



THE AFRICAN CAPACITY  
BUILDING FOUNDATION

**AFRICA:** MAJOR DEVELOPMENT  
CHALLENGES & THEIR CAPACITY  
BUILDING DIMENSIONS

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This paper summarizes Africa's major development challenges and their capacity building dimensions. It is a product of the Foundation's Secretariat, and the judgments made therein are a reflection of the major thrust of ACBF's reflections that are highlighted in its Strategic Medium Term Plan, 2002-2006 as regards Africa's core capacity needs.

For additional information about ACBF's programs, operations and activities, please, visit our web site at the following address: <http://www.acbf-pact.org>

## **PREFACE**

The African Capacity Building Foundation is pleased to publish the first in the series of its Occasional Papers. Titled, "Africa: Major Development Challenges and their Capacity Building Dimensions", the paper examines eleven major development challenges, which face the African continent in its bid to achieve sustained growth and development in the 21<sup>st</sup> Century. Addressing these challenges is vital for achieving the United Nations Millennium Development Goals in Africa, and thus the laudable objectives of the New Partnership for Africa's Development (NEPAD).

The UN MDGs seek to reduce by half by 2015 the proportion of people living on less than a dollar a day; ensure that all boys and girls complete a full course of primary schooling; eliminate gender disparity in primary and secondary education by 2005, and at all levels of education by 2015; reduce by two thirds the mortality rate among children under five; reduce by three quarters the maternal mortality ratio; halt and begin to roll back the spread of HIV/AIDS, the incidence of Malaria and other major diseases; and integrate the principles of sustainable development into country policies and programs, reverse the loss of environmental resources, reduce by half the proportion of people without access to safe drinking water, and achieve significant improvement in lives of at least 100 million slum dwellers by 2020.

As part of the MDGs, world leaders also seek to develop a global partnership for development through opening up of global trading and financial systems; support for the special needs of least developed countries, especially through tariff-and quota-free access for their exports; enhanced debt relief for highly indebted poor countries; cancellation of official bilateral debts; and more generous official development assistance for countries committed to poverty reduction. Other aspects of the global partnership will address, in developing countries, youth development programs, access to affordable essential drugs as well as access to the benefits of new technologies, especially, information and communications technologies.

The UN MDGs are a direct reflection of Africa's development challenges as articulated in the NEPAD framework document. NEPAD seeks to create conditions for sustainable development through programs for strengthening peace, security, democracy, political governance, economic and corporate governance, and enhanced regional and sub-regional approaches to development; promote the growth of priority sectors such as infrastructure, human resource development, agriculture, environment, culture and science and technology; and mobilize resources for development - with a focus on capital flows and access by African exports to markets in industrialized countries.

To achieve the UN MDGs and the objectives of NEPAD, Africa needs to effectively tackle its development challenges. To do this, however, the issue of the capacity required to address each and every one of challenges highlighted in this paper is fundamental. This paper therefore seeks to stress the need for complementarity rather than a piecemeal approach in the building of capacity to address the development challenges facing Africa.



## **THE AFRICAN CAPACITY BUILDING FOUNDATION A PROFILE**

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**T**he African Capacity Building Foundation (ACBF) was established on 9 February 1991 through the collaborative efforts of the African Development Bank, the United Nations Development Program, The World Bank, bilateral donors and African governments. The Foundation represents a response to the severity of Africa's capacity problems and the challenge to invest in indigenous human and institutional capacity in sub-Saharan Africa. The Foundation's mission is to build capacity for sustainable development and poverty reduction in Africa.

At its establishment, ACBF focused on providing financial and technical support to the building and strengthening of Economic Policy Analysis and Development Management capacity in sub-Saharan Africa. However, since January 2000 the Foundation's mandate has been expanded, following the integration of the Partnership for Capacity Building in Africa (PACT) initiative into its fold. Under the expanded mandate, the Foundation seeks to achieve three main objectives, namely:

- *To provide an integrated framework for a holistic approach to capacity building in Africa.*
- *To build a partnership between African governments and their development partners, which allows for effective coordination of interventions in capacity building and the strengthening of Africa's ownership, leadership and responsibility in the capacity-building process.*
- *To provide a forum for discussing issues and processes, sharing experiences, ideas and best practices related to capacity building, as well as mobilizing higher levels of consciousness and resources for capacity building in Africa.*

The expansion of ACBF's mandate has broadened its intervention to six core competence areas in capacity building as follows:

- *Economic Policy Analysis and Development Management.*
- *Financial Management and Accountability.*
- *Enhancement and Monitoring of National Statistics.*
- *Public Administration and Management.*
- *Strengthening of Policy Analysis Capacity of National Parliaments.*
- *Professionalization of the Voices of the Private Sector and Civil Society.*

So far, ACBF has made a major stride within the limit of its resources in the implementation of its mandate. To date, it has committed more than US\$160 million to capacity building in 33 African countries and in the strengthening of Africa's regional organizations to take forward more purposefully commitment to regional integration.

Beside direct intervention in capacity building, the Foundation serves as a platform for consultation, dialogue and cooperation among development stakeholders and partners.



# **AFRICA: MAJOR DEVELOPMENT CHALLENGES AND THEIR CAPACITY BUILDING DIMENSIONS\***

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## **I. INTRODUCTION**

**A**frica has come a long way in its efforts to achieve sustainable development. Lessons of the continent's development over the last two decades consistently highlighted the need for more intensive efforts to effectively address some of its major development constraints. A combination of ineffective policies, outright mismanagement (in some countries), heavy external debt burden, poor governance, and conflicts precipitated the massive economic decline in the early 1980s. The recovery in the latter half of the decade was partly due to major economic policy reforms as well as growing socio-political pluralism and economic stability, which were consolidated in the decade of the 1990s. Yet, much still remains to be done, as the African continent entered the 21<sup>st</sup> century faced with numerous development challenges. Some of these challenges have significant implications for capacity building to which the African Capacity Building Foundation is well placed to provide an effective response.

This paper highlights eleven of the major development challenges facing the African continent in its efforts to achieve sustained growth with significant reduction in poverty within the first few decades of the 21 Century.

## **II. MAJOR DEVELOPMENT CHALLENGES**

*2.1. The Challenge of Sustainable Growth, Human Development and Poverty Reduction.* There are 53 countries in Africa with a total population of 778 million. Its Gross Domestic Product (GDP) amounts to about \$535 billion, which translates into a GDP per capita of \$688 (1998 figures, UNECA 2000). The GDP for the whole continent is slightly less than that of Spain, a country with about 39 million inhabitants. Africa today accounts for less than 2% of global GDP, and sub-Saharan Africa for barely 1% (the figure is much lower, if the Republic of South Africa is excluded). Africa's share of global GDP has

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\* Contributions by ACBF professional staff to this paper are deeply appreciated.

stagnated since the 1970s and has actually shown a decline since 1980. The continent has most of the poorest countries as measured by the UNDP Human Development Index.

**Table 1: Africa's Share in World Gross Domestic Product (GDP)  
US\$ billions**

<b>Year</b>	<b>World GDP</b>	<b>African GDP</b>	<b>African %</b>
1970 – 74	14,700	231	1.57%
1975 – 79	17,500	284	1.62%
1980 – 84	20,100	352	1.75%
1985 – 89	23,600	401	1.70%
1990 – 94	26,800	443	1.65%
1995 – 98	30,100	499	1.65%

**Source: The World Bank**

While Africa achieved respectable economic growth in the first independence decade—GDP per capital growth of 2.6% per annum during 1965-74, there has been a downward trend since then. There was a modest recovery in the second half of the 1990s, but not enough to translate into meaningful increases in per capita incomes or reduction in poverty. The GDP growth has barely kept pace with the high rate of population growth (close to 3%), with the result that, for sub-Saharan Africa, at least, average income per capita today is below that of 1970. Achieving and maintaining reasonable real growth rates thus remains a major challenge for sub-Saharan Africa.

Addressing the growth challenge is fundamental to poverty reduction, particularly to meeting the international goal of halving absolute poverty by the year 2015. In sub-Saharan Africa, during the 1980s overall poverty increased with an additional 4% of the total population joining the already large proportion of the population that lives below the international poverty line of US\$1 per capita expenditure per day. The situation today has not fared any better. Human welfare indices confirm the prevalence of a near state of destitution for a growing proportion as evidenced by poor nutrition, lack of access to health care services and drastic reduction in life expectancy. All but 5 African countries are in the lowest category of human development as indicated by the UNDP Human Development Index. Nineteen out of 20 countries that

rank lowest in the UNDP Human Development Index are in Africa. It is, therefore, evident that no where is the challenge for poverty reduction greater than in Africa.

Though economic growth alone is by no means sufficient for rolling back poverty, it is certainly a necessary condition and requires massive, multi-sectoral investment. Higher efficiency and productivity gains (through lowering of the ICOR) must complement this investment effort, hence the critical importance of human and institutional capacity building.

Engendering development is a potent way to fight poverty, especially in rural areas and in the urban informal sector.

*2.2. The Challenge of Development Crisis Posed by the HIV/AIDS Pandemic.* In Africa today, HIV/AIDS is the greatest threat to sustained growth and development. Two thirds of the world's HIV/AIDS affected population lives in Africa. The pandemic has killed millions of people in the continent. Nowhere has the impact been more severe than in sub-Saharan Africa. Given the scale of the epidemic, it is no longer simply a public health problem. It is a development crisis for Africa.

With many adults in their prime falling helplessly to the scourge, AIDS is viciously decimating the workforce, fracturing and impoverishing families, orphaning millions of African children and shredding the fabric of communities. African governments and their development partners will need to do more to slow down the rate of new infections and support the millions that are already infected. Development challenges brought about by HIV/AIDS exist in several fronts. Africa needs fresh hope and new resources. Now is the time to act. To act decisively, African leaders, civil society, and the private sector must put HIV/AIDS at the center of their national agendas. There is need for the building of capacity within national and local governments, communities, and the private sector to design and implement effective programs. Best practices in prevention and management need to be documented and applied through information sharing communities and networks. One of the main challenges is how to address the massive loss of skills and experience that has resulted from the pandemic in Africa. HIV/AIDS has already reversed decades of hard-won progress in Africa.

*2.3. The Governance Challenge.* Good governance remains a key ingredient for development. Improvement in the quality of governance in Africa is vital for progress in the 21<sup>st</sup> century. Such improvement must touch especially on the participation of all stakeholders in national development; transparency and accountability in the allocation and use of public resources and public policy management; and the traditions and institutions by which African countries exercise authority for the common good of the people of the continent. It must also address the issue of the process by which governments and leaders are selected and replaced, the capacity of governments to effectively formulate and implement sound policies and programs, and the respect of citizens and the state for the institutions that govern economic and social interactions. To strengthen governance in Africa, capacity building will need to play a greater

role. It will need to professionalize the voice of civil society and private sector representative institutions, empower women and civil society organizations, strengthen transparency and accountability, address political instability and provide skills for conflict resolution and management, enhance effectiveness and responsiveness of the public sector as well as the delivery of public services, reduce the burden of regulations, improve transparency, efficiency and effectiveness of the regulatory framework, encourage participation by all stakeholders in the development process, strengthen the rule of law, and effectively address the issue of corruption.

With the advent of multi-party democracy, the need for an independent public service and a cadre of professional, politically neutral civil servants with a high sense of ethics and dedication to the public interest is all the more acute. Also, a professional civil service capable of engaging in constructive dialogue with civil society, the private sector, the press, parliament, under privileged groups and the donor community etc. is better prepared to absorb and utilize the outputs of the capacity building process.

To improve governance, African countries will also need to put a lot more emphasis on decentralization and devolution. The pervasive weakness of local governments and the lack of capacity of municipal institutions in sub-Saharan Africa are known to be a major impediment to social and economic development in the continent. For decentralization to contribute effectively to good governance, local governments must have capacity for financial and fiscal planning and management; policy and program design, implementation, monitoring and evaluation; and for addressing the legal and political aspects of decentralization so as to clarify relationships between central and local governments. Thus, the elements of good governance remain a major area of challenge for capacity building.

*2.4. The Challenge of Conflict Prevention and Management, and Post-Conflict Reconstruction.* In sub-Saharan Africa, there has been substantial progress in democratization, and this has had profound impact on the socio-political and economic dynamics of the region. Since 1990, more than 42 multiparty presidential elections have been held. Twenty-one of these were held for the first time. In 35 countries, opposition parties have taken root, having gained official recognition. In a number of countries, the leadership has shown a high level of commitment to improving welfare through economic and social reforms. However, much is still to be done to ensure that the wind of change brings along socio-political stability. Conflicts remain a major challenge in the continent. Civil conflicts have occurred in no less than 20 countries since 1996, resulting in severe human suffering, increased poverty, material destruction, and extensive dislocation of economic activities. Conflicts in sub-Saharan Africa are a major threat to socio-political and economic stability, which are fundamental to efficient allocation of public resources, private sector investment and growth, capacity building and retention and sustained economic growth and poverty reduction. Capacity to push the frontiers of democratization in order to minimize national and regional conflicts as well as effectively and peacefully manage ongoing conflict situations is therefore very crucial to Africa's development.

The existence of adequate, well functioning governance structures and processes that ensure transparency and equity in the access to, and in the allocation of, public resources is a key factor in keeping conflicts within peaceful, negotiated and manageable bounds.

*2.5. The Challenge of Human Capital Flight.* Human capital flight or brain drain from Africa is one of the continent's major development constraints. The loss of trained and highly skilled Africans to the industrialized countries has intensified the capacity constraints facing the public and the private sectors and thus the deficit of skilled manpower, which African countries so badly need for poverty reduction and sustainable development.

It is estimated that between 1960 and 1975, about 27,000 high-level Africans left the continent for the West. Between 1975 and 1984, this number increased to about 40,000 and then almost doubled by 1987, representing 30 per cent of the highly skilled manpower stock. Africa lost 60,000 professionals (doctors, university lecturers, engineers, etc.) between 1985 and 1990 and has been losing an average of 20,000 annually ever since. The drain of doctors from Africa is the most striking. According to the UNDP Human Development Report 1998, there are more than 21,000 Nigerian doctors practicing in the United States alone whilst Nigeria's health system suffers from a severe lack of medical practitioners; 60 per cent of all Ghanaian doctors trained locally in the 1980s have left the country, while in Sudan, 17 per cent of doctors and dentists, 20 per cent of university lecturers, 30 per cent of engineers and 45 per cent of surveyors have gone to work abroad.

The continuous loss of capacity is attributed to socio-political instability, inappropriate economic policies, poor infrastructure and weak institutions. Thus, much of the brain drain that is occurring in Africa is traceable not only to

poor economic conditions, but also to such other factors as political violence, repression of human rights, and the lack of a professional and technological environment that is conducive to self fulfillment.

*2.6. The Challenge of Private Sector Development in Africa.* For sustained economic growth and development in Africa, the efficiency, dynamism and size of the continent's private sector is of vital importance. For the sector to play its role as an engine of growth, it needs to be encouraged by a conducive policy environment, the availability of functional and efficient infrastructure, effective public sector institutions, and security of investment. African countries need an enabling environment for both domestic and foreign private investment to flourish. The private sector needs improved management, better information on markets and investments, and a work force with the requisite skills and motivation. Supportive public policies and the efficient supply of infrastructure and services, as well as specific interventions to enhance private-sector institutions are direly needed.

The broadening of the scope of the private sector resulting in part from a redefinition of the state compels that the former be equipped with the requisite capacity to perform functions traditionally entrusted to the public sector.

Strategic interventions aimed at strengthening chambers of commerce and industries, trade associations, chambers of agriculture as well as providing market and investment information will play a significant role in strengthening the sector. Potential areas of support for the private sector will include developing and strengthening business and trade association (chambers of commerce and industries, manufacturers associations, chambers of agriculture and farmers associations); strengthening of management development and training institutions which cater to the need of the private sector especially in the development of entrepreneurial and management skills; support for information sharing networks and management information through seminars, conferences, workshops, study tours; enhancing investment and market information through support for national statistics offices, investment and export promotion agencies; and promoting more innovative uses of information technology to support investment promotion.

It is equally important that, through its representative and professional organizations, the private sector should be equipped to undertake independent, professional research and analysis on macroeconomic and sectoral issues with a direct bearing on the business environment.

*2.7. The Challenge of Revitalizing African Universities and Research Institutions.* Universities in Africa have a strategic role to play in Africa's development, given the dire need for skilled human resources and indigenous research capacity on the continent. Unfortunately, however, in many African countries universities have deteriorated to the extent that they are at present without the requisite skills-base and facilities to support adequate standard of education and research. Their vital role in training, research, knowledge production, information transfer, and technology development will need to be strengthened if Africa is to rebuild these important institutions that are sources of

regenerative capacity. A rehabilitation process is therefore necessary and this must begin with extensive reforms to improve planning, vision and leadership.

Capacity building will need to centre on assisting universities through a special program to conduct strategic planning and management, improve the contents and relevance of curricula, upgrade instructional and training facilities, and address issues of incentives and opportunities for professional advancement as well as the long term financial sustainability of tertiary education. Support is also required for universities to design and implement programs to attract African academics who have gone abroad, and to retain and upgrade the skills of those still in post at the universities.

*2.8. The Challenge of Regional Cooperation and Integration.* Africa faces the challenge of strengthening regional cooperation and economic integration. Development experiences from the industrialized world and East Asia, prior to the recent economic crisis, have shown the significant role regional cooperation and integration can play in the improvement of Africa's economic performance and trade relations with the rest of the world.

Africa has had a long history of Regional Economic Communities (RECs). Although the primary objective of these RECs was to promote intra-bloc trade, the different groupings have followed different paths with different emphases. UDEAC was established as a full customs union with a common external tariff and a single tax on internal trade. ECOWAS also sought to remove all internal barriers to trade and factor mobility and establish a common external tariff; it also sought to harmonize domestic economic policies across member countries and develop joint infrastructure projects, but has had little success in achieving these ambitious goals. SADC began with the objective of promoting coordination in the development of infrastructure and other projects in order to reduce dependence on South Africa and facilitate overseas trade links; it has had some limited success in reducing infrastructural bottlenecks. Following the political changes in South Africa in the first half of the 1990s, and the accession to membership of South Africa as well as Namibia, Mauritius, Seychelles and the Democratic Republic of Congo, SADC has moved progressively in the direction of a REC. The PTA/COMESA had the objective of establishing a common market with a common external tariff; it was initially intended that all internal tariffs would be eliminated by 2000. On October 30, 2000 COMESA launched its Free Trade Area in a major step forward in the realization of its objective.

It had been expected that the emergence of RECs would pave the way for an Africa-wide Economic Union. The Lagos Plan of Action (1980) called for the creation of four regional groups that would merge into an African Economic Union by 2000. However, in light of the limited progress achieved, the Abuja Treaty of 1991 extended the date for establishing a continent-wide common market to 2025.

Despite these hopes, Africa's experience in attempting to promote intra-regional trade as well as joint development of infrastructure, trade-related institutions and policies and capacity through RECs has not been very successful. This is

particularly evident when Africa's experience is compared with the rest of the world. Internal trade has been much less important in all of the African blocs, with, in most cases, little or no growth in relative terms over time. The two largest groupings in terms of number of members, COMESA and ECOWAS, show intra-regional trade shares of only 6-7% and 5% respectively, with little or no growth. The share of intra-regional trade within SADCC in the 1980s was below 5%, but has risen to closer to 10% with the accession of South Africa. The intra-regional trade share amounted to 9% in UEMOA in 1996, but was less than 2% for UDEAC/CEMAC.

Cooperation on regional public goods can help prevent or peacefully manage conflicts over such scarce resources as land, water and energy. Institutions such as the Nile River Basin Secretariat and the Mano River Organization thus need capacity building support.

*2.9. Trade Flow and the Challenge of Trade Negotiation.* Effective integration into the world economy has been one of the distinguishing features of successful developing countries over the past twenty to thirty years. This is evident in the case of the East Asian "Tigers" but is no less true for the relatively more successful countries in South Asia and Latin America. Since 1960, the ratio of world trade to GDP has doubled with rising shares of manufactured goods and trade in services. From the early 1960s to the 1990s, world trade in non-fuel exports increased at almost 12% per annum, but Africa's exports grew at only 4.8% per annum on average, only one-half the rate for industrialized countries and one-third the rate for East Asia. During the 1990s, world trade grew at an annual average rate of 6.5%, compared to world output growth of only 2.5% per annum. Developing countries as a group increased their share of global exports of goods to 20%, and of services exports to 16% at the end of the 1990s. But as a result of below average growth, Africa's share of global exports fell steadily over the past 30 years to only 2% at the end of the 1990s. Even more noteworthy than the declining share in total exports, is the fact that Africa's share of trade with the high-income industrialized countries, on which Africa depends for most of its imports of manufactured goods, fell even more sharply, from 4.5%-4.8% in 1975-79 to 1.5%-1.6% at the end of the 1990s. This is a strong indication that more trade now occurs within regional blocks, an area in which Africa has made very limited progress in spite of the treaties establishing the African Economic Community and the various Regional Economic Communities - a development frontier that requires a big push.

Also receiving attention is the marginalization or low level of participation by Africa in trade negotiations. Regional trading blocks and non-tariff barriers still discriminate against Africa. Effective participation by Africa in trade negotiation will require the continent to strengthen requisite skills and institutional capacities at both national and regional levels.

*2.10. Resource Flow to Africa.* While Africa has been a leading recipient of official development aid (ODA) from bilateral and multilateral sources for more than thirty years, it has not benefited from the tremendous increases in private capital flows to developing countries over the past 15 years. Aggregate net resource flows to developing countries have expanded dramatically since the

1980s, reaching an annual average of more than \$300 billion a year in 1995-98. However, Africa's share in this flow has dropped off sharply because of the change in the composition of the flow—the dramatic increase in private capital flows, even to low-income developing countries, and the stagnation of ODA in nominal terms in the 1990s. Given Africa's continuing dependence on aid, and virtual exclusion of the great majority of African countries from private inflows, Africa's share in total flows has inevitably fallen.

For foreign private direct investment (FDI), the overall trend has been the same, with the global total rising from around \$50 billion per year in the early 1980s to \$400 billion in 1997, and an average of \$430 billion in 1995-98. Within these totals, the share of developing countries has also been increasing, to over 25% in 1997, with \$60 billion flowing to the low-income developing countries in that year (although admittedly 80% of this low-income total went to China and India). In comparison, FDI flows to Africa were only \$7 billion in 1997, less than 2% of the total.

Development aid has been the most important element in capital transfers to Africa for many years. Africa receives the highest share of aid in per capita terms and as a percentage of gross national product (GNP) of all developing regions. However, in the 1990s the debate over aid has focused on aid-effectiveness (or perceived ineffectiveness), aid-dependence (the risks thereof), and aid fatigue. Donor aid fatigue is clearly real and of major importance for Africa. There was not only a decline in nominal annual aid flows to all developing countries over the second half of the 1990s, but an even sharper fall in real terms.

**Table 2: Official Development Assistance  
Five-Year Averages in Current US \$ billions**

<b>Year</b>	<b>Total ODA</b>	<b>ODA to Africa</b>	<b>Africa's Share</b>
1970 – 74	9.4	2.4	25.4%
1975 – 79	21.1	7.1	33.8%
1980 – 84	31.0	10.0	32.2%
1985 – 89	40.6	14.5	35.7%
1990 – 94	65.0	22.9	35.2%
1995 – 98	60.2	18.0	29.9%

**Source: The World Bank**

A critical issue which Africa has yet to come to terms with in its dependence on ODA is its impact on capacity building, which is rather minimal, given the high content of technical assistance in ODA (about US\$ 4-5 billion per year, or nearly 35% of ODA to the region in the 80's). Technical assistance in sub-Saharan Africa has a number of positive aspects and significant shortcomings as well, which have been extensively documented in several major international evaluation reports. The need to rethink the modalities, if not the utility, of technical assistance in sub-Saharan Africa is fully recognized by Africa and its development partners.

Other areas of concern include the issue of the effective country-level coordination of development assistance under local leadership to allow for effective deployment of resources, and the need to untie aid, an area where the OECD/DAC could make additional efforts with respect to the least developed countries in sub-Saharan Africa. Also of importance for aid effectiveness and "balanced" relationship among aid donors, is the need for independent monitoring of individual donor's performance at the level of the recipient country. The effectiveness of what remains in the dwindling aid budget is also being affected by the compositional changes in development assistance and the share of resources going into humanitarian expenditures and debt relief. These resources are laying claim to an increasing share of ODA thus leaving less and less for long-term development program support.

Thus, given Africa's dismal share in world trade and international private flows, the challenge of increased real resources to Africa and enhanced productivity of ODA will remain significant. Equally important is the need to ensure Africa's ownership and leadership of the aid agenda (including aid management) while putting in place national and local systems of financial transparency and accountability.

*2.11. The Challenge of External Debt Burden.* Another major challenge facing Africa is its external debt burden. The huge external debt burden is a major constraint to growth and thus a significant component of the continent's growth equation. Africa is a heavily indebted continent. Its total external debt rose from \$112 billion in 1980 to \$270 billion in 1990 and, at a slightly slower pace, to \$325 billion at end-1998. Based on key debt ratios, 29 out of the 53 African countries are currently classified as severely indebted. The ratio of total external debt to GNP is approximately 75% for sub-Saharan Africa. There are 19 African countries with debt/GNP ratios that are greater than 100%, and 7 with ratios in excess of 200%, capped by the Democratic Republic of Congo at 720%. The unsustainable debt problem for more than half of Africa's countries persists despite almost 20 years of debt relief efforts from the Paris and London Clubs, from bilateral aid donors, and, more recently, from the Bretton Woods institutions. That more is needed is clearly recognized, and the E-HIPC Initiative constitutes a good albeit insufficient start.

Capacity building for debt management and negotiations is therefore vital if African countries, individually and collectively, are to frontally address the issue of the external debt burden.

*2.12. The Challenge of the Information Revolution and Scientific and Technological Progress.* Revolutionary advances in information technology are strongly reinforcing economic and social changes that are transforming business, society, welfare, and creating virtual communities. A new kind of economy - the information economy - has emerged. Today, trade, investment and information sharing are globalized, and institutions compete on the basis of knowledge and on the platform of electronic networks on a global basis. The revolution has also brought pressure to bear on countries for the emergence of more competitive, more democratic, less centralized, and more transparent and accountable systems and procedures in both public and corporate governance and administration.

The changes associated with the information technology are inexorable. They, however, require countries and regions to make the necessary adjustments in order to harness information for economic and social development. These adjustments need new policies, regulatory and institutional reforms, and appreciable investments in information technology. For effective participation in the knowledge economy and thus in the information technology revolution, countries and regions need macroeconomic balance, political stability, and growth which are vital for global information flows, competition, trade, capital flow and investment. Advanced countries are rapidly adjusting. But this is not the case for Africa. The Continent will either have to adjust or risk exclusion as information technology and systems can at once become a gateway to, but also a barrier to, entry into the global economy.

The challenge therefore is for Africa to bridge the digital divide and take full advantage of the current information revolution by not only putting in place the much-needed infrastructure, but equally importantly, building the needed capacity to make good and productive use of the new information and communication technologies and systems.

*2.13. The Challenge of Globalization.* Globalization - the growing international integration of markets for goods, services, capital, technology, skills, information, knowledge and culture - is altering the world landscape in fundamental ways. It is being driven by a widespread push toward the liberalization of trade, financial markets, technology, information and knowledge.

Developing countries, as a group, can be a force in globalization. Their share of trade in GDP has risen markedly since the mid-1980s. This acceleration reflects the adoption of outward-oriented policy reforms by a growing number of developing countries. The increasing integration of developing countries as a group into world trade is being accompanied--indeed reinforced--by their growing integration into world finance. While the world as a whole is becoming internationally more integrated, the level and pace of integration vary widely across continents. In trade, the contrast is most marked between East Asia and

Africa. East Asia's integration into world trade has risen rapidly and in a sustained manner, whereas, in sub-Saharan Africa, the ratio of trade to GDP has been falling until recently, and is still well below its level of some twenty years ago. The absolute level of financial integration of Africa into world financial markets also remains very low.

Nonetheless, globalization holds considerable prospects for Africa if the continent can seize the opportunities it offers and face its challenges. To take advantage of the opportunities offered, Africa must brace up to the challenges of maintaining sound economic management. African countries will need to develop appropriate long-term policy response capacity to issues of trade, portfolio investment, foreign direct investment, intellectual property rights, among others, as well as the human and institutional capacity to respond effectively to future unexpected global changes and shocks. Effective integration of the continent into the global economy will thus require the adoption and maintenance of sustainable reforms that support liberal trade and investment regimes. In trade, competition is increasingly becoming stiff. In finance, international capital market integration, and the potential volatility of capital flows that comes with it, is making macroeconomic management increasingly more complex. Consequently, African policymakers will need to build capacities required for sound economic policies, as policy errors in the context of globalization are profoundly costly.

While Africa strives to become a full player in the global market, it also needs to build its capacity to address some of the negative aspects or consequences of globalization.

### **III. CAPACITY DIMENSIONS OF AFRICA'S DEVELOPMENT CHALLENGES**

#### **3.1 The Centrality of Capacity**

It is clear that Africa faces numerous, diverse and daunting development challenges. To address them, the Continent has to tackle decisively its capacity deficit. The availability and effective utilization of the requisite capacity will determine Africa's ability to meet these challenges in the 21<sup>st</sup> century.

What this implies, therefore, is that sustained structural transformation in Africa in the next two decades requires a significant leap in the quantum of support and commitment to capacity building as well as reforms for effective utilization of such capacity.

#### **3.2. Sectors and Capacity Needs**

African countries fully recognize the need for market-based, private sector-friendly economic systems and policies. They also realize that an autonomous,

vibrant civil society is a key building block of, and a potent stabilizing force for, an inclusive democratic governance system. Nonetheless, the public sector, especially at the central level, must retain a strategic place and role precisely to enable the private sector (domestic as well as expatriate), civil society and decentralized actors play their developmental role in a constructive, synergetic and sustainable manner. In light of all the above challenges, the following sectors and capacity needs have been identified:

### **3.2.1 The Public Sector**

To perform the key functions of a capable state in support of poverty reduction, equitable development and participatory governance, the public sector in Africa needs enhanced capacity to:

- Successfully design and implement development policies and programs
- Provide efficient, cost-effective and responsive public services
- Promote, through policies and programs, a sustained environment that will facilitate the emergence of a strong and vibrant private sector and civil society – a policy environment that will allow for a good measure of predictability in the direction of adjustment of socio-economic policies in response to development challenges
- Establish and manage an effective and transparent regulatory and legal framework to guide the growth and development of the private sector, reward innovativeness and risk-taking, and adequately protect consumers and the environment.
- Address more vigorously the issue of transparency and accountability in public service
- Enhance institutions that promote and enforce the rule of law for legitimacy, social stability and the protection of property rights
- Enhance the role of civil society in development policy management, and constructively engage all other stakeholders in dialogue in order to promote participatory development, consensus building and responsive governments
- Put in place a sound framework for managing public resources and attendant issues such as decentralization, fiscal federalism, debt, poverty reduction and inter generational equity
- Manage the changing role of the public sector in the context of globalization, market economy, multiparty democracy, and information revolution which have significant implications for openness in public sector management, innovation and the spread of best practices in development policy management
- Cultivate and nurture an environment that will accelerate poverty reduction and sustainable development.

### **3.2.2 The Private Sector**

As regards the private sector, capacity is needed for it to carry out the following, among others:

- Provide efficient and competitive services
- Compete effectively in the global economy
- Dialogue effectively with other stakeholders in development, especially the public sector and civil society in order to influence the policy agenda
- Perform functions traditionally a monopoly of the state
- Enhance good corporate governance and social responsibility
- Establish codes of best practices
- Improve productivity and output
- Promote adaptation and application of science and technology
- Undertake research for development
- Bridge the digital divide by promoting information technology.

### **3.2.3 Civil Society**

Civil society in Africa in the 21<sup>st</sup> century has to emerge as a strong voice in development. It has to play a vital role in mobilizing and articulating social demands and providing countervailing influences to elicit accountable performance and transparency in the public and private sectors. It thus requires capacity to contribute effectively to the formulation, implementation and responsiveness/accountability of development policies and programs. To this end, it will require capacity for the following, among others:

- Independent, professional policy analysis and research
- Strengthening of non-governmental organizations and their networks
- Effective interface with the public and private sectors
- Provision of support to development policies, strategies and programs for poverty reduction
- Participation in, and monitoring of, public service delivery in the search for accountable, transparent and efficient government

### **3.2.4 Additional Strategic Areas**

Beside the foregoing, there are numerous additional areas of capacity needs in which strategic intervention is directly needed. Some of these include:

- Conflict prevention, resolution and management
- Enhancement of governance institutions and practices
- Improvement of national statistics
- Strengthening of consultation among stakeholders and participatory development
- Rehabilitating educational institutions and systems, and reforming curricula for relevance to development challenges
- Fostering regional cooperation and integration
- Strengthening of regional institutions for the provision of regional public goods
- Strengthening of special initiatives geared towards:

- Designing, implementing and monitoring poverty reduction policies, strategies and programs
- Speeding up the recovery of post-conflict countries
- Setting up institutional networks, collaborative and exchange programs
- Enhancing capacity for international negotiations.

The foregoing provides some indications as to the breadth and depth of capacity needs that face Africa in the decades ahead.

The areas of capacity needs identified above point to an enormous capacity building agenda in the decades ahead, and the continent would need to invest substantial resources in both the product and process dimensions of its capacity needs, products in the form of infrastructure for an enabling environment and processes in the form of skills and institutions.

In terms of focus or broad thrust, such investment must address sustained growth, poverty reduction and good governance. As regards content, the intervention will need to center on physical infrastructure, institution building and strengthening, and the development of human skills and knowledge. Other dimensions include reform of, or enhancement of, norms, behaviors, practices, systems, processes and procedures involved in development activities. Thus, on the human and institutional aspects, the capacity building process should, *inter alia*, involve the development of new skills and structures; the strengthening of existing skills and structures; the re-organization of existing institutional structures or processes for more efficient performance, and the re-ordering of incentive systems for more intensive and efficient utilization of existing skills and institutions.

The key features of the agenda will need to place emphasis on the following, among others:

- Indigenous capacity and less reliance on, as well as more efficient utilization of expatriate technical assistance
- African ownership and leadership of the capacity building process, institutions, development policies and programs in a spirit and practice of internal and external partnership
- Systematic, coordinated and sustained intervention as capacity building is an investment with long-term gestation
- Skills creation, retention, utilization, upgrading and sustenance.

Obviously, such a wide-ranging agenda requires purposeful, well-coordinated and highly focused interventions by many players - African and non-African, bilateral and multilateral, governmental and non-governmental. Partnership and networking are therefore fundamental.

#### **IV. CONCLUSION**

What is evident from the foregoing is that the length of Africa's strides on the path to sustained development will be determined by the pace with which it addresses the development challenges that it faces, which are by no means formidable. These challenges are, however, not insurmountable. What they require are a set of strategic interventions, which range from good political governance to effective development policies and programs. These interventions, rather unfortunately, are driven by the availability of capacity, which, irrespective of the benefits of globalization, must necessarily have a disproportionately large share that is indigenous. The availability of the requisite capacity in the form, quantity and quality that are commensurate with the Continent's development challenges provides the platform for a serious effort for sustained growth and poverty reduction in African countries.

Africa will need to address the capacity needs identified in this paper, if it is to achieve the millennium development goals that were adopted in September 2000 by world leaders. Consciousness of the goals and the need to achieve them are clearly articulated in the New Partnership for Africa's Development (NEPAD), an initiative that was adopted by African Heads of State and Government at the Organization of African Unity Summit in Lusaka, Zambia in July 2001. If NEPAD marks a new dawn for the African Continent, which indeed it does, then the battle to halve extreme poverty and institutionalize effective political and economic governance in Africa would be won or lost in the field of capacity building.

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## **ACBF OCCASIONAL PAPER SERIES**

The ACBF Occasional Paper Series (AOPS) was launched in August 2002 as one of the instruments for the exchange of information and knowledge on issues relating to capacity building and development management in Africa. It offers a means by which the African Capacity Building Foundation seeks to highlight lessons of experience, best practices, pitfalls and new thinking in strategies, policies and programs in the field of capacity building based on its operations and those of other institutions with capacity building mandates. AOPS also addresses substantive development issues that fall within the remit of the Foundation's six core competence areas as well as the role and contribution of knowledge management in the development process.

**Objectives:** AOPS is published with a view to achieving a couple of objectives. Fundamental among these are the following:

- To bridge the gap in knowledge in the field of capacity building and development management within the African context.
- To provide analytical rigor and experiential content to issues in capacity building and the management of development in Africa.
- To highlight best practices and document pitfalls in capacity building, the design, implementation and management of development policies and programs in Africa.
- To systematically review, critique and add value to strategies, policies and programs for national and regional economic development, bringing to the fore pressing development issues and exploring means for resolving them.

**Focus:** AOPS focuses on capacity building and development management issues. These are in the following areas:

- Capacity building issues in the following six core competence areas and their relevance to development management in Africa:
  - *Economic Policy Analysis and Development Management.*
  - *Financial Management and Accountability.*
  - *Enhancement and Monitoring of National Statistics.*
  - *Public Administration and Management.*
  - *Strengthening of Policy Analysis Capacity of National Parliaments.*
  - *Professionalization of the Voices of the Private Sector and Civil Society.*
- Engendering of development
- Development challenges, which comprise issues in poverty reduction, HIV/AIDS crisis, economic and political governance,

**Orientation:** Papers published by the Series are expected to be analytical and policy-oriented with concrete guide to strategies, policies, programs and instruments for strengthening the capacity building process and enhancing growth and development. In line with the objectives of the Series, such papers are expected to share experiences, information, knowledge, disseminate best practices and highlight pitfalls in capacity building processes and/or the management of development policies and programs.

**Contributions:** AOPS welcomes contributions from policy analysts, development practitioners, policymakers, capacity building specialists, academics and researchers all over the world, but with a focus on the African context.



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