the shift from the dependence on energy and mineral resources through the diversification of growth sectors and trading partners (hereafter termed as “sustained growth”), and the enjoyment of the fruits of growth by a broader population through employment and social services (hereafter termed as “inclusive growth”).⁴³

We will now discuss the diversification of sources of wealth (i.e., agriculture, manufacturing and service sector) in sections 2.2.1 through 2.2.3, and the investment in human capital and its use (i.e., education, employment and labor productivity) in section 2.2.4.

2.2.1 Potential of African agriculture

Unlike agriculture in Asia and Latin America, African agriculture has not gone through the transition process to modern agriculture and adoption of agricultural technology through the Green Revolution, and agricultural land productivity improvement has been stagnant. The increase in food demand due to population growth has been met so far by the expansion of cultivated land and increased food imports. As

43. IMF (2012a), based on the definition that the Structural Transformation is the shift of workers from low to high average productivity activities and sectors, P51), analyzes the structural transformation of sub-Saharan Africa by taking the labor mobility between sectors as the main indicator. IMF (2012a) also indicates some good examples of structural transformation such as: Burkina Faso (agriculture), Tanzania (manufacturing), Namibia (manufacturing), Mauritius (service industry) and Kenya (service industry) (idem, P67-71).

African governments have not tended to prioritize agricultural modernization since their independence, farmers have returned to stable cultivation of subsistence crops since the economic slump in the 1970s (Hirano 2009, pp.109-102), and the cropland per capita of the agricultural population decreased by 40% between 1960 and 2003. However, as agriculture is still the main sector in Africa, accounting for 32% of the GDP, it is critical to improve productivity through the introduction of modern agricultural technology for achieving sustained growth in the African economy.⁴⁴

MGI (2010) estimates that, with 60% (590 million ha) of the world's uncultivated arable farmland (970 million ha in total),⁴⁵ Africa has the potential to increase its current agricultural production from \$280 billion (2010) to \$500-880 billion in 2030, through enhancing agricultural land development, increasing agricultural productivity and transitioning to high-value-added crops. The Coalition for African Rice Development (CARD),⁴⁶ which aims at doubling rice production in sub-Saharan Africa from 14 million tons in 2008 to 28 million tons by 2018, shows good progress toward the achievement of the above goal with the production of 18.4 million tons in 2010.⁴⁷

In recent years, investment in agriculture by the private sector is growing, which has the potential to bring productivity improvement, new technology, agricultural land expansion, supply chain and value chain development, etc., resulting in comprehensive development of agricultural production and creation of added-value. One example of efforts to take advantage of private sector investment is a regional development program in Mozambique supported by the Japanese government (JICA) to promote agriculture in the Nacala Corridor in the north of the country. In a similar context, the G8 Summit held in Camp David in May 2012 announced a joint action plan, "New Alliance for Food Security and Nutrition", backed by G8 and African countries for

44. See also Hirano (2013), pp.123-127, Takahashi (2010), pp.145-203, and chapters 2 and 3 of this volume.

45. Sudan (72 million ha), Democratic Republic of Congo (66 million ha), Angola (53 million ha), Zambia (53 million ha), Mozambique (49 million ha), Central African Republic (45 million ha), etc. (MGI2010).

46. Joint initiative of 23 African countries and 11 institutions centered on JICA and AGRA (Alliance for a Green Revolution in Africa) a private organization formed by African farming experts, following TICAD IV Yokohama Action Plan for doubling rice production in 10 years.

47. For more detailed discussions on the CARD initiative, see chapters 2 and 3.

the purpose of promoting private investment in African agriculture and dissemination of agricultural technology.

On the other hand, large farmland acquisition by the private sector may cause conflicts over land and water resources with local populations and farmers. To prevent such risks, a framework for the protection of the rights of local populations and farmers is needed to create an environment benefitting both private investors and local populations and farmers.⁴⁸ Government should play an important role in creating such investment climate, in addition to its traditional roles such as in the provision of economic and technical assistance to local farmers and in agricultural technology development and dissemination.

Agriculture can boost the African economy. Despite the low performance of exports (cocoa, coffee, and tea) since the 1990s,⁴⁹ encouraging cases are emerging in export promotion through developing new products with new technology, such as horticultural products in Eastern and Southern African countries. Also encouraging is the expansion of the intra-African market⁵⁰ due to economic growth; this can bring a huge business opportunity for exports within the continent. The expansion of agricultural production could boost the development of the agro-industry and agro-business such as agro-processing, food processing, distribution, transportation, and finance, leading to rural employment and improvement of the livelihood of the non-farming population, which accounts for half of the total population in rural areas. It could also lead to foreign currency savings through reducing food

48. As an example of such an initiative, a set of Principles for Responsible Agricultural Investment (PRAI) was proposed by the Japanese government and adopted at L'Aquila G8 Summit in April 2009.

49. The share of agricultural exports from Sub-Saharan Africa in world agricultural trade decreased from 5.4% (1995-97) to 2.7% (2006-08). Such sluggish development may be attributable not only to the stagnation of agricultural productivity, but also to high indirect costs such as transportation costs, underdeveloped infrastructure and business environment (WEF et al. 2011, pp.18-19).

50. For example, MGI (2010) reports that food products and beverages markets are expected to grow from \$369 billion in 2008 to \$544 billion in 2020 (p.39). CAADP Pillar II Experts Reference Group (2009) notes that demand in local and regional urban food markets across Africa is expected to increase from US\$50 billion to US\$150 billion in 2000-2030, while foreign demand for agricultural commodities and high-value exports is projected to grow from US\$11 billion to US\$20 billion in the same period (p.21).

imports, which exceed that of Japan.⁵¹

African agriculture has significant potential but faces various development challenges. To summarize, it should be remembered that the vision of the original Comprehensive Africa Agriculture Development Programme (CAADP) in 2003⁵² remains relevant to the current major challenges of African agriculture. It is also to be noted that the market-oriented approach and the small-scale farmers' approach, which are discussed in the following chapters 4 and 5, respectively, are both to be addressed in a balanced and integrated manner as described in the original CAADP.

2.2.2 Potential of African manufacturing industry

Manufacturing is important for the African economy due to the following reasons: for the diversification of its economy, reduction of external vulnerability, job creation for the working-age population (especially for youths), improvement in the trade balance, notably for non-oil-producing countries with trade deficits, etc. The potential for manufacturing in Africa stems mostly from the prospective market expansion due to economic growth, increasing population, growing middle class consumers, increasing working-age population and effect of the future demographic dividend.⁵³ The MGI (2010) states that the consumption markets within Africa have already reached \$860 billion (2008), which are equivalent to those of India and Russia. It also estimates that they will grow to \$1.38 trillion in 2020, and the number of middle class households with an annual income of over \$5,000 is expected to increase from 85 million in 2008 to 128 million in 2020⁵⁴

51. According to FAO data, agricultural exports from Africa amount to \$34.2 billion (2009), agricultural imports to Africa amount to \$53.2 billion (2009), and with a deficit amounting to \$19.0 billion. Agricultural imports exceed that of Japan (\$35.7 billion). 45% of rice and 85% of wheat consumed in Africa are imported in 2009 (WEF et al. 2011, p.19).

52. The vision for agriculture is that the continent should, by 2015: attain food security (in terms of both availability and affordability and ensuring access of the poor to adequate food and nutrition); improve the productivity of agriculture to attain an average annual growth rate of 6%, with particular attention to small-scale farmers; especially focusing on women, have dynamic agricultural markets between nations and regions; have integrated farmers into the market economy; including better access to markets, with Africa to become a net exporter of agricultural products, achieve the more equitable distribution of wealth; be a strategic player in agricultural science and technology development; and practice environmentally sound production methods. (NEPAD 2003 p.9)

53. Please see MGI (2010), IMF (2011b)

54. IMF (2011b) also features an article on the expansion of the internal market and the middle class in Africa.

(ibid).

In fact, in recent years, manufacturing exports in Africa are increasing to neighboring countries in the continent. For example, the value of exports of eight African countries⁵⁵ increased from \$1.5 billion in 2000 to \$10 billion in 2008, and the proportion of manufactured exports in total exports increased as follows: Kenya: 21% (2000) → 37% (2008), Uganda: 6% (2000) → 30% (2008), and Senegal: 27% (2000) → 30% (2008). The main export items are processed fuels, food, chemical products, clothing and cosmetics (MGI 2010).

However, manufacturing in Africa has not emerged from the 1980s slump and it accounts for less than 10% of GDP in many African countries.⁵⁶ In terms of the share of world exports for developing countries and regions, East Asia showed rapid growth of 3.3% (1980) ⇒ 8% (1995) ⇒ 14% (2008), and other regions are also generally in the process of expansion. By contrast, Africa has experienced a modest expansion of 1.3% (1990s) ⇒ 1.6% (2000s) and moreover, it is due mainly to the export of primary products (WEF et al. 2011, pp.3-4). The share of industrial products of sub-Saharan countries in world trade is declining, where light industrial products showed a decline of 1.2% (1980) ⇒ 0.9% (2008) and heavy industrial products showed a marginal increase of 0.3% (1995-97) ⇒ 0.4% (2000-2008) (WEF et al. 2011, p.15-20).

The slump in manufacturing in Africa is attributed to various factors: underdeveloped infrastructure (especially, power and transportation), inadequate business environment, relatively high labor cost (excluding the informal sector), low education, health and sanitation levels, insufficient financial access, high socio-political risks, and so on. It is important to comprehensively address these issues; particularly in sub-Saharan countries, high indirect costs due to the underdevelopment of infrastructure, business environment and financial systems are reported to be the main causes of high manufacturing costs, although the issue of human capital such as insufficient education and relatively high labor costs are also raised. (WEF et al. 2011, p.12, OECD et al. 2012, p.21)

55. Cameroon, Côte d'Ivoire, Ghana, Kenya, Mozambique, Senegal, Tanzania, Uganda, Zambia

56. In the following 11 countries, the manufacturing industry accounts for 15-20% of GDP: Cameroon, Côte d'Ivoire, Egypt, Lesotho, Madagascar, Mauritius, Morocco, Namibia, South Africa, Tunisia and Zimbabwe. (OECD et al. 2012).

In 1980s' Asia, having overcome these constraints (except labor costs), economic growth through the development of labor-intensive industry, poverty reduction through job creation and increases in per capita labor productivity and income were achieved simultaneously. The Asian experience in development provides rich experience and lessons to be referred to for African development. Africa may take advantage of the increasing working-age population and improving education levels, while addressing issues such as high cost in manufacturing, service reliability in logistics and energy supply. Consistent investment is needed in infrastructure and human resource development and in creating an enabling business environment to meet the needs of industry. However, Africa now finds itself in a quite different environment from what it was in the 1980s and 1990s, when Asia began to rapidly grow. Today, as low-wage, labor-intensive export industries have developed nearly all over the world except Africa, Africa has some disadvantages in the international business environment for promoting labor-intensive industries.⁵⁷ As Noman and Stiglitz (2012) states, there is no policy package that fits all countries, so adopting one specific development strategy in Africa, such as low-wage, labor-intensive export industrial development, is to be avoided.⁵⁸ While the Asian experience might be a useful reference, African countries must be flexible and selective in policy formulation to fully take advantage of their respective comparative advantage and resource endowments, such as the availability of raw materials and the level of local labor costs.

2.2.3 Potential of the service sector in Africa (Trade, transportation, telecommunications, finance)

The service sector's⁵⁹ share of total GDP in Africa has increased from 44.4% in 1980 to 53.1% in 2009. (World Bank 2011a). This is in sharp contrast to other sectors: the share of agriculture, forestry and fisheries⁶⁰ in total GDP in Africa has decreased from 17.2% in 1980 to 13.1% in 2009,

57. IMF (2012a) p.62-63

58. Noman and Stiglitz (2012) p.40

59. Including wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional, and personal services, such as education, health care, real estate, and all other branches of economic activities that are not included in agriculture, forestry and fisheries and industry sectors (World Bank 2011a, p.136).

60. Including forestry, hunting, and fishing, as well as crop cultivation and livestock production. (World Bank 2011a, p.135)

and that of the industrial sectors⁶¹ likewise has decreased from 38.4% to 33.8%, and the manufacturing sector from 10.7% in the 1980s to 8.5% in the 2000s (ibid).

While the service sector's increasing share in GDP is helped by the relative slump in other sectors, the sector is expanding thanks to growing private sector participation facilitated by deregulation and cost reduction through technology innovation. A typical example is the mobile phone service, which is expanding rapidly, as the telecommunications sector is a "high growth sector" comparable to energy and resource sectors. Demand in the trade and transport sectors is also expanding, presumably due to the increase in logistics caused by economic growth, rapid increase in final consumption expenditure⁶² and the expansion of the intra-African market.

IMF (2012a) refers to Kenya as a good example of the development of the service sector. In Kenya, the contribution of the service sector to GDP was strong, ranging between 2 and 5% in 2005-2011, while that of agriculture and manufacturing stagnated, with less than 2% or negative growth rates. This was made possible by, along with the country's relatively high education standards, the increasing demand for transport, telecommunications and financial services against the backdrop of Eastern African regional integration and strong ICT service exports; ICT accounted for over 10% of the service exports of the country during 2007-2011.

Within the service sector, lagging behind is the financial sector, except in South Africa, Mauritius, Tunisia, Morocco, Cape Verde, Namibia, Nigeria, Egypt, and Kenya;⁶³ the importance of developing the financial sector in Africa is to be emphasized for the mobilization of domestic capital for investment, particularly in view of a substantial expansion in national savings that is expected to occur thanks to the demographic

61. Including mining, manufacturing, construction, electricity, gas, and water (World Bank 2011a, p.136).

62. Final consumption expenditure per capita in Africa increased as follows (US dollars: nominal): 541 (1980s) \Rightarrow 586 (1990s) and \Rightarrow 756 (2000s), in particular it soared in the late 2000s (600 (2003) \Rightarrow 1,082 (2009)). This trend is seen both in Sub-Saharan countries (487 (2003) \Rightarrow 864 (2009)) and in North Africa (1,179 (2003) \Rightarrow 2,240 (2009)). (World Bank 2011a)

63. In these countries, the ratio of domestic credit to private sector to GDP, a proxy of financial market development, exceeded 30% in 2009 (World Bank 2011a p.65).

dividend in the coming decades.⁶⁴

Transformation of the service sector will have far-reaching impacts on other sectors: it will not only help facilitate the modernization of traditional services through encouraging technological innovation and market integration and deregulation, but it will also improve productivity, strengthen competitiveness and encourage investment and reduce costs in agricultural and industrial sectors. To make this happen, however, African countries need to enhance the supply of highly skilled human capital through higher education in science and engineering. They also need to take measures to address the sector's current over-dependence on the informal sector⁶⁵, which contributes little to human resource development.

2.2.4 Investment in human capital (education, employment, labor productivity)⁶⁶

Africa needs to develop education not only in quantity but also – and more importantly – in quality. Quantity-wise, many African countries have made substantial strides in basic education; many have introduced a policy of free primary education since the 1990s, resulting in the improved net enrollment rates in primary and secondary education rising from 58% (1999) to 76% (2009), and from 19% (1999) to 29% (2009), respectively. Quality-wise, however, much remains to be done, for the academic performance of children is still quite low in Africa. This needs to be urgently addressed given the plausible correlation between the rate of economic growth of a country and academic achievement of school children.⁶⁷

Higher education and vocational technical education in Africa are undergoing rapid development. However, here again, a lot of challenges still remain; they include: the improvement of the basic quality of education and research, securing employment of graduates (refer to Figure 7 in Section 1.6), and the issue of the 'brain drain'. Added to these is the need to satisfy the changing and growing demand for highly

64. Currently, the national savings rate is around 15% over the GDP.

65. According to Watanabe (2010), the informal service sector accounted for 34% of employment in Nairobi in 2002 and the formal service sector 4%. The informal sector accounts for nearly 90% of employment for the whole of the service sector, including formal and informal sectors.

66. For discussions on physical infrastructure development, see Chapter 7 of this volume.

67. See Chapter 10 of this volume.

skilled labor from the newly growing service sector including ICT, and to cope with the needs of the globalizing environment. The current system of higher education and vocational training, including the stock of teaching faculties, seems incapable of satisfying these changing demands of society, and needs to be systematically reviewed and improved upon.

There are indeed mounting expectations and needs for improved human resources in Africa on the one hand and, on the other, there has been a steady improvement in the supply of better-educated human resources. Under these circumstances, the most critical issue is to provide sufficient employment to young people who possess improved academic capabilities. This is becoming a huge challenge both in low- and middle-income countries. Low-income countries, where the informal sector accounts for the majority of employment, are often unable to provide appropriate job opportunities that are on a par with the skill levels of better-educated youths; the informal sector is also weak in providing the workers with opportunities to further upgrade their skills. In middle-income countries, by contrast, unemployment of highly educated youths is a serious problem, resulting from the mismatch between the needs of industry and the qualifications of graduates coming from higher education and vocational/technical education. (See Figure 7 in Section 1.6).

These immense challenges appear to require comprehensive approaches that look simultaneously at the supply and demand sides of human resources, for the above-mentioned puzzle can be solved only by the coordination of investment in human capital (education) and its effective use (employment). World Bank (2012e) cites an example of a comprehensive promotion program of employment and labor productivity in Ethiopia; it reports that policies that address the labor market (like deregulation and vocational training), private sector productivity (like company managers' training), and the industry as a whole (like industrial promotion measures) are called for.

Also encouraging might be to look at the effects of various human capital development measures on the academic ability and employability of children and youth. Such measures include, for example, promotion of pre-primary education, incentivizing of parents to educate children (e.g., conditional cash transfers, meal provision

schemes, and scholarships), childhood nutrition and health support (e.g., parasite control), and prevention of sexually transmitted infections (e.g., provision of contraceptives and promotion of family planning). The effectiveness of these interventions on education and employment are being clarified with massive empirical studies, providing useful insights on policy.⁶⁸ Policy debate on human resource development and employment may have a lot to gain from learning from the achievements of such studies.

3. African Development beyond TICAD V: Toward a Differentiated and Customized Approach for Development

The approach based on intra-regional integration responding to geographical proximity and common interests of neighboring African countries has been attempted in various ways.⁶⁹ Since the 2000s, its importance has been newly highlighted in New Partnership for Africa's Development (NEPAD 2001), and the African Union and Regional Economic Communities (RECs)⁷⁰ are promoting a variety of regional integration programs and initiatives including cross-border infrastructure development and promotion of intra-regional trade. This development perspective through regional integration and cooperation must be the central thrust in African development.

However, countries are quite varied; as seen above, since the 2000s, some countries have achieved steady economic growth and social development, while others are still in need of continued assistance on their way towards achieving MDGs and/or post-conflict state-building. Thus, the needs for development have come to be increasingly diversified and complicated. Given these variances, it is important that African countries adopt policies best suited to their different needs. The

68. See, for example, Bertrand and Crepon (2012).

69. Many of the regional economic communities (RECs) include regional cooperation mechanisms founded in the early 1960s to 1970.

70. The African Union Commission established close cooperation with the following 8 Regional Economic Communities (RECs) as one of the pillars of the basic strategies of 2009-2012: Community of Sahel Saharan States (CEN SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS) Intergovernment Authority for Development (IGAD), Southern African Development Community (SADC) and Union du Maghreb Arabe (UMA). (African Union Commission 2009)

international development community must make sure that individual countries are given sufficient policy space to pursue their developmental goals, recalling that their policy recommendations since the days of structural adjustments in the 1980s have often been criticized as being too rigid with no policy space for African governments. Actually, similar arguments calling for customized or differentiated approaches for countries at different stages are emerging with respect to the discussions on the post-2015 development agendas; the argument goes that different targets must be provided for countries and areas that are likely to achieve MDGs by 2015 and those which are not (UNECA et al. 2011).

It is expected that the action plans to be adopted at TICAD V will incorporate these diversified and complicated development needs. In working out these plans, African countries and their partners, while upholding the perspective of regional integration and cooperation, must make sure that African countries are encouraged to seek differentiated and customized development strategies to meet their specific needs. These two approaches, i.e., the regional integration approach and the “differentiated and customized approach” must be the central philosophy underpinning the upcoming new TICAD V Action Plan.

3.1. Regional integration approach

The regional integration approach comprises a variety of programs, including cross-border infrastructure development, corridor development, intra-regional trade promotion, support to regional economic communities (RECs), and rural infrastructure development. African Union, NEPAD and RECs are positioned as central promoters of the most important initiatives for regional integration, such as the Program of Infrastructure Development in Africa (PIDA), and Action Plan for Boosting Intra-African Trade.

The importance of regional integration was also highlighted in the TICAD IV Yokohama Action Plan.⁷¹ Various partners of Africa have been supporting moves along the lines of this approach. Japan and JICA have been providing support to regional infrastructure development and “one stop border posts (OSBP)” as their flagship projects listed in the Action Plan;⁷² the African Development Bank Group considers regional

71. See the section of “accelerated growth” and “infrastructure” of TICAD IV Yokohama Action Plan

72. For more details of the OSBP, see Chapter 8.

integration as a strategic priority at the regional level in its mid-term business strategy 2008-2012 (African Development Bank Group 2008, p.11); the World Bank considers regional integration as a key instrument to implement its African regional strategy, in addition to responses to middle-income countries and fragile states (World Bank 2011b, pp.29-31).

The perspective of regional integration must also be incorporated in individual countries' development planning. In other words, governments and donors must make sure that their development strategies are worked out so that they promote the interests not only of the country but also of neighboring countries in the region. Formulation, prioritization and sequencing of development projects must take into consideration their regional integration effects; for example, Kuchiki (2010, p.121) is proposing the formation of industrial clusters in Mozambique and its neighboring region based on the experience in the industrial cluster policy in Northern Vietnam and in the Eastern Seaboard Development Plan in Thailand.

Rural areas are also to be incorporated into the regional integration approach to enhance urban-rural connectivity and to develop agricultural potential, by investing in rural infrastructure such as transport, telecommunication and irrigation, strengthening access to market, finance and technology, and creating employment in agricultural and non-agricultural sectors in rural areas. Only one-third of Africans living in rural areas are within two kilometers of an all-season road, compared with two-thirds of the population in other developing regions (World Bank 2011d). In this context, the Comprehensive Africa Agriculture Development Program (CAADP) proposes the Framework for the Improvement of Rural Infrastructure and Trade-Related Capacities for Market Access (FIMA) as the second pillar of CAADP.

3.2. Differentiated and customized approach

While maintaining the regional integration perspective, countries must pursue customized strategies to meet their specific needs. Though not exhaustive, the following are proposed for countries under different circumstances:

3.2.1. Development challenges in fragile states

While many African countries are starting to show high economic growth rates, some other countries lag behind, and some are still on their way to post-conflict state building. Many of these countries are called “fragile states.” Though there is no single effective prescription for the development of such countries, several points are worthy of consideration. First, short-term humanitarian assistance in the immediate aftermath of conflict and long-term development assistance for state building must be coordinated to avoid any gap between the two. Second, states must have the capacity to provide their citizens with basic services such as food, health, and education, along with the ability to secure law and order; the former is very important for the state to be regarded as legitimate by its people.

With this in mind, support for countries in fragile situations must incorporate not only assistance for improved governance such as the restoration of political stability and strengthening of security sectors, but also a well-balanced economic and social assistance program in the fields of infrastructure development, job creation and food security as well as healthcare.⁷³

3.2.2. Development challenges in resource-rich countries

As IMF (2012b) defines 20 Sub-Saharan countries as Resource Intensive Countries⁷⁴ and notes that several countries⁷⁵ are expected to soon join the ranks of significant natural resource exporters, given recent discoveries and exploration results, “Mineral Governance” (World Bank 2012b) is newly focused as a major development challenge of Africa.

The debate on the “resource curse” is still going on. Paul Collier (2007) cites a natural resource trap or resource curse as one of the four development traps⁷⁶ preventing Africa from escaping poverty. World Bank (2012b), on the other hand, maintains that there is hardly any

73. For more detailed discussions on state-building in fragile states, see Chapter 12 of this volume.

74. 7 countries (Angola, Cameroon, Chad, Republic of Congo, Equatorial Guinea, Gabon, Nigeria) as oil-exporters, and 13 countries (Botswana, DRC, Guinea, Central African Republic, Ghana, Mali, Namibia, Niger, Sierra Leone, South Africa, Tanzania, Zambia, Zimbabwe) as other-resource intensive countries (IMF2012b, p.62). In North Africa, Algeria and Libya are traditional oil-exporters and Morocco is a phosphate-exporter.

75. Cote d'Ivoire, Kenya, Liberia, Mauritania, Mozambique, South Sudan, Sudan, and Uganda etc. are expected to be new resource-exporters in the IMF ranking.

76. The other three development traps are: conflict trap, landlocked with bad neighbors, and bad governance in a small country.

empirical data that endorses the resource curse theory⁷⁷ and calls for policy initiatives directed at sustained development by making use of abundant resource-derived revenue in order to achieve the economic development and growth of resource-rich countries.

Even supposing, as Paul Collier (2007) indicates, a negative impact of some degree of natural resource exports on economic development and growth, it should be possible to promote economic development and growth through a combination of effective policies.⁷⁸ Such policies can include: effective use of resource revenues generated from natural resources for productive investment in infrastructure and human capital; strengthening of transparency and accountability for resource revenue spending and prevention of corruption; and robust fiscal policy and prudent public investment policy. Thus, there must be strong needs for assistance for resource-rich countries for their policy system reforms, strengthening of governance, and diversification of economic structure.

In addition, the private sector is greatly interested in resource-rich countries and they, too, have a strong interest in the improvement of the investment climate, comprising, most importantly, of well-developed infrastructure and capable human resources, stable macroeconomic management, and accessible long-term development financing. Thus, there is strong demand in the private sector for increased public support measures for resource-rich countries, which could be promoted either through official development assistance (ODA) or through public-private partnership arrangements. Such support measures could contribute directly to business environment improvement, or, as a long-term initiative, could help reduce investment risks through improved socio-economic stability through social development and diminished social disparities.

77. Lederman and Maloney (2008) reviewed the past empirical analysis on the resource curse that regarded the indicators such as the ratio of resource exports to GDP or to the total exports as a proxy of the degree of resource dependence. As a result of reviewing the analysis method and using the net resource exports per head of the working population, they reported that there was a positive correlation between the degree of resource dependence and GDP per capita and that the per capita resource exports have a positive impact on GDP per capita.

78. The Commission on Growth and Development (2008, p.80) argues that the problem is not the resources themselves, but how the proceeds (or “rents”) are handled. It also suggests the Extractive Industries Transparency Initiative (EITI) as a successful initiative jointly managed by a broad coalition of governments, companies, industry associations, investors, the World Bank, and non-governmental organizations like Transparency International and Global Witness (p.81).

3.2.3. Comprehensive yet differentiated approach for countries with varying performances with respect to MDGs⁷⁹

Since MDGs were agreed on in 2000, a lot of effort has been made toward their achievement, receiving broad international support. Overall, these efforts have resulted in significant advancement in many countries and are to be highly appreciated. However, these efforts toward MDGs inevitably tended to concentrate on the achievement of indicators and numerical goals itemized in the MDGs, resulting in insufficient resource mobilization for objectives not explicitly included in the MDG framework, such as income disparity, quality of primary education, health systems improvement, climate change and governance. Also, there was a tendency for policymakers' attention to be focused on the overall achievement of the targets, resulting in insufficient attention being paid to disparities among and within countries.

The upcoming post-2015 development agenda should be agreed on in such a way that individual countries are encouraged to pursue their development goals. Such country-wise development goals should be based primarily on the country's achievement of the goals in 2015. In the post-2015 era, countries must be guided by a comprehensive yet simple and easy-to-understand framework of development norms like the current MDGs. They must, at the same time, be allowed to flexibly pursue their development agenda, employing development policies most appropriate for their needs.

Though quite challenging, the international community must seek a developmental framework that has this comprehensiveness and flexibility to allow development policies to be selected to meet differing and complicated needs and to incorporate the country's various developmental conditions.

As the post-2015 development agenda will be so broad including inclusiveness, equity and sustainability of economic growth, quality of education and health services, addressing climate change challenges and environmental sustainability, peace and security for development, transparency and accountability of governance, Human Security is expected to be an overarching principle to lead and promote the post-

79. The discussion in this clause is mainly based on preliminary discussions on the post-2015 agenda in UN System Task Team on the Post-2015 UN Development Agenda (2012) and UNECA et al (2012).

2015 development agenda across the broad needs and areas of the post-2015 agenda, by focusing on empowering people, managing downside risks and addressing vulnerability and resilience in a comprehensive manner.⁸⁰

Concluding Remarks

We have broadly looked at the current situation and future challenges of African development, with the focus on “inclusive and sustained growth.” More detailed discussions will follow in the subsequent chapters on agriculture, industry, infrastructure, health, education, the environment, state-building and South-South cooperation.

The needs and challenges of African development are increasingly becoming more diversified and complicated. Despite this, TICAD V must come up with a simple, clear, forward-looking proposal, as well as a powerful message establishing a path for collective and individual actions for African development, and provide policy makers and aid practitioners with guidance so that they can respond appropriately and effectively to such diversified and complicated challenges and needs for African development.

80. In regard to the concept and action agenda of Human Security, please see the final report by Commission on Human Security (2003), co-chaired by Ms. Sadako Ogata and Mr. Amartya Sen.

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