Sectoral Performance in the African Economy – Some Issues and Trends

Ravinder Rena**

ABSTRACT

African economies are facing the critical challenge of raising the rate of GDP growth and sustaining high growth rates and thus meet the Millennium Development Goals (MDGs). The performance of agriculture is more paradoxical and African exports of industrial goods are dominated by mining and crude oil. The financial systems remain largely underdeveloped both in terms of the size and range of financial instruments and services offered. This article explores the recent growth performance both at the continental and subregional level. It discusses disparities in growth performance and the factors behind the observed disparities across countries and subregions. It also discusses developments at the sectoral level and progress and challenges in human development, closing with a brief exposition of the prospects for 2007. The paper further analyses the HIV/AIDS in the continent and its impact on the economy.

JEL. Classification: E2; F31; H11

Keywords: African Economy, MDGS, Financial System, Crude Oil, Human Development etc.

1. INTRODUCTION

African countries still face the critical challenge of raising the rate of GDP growth and sustaining high growth rates over an extended period in order to accelerate progress towards meeting the Millennium Development Goals (MDGs). While growth has recovered over the past few years, very few countries have achieved and maintained the growth rates necessary to reduce poverty. Africa still tails behind other regions in most measures of human development. The continent is plagued by shocks from the vagaries of international markets and climatic changes as well as the expansion of the HIV/AIDS pandemic. To improve the situation, it is clear that

* The material presented by the author does not necessarily represent the viewpoint of editors and the management of Indus Institute of Higher Education (IIHE) as well as the author’s institute.

IJMSS is published by Indus Institute of Higher Education (IIHE), Plot. # ST-2D, Block-17, Gulshan-e-Iqbal, Karachi-Pakistan

Dr. Ravinder Rena is Associate Professor of Economics, Eritrea Institute of Technology—Mai Nefhi, Asmara, Eritrea. North East Africa Email: ravinder_rena@yahoo.com, dr.ravinderrena@gmail.com.

Acknowledgements: Author would like to thank the editor and anonymous referees for their comments and insight in improving the draft copy of this article.
African countries need to become more innovative in terms of resource mobilization and in the design of pro-growth and pro-poor policies to tackle the problems of mass unemployment, persistent poverty, and pervasive inequality. Such innovative policies are critical for sustaining the current growth momentum on the continent.

African economies are experiencing a structural shift whereby the service sector is becoming an important driver of growth. In 2004, the service sector for example, contributed 49 per cent of GDP growth compared to 36 per cent for industry (including mining and quarrying) and 15 per cent for agriculture. In 2004, all three sectors continued to grow, albeit at relatively low rates. The industrial sector had the highest growth rate at 9.05 per cent, although growth in the manufacturing sector fell by almost 3.8 per cent compared to its value in 2003 (UNECA and AU 2007). Developments within each sector and for each sub-region are discussed in more detail below.

This article provides economic growth performance of African continent. The paper examines recent economic performance at the continental and sub-regional levels in Africa. It discusses disparities in growth performance and the factors behind the observed disparities across countries and sub-regions. The data has been analyzed and presented with a conviction that it gives a better understanding to the researchers to make a further study in this area. It also provides some insights for the policy makers in Africa.

The article is based on secondary data collected from different sources enlisted in references. The data is mainly collected from the reports of World Bank, IMF, United Nations Economic Commission on Africa, and other related books and journals.

The paper has been divided into five sections. Section two discusses the sectoral performance in Africa and covers the key sectors like agriculture, industry and services. Section three delves the overall assessment of the MDGs in the Continent. Section four devoted to analyse the HIV/AIDS pandemic and its impact on the African economy and the final section highlights the concluding remarks of the study.

2. SECTORAL PERFORMANCE IN AFRICA

2.1 Africa Profile

Africa is a vast and exotic continent of about 900 million people in 54 independent countries. It has a total area of over 30 million sq. kms, about three and a half times the size of the United States and 10 times the size of India. It is the second largest continent in the world after Asia. It stretches from the shores of the Mediterranean in the north to the Cape of Good Hope in the south. Africa is rich in mineral and natural resources with large parts of its terrain teeming with wild life and magnificent plant life.

It possesses 99 percent of the world's chrome resources, 85 percent of its platinum, 70
percent of its tantalite, 68 percent of its cobalt and 54 percent of its gold, among others. It has significant oil and gas reserves. Nigeria and Libya are two of the leading oil producing countries in the world. Africa's enormous agricultural potential is vastly untapped. Africa's vast mineral wealth and strategic significance have encouraged foreign powers to intervene in African affairs. During the Cold War era, 1945-1990, there was increasing super power intervention in Africa. The United States and the Soviet Union were major players on the African scene (Rena 2006a).

2.2 The Agriculture Sector

The contribution of agriculture to GDP ranges from a high of more than 33 per cent in East Africa to less than 8 per cent for Southern Africa. It employs some 70 per cent of the work force and generates on average 30 per cent of Africa’s GDP. The overall contribution of agriculture to GDP declined in 2004 due to the low performance of this sector in the North and West African subregions (Pollin et al. 2006; Rena 2007).

Africa is considered a net food-importing region, except for some countries such as South Africa. The largest share of imported products consists of food products (cereals, livestock, dairy products, and to a lesser extent, fruits and vegetables). However, exports of agricultural products represent an important source of foreign exchange earnings for several African countries. The share of agricultural products in total merchandise exports ranges from a high of more than 80 per cent for Sudan and Burundi to a low of less than 1 per cent for Gabon and Equatorial Guinea (UNECA and AU 2007; Rena 2007). Their leading export destination is the Eastern Union (EU) and the most important commodities exported are fish and crustaceans, fruits and nuts, cotton, and vegetables (Berthelemy and Soderling 2001).

The commodity production in Africa registered a 1.7 per cent increase in 2004 and a growth rate of 3.0 per cent over 1990-2004. Performance for the main agricultural products exhibits high variation across subregions (see table-1). The year 2004 was a particularly good one for many important exportable commodities such as cocoa beans, coffee and cottonseeds. In some countries, production continues to be influenced by drought conditions. In North Africa, droughts have adversely affected the production of strategic crops such as wheat, olive and citrus. Southern African countries also continue to suffer from periodic droughts, especially Swaziland and Zambia.
Table -1 Commodities Production Growth Rate 1990-2004 (Per Cent).

<table>
<thead>
<tr>
<th>Items</th>
<th>Total Africa</th>
<th>North Africa</th>
<th>Central Africa</th>
<th>East Africa</th>
<th>West Africa</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
<td>3.0</td>
<td>1.7</td>
<td>3.8</td>
<td>1.6</td>
<td>2.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>Crops</td>
<td>2.8</td>
<td>0.0</td>
<td>4.2</td>
<td>0.2</td>
<td>2.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Oil seeds</td>
<td>2.8</td>
<td>-0.4</td>
<td>5.0</td>
<td>-12.4</td>
<td>2.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Fruits and</td>
<td>3.6</td>
<td>4.0</td>
<td>3.0</td>
<td>7.0</td>
<td>2.1</td>
<td>-5.3</td>
</tr>
<tr>
<td>vegetables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animals’</td>
<td>2.6</td>
<td>-3.0</td>
<td>3.8</td>
<td>-3.5</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2.8</td>
<td>13.3</td>
<td>1.0</td>
<td>38.4</td>
<td>2.0</td>
<td>18.6</td>
</tr>
</tbody>
</table>

Source: UNECA and AU (2007) op.cit., p. 49.

2.3 The Industrial Sector

The industrial sector represented 35.9 per cent of the African GDP in 2005, a slight improvement over the period 2000-2004 (World Bank 2006). This relatively high contribution of the industrial sector to GDP is explained by the importance of the non-manufacturing industries (mining and quarrying). The manufacturing sector accounted for only 12.1 per cent of GDP, down from an average of 14 per cent over 2000-2004. The underdevelopment of the manufacturing sector largely explains the limited contribution of industry to GDP growth (IMF 2006).

The African labor force was estimated at 380 million in 2005, with about 20 per cent in the industrial sector. Labor statistics indicate that the industrial work force did not increase significantly during the past few years despite a steady growth in industrial production. This is attributed to the growing dominance of capital-intensive industries as most of new investments in industrial sector in African countries are absorbed by the mining and energy sector. Furthermore, labor-intensive industries in Africa, such as textiles and clothing, are no longer competitive on both foreign and domestic markets after the adhesion of China to WTO.

Countries with the most diversified economies on the continent (Egypt, Morocco, South Africa and Tunisia) continue to focus on traditional industries, such as food processing and textiles, except for South Africa, which is more industrialized than any other African country. There has been recently a gradual shift towards more capital-intensive industries in Tunisia, such as electrical and electronics industries, while the textiles and clothing sector is experiencing continued decline in its importance in all African economies. In the oil-producing countries, there has also been gradual production development in intermediate and oil-based industries, particularly chemicals, petrochemicals, fertilizers, plastics, and energy-intensive industries.
Overall, African exports of industrial goods are still dominated by mining and crude oil. To promote and diversify the export of industrial goods, African countries have to seek participation in regional and international trade agreements. However, compliance with the commitments and obligations of these agreements has been slow.

2.4 The Energy Sector

In 2005, Africa’s production of crude oil averaged 8856 million barrels per day, which was 6.1 per cent higher than the 2004 average. Algeria, Angola, Libya, and Nigeria are the main oil producers, with a share averaging 75 per cent in 2005. Other oil producers are Cameroon, Chad, Congo, Côte d’Ivoire, Egypt, Equatorial Guinea, Gabon, Mauritania, Sudan, and Tunisia. As far as natural gas is concerned, Africa’s production in 2005 averaged 171, 735 million standard cubic meters, which represented an increase of 13.1 per cent from 2004. This raised Africa’s share in world gas production from 5.5 per cent in 2004 to 6.1 per cent in 2005. Algeria accounted for 50 per cent of Africa’s total production of gas, followed by Egypt, Libya, and Nigeria, together accounting for about 44 per cent in 2005 (World Bank 2007). The increase in African production of natural gas is explained by two main factors. The first is related to the acceleration of the level of substitution of crude oil by natural gas in the generation of electricity around the world, which increases the level of global demand for natural gas. The second reason is the high level of international prices for both oil and gas, which increased the level of extraction of gas on the continent (UNECA 2006a).

At the end of 2005, African proven reserves of crude oil represented 10.2 per cent of the world’s total, while reserves of natural gas in Africa accounted for only 7.9 per cent of the world’s total. Algeria, Libya, and Nigeria lead in terms of proven reserves with a share of 76 per cent of total African reserves, followed by Angola, Egypt, Gabon and Sudan with a combined share of 18.4 per cent (World Bank 2006).

Africa continues to be a net exporter of crude and refined oil products. In 2005, exports of crude oil reached 6477.6 million barrels per day, which represented an increase of 1.8 per cent from 2004. However, Africa’s share in the global exports of crude oil declined slightly from 14.9 per cent in 2004 to 14.5 per cent in 2005. For refined products, exports grew slightly by 0.8 per cent compared to 2004. This growth is observed after three successive years of decline in exports of refined products as a result of the higher growth of domestic demand for these products than for refining capacity. In fact, in 2005, African consumption of refined products grew by 2.8 per cent compared to 2004 while the refining capacity grew by only 0.5 per cent during the same period. Five countries dominate the demand for refined products: Algeria, Egypt, Nigeria, Libya, and Tunisia, accounting for almost 65 per cent of the total African consumption of refined products in 2005. Overall, exports of both crude and refined oil products from the region grew by 1.7 per cent relative to 2004, compared to 4 per cent for the world, which shows a continent-wide structural bottleneck in refining capacity (UNECA and AU 2007; Rena 2007; World Bank 2007).
2.5 The Services Sector

The share of the services sector in Africa’s GDP in 2004 amounted to 49.0 per cent, a slight decline on the previous year. The two potential drivers of growth in the service sector are tourism and financial services, and these components are discussed below.

2.5.1 The Financial Sector

While the financial sector is generally considered an important factor for growth, its performance in the case of African countries has been less than satisfactory. Financial systems remain largely underdeveloped both in terms of the size and range of financial instruments and services offered. Most countries still do not have a functioning capital market. Even where capital markets exist, they are very shallow and illiquid (Ndikumana 2003). Except for South Africa, African capital markets are mainly limited to equity markets with an underdeveloped bond market and virtually no futures markets.

Despite the series of financial sector reforms that the countries have undertaken since the 1980s, financial systems still exhibit substantial degrees of inefficiencies in their functions of savings mobilization and allocations of resources into productive activities (Senbet and Otchere 2006). It is worth noting that financial sector reforms have resulted in a gradual move towards market-based interest rate determination and curtailment of the government’s presence in the financial sector through privatization of government-owned banks. While these are welcome developments, there are many important challenges that African countries need to address to make the financial sector a real engine of growth and employment creation.

One of the key manifestations of the inefficiency of financial systems in African countries is the high interest rate spread, which is a symptom of lack of competition and of inefficient management (resulting in high operating costs) in the banking sector. In fact, contrary to expectations, interest rate spreads have increased in the post-reform era (UNECA 2006b). Another important weakness of financial systems in Africa is that credit allocation tends to be concentrated into short-term and speculative activities. This is partly due to the lack of stable long-term finance but also to the high risk aversion exhibited by banks. The shortage of long-term lending constitutes an important constraint to private investment expansion (Rena 2007).

It is clear that African countries need to find ways of increasing access to finance especially for the purpose of long-term investment for accelerated growth. This will require achievement of higher levels of domestic savings mobilization and better pooling of resources into long-term instruments. The development of a vibrant bond market and creation and consolidation of long-term finance mechanisms such as pension funds constitute key elements of a national strategy to deepen financial systems in order to boost domestic investment and accelerate growth.
2.5.2 The Tourism Sector

Many developing countries now regard tourism as an important and integral part of their economic development strategies. It is estimated that 808 million tourists traveled world-wide in 2004 and generated about $682 billion. Africa received 41.3 million tourist arrivals, which represent only 5.1 per cent of global tourist trips. In terms of receipts, Africa received 3.6 per cent (or $25.2 billion) of the $682 billion world tourist receipts. Within Africa, the North Africa sub-region registered the highest market share of tourism activity on the continent in 2004 (38.2 per cent), followed in descending order by Southern Africa (27.5 per cent), East Africa (22.7 per cent), West Africa (9.4 per cent) and Central Africa (2.2 per cent) (World Bank 2007; UNECA and AU 2007).

In 2006, the top four countries in terms of tourism receipts are South Africa ($6.3 billion), Egypt ($6.1 billion), Morocco ($3.9 billion), and Tunisia ($1.9 billion). The seven major destination countries with over a million arrivals in 2004 were Egypt (7.7 million), South Africa (6.8 million), Tunisia (5.9 million), Morocco (5.4 million), Zimbabwe (1.8 million), Algeria (1.2 million) and Kenya (1.1 million) (World Bank 2007).

Despite tourism’s growing importance as a source of foreign exchange earnings for African countries, the industry remains underdeveloped mostly because of poor tourism infrastructure (or weak capacity for accommodation), inadequate information and marketing (measured by internet use) and high health risks (such as malaria). Political and social instability also constitute major deterrents to tourism in some African countries. In addition, the insufficiency of air transport between Africa and the rest of the world and between African countries themselves continues to be a crucial constraint to tourism. Another key challenge faced is the negative image of Africa portrayed by the media, often on the basis of exaggerated facts and plain ignorance.

2.5.3 Social Development

While growth has recovered on the continent, the gains in terms of social development and poverty reduction are still limited. This sub-section reviews the evidence on social development through the lenses of the MDGs (UNECA and AU 2007).

3. OVERALL ASSESSMENT OF THE MDGS

The progress towards the MDGs is so far found to be slow; thus, serious challenges remain in all major areas of social development. Nevertheless, on a disaggregated level, some countries have made significant progress.

Table – 2 presents summary of growth performance from 1998 to 2006, 25 per cent of African countries achieved a real GDP growth rate of less than 3 per cent per annum.
Only 5 countries achieved an average real GDP growth rate of 7 per cent or more during this period. At this pace, few countries are positioned to achieve the MDGs by 2015. Hence the continent faces the challenge of increasing growth rates and sustaining these high growth rates over an extended period. Besides sustaining reforms to maintain macroeconomic stability and further improve the domestic investment climate to promote private sector activity, a more strategic approach to growth policy is needed, to effectively address the binding constraints to growth.


<table>
<thead>
<tr>
<th>GDP Growth Rate</th>
<th>No. of Countries</th>
<th>Share of Total (in Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 %</td>
<td>13</td>
<td>25.0</td>
</tr>
<tr>
<td>Between 3% and 5%</td>
<td>25</td>
<td>48.1</td>
</tr>
<tr>
<td>Greater than 5% and less than 7%</td>
<td>9</td>
<td>17.3</td>
</tr>
<tr>
<td>7% or more</td>
<td>5</td>
<td>9.6</td>
</tr>
<tr>
<td>Total*</td>
<td>52</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Economic Intelligence Unit, January 2007.
Note: * Excluding Somalia due to lack of data.

The UN's Millennium Development Goals (MDG) report includes the following goals:

Goal 1: Eradicate extreme Poverty and Hunger: Halve the proportion of the people living on less than a dollar a day and those who suffer from hunger.

Goal 2: Achieve Universal Primary Education: Ensure that all the boys and girls complete primary school by 2015.


Goal 4: Reduce Child Mortality: Reduce by two-thirds by 1990 and 2015 the under-five mortality rate.

Goal 5: Improve Maternal Health
The proportion of births attended by skilled health personnel shows a massive improvement in North Africa from 40 per cent to 71 per cent over the 1990-2004 periods. For Sub-Saharan Africa (SSA), the progress has been very modest, from 42 to 46 per cent over the same period (United Nations 2006). It is estimated that SSA needs to triple its health workforce, adding more than one million workers to reach the health-related MDGs (World Bank 2005).

**Goal 6: Combat HIV/AIDS, Malaria and Other Diseases**

Currently, it is estimated that more than 25 million Africans live with HIV, and 2 million out of the 2.8 million AIDS-related deaths in 2005 were in Africa. In the 38 hardest hit African countries, it is projected that there will be 19 million additional deaths due to AIDS between 2010 and 2015. The second part of this sub-section discusses the challenges caused by HIV/AIDS in more detail.

In the fight against malaria, African countries committed themselves in 2000 to dramatically increase the provision of insecticide-treated nets. Remarkable success in the provision of nets to children under five has been recorded in such countries as Eritrea and Malawi, reaching coverage of 60 per cent and 36 per cent, respectively (WHO and UNICEF 2006). With respect to tuberculosis, the situation worsened in SSA, with an increase in prevalence from 337 per 100,000 of the population in 1990 to 492 in 2004. In North Africa, tuberculosis is less of a problem with only 52 cases out of 100,000 of the population in 2004.

**Goal 7: Ensure Environmental Sustainability**

While total carbon dioxide emission increased between 1990 and 2003 from 228 to 413 millions of metric tons in North Africa and from 416 to 530 millions of metric tons in SSA, other indicators of environmental quality have improved. For example, the proportion of the population with access to an improved water source increased from 49 per cent in 1990 to 56 per cent in 2004 in SSA and from 89 per cent to 91 per cent in North Africa. Likewise, access to improved sanitation rose from 65 per cent to 77 per cent in North Africa and from 32 per cent to 37 per cent in SSA over the 1990-2004 period (United Nations 2006a; Rena 2006a).

The rural sector remains especially marginalized relative to urban areas in access to drinking water, with only 42 per cent of the rural population having access to an improved water source in 2004 as compared to 80 per cent for the urban population. There are also large disparities between countries. In 2004, Ethiopia had the lowest coverage in the world of rural population with safe drinking water - only 11 per cent. In contrast, Burundi and Gambia had coverage of 77 per cent in the same year. The rapid increase in the urban population, low investment in new water supply systems, and poor maintenance of existing water networks in Africa constitute major challenges to adequate provision of drinking water in most African countries (United Nations 2006; WHO and UNICEF 2006).

---


3. The average daily water consumption in Ethiopia is just 2.5 liters whereas in USA, its more than 250 liters.
Goal 8: Develop a Global Partnership for Development
Over the past few years, African countries have developed partnerships that should improve the continent’s access to external development finance and export markets (UNECA 2006b).

4. FOCUS ON HIV/AIDS

The patterns of spread and levels of prevalence of HIV/AIDS exhibit marked subregion all variations, with the Southern and Eastern subregions being the hardest hit. The epidemic seems to be slowly gaining ground in Central Africa, while most of West and North Africa has sustained fairly low levels of prevalence (UNAIDS 2006).

HIV/AIDS does not affect men and women equally. In SSA, close to 60 per cent of those living with HIV/AIDS are women (Rena 2006b). In some areas, up to six times more women than men are infected in the 15–24 age group (WHO-AFRO 2003). Life expectancy, for biological reasons, is generally higher for women than for men. However, in four countries – Kenya, Malawi, Zambia and Zimbabwe – the higher prevalence of HIV/AIDS among women has led to life expectancy for women dropping below that of men (UN-DESA 2005). Given the delayed impact of HIV/AIDS and the continued increase in prevalence, the worst is yet to come. The pandemic is not only an immediate crisis, but is also a long-term systemic challenge, with profound consequences for Africa (CHGA 2004a).

One area of particular concern is the impact of HIV/AIDS on food security. In a recent study of two local communities in rural Ethiopia, UNECA, UNDP and WFP found that even though the progression of the pandemic in rural Ethiopia was at an early stage, the impact could already be felt (UNECA/UNDP/WFP 2004). Households affected by HIV/AIDS have changed their spending patterns, spending more on health and funerals, financed primarily by borrowing. In addition, the resource base of these households has been reduced, as they gave up land to sharecropping and sold livestock. It was also shown that the reliance on social networks is insufficient to cope with HIV/AIDS. Since most households have continued to rely on farming as their most important source of income and food, HIV/AIDS has increased the food insecurity of affected households (Rena 2006b).

As a result of decades of austerity measures and compression of public expenditure, the capacity of African health care systems has been cut back while the demand for services keeps increasing. Health systems are so strained that a large proportion of Africans do not even have access to the most basic health care. At the same time, the demand for health care services is rapidly increasing, and the increasing morbidity as a result of HIV/AIDS adds to the existing burden on overstretched health care systems (CHGA 2004b; Sandkjaer 2006).

Policy responses to HIV/AIDS - prevention and mitigation
Most African countries have established mechanisms for coordination of the response to HIV/AIDS, usually through a National AIDS Commission. With assistance from
national and international partners, governments are focusing on how to prevent new infections, while simultaneously keeping those infected healthy for as long as possible.

Until very recently, the country-level response to HIV/AIDS was limited to prevention interventions and minimal care and support for those infected. Today, scaled up resources, coupled with the decreasing costs of treatment and the emergence of simpler treatment regimes, provide an opportunity to expand national HIV/AIDS treatment and care responses. As a result, treatment coverage increased from 100,000 people on antiretroviral treatment in December 2003, to 810,000 in December 2005, or an estimated 17 per cent of those in need (WHO 2006a; UNAIDS 2006).

Salomon et al. (2005) show that an integrated response how it works best. In the long term, such a response also reduces both direct and indirect HIV/AIDS-associated costs as fewer people will be infected. A number of lessons have been learnt and are being applied in the scaling-up of treatment in Africa. With regard to prevention, traditional individual-focused approaches are hotly debated. Proponents of an approach that mainly centers on individual behavior change argue that, given that HIV/AIDS is mainly transmitted through unprotected sex between men and women, effective interventions must focus on severing this transmission route by encouraging individuals to change their behavior, and ultimately abstain from sex before marriage, be faithful within marriage, and use condoms – the so-called ABC approach.

Others argue that a more comprehensive approach is required, as individual behavior is conditioned by many contextual factors which, unless addressed, make individuals unable to change their behavior even if they so wish. For example, 10-55 per cent of African women surveyed stated that they believe that a wife cannot ask her husband to use a condom and cannot refuse sex, even if she knows that he has a sexually transmitted infection. For these women, HIV/AIDS can still meet them in the conjugal bedroom, regardless of their willingness to protect themselves. Thus, there is a pressing need for an effective, comprehensive response to the disease in Africa. The Commission on HIV/AIDS and Governance in Africa (CHGA), which was launched in 2003 by United Nations then Secretary-General, Kofi Annan, aimed at bringing back a sense of urgency to HIV prevention. Its final report contains important findings on this pandemic and gives useful recommendations.

5. CONCLUSION

To sum up, despite notable economic recovery in Africa since the turn of the 21st century, the continent still faces important challenges in attaining its development goals. Being highly commodity dependent, growth remains volatile and too low for achieving the MDGs, while pressure from oil prices threatens price stability in oil-

4. The study mainly discusses about a combined response of prevention-centered response to HIV, a treatment-centered response.
importing countries. Macroeconomic balances are driven by developments in the resource sector and continue to worsen for oil-importing African countries. In many African countries, the real growth rates have remained low relative to their development goals. A major threat to the health sector is the spread of the HIV/AIDS. Currently, more than 25 million Africans live with HIV, and 2 million of the 2.8 million AIDS deaths worldwide in 2005 were in Africa. In the case of financial stability, much more needs to be done in both the volume of external finance and the effectiveness in the use of these resources.

In recent decades, sparks of economic growth have often vanished as quickly as they have been ignited. The current growth momentum also rests on a very fragile foundation.

The continent continues to rely on primary commodities whose prices have been major sources of trade shocks. While efforts towards diversification had some positive results in the 1970s and early 1980s, these gains were reversed in the mid-1980s due to the economic crises of the period. Therefore, it is critical for African countries to embrace diversification as the central development paradigm. In order to accelerate and sustain growth over a long period of time, Africa needs to create a policy space and embark on innovative growth strategies. In particular, it should address the factors contributing to low and volatile growth through: improved macroeconomic management; increased domestic investment, which requires mobilization of internal and external resources and improved infrastructure.

REFERENCES


EIU. 2007. Economist Intelligence Unit (EIU), (January). Online data


81-119


* * * * *