

Preface

This fifth edition of our joint *African Economic Outlook* continues to provide an insightful, broad overview of the economies of Africa. We are pleased to observe the steadily growing importance that public opinion and policy makers attach to the *AEO*. Our two institutions are proud to come together in making this contribution to enhancing understanding of the continent.

For most African countries the prospects of attaining the Millennium Development Goals remain a challenge. This year's *AEO*, however, does find some grounds for optimism as many countries saw their economic performance improve in 2005 as a result of favourable commodity prices, increased aid flows, debt forgiveness and on-going reforms which have started to bear fruit. Macroeconomic stability was by and large maintained despite the increase in fuel and food prices. Mobilisation for reforms has played a part in this rise in optimism; so has the growing support of the international community, which has been given added impetus by the Commission on Africa and the Gleneagles G8 Summit.

While prospects for much of Africa are more favourable than they have been in the recent past, human security continues to be severely affected by weak governance structures, conflicts and the vulnerability that accompanies extreme poverty. This is deterring investment and impeding the effective entry of African countries into the global economy.

We are glad to note that the first of the African Peer Review Mechanism (APRM) reviews was completed in January 2006 signifying continued efforts to improve governance. Resource-rich countries will need to ensure that a substantial part of the windfall gains, now accruing to their treasuries due to favourable terms of trade, is invested in infrastructure and human capital development to support their medium- and long-term development.

The 2005/2006 *AEO* highlights the issue of infrastructure. The weak state of infrastructure and the poor quality of service, increase costs of doing business and hamper private sector development in Africa. Attempts over the last decade to upgrade infrastructure and encourage private-sector participation have shown their limits. Both African governments and the donor community will need to continue developing innovative approaches for raising additional public and private resources to provide better transport infrastructure to the peoples of Africa.

The year 2005 has been called the "Year of Africa". Many African governments have taken promising steps towards restructuring their countries' economies. In many countries, democracy is becoming deeply rooted, leading in turn to increased participation by civil society in the political process. Supported by the NEPAD initiative, under the auspices of the African Union, substantial progress has been achieved towards regional co-operation. Furthermore, there seems to be a resurgent commitment on the part of the international community to support Africa for a "big push". These developments augur well for the future.

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