# African Economic Outlook 2015

SPECIAL THEME:

## Regional Development and Spatial Inclusion

Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cabo Verde
Cameroon
Central African Republic
Chad
Comoros
Congo
Congo, Dem. Rep.
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Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Libya
Madagascar
Malawi
Mali
Mauritania
Mauritius
Morocco
Mozambique
Namibia
Niger
Nigeria
Rwanda
Sao Tome and Principe
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
South Sudan
Sudan
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Tanzania
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# African
# Economic Outlook
# 2015

**Regional Development and Spatial Inclusion**

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The front cover is inspired from this report's Map 3: darker areas correspond to higher population densities. The various shapes, dots and lines symbolise the variety and richness of Africa's regions and their interconnectedness, in an abstract way.

Corrigenda to the *African Economic Outlook* may be found on line at: www.africaneconomicoutlook.org/en.

# Foreword

The *African Economic Outlook 2015* is the 14th edition of this annual report which results from a unique international collaboration. The African Development Bank, the OECD Development Centre and the United Nations Development Programme worked closely together to produce this report in its many forms. Over 100 researchers, economists and statisticians directly contributed their expertise. They drew data from national statistics offices, ministries, multilateral development institutions, investors, civil society and the media. CIRAD, the Agricultural Research Centre for International Development, helped draft this year's thematic content on regional development and spatial inclusion.

The *African Economic Outlook* (AEO) assesses Africa's performance and prospects, addresses a special theme, and provides individual country notes as well as a detailed statistical annex. Based on data for 2014, the authors project the continent's economic and social performance for the next two years. The theme, regional development and spatial inclusion, appears throughout the AEO 2015. The chapters in Part I touch on the theme in relation to their specific topics, Part II develops it in depth and Part III offers a viewpoint from each country. The country notes feature all 54 African countries for the second consecutive year. This report includes one page on each country. The full-length country notes are available at the website below in their original language, along with selected figures and tables.

The following editions of the AEO 2015 are available in print and on line. Electronic versions from the common website of the AEO partner organisations can be downloaded from www.africaneconomicoutlook.org:

- this report in English and French and an abridged version in Portuguese
- a special edition bringing together the report's three chapters on regional development and spatial inclusion with relevant analysis from the other chapters and each country note
- a pocket edition summarising all the report's chapters and providing key figures by region, in English and French.

## Editorial

Africa's gross domestic product grew on average by 3.9% in 2014, compared to 3.3% globally, but with wide regional variations. Sub-Saharan Africa grew by 5.2% but by a percentage point higher when South Africa is excluded, indicating relatively robust growth despite global and regional headwinds, including depressed commodity prices and the Ebola epidemic. However, growth in North Africa remained sluggish at 1.7%, impacted by shrinkage of the Libyan economy by 20% as the conflict disrupted oil production. The sharp decline in commodity prices of the past few years will have mixed effects in the medium term, with oil-exporting countries registering weaker fiscal positions, while the lower cost of energy will boost consumer demand and competitiveness among net oil importers. Africa's growth is forecast at 4.5% in 2015 and 5.0% in 2016, mainly owing to stronger growth among middle-income economies. Growth in sub-Saharan Africa is expected to average about 5% between 2015 and 2016.

This 14th edition of the *African Economic Outlook* portrays a shift in the African economy, with agriculture, construction and services playing a bigger role than before. Total foreign investment is expected to reach USD 73.5 billion in 2015, targeting consumer markets in large urban centres. Remittances from Africa's Diaspora have increased six-fold since 2000 and will reach USD 64.6 billion by the end of 2015. African sovereign borrowing, on the other hand, is rising rapidly, indicating increasing investor confidence. This new source of financing must be accompanied by macroeconomic prudence to ensure that sustainable debt levels are maintained.

Human development in Africa is improving, although indicators show that poverty remains widespread in both low- and middle-income countries. Economic gains have been uneven across regions and within countries and, despite high growth rates, are vulnerable to setbacks from health, environmental and social risks. The outbreak of the Ebola virus disease had a severe impact on the populations and economies of Guinea, Liberia, Sierra Leone and their neighbours in West Africa, with the fight of these countries exacerbated by the uneven international response. The Ebola epidemic highlighted the inadequacy of social service delivery in many African countries, especially health services, and the fragility of institutional structures. An important lesson is that the enhancement of equity, social protection and timely responses to domestic disasters cannot be accomplished without strong and accountable domestic institutions.

Although the level of social tensions and violence receded in 2014 in many parts of Africa, the consequences of war are still evident, with lingering conflicts in the Central African Republic, Libya, Nigeria and South Sudan. The impact on populations and livelihoods has been severe. There is an obvious and urgent need to foster more inclusive growth and broader political participation to reduce the deprivation that tends to stoke rebellions and conflicts.

For the first time, the *African Economic Outlook* has put the continent's demographic changes and spatial dynamics into the broader debate of generating quality employment opportunities for the youth population. In 2050, Africa will be home to over 2 billion people, about 25% of humanity, against 15% today. Most of them will live in sub-Saharan Africa, whose population is projected to triple. This could present an unprecedented opportunity: dependency ratios, which had risen since the 1980s, could drop to 0.6 in 35 years. Cities will grow fast but, unlike recent demographic transitions elsewhere, so will rural communities. Making the most of this demographic bonus for inclusive and sustainable growth will require tapping into the potential of local economies, which too often have been neglected. Policies must also be put in place to address the gaps that will develop between fast-changing urban centres and their hinterlands.

We commend this new edition of the *African Economic Outlook* and its contribution to addressing the challenges highlighted in the Africa Union's Agenda 2063 and in the Post-2015 Global Development Agenda.

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African Development
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Secretary-General,
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Administrator,
United Nations
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New York

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The AfDB team was led by Abebe Shimeles, Charles Lufumpa and Beejaye Kokil. The AfDB task manager was Anthony Simpasa. Key team members included Mouhamadou Sy, Ahmed Moummiand and Lauréline Pla. The team at the OECD Development Centre was led by Henri-Bernard Solignac-Lecomte, while the team at UNDP was led by Angela Lusigi.

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## Executive summary

The *African Economic Outlook 2015* reports favourably on the continent's financial, social and governance indicators, predicting continued broad-based progress. The report examines in depth the challenge of unlocking Africa's regional development for greater spatial inclusion. It suggests policy options to ensure that no one is left behind because of where they live.

The continent's **macroeconomic prospects** are encouraging. In 2014, average growth was 3.9%, slightly higher than in 2013 (3.5%) and stronger than the global average of 3.3%. Growth performance varied widely across countries and regions, depending on their political and social stability and other factors, notably the outbreak of Ebola in West Africa and power outages in South Africa. Africa´s growth is expected to accelerate to 4.5% in 2015 and further to 5% in 2016, converging with Asia's current growth rates and close to levels prior to the global financial crisis in 2008/09. Countries in sub-Saharan Africa, excluding South Africa, are expected to lead this growth momentum, expanding at an average of 5% between 2015 and 2016.

The sharp fall in oil prices presents high downside risks to oil-producing economies but could provide relief to net oil-importing countries. Although oil production has increased in oil-exporting countries and growth in non-oil sectors has been remarkably higher, lower oil prices have significantly affected government revenues and the external sector. To deal with dwindling revenues, governments will need to make significant public expenditure adjustments, without compromising their allocations to social sector programmes and critical infrastructure.

The main risks to medium growth forecasts stem from a protracted decline in commodity prices, a weaker global economy, insecurity, political and social tensions, and second-order effects of the Ebola outbreak such as the cost of reconstruction efforts. Africa's growth performance nevertheless stems from generally sound macroeconomic fundamentals and attendant resilience observed in many countries.

The range of financing options for the continent has widened substantially over the last decade. Generally, **tax revenue** collection has improved, but efforts still fall short of needs, and some countries lack the capacity to curb illicit financial flows. **External financial flows** have also increased and are projected to reach USD 193 billion in 2015, almost double the figure recorded in 2005. Foreign investment flows and remittances have become Africa's most important external financial sources. In response to growing urbanisation, foreign direct investments are increasingly shifting from extractive resources towards the retail sector, notably consumer goods and services. Africa continues to attract investors from emerging countries and within the continent. Conversely, aid to the neediest countries in Africa is declining, and countries are bridging the financing gap with soft loans. Africa's middle-income countries are tapping the international capital markets, mainly to secure funding for infrastructure development. As official aid flows decline, increasing domestic revenues and attracting private external flows will be important in financing the United Nations' Post-2015 Development Agenda. In particular, remittances have a huge potential to spur investment and stem the rise in income inequality. For low-income African countries, more and better targeted aid will remain key to addressing the unique challenges they face.

While Europe remains Africa's largest trading partner, trade with Asia – especially China – has been growing fast in recent years. This diversification can be an important safeguard against economic shocks and sudden changes in trade relations. However, fundamentally, regional economic integration remains essential for unlocking Africa's growth potential, stimulating development, increasing trade and broadening participation in the global economy. But greater **regional integration** is hampered by Africa's disproportionately high costs of crossing borders relative to other regions. This impedes access to regional markets and integration into global value chains. Deepening regional integration and facilitating trade in accordance with the 2013 Bali Package can help alleviate these obstacles. Preparations in 2015 to launch the Continental Free Trade Area and the launch of the COMESA-EAC-SADC Tripartite Free Trade Area could be milestones in Africa's integration agenda.

African countries have improved in all dimensions of **human development** including education, health and income. Despite these improvements, human development levels remain low with significant variations between and within countries. Gender inequality and high levels of discrimination in social institutions and practices are undermining progress towards better human development outcomes. Therefore, new policies and investments are required to accelerate and sustain these gains. Addressing inequalities requires equitable participation in the labour market, especially in the non-agricultural sector, enhancing agricultural productivity and increasing access to energy. Priority must be given to ensuring equity and sustainability and reducing vulnerability to economic, social and environmental risks in planning and allocating resources and in implementing and monitoring the post-2015 goals.

Africa's gains in **political and economic governance** over the past three decades are holding, but threats for possible reversals abound. In 2014, there were advances towards democracy – the new constitution in Tunisia, the transition in Burkina Faso, and a record 179 million people participating in mostly peaceful and credible elections. However, several countries continued to experience instability, acts of terrorism or conflicts.

**Promoting regional development and spatial inclusion** should be at the heart of Africa's development strategies. This 14th edition of the *African Economic Outlook* takes a close look at the challenges posed by demographic and spatial dimensions in the continent's quest for **structural transformation**. By 2050, Africa's population will rise to over 2 billion people, representing 25% of the world's population, against 15% today. Beyond the sheer size of the continent's future population, this demographic boom is also unique in terms of its spatial dynamics: both cities and rural areas will grow fast, and their interactions will intensify. While dependency ratios will fall, jobs will need to be created for the youth entering the labour market.

How can Africa meet those unique challenges? Lessons from demographic, urban and economic transitions in OECD or Asian countries may be too inconsistent with Africa's circumstances to inform policy response. Similarly, policy prescriptions focusing on specific economic sectors – such as industry or agriculture – are not comprehensive enough. What African countries need are innovative, context-specific, multi-sectoral and place-based development strategies.

Indeed, developing the potential inherent in the continent's diverse regions is key to accelerating economic transformation and promoting spatial inclusion. Efforts to tackle regional inequalities through spatial management, infrastructure development and decentralisation have had limited impact. Policy makers must therefore take a fresh look at regional dynamics, such as the fast-changing relations between urban and rural areas. They should focus beyond economic sectors, improve regional statistics and deepen their knowledge of local areas. People and places need to be at the centre of **development strategies** that create productive jobs, accelerate demographic transitions, invest in education and promote intermediary cities to capitalise on urban/rural dynamics. Financial resources must be scaled up to meet the associated long-term investment needs, in particular by better mobilising domestic resources at local and national levels.

*Overview*

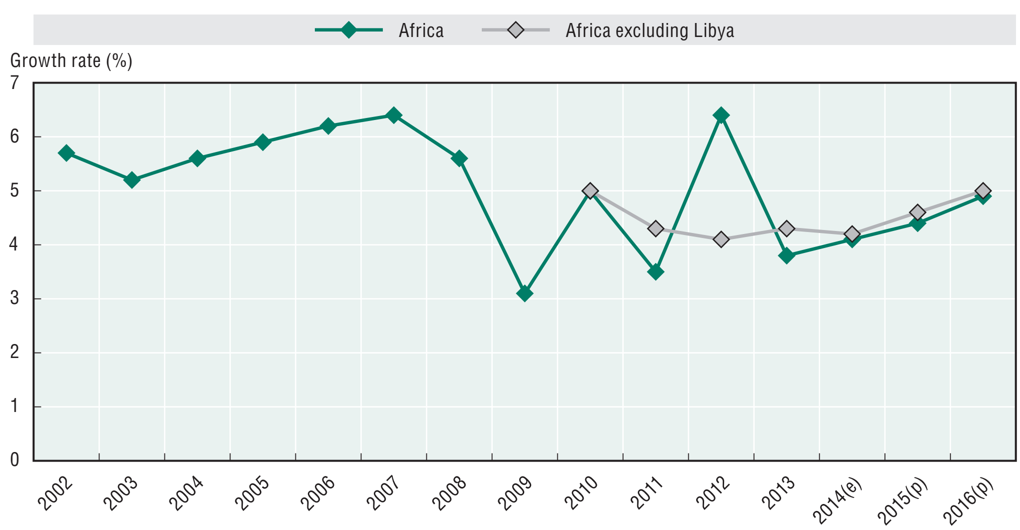
# Towards more inclusive, place-based development strategies in Africa

## Africa's performance and prospects

### Africa's macroeconomic prospects

Africa's gross domestic product (GDP) growth is expected to strengthen to 4.5% in 2015 and 5% in 2016 after subdued expansion in 2013 (3.5%) and 2014 (3.9%). The 2014 growth was about one percentage point lower than predicted in last year's *African Economic Outlook*, as the global economy remained weaker and some African countries saw severe domestic problems of various natures. But the world economy is improving and if the AEO 2015 predictions are right, Africa will soon be closing in on the impressive growth levels seen before the 2008/09 global economic crisis.

Figure 1. **Africa's economic growth, 2002-16**




*Note*: (e) estimates; (p) projections.
*Source*: Statistics Department, African Development Bank.

West Africa achieved relatively high growth of 6% in 2014 despite its battle with the Ebola virus (Box 1). Nigeria's growth of 6.3% came mainly from non-oil sectors showing that the economy is diversifying. But Southern Africa's growth fell below 3% as the key South African economy only grew by 1.5%.

Table 1. **Africa's growth by region, 2013-16**
(Real GDP growth in percent)

| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| Central Africa | 4.1 | 5.6 | 5.5 | 5.8 |
| East Africa | 4.7 | 7.1 | 5.6 | 6.7 |
| North Africa | 1.6 | 1.7 | 4.5 | 4.4 |
| Southern Africa | 3.6 | 2.7 | 3.1 | 3.5 |
| West Africa | 5.7 | 6.0 | 5.0 | 6.1 |
| Memorandum items: | | | | |
| Africa excl. Libya | 4.0 | 4.3 | 4.3 | 5.0 |
| Sub-Saharan Africa (SSA) | 4.7 | 5.2 | 4.6 | 5.4 |
| SSA excl. South Africa | 5.4 | 6.2 | 5.2 | 6.2 |

*Note*: (e) estimates; (p) projections.
*Source*: Statistics Department, African Development Bank.

Domestic demand has continued to boost growth in many countries while external demand has remained mostly subdued because of flagging export markets, notably in advanced countries and to a lesser extent in emerging economies. Export values of goods were also depressed by lower export prices. African exports are expected to strengthen in 2015 and 2016 as the world economy improves. In 2014, domestic demand was in most countries boosted by private consumption and public infrastructure investment with the latter also increasingly financed by issuing international sovereign bonds.

On the supply side, many African countries have improved their investment climate and conditions for doing business, which enhance long-term growth prospects. Benin, Côte d'Ivoire, the Democratic Republic of the Congo (DRC), Senegal and Togo are even in the top ten countries worldwide with the most reforms making it easier to do business. Africa's supply side growth in 2014 was mainly driven by agriculture, extractive industries, construction and services, and to a lesser extent by manufacturing. But sectoral growth should not be seen in isolation, as there are important spillovers between sectors. Furthermore, modernisation and structural transformation, the process by which new, more productive activities arise and resources move from traditional activities to these newer ones, is also happening within some sectors.

So far African economies have been relatively resilient to the sharp fall of international commodity prices. Production of commodities has often increased despite the lower prices, and overall growth has also been boosted by other sectors. But if commodity prices remain low or decline further, growth in resource-rich countries might slow down as governments need to cut spending. Governments will be keeping a close watch on conditions in key markets, especially China and Europe. There are some positive effects, however, as lower oil prices ease inflation, increase real incomes and strengthen export markets.

In countries where inflationary pressures have eased – such as Botswana, the members of the Central African Economic and Monetary Community (CEMAC), Mozambique and Rwanda – policy interest rates have been reduced to stimulate growth. By contrast, in countries where exchange rates came under pressure, such as Nigeria, central banks responded by tightening policies to stabilise exchange rates and contain inflation. Most African countries continued their prudent fiscal policies to keep budget deficits at sustainable levels. But in several countries, including oil exporters, fiscal positions weakened despite efforts to limit spending and to improve tax revenues.

Box 1. **The economic impact of Ebola**

The Ebola virus has particularly hit Guinea, Liberia and Sierra Leone, causing tremendous human hardship and high economic costs. The epidemic curtailed the immense strides those countries had made in macro and fiscal stability in recent years. Only a gradual recovery is expected in the near term (UNDP, 2014a). By March 2015 there had been more than 25 000 reported cases of the virus and more than 10 000 reported deaths, according to World Health Organisation figures. But thanks to international support and national policies in the region there are signs of progress. The spread of the virus to neighbouring countries has been contained.

The 2014 GDP shortfall in the three countries together (compared with AEO 2014 projections) amounted to about USD 1.4 billion in purchasing power parity, with Sierra Leone accounting for USD 775 million, Guinea USD 460 million and Liberia USD 165 million. This corresponds to a shortfall of per capita income of about USD 130 in Sierra Leone and about USD 40 in Liberia and Guinea. Our scenario for growth in these three countries assumes that the Ebola crisis will be contained during 2015. Economic activity will remain depressed, notably in Sierra Leone where the economy is expected to contract, but by 2016 the economies are expected to recover again in all three countries.

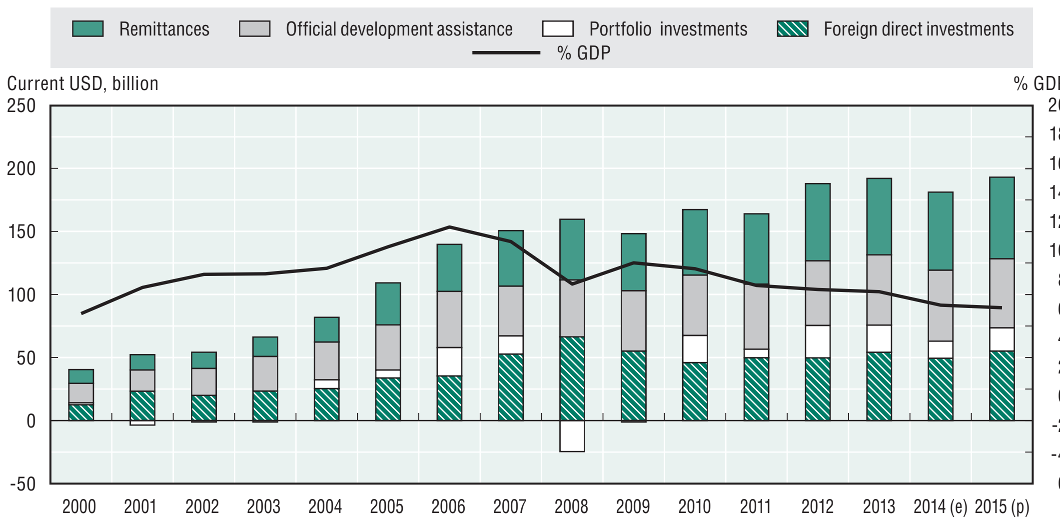
Lower economic activity has kept government revenues stagnant while the need for additional social expenditure has increased (UNDP, 2014b). With lower growth and weaker fiscal positions, the risks for macroeconomic and financial market instability are rising. Government and donor spending may be diverted to emergency health care services, at the cost of other infrastructure, which could reduce longer-term growth. The perception of a return to instability could take years to overcome. This could also reduce growth potential (Hettinger, 2014).

Although the spread of the virus to neighbouring countries has been contained, the region has been adversely affected through lower cross-border trade and fewer international tourists, notably Burkina Faso, Côte d'Ivoire, Gambia and Senegal (for more details see country notes at www.africaneconomicoutlook.org).

## External financial flows and tax revenues for Africa

In 2014, total external flows to Africa were estimated at USD 181 billion, 6% lower in nominal terms than in 2013. This decrease resulted from a sharp drop in portfolio flows and a slight decline in foreign direct investment (FDI) flows, reflecting subdued global demand and weaker commodity prices, especially for metals. This decline offset the slight increase in remittances (+2.1%) and official development assistance (ODA) (+1.1%). Overall, estimates for total external flows averaged 7.3% of GDP in 2014, compared to 8.2% in 2013.

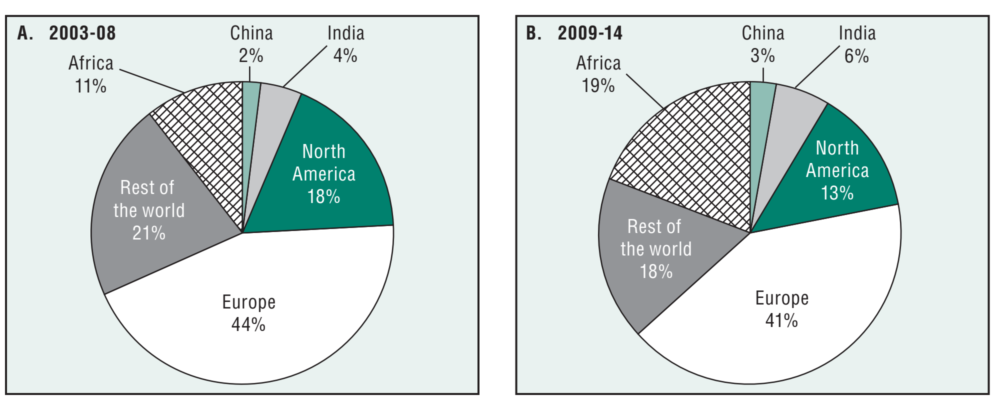
Figure 2. **External financial flows to Africa, 2000-15**




*Note:* ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid (CPA) in the *2014 Global Outlook on Aid: Results of the 2014 DAC Survey on Donors' Forward Spending Plans and Prospects for Improving Aid Predictability*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This graph excludes loans from commercial banks, official loans and trade credits).
*Source:* Authors' calculations based on OECD/DAC, World Bank, IMF and *African Economic Outlook* data.

Private external flows in the form of investment and remittances are driving growth in external finance. Foreign investments are expected to reach USD 73.5 billion in 2015, underpinned by increasing greenfield investment from China, India and South Africa. FDI is diversifying away from mineral resources into consumer goods and services and is increasingly targeting large urban centres in response to the needs of a rising middle class. African sovereign borrowing is increasing.

Figure 3. **Sources of greenfield investment in Africa (by number of projects), 2003-08 and 2009-14**




*Source:* Authors' calculations based on fDi Markets (2015) and UNCTAD (2014).

Official remittances have increased six-fold since 2000 and are projected to reach USD 64.6 billion in 2015 with Egypt and Nigeria receiving the bulk of flows. They remain the largest source of international financial flows to Africa, accounting for about 33% of the total since 2010. Conversely, ODA will decline in 2015 to USD 54.9 billion and is projected to diminish further. More than two-thirds of states in sub-Saharan Africa, the majority of which are low-income countries, will receive less aid in 2017 than in 2014 (OECD, 2014a).

Despite significant improvements in tax revenue collection over the last decade, domestic resource mobilisation remains low. Public domestic finance in Africa has increased more than threefold in a decade from USD 157 billion in 2003 to USD 507 billion in 2013. Compared to 2012, total tax revenue in 2013 registered a slight decrease of about 1.5% mainly on account of lower resource rents.

Box 2. **Financing for Development: from Monterrey (2002) to Addis (2015)**

The third International Conference on Financing for Development (FfD), due to take place in Addis Ababa in July 2015, will provide an opportunity to take stock of progress made since the first Monterrey Conference in 2002 towards financing the Millennium Development Goals (MDGs). In the run-up to the 2015 conference, the international community is designing a new development finance framework to fund the Sustainable Development Goals, which will replace the MDGs. African Union leaders representing the Common African Position on the Post-2015 Development Agenda have reiterated the need to mobilise significant resources from a variety of sources and to ensure the effective use of financing (African Union, 2014).

Since the Monterrey Conference, financing options for the continent have increased substantially. Private financial flows have become more prominent, increasing from 63% of total external resources in 2002-06 to more than 70% in 2010-14. Africa has attracted increasing foreign investment, notably from other emerging economies and within the continent. Foreign direct investment is also diversifying away from extractive sectors towards consumer goods and services.

Portfolio flows to the continent have also increased. Since 2011, more than a dozen countries, including Kenya, Nigeria and Uganda, have issued international sovereign bonds for the first time with the objective of financing large infrastructure projects.

While private capital flows are volatile, remittances may constitute a more stable source of foreign exchange for longer-term purposes such as financial sector development (Ncube and Brixiova, 2013). In 2014, G20 leaders agreed to reduce the global average cost of transferring remittances to 5%; support country-led actions to address the cost and improve the availability of remittance services, particularly for poor people; and use remittance flows to drive financial inclusion and development (GPFI, 2014).

Conversely, the relative importance of international public flows, and especially bilateral aid from OECD countries, is diminishing. The share of ODA in total external flows declined from 37% in 2002-06 to 30% in 2010-14. This reveals a shift in regional aid allocation with a reduction of grants to low-income African countries and an increase of soft loans to middle-income countries in Asia. Nevertheless, South-South co-operation continues to grow rapidly, more than doubling between 2006 and 2011 (UN, 2014).

Tax revenues have grown thanks to major efforts to improve revenue collection and gains from the commodity price boom (Sy, 2015). However, in spite of considerable efforts and reform, tax mobilisation remains low. Reiterating the key messages of the 2002 Monterrey Consensus and the 2008 Doha Declaration in the context of the 2014 Common Africa Position on the Post-2015 Development Agenda, African Union leaders declared that policies that increase and improve the quality of finance from domestic sources should remain a top priority for their governments (African Union, 2014).

## Trade and regional integration in Africa

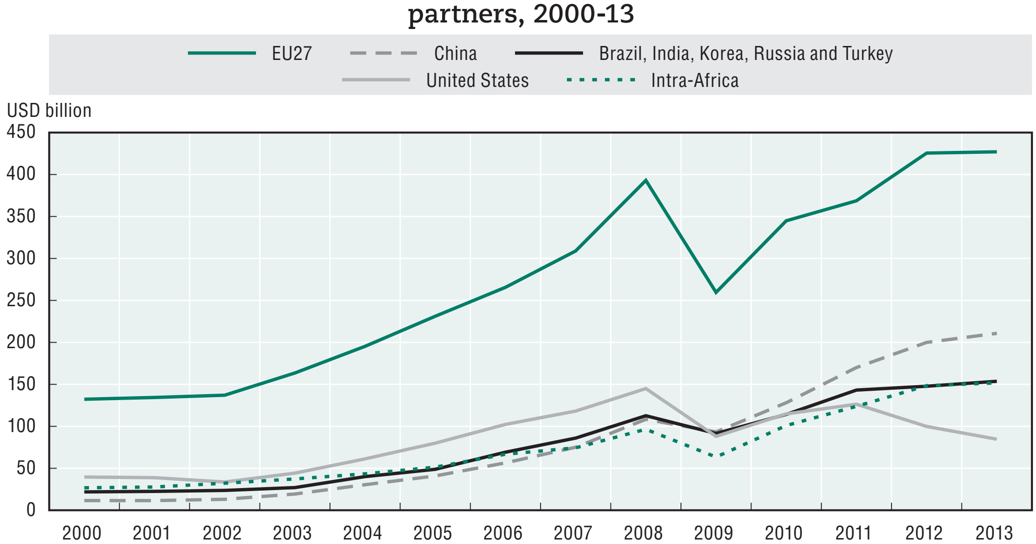
Africa is not immune to the shocks and changes in the world economy that could help or hinder its efforts to speed up integration and bring down borders. The World Trade Organisation's (WTO) *World Trade Report 2014* identified four major trends from the last decade which have had an impact on African integration:

- The increasing impact of shocks to the global economy: Open trade can spread the fallout but also help to reduce volatility.
- The phenomenal trade growth led by emerging economies and spurred by demand for commodities: It has helped narrow the income gap between emerging and developed countries, but Africa is lagging behind.
- The expansion of global value chains (GVCs): The share in total trade of intermediate goods, services and components between developing countries grow from about 6% in 1988 to nearly 25% in 2013. This has created new opportunities, although African firms have struggled to participate meaningfully in those GVCs (AfDB et al., 2014).
- The changing prices of exports of fuels and mining products.

Two other notable trends will create both opportunities and challenges for Africa: the facilitation agreements aimed at bringing down trade barriers, and the new wave of mega-trade agreements.

Recent trends in African total trade flows – exports and imports – highlight a shift in trade dynamics and increasing competition from China for the African market. Although Europe remains Africa's largest trading partner, Africa's trade with Asia rose by 22% between 2012 and 2013, while trade with Europe grew by just 15%. Manufactured exports from Europe to Africa fell from 32% of the total in 2002 to 23% in 2011. On the other hand, Asia's share in Africa's trade rose from 13% of the total to 22% during the same period. In 2009, China overtook the United States as Africa's largest single trading partner.

Figure 4. **Africa's total trade flows with selected global and intra-African partners, 2000-13**




*Source:* Authors' calculations based UN Statistics Division (2015), via http://wits.worldbank.org/wits/.

Price volatility could cause problems for Africa's commodity producers. At the start of 2015, global commodity prices reached a five-year low. This is expected to have a significant impact on African trade, investment and economic growth as minerals and ores account for two-thirds of Africa's merchandise exports. The continent's merchandise exports fell 5.8% between 2012 and 2013 to USD 602 billion (3.3% of world exports), according to the WTO. Imports, on the other hand, rose a modest 2.2% to USD 628 billion (3.4% of world imports). African merchandise exports were dominated by oil producers (USD 330 billion) and South Africa (USD 96 billion), pointing to the need for greater industrialisation, value addition and diversification.

Intra-Africa trade is growing mostly within subregions. From 2010 to 2013, intra-African exports grew by 50% and by another 11.5% in 2013 to USD 61.4 billion. However, the share of exports between African subregions increased only from 11.3% in 2012 to 12.8% in 2013. This could indicate a lack of development of regional value chains and low levels of trade in intermediates between African countries.

## Human development in Africa

African countries have made significant strides in all dimensions of human development, comparable with other regions of the world. In 2014, 17 out of 52 African countries achieved high and medium levels of human development (Table 2).

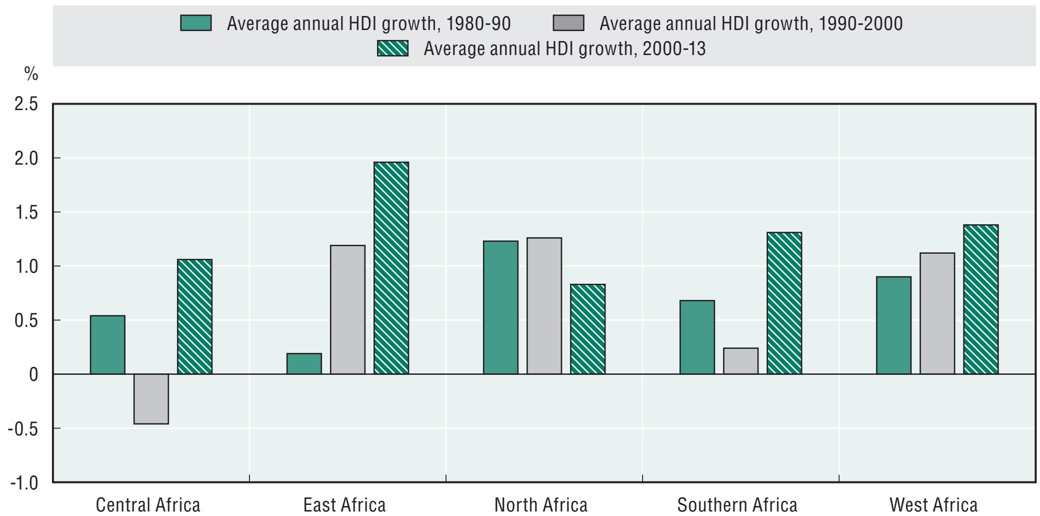
Table 2. **Country classification of human development levels by low, medium and high**

| High human development (above 0.7) | Medium human development (between 0.55 and 0.7) | Low human development (below 0.55) | | |
|---|---|---|---|---|
| Algeria | Botswana | Angola | Ethiopia | Niger |
| Libya | Cabo Verde | Benin | Gambia | Nigeria |
| Mauritius | Congo | Burkina Faso | Guinea | Rwanda |
| Seychelles | Egypt | Burundi | Guinea-Bissau | Senegal |
| Tunisia | Equatorial Guinea | Cameroon | Kenya | Sierra Leone |
| | Gabon | Central African Republic | Lesotho | Sudan |
| | Ghana | Chad | Liberia | Swaziland |
| | Morocco | Comoros | Madagascar | Tanzania |
| | Namibia | Congo, Democratic Republic of the | Malawi | Togo |
| | Sao Tome and Principe | Côte d'Ivoire | Mali | Uganda |
| | South Africa | Djibouti | Mauritania | Zimbabwe |
| | Zambia | Eritrea | Mozambique | |

*Note*: Data were unavailable for Somalia and South Sudan.
*Source*: UNDP (2014c).

However, human development gains are uneven with significant inequality between and within countries. Countries in East and West Africa have experienced faster rates of improvement in human development indicators related to education, health and income compared to Central, North and Southern Africa (Figure 5). The last 15 years have been characterised by strong recovery from the "lost decades" in the 1980s and 1990s – a period marked by slower rates of improvement in human development and even reversals in some countries. Since 2000, improvement rates for human development indicators have recovered in Central and Southern Africa and accelerated in East Africa. In Central Africa, Chad and the Republic of the Congo present the highest improvements in human development indicators, while improvements in the Southern Africa region are highest in Angola, Botswana, Malawi, Mozambique and Zambia. The leading countries in East Africa are Burundi, Ethiopia, Rwanda and the United Republic of Tanzania. West Africa maintained a consistently high rate of progress with improvements highest in Benin, Liberia, Mali, Niger and Sierra Leone. Progress in North Africa was also high but slowed between 2000 and 2013.

Figure 5. **Change in human development by Africa's regions, 1980-2013**




*Source*: UNDP, 2014c.

Human development levels in Africa remain much lower than the world average. In sub-Saharan Africa, for example, the average level in 1990 was 0.40, compared to the world average of 0.60, representing a difference of 33%. This level rose slightly to 0.50 in 2013 but still remained 28% lower than the world average of 0.70 (UNDP, 2014c). Progress has resulted from improvements in education and health and from growth in income per capita. Many countries are catching up with better performers, driven by improvements in poverty reduction and health and education outcomes.

High levels of inequality in Africa significantly affect human development. The Inequality-adjusted Human Development Index (IHDI) for sub-Saharan Africa reveals a 33.6% loss in values once adjustments are made for inequality in distribution of income, health and education outcomes. In Africa, the underlying driver of inequality in IHDI values is significant disparities in access to health and education. This contrasts strongly with high human development countries, where inequality is related more closely to income.

Gender inequality remains a challenge. On average, the level of female human development is 13% lower than that for males. Women in Africa face high levels of discrimination that have an impact on their socio-economic rights, as shown by the Social Institutions and Gender Indicators (www.genderindex.org). This is most apparent in relation to restrictions on resources and assets, physical integrity and discriminatory practices within households and families. Violence against women continues to be a major concern.

Human development is highly vulnerable to economic, political, social and environmental risks. Some gains were subject to reversals in Central Africa and Southern Africa in the 1990s. More recently, negative socio-economic consequences have arisen from the impact of the Ebola virus in West Africa. Other sources of vulnerability include the fall in commodity prices, civil war and conflicts. Human development policies must commit to maintaining gains by addressing vulnerability to natural disasters, climate change and financial setbacks for those most at risk. Recent conferences have called for implementing the Istanbul Programme of Action for least developed countries, whose priority areas include productive capacity development, trade, commodities, human and social development, response to shocks, mobilisation of financial resources, promotion of good governance, and agriculture, food security and rural development (UN, 2011). Countries must focus on integrating equity, sustainability and vulnerability reduction into goal setting for the post-2015 development agenda and on improving data collection and measurement goals, taking into account initial conditions.

### Political and economic governance in Africa

There were some positive **governance** developments in 2014. In Tunisia, a constitution endorsed in January 2014 enshrined religious freedom and guaranteed gender equality. This was followed by largely undisputed parliamentary and presidential elections, held in October and December 2014 respectively. South Africa held its fifth round of peaceful elections 20 years after its historic 1995 elections marked the end of the apartheid era. Over 179 million people went to the polls and voted in largely peaceful and credible elections (IFES, 2015; International IDEA, 2015). In Burkina Faso, mass protests led to the ouster of President Compaore in a short, successful transition. Several countries nevertheless continued to experience instability, acts of terrorism or conflicts.

In 2015, a record 266 million people could be called to the polls (IFES, 2015). Elections are planned, or have been held, in countries that are among both the continent's largest economies and most populated, including Egypt, Ethiopia, Nigeria, Sudan and Tanzania. In Nigeria, the April 2015 elections were hailed as the first handover between civilians of different political parties since independence.

Overall, **public sector management** has not improved much for the continent, but there has been some progress in specific areas, especially equity in the use of public resources, statistical capacities and public administration. The outbreak of the Ebola virus in Guinea, Liberia and Sierra Leone highlighted the fragility of health systems, although it also demonstrated the importance of a committed leadership at the community level.

The **business environment** has improved markedly in countries that needed it the most. Sub-Saharan Africa remains the region with the most difficult business environment, but it is also the region making the most progress, accounting for one in every three regulatory reforms worldwide. The ten countries that most improved their business environment from June 2013 to June 2014 include five African countries that were in the bottom quintile globally for ease of doing business: Benin, Côte d'Ivoire, DRC, Senegal and Togo. The fact that these countries remain in the bottom quintile, however, indicates that further efforts are needed.

## African economies must prepare for global and domestic changes

This year's *African Economic Outlook* finds the continent poised to resume its medium-term growth trend. However, looking beyond 2016, a number of internal and external factors may alter the context in which African policy makers seek to accelerate growth and deepen structural transformation. African economies have to take those changes into account and adapt their development strategies accordingly.

### Africa's recent growth episode has been building on greater political stability, a favourable global economic landscape and sound economic policies

Figure 1 above shows that Africa's medium-term trend of positive growth – 5% per year on average since the turn of the century – was upset in 2009 and 2011. This corresponds to two events: in 2009, demand fell from OECD countries hit by the global economic and financial crisis, and in 2011, the Arab Spring suddenly froze growth in Egypt, Libya and Tunisia. However, on both occasions, the continent's average growth rates recovered, mainly due to the good performance of East and West Africa. This episode of growth is in sharp contrast with the 1980s and 1990s, Africa's so-called "lost decades". When comparing the performance of individual countries between 1986-2000 and 2001-14, three main factors appear to have accelerated growth:

- *Greater political stability*: Many countries that recorded growth below 2% during the period 1986-99 suffered from civil wars, military coups or social unrest (Algeria, Angola, Burundi, the Central African Republic, DRC, Djibouti, Guinea-Bissau, Niger, Rwanda and Sierra Leone). By contrast, between 2001 and 2014 violent conflict has receded overall and political stability improved – although several economies suffered again, at least temporarily, from political unrest.
- *High commodity demand and soaring prices*: During the 2000s, Africa has been benefiting from a shift of global wealth. World output growth has accelerated, mainly driven by China and other emerging nations. This has boosted demand for oil and minerals and increased commodity prices, which has benefited Africa's resource-rich countries, whose reserves are among the least exploited globally (AfDB et al., 2011; AfDB et al., 2013). Over the first decade of the century, African exports to Europe doubled, exports to emerging economies quadrupled and exports to China alone increased by a factor of 12 (Figure 4). By the middle of that decade, foreign investment, stimulated by a global savings glut, poured into mines and agriculture (e.g. biofuels), but also into the infrastructure necessary to exploit them, such as ports, roads, electricity and support services (e.g. banking, insurance, transportation). Average annual growth in several resource-rich countries (Angola, Chad, Equatorial Guinea, Nigeria and Sierra Leone) rose to 8% and more between 2001 and 2014. In Zambia average growth accelerated from half a percentage point in 1996-2000 to almost 6% in 2001-14. Mozambique and Ghana, which are not classified as resource rich but where extractive industries have become more important, also attained high growth of almost 8% and close to 7% respectively.
- *Improved economic policies*: Lower inflation and stronger budgets due to more prudent fiscal policies, helped by debt relief, have improved macroeconomic stability and supported growth in many countries. Governments are improving the business environment and promoting structural transformation from traditional towards more productive activities. This has helped some countries without resources, such as Ethiopia and Rwanda, to attain high annual growth of 8% or above.

In the coming decades, changes in the global context, rapid population growth and growing social demands will create new opportunities and new challenges to which African policy makers will have to respond with innovative development strategies.

## To sustain growth and accelerate transformation, African economies will have to prepare for new global conditions

### The global context may be less favourable than in the 2000s

The gradual strengthening of African economies is what the AEO 2015 sees as the most likely outcome. But if the global economy weakens and commodity prices fall further, Africa's growth will be affected. This could be through lower exports of goods and services, including tourism, and possibly also lower inflows of foreign direct investment, official development assistance and workers' remittances. Another external risk is financial market volatility and exchange rate pressures in some countries. This could also be caused by volatile capital movements if market expectations change about the likely evolution of monetary policies stance in key countries, notably the United States.

The medium- to long-term prospects for the global economy are less favourable than during the last decade. According to Braconier, Nicoletti and Westmore (2014), growth in the OECD and emerging G20 countries is likely to decelerate from 3.4% in 1996-2010 to 2.7% in 2010-60. In addition, the growth-driving effect of emerging economies on Africa may also decrease: while the "shifting wealth" phenomenon seems set to continue, growth in those economies has been slowing down. A number of them now look unlikely to catch up with average OECD income levels by 2050, even if they maintained the average growth rates they enjoyed between 2000 and 2012 (OECD, 2014b). These include lower-middle-income countries (e.g. India, Indonesia and Viet Nam) as well as upper-middle-income ones (such as Brazil, Colombia, Hungary, Mexico and South Africa). While China remains among those countries likely to catch up, it is "shifting to a lower but still rapid and likely more sustainable growth path" (OECD, 2015).

In addition, African economies will continue to face stiff competition on global markets, in terms of costs, quality of goods and services, and production potential. Last year's AEO demonstrated the opportunities offered by greater participation in global value chains and upgrading in the agricultural, manufacturing and services sectors but showed the limited impact in terms of business development and job creation in formal companies so far (AfDB et al., 2014).

### Africa is vulnerable to climate change

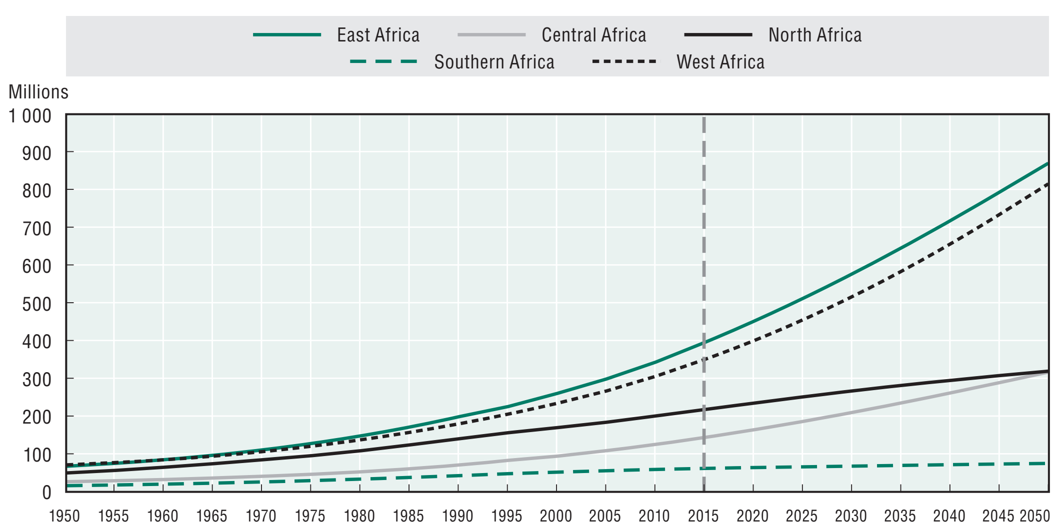
Unlike countries that industrialised earlier, African economies face the challenge of structural transformation in a global context of climate change. The negative effects of climate change-related hazards on agricultural resources heavily affect the poorest who largely depend on them not only for food but also for jobs. Pressure on already limited water supply is expected to increase sharply due to changes in water cycles caused by erratic rainfall and to affect negatively the production of annual crops such as cereals and cotton, or perennial crops like coffee, cocoa and palm oil.

Livestock may also suffer from shrinking water supply, as grazing land is divided and damaged, and new diseases arise. As the demographic pressure on land grows, gathering wood for fuel will cause deforestation, as will developing agriculture and felling for timber. The recent growth episode has compounded the deterioration of environmental resources. The related challenges must be taken into account in African development strategies, based on local contexts.

## Demographic growth will create both opportunities and challenges

Africa's population of 1 billion in 2010 should double by 2050, although the magnitude of the increase will vary across the continent. South Africa and the region of North Africa will be less affected (Figure 6).

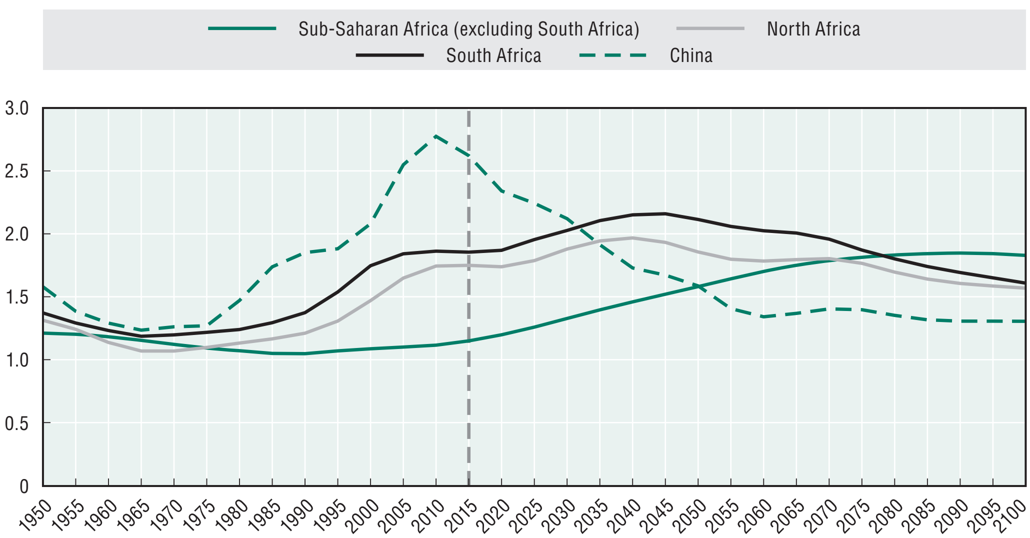
Figure 6. **Population growth in Africa, 1950-2050**




*Note*: Medium fertility scenario.
*Source*: UNDESA (2012).

Those demographic changes bring about both opportunities and challenges. On the one hand, the ongoing demographic transition opens a window of opportunity, as the working-age population increases. The ratio between those inside and outside the workforce, the activity ratio, will increase over the next several decades and possibly create a demographic dividend for sub-Saharan Africa. The number of active people supporting inactive people will increase due to lower birth-rates; this will free up resources to improve living conditions (e.g. education, health care and housing) and boost savings and investment. And it will remove a long-lasting, heavy burden from Africa, although differences between countries will be significant. In the 1990s, there was practically one active person for each inactive one. The average activity ratio is expected to steadily rise and continue well beyond 2050. By that time it is forecast to reach 1.6 active people per inactive person in sub-Saharan Africa (still less than China's current level) (Figure 7). Ahmed et al. (2014) estimate that Africa's demographic dividend could contribute 10-15% of gross GDP volume growth by 2030.

Figure 7. **Activity ratios in sub-Saharan Africa, North Africa, South Africa and China, 1950-2100**

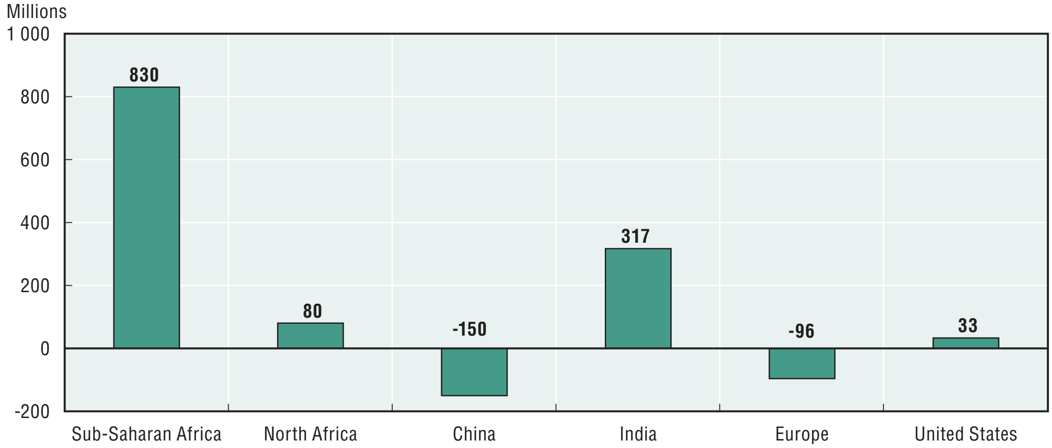



*Note*: Aggregate ratios are population weighted. The activity ratio is the ratio between the working-age population (15-64) and the dependent-age population (under 15 and over 65). Projections are modelled using the medium fertility variant.

*Source*: Authors' calculations based on data from UNDESA (2012).

On the other hand, the rapid growth of Africa's workforce will increase the pressure on labour markets. The workforce is expected to increase by 910 million people between 2010 and 2050, of which 830 million in sub-Saharan Africa and 80 million in North Africa. Creating more productive jobs, a major stake in Africa's structural transformation, becomes even more pressing. The estimated numbers of youth joining labour markets in 2015 are about 19 million in sub-Saharan Africa and 4 million in North Africa. Over the next 15 years, the figures will be 370 million and 65 million respectively, or a yearly average of 24.6 million and 4.3 million new entrants. The upcoming growth in Africa's workforce represents two-thirds of the growth in the workforce worldwide (Figure 8).

Figure 8. **Projected workforce growth, 2010-50: Sub-Saharan Africa, North Africa, China, India, Europe and the United States**




*Source*: UNDESA (2012).

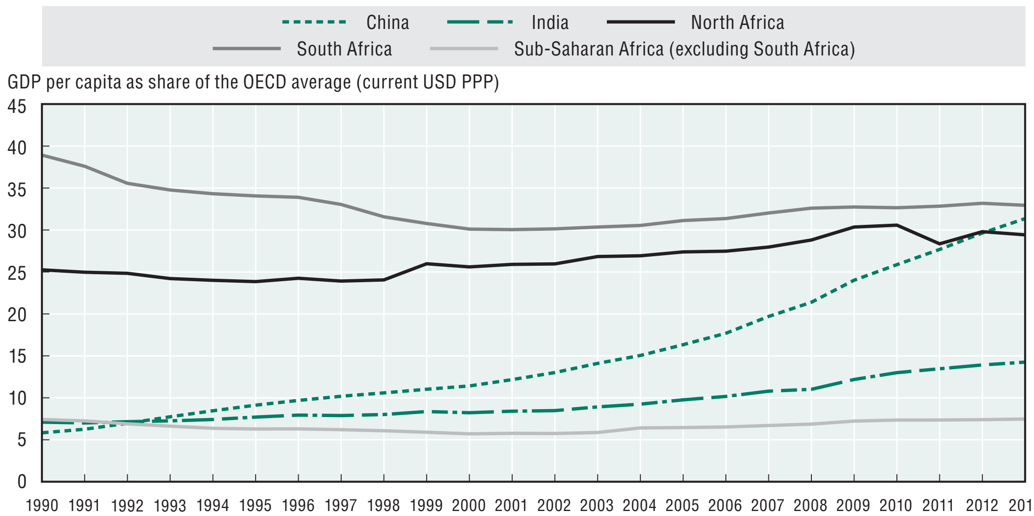
## African citizens' expectations of more inclusive growth will increase

One major lesson from Africa's ongoing growth episode is that political and social stability are prerequisites for economic growth. But stability also depends on how the fruits of growth are shared. In this respect many African countries rank poorly. Among countries with average growth above 6% from 2001 to 2014, Ethiopia had the highest ranking with respect to inclusive growth (Ncube, Shimeles and Younger, 2013). Other countries with similarly high or even higher GDP growth ranked much lower. There is an urgent need to sustain growth and make it more inclusive.

### Growth needs to be made more inclusive

Assessing the performance of African countries in terms of GDP per capita shows that only a few of them have engaged in a convergence process with high income countries. In particular, sub-Saharan Africa's GDP per capita as a share of the OECD average has stagnated: it declined slightly in the 1990s before returning to only 7% in 2013 (Figure 9). Convergence is thus the exception rather than the rule. Between 1950 and 2009, King and Ramlogan-Dobson (2015) identified six converging countries: Botswana, Egypt, Lesotho, Mauritius, the Seychelles and Tunisia. Another six – Cabo Verde, Chad, Ethiopia, Gambia, Tanzania and Uganda – initiated the process, mostly in the 2000s. The more recent convergence of Algeria, Cameroon, Ghana, Namibia, Niger and Senegal must continue to be consolidated. The World Bank (2015a) forecasts that by 2030, despite major efforts in the context of current policies, 19% of Africa's population will still live in poverty. Those 300 million people will then represent 80% of the global population living on less than USD 1.25 a day in 2005 purchasing power parity.

Figure 9. **Share of OECD countries' gross domestic product per capita for Africa, China and India, 1990-2013**



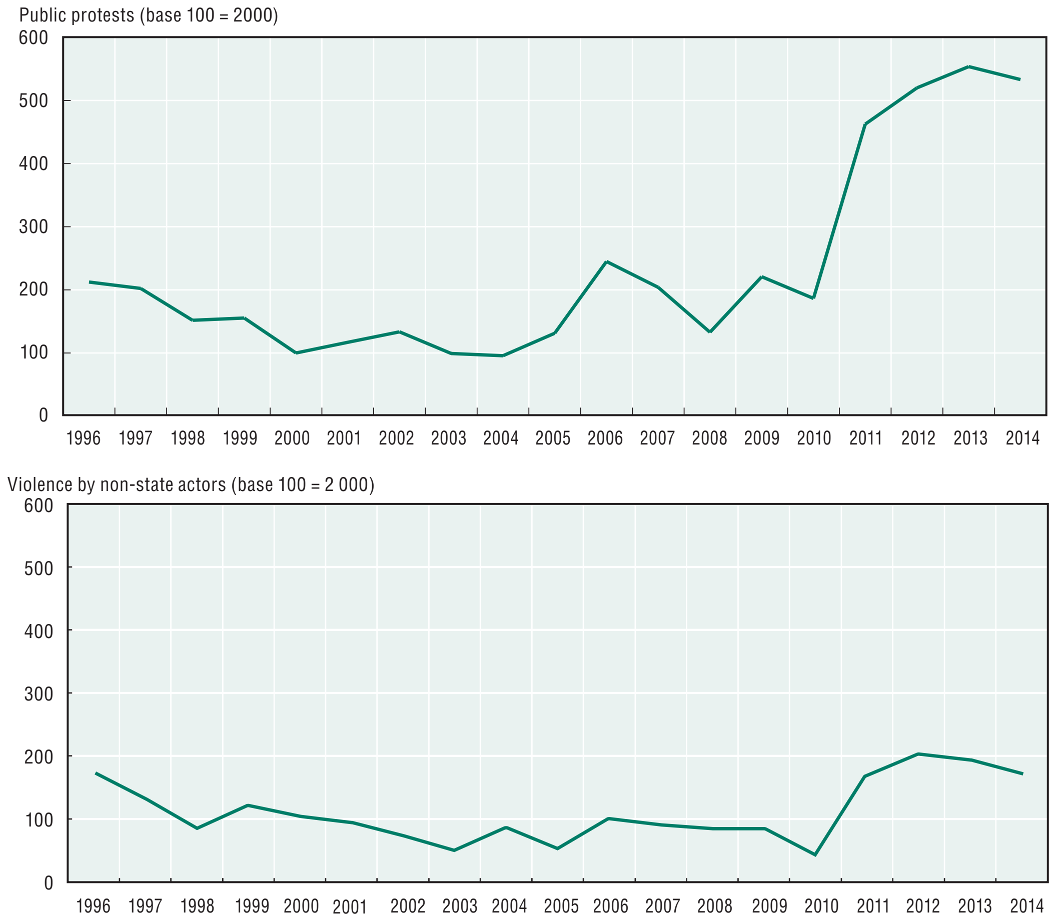

*Source:* World Bank (2015b); OECD National Accounts data files.

Relatedly, job creation has been slow. Although structural transformation did increase slightly since 2000, the change has been insufficient (AfDB et al., 2013). Overall, between 1990 and 2005, "labour seems to have moved" from relatively high-productivity sectors (wholesale and retail trade, and manufacturing) to low-productivity sectors (informal services and agriculture); as a result, labour productivity fell by 1.3 percentage points per year and eliminated more than half of within-sector productivity gains. Some countries did experience positive structural transformation (Ghana, Ethiopia and Malawi), but not enough to fundamentally transform their economies (UNECA/AU, 2014). As a result, the benefits of Africa's recent growth episode have been shared unequally between countries and within them, raising the question of their sustainability and effectiveness. Growth so far has failed to create the amount and quality of jobs that young entrants in labour markets demand: the African Economic Outlook 2012 found that only some 7% of the population aged 15-24 in African low-income countries had a decent job, and 10% in middle-income countries (AfDB et al., 2012).

### Social demands are on the rise

The *African Economic Outlook's* indicator of public protests monitors strikes and demonstrations with political, economic or social motives (Figure 10). Since the mid-1990s the intensity of the protests has experienced three successive movements: a reduction by half by 2004; a rebound in 2005-07 when high levels of inflation hit African households, notably through hikes in prices for food and fuel; and a sharp increase in the wake of the revolutions of the Arab Spring.

Figure 10. **Public protests and violence by non-state actors in Africa, 1996-2014**



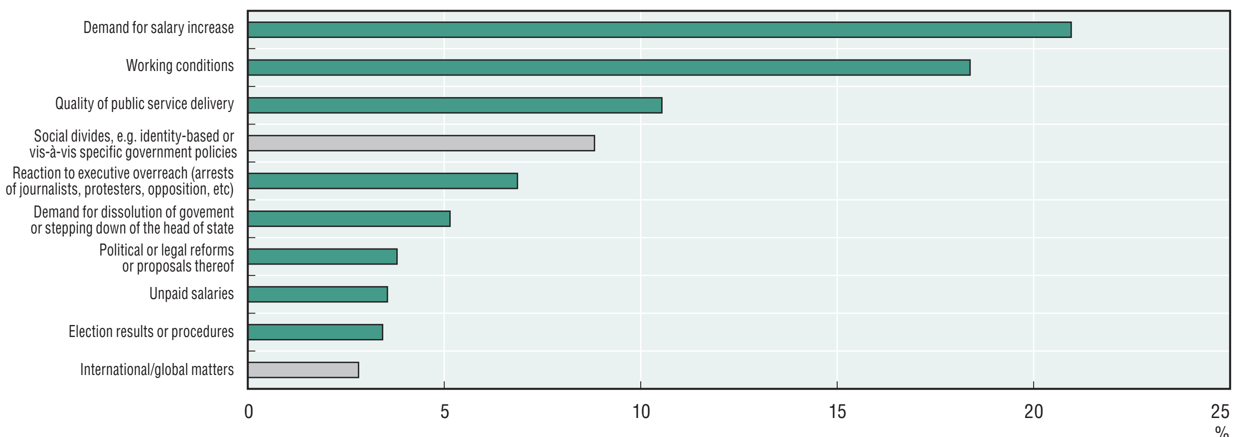

*Note*: See full methodology and data by country in the Statistical Annex of this report.
*Source*: Authors' calculations based on news verified by press agencies (*Marchés Tropicaux et Méditerranéens* for 1996-2005, AFP and Reuters for 2006-14).

Remarkably, this rise in public protests contrasts with the "flatter" trend of violence by non-state actors. Also worth noticing is the fact that, while some governments have resorted to violence against demonstrators, most have shown a growing tolerance for freedom of expression. After peaking in 2013, at levels more than five times higher than ten years before, protests started to decrease slightly in 2014. This trend reflects an easing of tensions in most African countries, which contrasts with heightened tensions in a limited number of hot spots. The political normalisation of countries that had been in crisis, particularly since the Arab Spring, partly explains the overall decline in the intensity of protests.

Importantly, in 2014 as in the previous years, top drivers of public protests continue to be employment-related claims for wage increases and better working conditions, followed by demands for better public services (Figure 11). This confirms Afrobarometer's findings in 34 countries that Africans are increasingly dissatisfied with public provision of basic services and that "lived poverty at the grassroots remains little changed" despite the recent growth episode (Asunka, 2013; Dulani, Mattes and Logan, 2013). Similarly, according to the Ibrahim Index of African Governance (Mo Ibrahim Foundation, 2014), while "sustainable economic opportunity" had been a driver of positive governance trends over 2005-09, it contributed slightly negatively to the index over 2009-13. Lack of decent jobs and participation in the wealth accumulated over a decade of steady growth thus stand out as sources of frustration. However, there was also a rise in less traditional motives, such as political divides among citizens and, for the first time in the top ten list, protests over international or global matters.

That citizens should increasingly turn to mostly peaceful means of expressing social and political claims is good news, as the demand for better opportunities and more accountability is a prerequisite for improved governance. It does however increase the pressure on governments to provide viable answers to these claims, especially in the context of fast demographic growth.

Figure 11. **Top drivers of public protests in Africa, 2014**




*Source:* Authors' calculations based on news verified by AFP and Reuters.

## Africa needs innovative development strategies

Despite some progress over the last decade, current policies have not proved effective enough at speeding up job creation in productive sectors. In the decades to come, a fast rise in urban and rural populations and the constraints of global competition will make the challenge of transforming the continent a unique undertaking, although with wide variations between the various subregional and national contexts. Africa's transformation path will thus have to cross unchartered territory.

### Past experiences of demographic, urban and economic transition may inspire action, but they cannot provide blueprints

Structural transformation typically sees productivity growth in agriculture release workers from farming, pushing them towards urban areas where higher productivity sectors locate as they benefit from higher economies of agglomeration and knowledge spill-overs. Progress in income, health and education are usually associated with a demographic boom which also fuels urbanisation until fertility eventually decreases. Strikingly, however, this traditional model of structural change does not seem to apply to most African countries:

- Firstly, both cities and rural communities are booming. The majority of Africa's population is likely to remain rural until the mid-2030s, while the majority of the world's population has lived in urban areas since 2007. Continued demographic growth in the rural areas means that productive opportunities must be created everywhere: policies focusing mainly on moving the rural labour force to productive activities in the cities may not be enough.
- Secondly, urbanisation in Africa has so far occurred without industrialisation (Losch, Fréguin-Gresh and White, 2012). Most rural migrants have moved from

low-productivity activities in rural areas to those in the urban sector, where informal settlements have been mushrooming in the absence of comprehensive urban development strategies (Kayizzi-Mugerwa, Shimeles and Yameogo, 2014; see Special theme section). Lack of opportunities in the cities has even led some migrants to return to rural areas.

- Finally, the pattern of Africa's insertion in international trade – dependency on commodity exports and increased openness to cheap food imports – has altered the market relations between cities and the countryside. For earlier industrialisers in Asia or Europe, the hinterland supplying the city with goods it produces was an essential driver of structural transformation.

Effective transformation strategies need to draw from Africa's own experiences and those of others, but they must also focus on the uniqueness of Africa's transformation challenge.

**Current policy options may be insufficient to exploit Africa's full potential for structural transformation**

Given the unique set of challenges confronting the continent, "business-as-usual" will not be enough. African institutions are thus giving priority to structural transformation, an overarching objective of the African Union's Agenda 2063. Experts have put forward several policy options in pursuit of that objective, but none of them alone may be sufficient to address the continent's challenges. Although each option holds a part of the answer, they tend to prioritise one sector, overlook the importance of demographic dynamics and sometimes underestimate the constraints imposed by the global context (Losch, 2015; Table 3).

African policy makers thus need innovative, effective ways of articulating those policies. While there is little doubt that job creation must be the central priority, the options are not necessarily exclusive. Drivers of change differ according to the context: "Perhaps it will be agriculture-led growth. Perhaps it will be services. But it will look quite different than what we have seen before" (Rodrik, 2014). New development strategies must combine the merits of existing options so as to build on each economy's unique assets and chart original paths towards structural transformation. At the continental level, those assets represent an immense potential:

- a young and growing active population
- a fast growing domestic market of 1.1 billion people expected to grow by about 1.2 billion by 2050, with an emerging middle class of urban consumers (Africa's combined consumer spending was USD 680 billion in 2008 and is projected at USD 2.2 trillion in 2030; AfDB, 2011)
- a diversity of ecosystems: Africa hosts a quarter of the world's approximately 4 700 mammal species, a fifth of the world's 10 000 bird species and 40 000-60 000 plant species (UNEP, 2006)
- abundant and largely under-exploited natural resources, including an estimated 10% of the global reserves of oil, 40% of gold and 80-90% of chromium/platinum group metals (AfDB et al., 2013)
- large scale and vast land areas, with around 24%, – 600 million hectares – of the world's arable land.

However, in a context of wide spatial disparities, those assets are not easily identified and exploited by private and public actors, who tend to focus on a limited range of large urban centres and natural resource enclaves. This year's *African Economic Outlook* therefore zooms in on regional development and spatial inclusion. It concludes that multi-sectoral, place-based and participatory development strategies can contribute to unlocking the potential of Africa's diverse regions.

Table 3. **Alternative strategic options for accelerating Africa's transformation: Strengths and weaknesses**

| Strengths | Weaknesses |
|---|---|
| **Industrialisation** | |
| • Increasing manufacturing costs in Asia, the shift to task-based production, outsourcing and intra-firm trade (GVCs) open up new opportunities for light manufacturing, which requires less capital, fewer technical and managerial skills and remains viable in fragile environments.<br>• Africa may emulate export-led strategies of developed and emerging economies by improving trade facilitation, increasing access to energy, investing in skills and implementing smart industrial policies. | • The hurdles related to appropriate public policies, institutions, governance systems and sustainability are many.<br>• Technical change has gradually rendered manufacturing more capital- and skill-intensive, triggering premature de-industrialisation in many developing countries.<br>• Manufacturing is increasingly service-intensive: underdeveloped service sectors may thus hamper its emergence and competitiveness.<br>• Industrialisation alone may not suffice to create the almost 30 million additional jobs Africa will need every year. |
| **Service-led growth** | |
| • Jobs in services continue to expand.<br>• Services related to outsourcing, new information and communication technologies, and cloud computing present multiple possibilities. | • Services are becoming increasingly tradable. The challenges associated with winning effective market shares are numerous.<br>• Productive services require high-skilled workers, whereas the African workforce is mostly low-skilled.<br>• It is uncertain whether opportunities sufficient enough to enable countries to bypass industrialisation. |
| **Natural-resource-based development** | |
| • Investing natural resource revenues wisely and simultaneously developing industrial policies could diversify economies.<br>• Under adequate conditions, extractive sectors can generate linkages and support the upgrading of suppliers.<br>• Improving transparency, tax collection, public spending, the management of public companies, and the social and environmental impacts of mining would sustain growth. | • Governance deficits exist in the extractive sector.<br>• There are environmental limits.<br>• International prices are volatile and global demand is uncertain as emerging economies slow down. |
| **Green growth** | |
| • Dramatic changes in Africa's production and consumption modes could initiate the world's energy transition and lead to a more sustainable development path.<br>• The potential to leverage renewable energy sources is huge. | • Such a transition would take a long time.<br>• The current resource extraction model will most likely continue to mobilise significant investments in the short to medium term. |
| **Agriculturally-based growth** | |
| • Agriculture is the first employer; the population in rural areas and overall demand for agricultural products will continue to grow.<br>• Agriculture plays an important role in structural transformation and directly reduces poverty.<br>• Improved agricultural performance played a major role in the economic successes of East and Southeast Asia. | • It is unsure how to reconcile absorbing a significant share of the workforce while dramatically improving agricultural productivity.<br>• The debate over the best type of development model for agriculture, e.g. small- vs. large-scale farming, is inconclusive. |

## Special theme: Regional development and spatial inclusion

Poverty in Africa has a strong spatial dimension, and regional disparities are a major obstacle to structural transformation. They cut off remote areas from growth poles, deprive citizens of services, and prevent farmers and businesses from accessing markets. Spatial inclusion is thus a pillar of inclusive growth, together with economic, political and social inclusion (AfDB, 2013). Past efforts to tackle the regional disparities that hinder spatial inclusion have taken many forms but have had mixed success.

Box 3. **Definitions: Regions, regional development and spatial inclusion**

The term **region** refers here to spatial units at the supranational, subnational and cross-border levels.

**Regional development** refers to policies that improve welfare and increase economic productivity in the different regions of a country. It takes a positive approach to developing the potential of the spaces that usually go under the radar of national policy makers.

**Spatial inclusion** may be defined as the objective of connecting people to assets and public goods regardless of where they live or work. It may be pursued through policies promoting the development of regions, including lagging regions, by connecting them to one another, e.g. by providing infrastructure or basic services.

## Regional disparities and insufficient spatial inclusion hinder inclusive growth

### Spatial factors account for a great deal of pervasive poverty in Africa

Development is a spatially unequal process. Economic, environmental, social and political factors can catch lagging regions in "spatial poverty traps" (Bird, Higgins and Harris, 2010). Recent evidence seems to indicate that this is particularly true of Africa: while a paucity of data has prevented any systematic analysis on the underlying determinants of inequality on the continent, Shimeles and Nabassaga (forthcoming) report that close to 40% of asset inequality is mainly due to spatial factors (Table 4).

Table 4. **Determinants of inequality levels in 37 African countries**

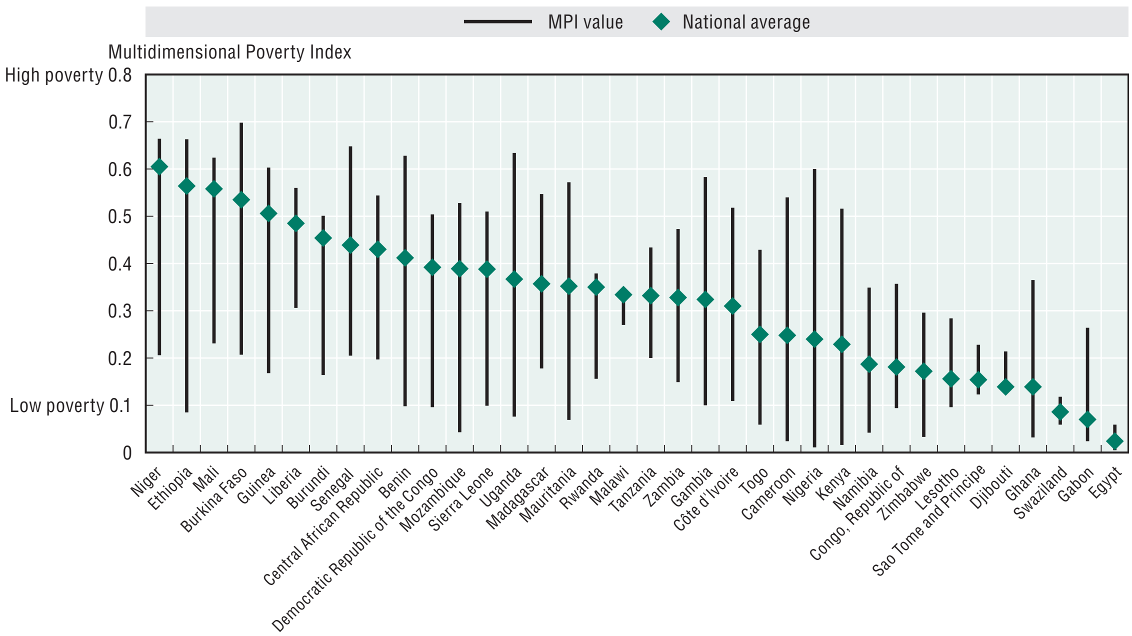
| Period | Average Gini coefficient for assets | Component due to spatial inequality | Component due to inequality of opportunities | Component due to other factors |
|---|---|---|---|---|
| Before 1995 | 0.42 | 0.37 | 0.11 | 0.52 |
| 1996-2000 | 0.43 | 0.34 | 0.13 | 0.53 |
| 2001-05 | 0.38 | 0.32 | 0.13 | 0.54 |
| 2006-09 | 0.4 | 0.34 | 0.14 | 0.51 |
| 2010-13 | 0.44 | 0.39 | 0.13 | 0.47 |

*Note*: Based on Demographic and Health Surveys from 37 countries conducted in 108 waves.
*Source*: Shimeles and Nabassaga (forthcoming).

### The spatial distribution of poverty reflects the continent's regional disparities

Household hardship may be assessed at subnational level by the Multidimensional Poverty Index (MPI), a composite measure of poverty headcount and poverty intensity consisting of ten indicators (e.g. electricity access, drinking water, sanitation): higher levels of the MPI correspond to higher levels of deprivation. Analysing its values in 36 African countries not only reveals major differences between capital regions and other regions, but also the larger regional gap in poorer countries, such as Ethiopia, Mali and Niger (Figure 12).

Figure 12. **Extreme and average Multidimensional Poverty Index values in 36 African countries, 2005-12**

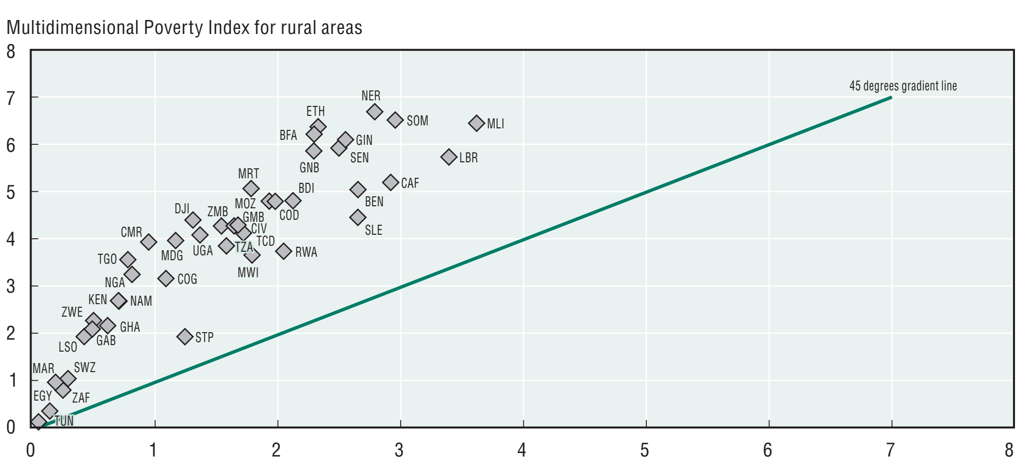



*Note*: The Multidimensional Poverty Index ranges from 0, the lowest value, to 1, the highest. It can be decomposed by region as well as by dimension.
*Source*: Alkire, Conconi and Seth (2014).

MPI data also illustrates the disparities between coastal and landlocked areas of many African countries, where the MPI corresponds to 0.23 and 0.43 respectively. In the 365 regions of 36 African countries, landlocked areas have a higher poverty headcount and intensity than the coastal areas, and the difference is statistically significant at less than 1%. The MPI says 86% of the poor (252 million people) live in landlocked areas and only 14% (41 million) in coastal areas.

Multidimensional poverty is also much higher in the countryside than in urban areas, although this relationship decreases with higher levels of a country's development. In 42 African countries the average aggregated MPI is 0.11 in urban areas against 0.39 in rural areas, with 74% of poor people living in the countryside. Overcoming this inequality is part of structural transformation: the rural-urban gap narrows with diversification, higher productivity and better rural living standards.

Figure 13. **Multidimensional poverty in Africa's rural vs. urban areas**




*Note*: The green line represents no rural-urban disparity in MPI values.
*Source*: Alkire, Conconi and Seth (2014).

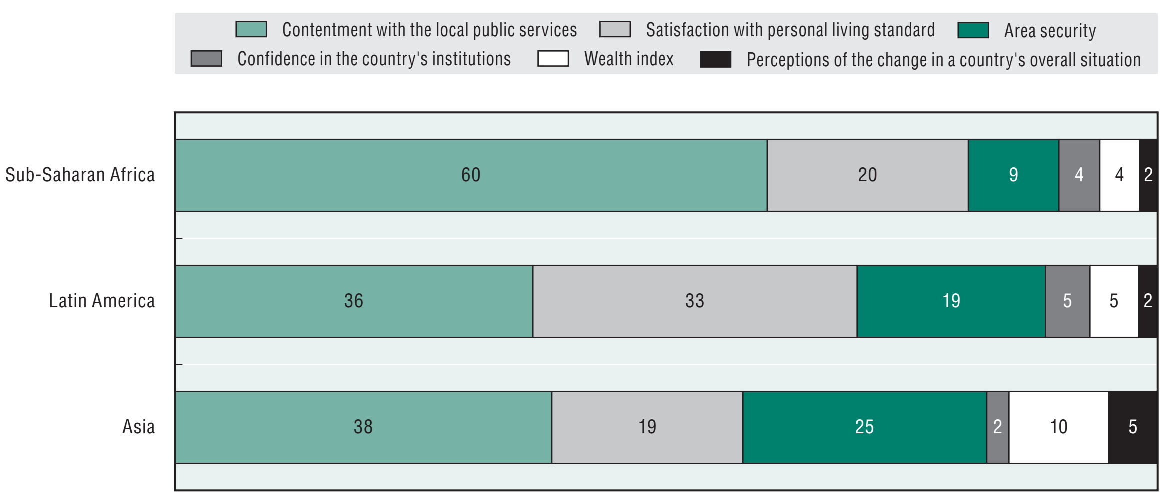
 

**Spatial inequalities fuel inefficient migration and urban poverty**

Spatial inequality is all the more important that the majority of Africa's population is likely to remain rural until the mid-2030s. By 2050, sub-Saharan Africa's rural population is expected to increase by two-thirds, i.e. 400 million more people. While this forecast should be interpreted with caution, notably due to the various definitions of "rural" and "urban", and to the fast changing dynamics that blur the borders between those categories, a general trend towards a significant increase in the "rural" population is to be expected.

Spatial inequalities can lead to significant migration flows, as migrants seek better opportunities elsewhere. However, spatially unequal provision of public services fuels migration that is economically inefficient: migrants looking for better public services may not find more productive economic activities in their new places of residence. At present, according to the Gallup World Poll, 29% of people in sub-Saharan Africa want to move away from their current areas, and dissatisfaction with local public services accounts for 60% of the variation in migration intentions compared with 20% for discontent with their personal living standard (Figure 14). Many migrants thus find low-paid informal jobs and still end up in poverty, often in the slums of megacities. Only 16% of the rural-urban gap in multidimensional poverty is explained by the gap in the deprivation intensity, suggesting that the deprivations faced by the rural and urban poor are similar.

Figure 14. **Relative contribution of explanatory variables to overall variation in migration intentions, 2014**




*Source:* Table 2 from Dustmann and Okatenko (2014), based on Gallup World Poll 2005-06.

The urbanisation process thus often turns the rural-urban gap into an internal urban problem with the apparition of slums. Sub-Saharan Africa's proportion of slum dwellers is higher than in any other region in the world: 35-50% of Africa's urban population have no access to safe water (Kayizzi-Mugerwa, Shimeles and Yameogo, 2014). In the vast informal settlements, this proportion is much higher; and only a fraction of housing units, if any, are connected to power grids and water mains. The unplanned and highly chaotic land-use pattern of informal settlements makes public service provision difficult. Moreover, their informal status makes them subject to demolition at any time, which discourages improvements in the quality of homes even as income increases. An estimated 50% of the population in Africa's urban informal settlements live below the absolute poverty line.

Therefore, policies aiming for sustainable and inclusive growth must address these acute spatial inequalities. Spatial management policies can support greater spatial inclusion. But how have spatial management policies fared so far in Africa?

## Regional policies have yielded mixed results

Two broad types of policies addressing spatial inequalities or stimulating regional development can be distinguished: actions targeting specific regions and places, and "non-spatial" policies with strong regional impacts.

### Policies targeting specific regions and places have been too scattered

In the past, regional development policies have been carried out in several African countries to tackle regional disparities and promote spatial inclusion. Generally, these different policies have met with little success and have been progressively brought to a halt since the 1980s, in the aftermath of the debt crisis. Today, some policy instruments continue to be applied, but they often remain patchy and lack an integrated and cross-sectoral approach, among other weaknesses. Current spatial policy instruments include the following:

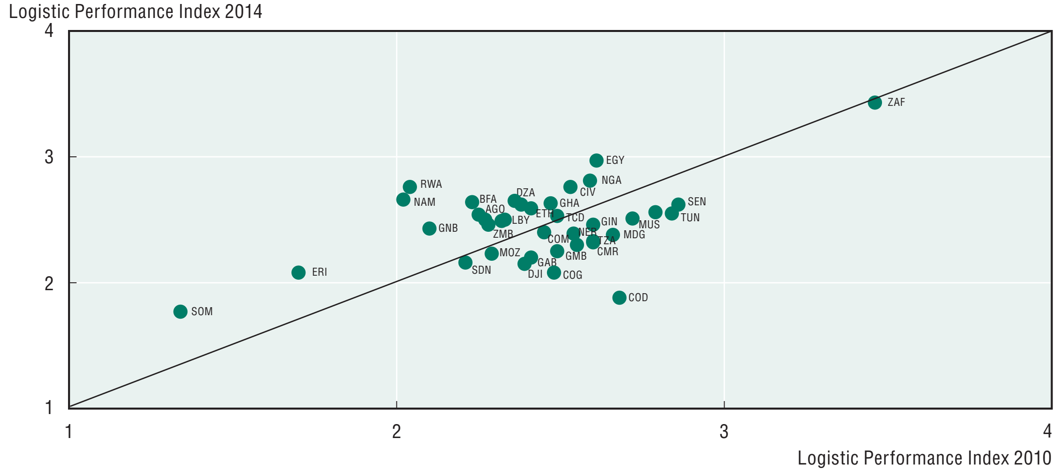
- *Special economic zones* (SEZs) can promote regional development (e.g. China's experiences of SEZs as a driver of growth) but in Africa they have not created massive employment so far; major obstacles include high costs of input, poor national investment climate, lack of coherent objectives, and misunderstanding of the multidimensional nature of place-based actions (e.g. social infrastructure not at par with economic infrastructure development).
- *Economic corridors* have been successful in certain cases, especially in East and Southern Africa. Economic corridors are integrated networks of soft and hard infrastructure connecting economic agents in a specific geographical area. They can cut costs and expand markets but require careful planning in order to mitigate potentially negative impacts on local firms.
- *Planned cities* and poles of growth can help balance urban networks if embedded in broader regional development strategies; if not, they may serve merely as instruments of regional favouritism.
- Policies that target *lagging regions* have been criticised for building "cathedrals in the desert", but they proved useful in countries facing high levels of spatial inequality under certain conditions (e.g. Ethiopia, Ghana or Uganda).
- Finally, some *multi-sectoral cross-border initiatives* boast international best practices, such as the Senegal River Basin Development Authority (OMVS), the cross-border co-operation programme known as SKBo (Sikasso-Korhogo-Bobo-dioulasso), or the Regional Park W in West Africa.

However, the sum of those spatial policy instruments does not constitute in itself a policy for regional development.

### "Non-spatial" policies with strong regional impacts have yet to reduce regional fragmentation and to empower local actors

In parallel with policies of spatial management, some sectoral national policies have positive spill-over effects on regional development. Progress in infrastructure development within and across national borders, especially transportation, ICT, energy and river basins, has contributed to reducing regional fragmentation and strengthened regional ties. For instance, 60% of the 37 African countries reviewed by the World Bank's Logistic Performance Index have improved their performance between 2010 and 2014 (Figure 15). However, additional financial resources and improved cross-border co-ordination are needed. According to the Africa Infrastructure Country Diagnostic, of the continent's USD 93 billion estimated annual needs for infrastructure, the funding gap stands at about USD 31 billion.

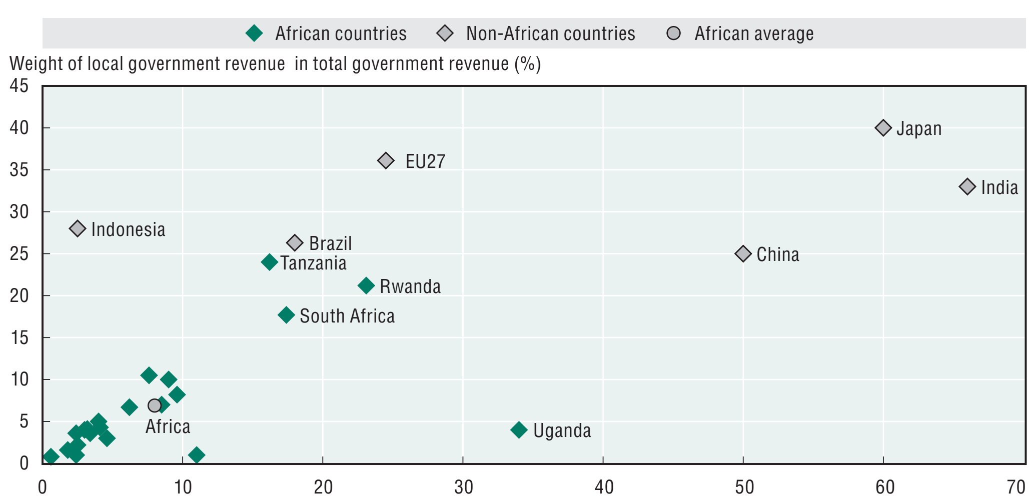
Figure 15. **Change in logistics performance for African countries, 2010-14**




*Note*: The World Bank's Logistic Performance Index has a scale of 1 to 5, where a score of 5 represents the best logistics performance. The diagonal line represents no change in performance between 2010 and 2014.
*Source*: Based on the World Bank's Logistics Performance Index (World Bank, 2010, 2014).

*Decentralisation*, a process for transferring powers and resources from the central government to lower levels of government, can also strongly affect regional development, including by empowering local actors and containing the rent-seeking behaviour of the elite. However, the political, administrative and fiscal components of decentralisation have progressed unevenly in Africa. In most countries, fiscal decentralisation has not kept pace with political decentralisation, thereby limiting local communities' ability to mobilise their economic potential. In Africa on average, the weight of local government revenue is 7% of the total revenue of local, regional and national governments combined, and the weight of local expenditure is 8% of total expenditure, far below those of other world regions (Figure 16). Lack of local capacity and transparency are the main obstacles to effective, decentralised governance.

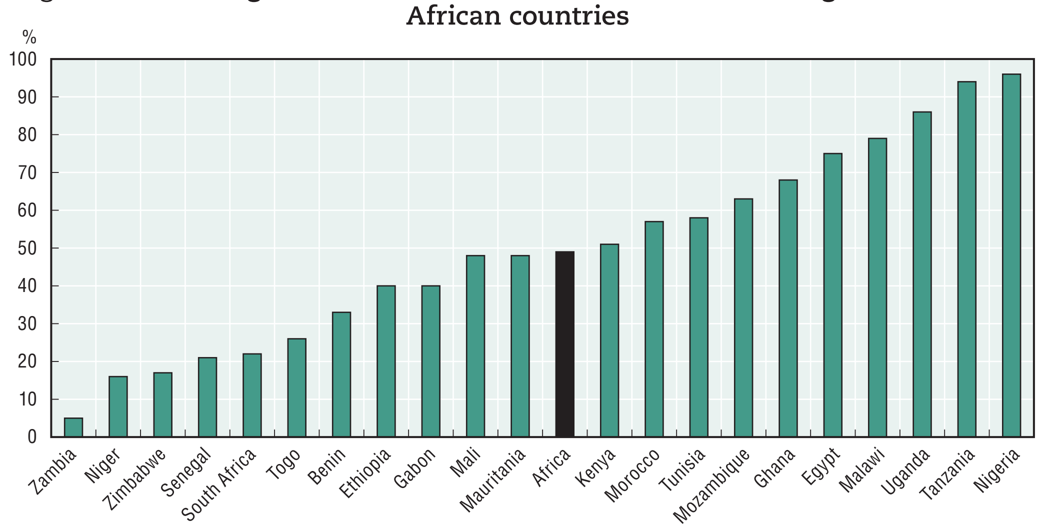
Figure 16. **Weight of local government in total government revenue and expenditure**




*Note*: Total government revenue and expenditure at all government levels, i.e. local, regional and national.
*Source*: UCLG (2010); Yatta (2015); Paulais (2012); IMF (2014).

Owing to their limited fiscal clout, most local governments depend heavily on central government transfers, which have generally been criticised for not being spatially progressive and for limiting the ability of local governments to invest efficiently (World Bank, 2009; OECD, 2009). Many local governments receive a significant share of their total revenues from central government transfers, even in decentralised countries like Tanzania or Uganda and in federal countries like Nigeria (Figure 17).

Figure 17. **Central government transfers as a share of local budgets in selected African countries**




*Source*: Yatta (2015); UCLG (2010).

**African regions and their resources too often escape the attention of policy makers**

Leaving aside the issue of the effectiveness of these different tools, and considering instead the daily practice of policy management, two major factors stand out that hamper effective regional policy making: strictly-sectoral approaches and inadequate information.

Regional, context-specific policies should not work in isolation from national and sectoral policies. Yet in practice, n*arrowly-defined sectoral approaches* tend to almost exclusively frame governmental action, hampering effective problem-solving at the local level:

- Sectoral policies alone overlook local knowledge, aspirations, resources and dynamics.
- Ministries may intervene along administrative boundaries, instead of focusing on functional areas, where social and economic activities effectively take place.
- Top-down, sectoral policies are exposed to risks of insufficient co-ordination, duplication and inter-ministerial competition.
- Sectoral lenses tend to limit action to a few specific tools, overlooking the complexity of problems. For instance, Paulais (2012) finds that, despite the significance of the urbanisation challenge, only 3 out of 30 African countries having prepared a Poverty Reduction Strategy Paper (PRSP) have urban strategies with relatively well-defined budgets. Most African countries' PRSPs are structured around the themes of governance, economic growth and infrastructure.

In addition, a *salient lack of knowledge* about African regions and local economies drastically impedes the capacity of policy makers to identify and unlock their potential:

- In particular, subnational statistics are limited to a few basic variables, which are insufficient to understand regional economies.
- In several countries, entire groups within a population and sectors of the economy are overlooked. A case in point is the "informal sector": although it accounts for the bulk of employment in most countries, it remains insufficiently understood and its potential insufficiently captured.
- While a number of initiatives, such as the ECOLOC programme (SWAC/PDM, 2001) or the West African Long-Term Perspective Study (Cour and Snrech, 1998), have aimed to fill the gap in information on local economies, most have been discontinued.
- This inadequacy of information is compounded by rapidly-changing regional dynamics in many African countries. The static categories of "rural" and "urban" no longer capture the appearance of hybrid lifestyles and socio-economic behaviours related to intensifying and diversifying rural-urban migration patterns and diffusing new technology (Berdegué and Proctor, 2014; Losch, Magrin and Imbernon, 2013; Agergaard, Fold and Gough, 2010; Tacoli, 2002).

## Regional development strategies can help find innovative solutions to Africa's structural transformation challenge

### From catch-up policies to a positive strategic approach

Both the mixed results of spatial policies so far and the novelty of the conditions of Africa's structural transformation call for new approaches. Instead of merely attempting to compensate for spatial inequalities, African economies need to liberate the potential of their many regions to foster endogenous growth and accelerate structural transformation. Top-down, subsidy-based interventions aiming to temporarily alleviate regional inequalities must give way to a broader family of policies increasing regional competitiveness and innovation, mobilising untapped resources and stimulating the emergence of new activities (Table 5).

*Regional development* thus takes a positive approach to developing the potential of the spaces that usually go under the radar of national policy makers: it aims to improve welfare and increase economic productivity in the different regions of a country. Spatial inclusion, as a related objective, will improve the connectivity of those regions.

Table 5. **Old and new paradigms of regional policy**

| | Old paradigm | New paradigm |
|---|---|---|
| Objectives | To compensate temporarily for disadvantages due to the location of lagging regions | To tap underutilised potential in all regions, enhancing regional competitiveness |
| Strategies | Sectoral approach | Integrated development projects |
| Tools | Subsidies and state aids | Mix of soft and hard capital (capital stock, labour market, business, environment, social capital and networks) |
| Actors | Central government | Different levels of government |

*Source*: Based on OECD (2009).

Promoting regional development requires revamping the entire policy process, and therefore adopting place-based, multi-sectoral and participative *development strategies* that do the following:

- *Focus on local assets* that constitute untapped resources for development: those assets can be either *generic resources* – e.g. natural resources like gas – or *specific resources*, e.g. cultural heritage, the rural landscape and certain types of know-how. The latter are only "activated" when they are used and get a market value (Table 6).

- *articulate various sectoral policies* and public investments in a regional framework, as complementarities and trade-offs come with the place where they are located.
- *engage different actors* in multi-level government settings, and in particular promote the active participation of local stakeholders, so as to reduce asymmetries in information and knowledge between national and local actors.

Table 6. **Examples of specific African resources activated through the participation of local stakeholders**

| Specific local resources | Country | Development outcome |
|---|---|---|
| Dry figs from Béni Maouche<br>Pepper from Ighil Ali | Algeria | Productivity increase, added value to product, income increase |
| White pepper (IGP)* from Penja | Cameroon | Profit rate increase, income increase, product protection |
| Dry figs and weaving from Béni Khedache | Tunisia | Commercialisation and valorisation of the product, income increase |
| Fine garments | Madagascar | Massive creation of employment, industrialisation, exportation increase |
| Regional Park W's natural and cultural endowments | Benin, Burkina Faso, Niger, Nigeria | Ecotourism, cultural tourism, tree-planting using indigenous species, processing of goods made from natural resources |
| Tedla's landscape heritage | Morocco | Ecotourism, employment creation as local tour guides |

*Note*: * *Indications Géographiques Protégées* (protected geographical indication).
*Source*: AFD/CIRAD (2014); Campagne and Pecqueur (2014); Fukunishi and Ramiarison (2012); SWAC/OECD (2005).

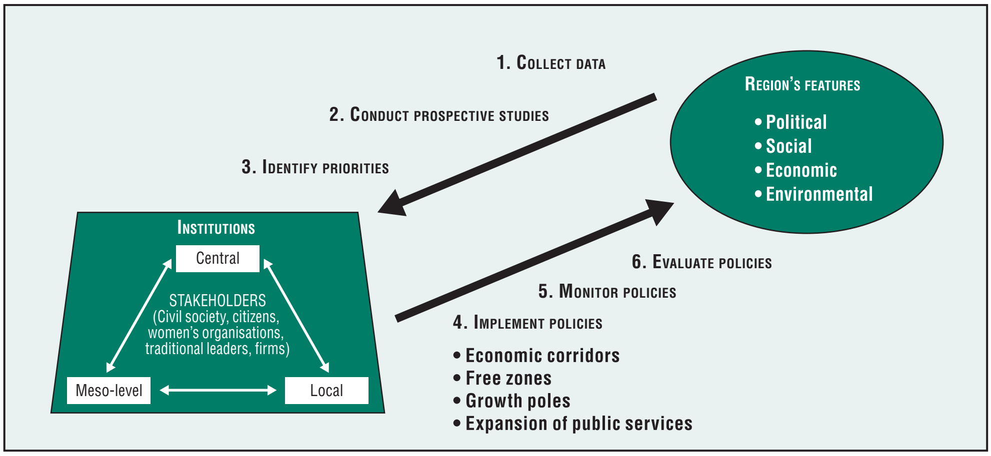
### How to craft development strategies for regional development

Seven main steps may guide the formulation of development strategies at regional level (Figure 18):

- Stakeholders and traditional institutions collect reliable data, including statistics, to obtain the most knowledge possible about the region. Data shortages should not prevent the process from continuing.
- Scenarios for the region's future are laid out through foresight studies and participatory processes, taking into account uncertainties related to missing data. This leads to building a vision for the country's future based on local potential and opportunities.
- Based on the scenarios and the economic, demographic and spatial conditions underpinning them, stakeholders and government identify a limited number of integrated priorities and spell out multi-annual policies for achieving them. The priorities are those that contribute the most to the country's long-term development strategy.
- Multiple levels of government, civil society and traditional institutions implement these policies, particularly as they participate in the scenario planning, priority setting and policy design steps. They co-ordinate their actions and use formal and informal checks and balances to ensure transparency.
- Policy implementation is monitored according to the key priorities. A pre-defined incentives framework ensures that the various levels of government responsible for implementing those policies are rewarded or penalised based on their achieving specific goals.
- Policy outcomes are evaluated to enable the various levels of government to address inefficiencies, adjust their multi-annual plans and, if outcomes are not met, reassess and redefine their vision and priorities.
- Fiscal revenues are used to support the overall strategy (not represented on the figure below).

Figure 18. **A strategic process for regional development**




**Four priorities for improving the effectiveness of regional development in Africa**

In order to improve the effectiveness of regional development strategies, four aspects deserve particular attention in many countries.

Firstly, a number of initiatives in Africa illustrate ways of *improving the mechanisms that inform policy design and implementation*.

- An *evidence-based culture of policy making* helps set targets and track progress in public sector performance. South Africa is one of the most advanced countries in disseminating socio-economic information as a participatory mechanism. For example, after Statistics South Africa published a national Multidimensional Poverty Index in 2014, the Gauteng City Region Observatory produced its own index the following year.
- The *data revolution* – a fundamental pillar of the post-2015 development agenda for improving governmental statistical capacity – will help policy makers understand the specificities of regions and adopt timely measures as the needs of their jurisdictions evolve (PARIS21, 2015). New technologies provide reliable and cost-efficient means to map local resources:
  - The Africapolis project estimates urban growth in 16 West African countries by combining demographic surveys and geographic information systems (GIS; see AFD et al., 2009).
  - A local project in Burkina Faso using very high spatial resolution (VHSR) satellite images produced a detailed regional map of land used for agricultural and other purposes with less than 2% errors in area estimation (Imbernon, Kabore and Dupuy, forthcoming).
  - Measuring the intensity of nightlights captured from satellites can complement official measures of income or inequality (Mveyange, 2015).
  - Mobile phone data may serve to assess the impact of policies; it has been used to optimise bus routes in Abidjan.

Secondly, *defining integrated strategic priorities* can be done even with limited data thanks to innovative approaches. Regional *foresight studies*, for instance, bring together different levels of government – national, regional and local – as well as non-state actors to map possible futures, identify opportunities and challenges, stimulate debates on pathways to development and lead to place-based solutions (Alvergne, 2008). The scope for progress is significant: while many African countries plan for the long term, few use regional foresights studies or a genuine participatory process. Out of 37 countries surveyed in the AEO 2015 report, 27 have medium- to long-term strategies, but while most span 20 years or more, only about a third foresee alternative scenarios. Finally, they tend to overlook the multi-sectoral nature of development and ignore local specificities.

Thirdly, *capacity must be strengthened at multiple levels of government* so as to make multi-level governance effective. This may be achieved by putting in place "binding" mechanisms – e.g. legal mechanisms or contracts between local and national administrations – or "soft" mechanisms, such as platforms for discussion. Rwanda's Joint Action District Forum is one example of such a participatory process where local stakeholders articulate development plans, set budgets and allocate district resources. Involvement of subnational governments in policy making takes time, but medium- to long-term benefits should outweigh the costs of co-ordination.

Finally, *resources* for multi-level governance must be substantially scaled up, and public and private institutions strengthened.

- Central governments will have to provide most of the funding. New resources may be mobilised through more effective taxation of natural resource extraction, the curbing of illicit financial outflows, effective channelling of resource revenues to production transformation (Box 4) or from innovative finance mechanisms such as funding from emerging economies, sovereign wealth funds (SWFs), funding from remittances or diaspora bonds.
- At the local level, fiscal systems must be bolstered across the board through transparent and predictable transfers from central governments, expanding the local fiscal base – for instance through more effective use of property taxes – and by progressively tapping capital markets, provided local governments respect national guidance for macroeconomic stability. Regional development requires strong local fiscal systems and transparent governance to finance local economies and the necessary infrastructure. Greater fiscal legitimacy of local governments is necessary to improve the local fiscal capacity: taxpayers are more likely to comply with paying taxes and to accept new forms of taxation if they perceive the benefits of related public spending, and thus consider the taxes to be legitimate.

### Box 4. **Using royalty payments for sustainable regional development: The case of Colombia**

Colombia's General System of Royalties, established in 2011, collects and manages the overall royalty payments from the exploitation of natural resources. It allocates revenues to:

- a pension fund for subnational public employees (10%)
- a savings and stabilisation fund (up to 30%)
- a science technology and innovation fund (10%)
- direct payments to resource-based departments and municipalities (25%, with a provision to gradually lowering that share to the benefit of the regional compensation fund and regional development fund)
- a regional compensation fund to invest in the infrastructure and development of poor regions and municipalities (15% to be gradually absorbed by the regional development fund)
- a regional development fund to promote the competitiveness and development of regions (10% initially).

The system introduced two innovations: all departments and the large majority of municipalities now have access to royalty revenues, regardless of their economic specialisation; and funds transferred to subnational levels are not earmarked: recipients can decide how to invest them on the basis of their needs and priorities.

*Source*: OECD, 2014c.

In sum, place-based, multi-sectoral and participative development strategies are one way of "decompartmentalising" existing policies, so as to tap the full potential of African regional resources. They provide an avenue for implementing the African Union's agenda of integration and structural transformation, including through its Rural Futures programme, which aims to reconnect rural and urban development within a regional perspective (NEPAD, 2010). International dialogue and exchange of experience will be essential to inspiring country-specific processes.

## Key facts and figures by subregions

### Central Africa

Central Africa's growth accelerated in 2014 to 5.6% from 4.1% in 2013. Economic conditions are, however, quite different between countries. The Central African Republic is affected by a political and security crisis. Despite some moderate growth, gross domestic product (GDP) will remain much lower than before the conflict broke out at the end of 2012. In Equatorial Guinea, GDP continues to fall due to lower oil production. All other countries in the region should remain on a relatively high growth path. Despite some damage from lower commodity prices, the mining sector and related investment remain the main engines of growth in the region. But in some of the countries, such as in Cameroon, the Democratic Republic of the Congo, Gabon, and Sao Tome and Principe, growth is broader based.

**Macroeconomic prospects for Central Africa**

| **Real GDP growth (%)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| **Africa (excluding Libya)** | **4.0** | **4.3** | **4.3** | **5.0** |
| **Central Africa** | **4.1** | **5.6** | **5.5** | **5.8** |
| Cameroon | 5.5 | 5.3 | 5.4 | 5.5 |
| Central African Republic | -36.0 | 1.0 | 5.4 | 4.0 |
| Chad | 3.9 | 7.2 | 9.0 | 5.0 |
| Congo | 3.3 | 6.0 | 6.8 | 7.3 |
| Congo, Dem. Rep. | 8.5 | 8.9 | 9.0 | 8.2 |
| Equatorial Guinea | -4.8 | -2.1 | -8.7 | 1.9 |
| Gabon | 5.6 | 5.1 | 4.6 | 4.7 |
| Sao Tome and Principe | 4.0 | 4.9 | 5.1 | 5.4 |
| **Overall fiscal balance, including grants (% GDP)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
| **Africa** | **-3.5** | **-5.0** | **-6.3** | **-5.3** |
| **Central Africa** | **-1.9** | **-5.3** | **-6.7** | **-6.0** |
| Cameroon | -4.1 | -5.2 | -6.4 | -5.8 |
| Central African Republic | -6.3 | -3.2 | -3.8 | -3.7 |
| Chad | -2.7 | -5.6 | -5.2 | -4.1 |
| Congo | 8.3 | -5.4 | -7.0 | -2.3 |
| Congo, Dem. Rep. | -1.7 | -3.7 | -3.9 | -4.6 |
| Equatorial Guinea | -4.5 | -7.2 | -7.9 | -8.1 |
| Gabon | -3.2 | -6.6 | -13.2 | -11.8 |
| Sao Tome and Principe | -11.3 | -9.4 | -7.2 | -8.0 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

## East Africa

East Africa's growth accelerated in 2014 to more than 7%, from below 5% in 2013. It is projected to decelerate to 5.6% in 2015 and accelerate again to 6.7% in 2016. East Africa will then again become the continent's fastest growing region. East Africa recorded the highest increase in foreign direct investment in 2014. Fluctuations in East African average growth are due to volatile development in South Sudan, where armed conflict cut oil production and GDP in 2013. It recovered in 2014 but is projected to decline again in 2015, although forecasts for this country are highly uncertain and depend on the evolution of the peace process. Ethiopia, Kenya, Rwanda, the United Republic of Tanzania and Uganda kept up their relatively high growth. As these countries have small mining sectors and their manufacturing is also not very large, or has declined as a percentage of GDP, their growth is more driven by services and construction. But countries are achieving growth with different degrees of sectoral transformation. In Ethiopia structural changes are most pronounced with the share of agriculture in GDP shrinking (although remaining higher than in the other countries) and services expanding more than in the other countries. In Sudan, growth remains weaker as the economy is still coping with the shock of South Sudan's secession in 2011 and the loss of oil revenues.

### Macroeconomic prospects for East Africa

| Real GDP growth (%) | 2013 | 2014 (e) | 2015 (p) | 2016(p) |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| **Africa (excluding Libya)** | **4.0** | **4.3** | **4.3** | **5.0** |
| **East Africa** | **4.7** | **7.1** | **5.6** | **6.7** |
| Burundi | 4.5 | 4.7 | 4.7 | 5.0 |
| Comoros | 3.5 | 3.5 | 3.6 | 3.6 |
| Djibouti | 5.0 | 5.9 | 6.0 | 6.2 |
| Eritrea | 1.3 | 2.0 | 2.1 | 2.0 |
| Ethiopia | 9.8 | 10.3 | 8.5 | 8.7 |
| Kenya | 5.7 | 5.3 | 6.5 | 6.3 |
| Rwanda | 4.7 | 7.0 | 7.5 | 7.5 |
| Seychelles | 6.6 | 3.8 | 3.7 | 3.6 |
| Somalia | … | … | … | … |
| South Sudan | -26.7 | 30.7 | -7.5 | 15.5 |
| Sudan | 3.6 | 3.4 | 3.1 | 3.7 |
| Tanzania | 7.3 | 7.2 | 7.4 | 7.2 |
| Uganda | 4.7 | 5.9 | 6.3 | 6.5 |
| **Overall fiscal balance, including grants (% GDP)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
| **Africa** | **-3.5** | **-5.0** | **-6.3** | **-5.3** |
| **East Africa** | **-4.4** | **-3.9** | **-4.5** | **-3.7** |
| Burundi | 0.4 | -1.2 | -0.4 | -0.4 |
| Comoros | 18.2 | -0.6 | 1.5 | 1.6 |
| Djibouti | -3.1 | -2.6 | -0.5 | -0.1 |
| Eritrea | -10.3 | -10.7 | -10.3 | -9.9 |
| Ethiopia* | -1.9 | -2.6 | -1.4 | -0.9 |
| Kenya* | -5.6 | -8.0 | -8.8 | -8.3 |
| Rwanda | -5.2 | -4.3 | -5.2 | -3.6 |
| Seychelles | 0.9 | 1.0 | 0.9 | 0.0 |
| Somalia | … | … | … | … |
| South Sudan | -12.8 | -3.7 | -5.9 | -5.3 |
| Sudan | -2.3 | -0.9 | -1.1 | -0.8 |
| Tanzania* | -6.9 | -3.8 | -6.2 | -5.3 |
| Uganda* | -2.6 | -4.9 | -5.8 | -5.0 |

*Note*: * Fiscal year July (n-1)/June (n).
*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

## North Africa

North Africa's growth remains uneven as fallout from the uprisings of 2011 is still affecting countries. Libya is highly unstable with power struggles between different groups and a collapse of political and economic governance. Its oil production declined again in the first half of 2014. Despite some recovery in the second half, growth was again negative in 2014 and prospects are highly uncertain. By contrast, in Egypt and Tunisia greater political and economic stability is helping to improve business confidence. The gradual recovery of export markets and improved security should support growth, including in tourism, although in Tunisia terrorist attacks in March have created new concerns. Algeria's oil production increased for the first time in eight years and is boosting growth together with the non-oil sector. In Morocco, agricultural production declined in 2014 from its exceptionally high level in 2013 and reduced GDP growth. But assuming normal harvests and better export markets, growth is expected to accelerate. Mauritania continues to achieve the highest and steadiest growth in the region, supported by favourable macroeconomic and structural policies. This was mainly boosted in 2014 by parts of the mining sector (iron ore) and construction and on the demand side by private consumption and private investment. The exceptionally high total investment of around 45% bodes well for future growth.

### Macroeconomic prospects for North Africa

| Real GDP growth (%) | 2013 | 2014 (e) | 2015 (p) | 2016(p) |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| **Africa (excluding Libya)** | **4.0** | **4.3** | **4.3** | **5.0** |
| **North Africa** | **1.6** | **1.7** | **4.5** | **4.4** |
| Algeria | 2.8 | 4.0 | 3.9 | 4.0 |
| Egypt* | 2.1 | 2.2 | 3.8 | 4.3 |
| Libya | -13.6 | -19.8 | 14.5 | 6.3 |
| Mauritania | 5.7 | 6.4 | 5.6 | 6.8 |
| Morocco | 4.7 | 2.7 | 4.5 | 5.0 |
| Tunisia | 2.3 | 2.4 | 3.0 | 4.1 |
| **Overall fiscal balance, including grants (% GDP)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
| **Africa** | **-3.5** | **-5.0** | **-6.3** | **-5.3** |
| **North Africa** | **-7.2** | **-11.1** | **-9.8** | **-7.7** |
| Algeria | -1.5 | -7.0 | -9.5 | -8.2 |
| Egypt* | -13.7 | -12.8 | -11.0 | -8.5 |
| Libya | -6.2 | -49.1 | -29.6 | -14.8 |
| Mauritania | -1.1 | -3.4 | -2.8 | -1.7 |
| Morocco | -5.5 | -4.9 | -4.2 | -3.8 |
| Tunisia | -4.6 | -4.7 | -4.5 | -4.2 |

*Note*: *For Egypt, fiscal year July (n-1)/June (n).
*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

## Southern Africa

Southern Africa's growth slowed to below 3% in 2014, and only a moderate recovery is projected for 2015 and 2016. The subdued performance is due to the relatively poor growth in South Africa. The key economy's growth fell to 1.5% in 2014 from 2.2% the previous year. It suffered from weakened demand in trading partners and lower prices for its raw materials, while labour unrest and electricity shortages disrupted economic activity. South Africa's growth is projected to recover gradually on the back of more buoyant export markets and improved competitiveness due to the large depreciation of the rand. In Angola, growth also decelerated due to the oil price fall, a temporary reduction in oil production as well as a drought, which reduced agricultural production. Angola's growth is projected to remain lower than for most of the past decade as government expenditures are depressed due to lower oil revenues. Mozambique and Zambia are achieving the highest growth in the region. Mozambique is mainly driven by so-called mega projects and large infrastructure investment, financed by foreign direct investment and the government. In Zambia, good harvests boosted 2014 growth and mitigated the effect of lower growth in mining, manufacturing and services. Growth is expected to remain strong in both countries, but more efforts are needed to broaden the economy and make growth more inclusive.

### Macroeconomic prospects for Southern Africa

| **Real GDP growth (%)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| **Africa (excluding Libya)** | **4.0** | **4.3** | **4.3** | **5.0** |
| **Southern Africa** | **3.6** | **2.7** | **3.1** | **3.5** |
| Angola | 6.8 | 4.5 | 3.8 | 4.2 |
| Botswana | 5.9 | 5.2 | 4.5 | 4.3 |
| Lesotho | 5.7 | 4.3 | 4.7 | 5.1 |
| Madagascar | 2.4 | 3.0 | 4.0 | 5.1 |
| Malawi | 6.1 | 5.7 | 5.5 | 5.7 |
| Mauritius | 3.2 | 3.2 | 3.5 | 3.6 |
| Mozambique | 7.4 | 7.6 | 7.5 | 8.1 |
| Namibia | 5.1 | 5.3 | 5.6 | 6.4 |
| South Africa | 2.2 | 1.5 | 2.0 | 2.5 |
| Swaziland | 3.0 | 2.5 | 2.6 | 2.4 |
| Zambia | 6.7 | 5.7 | 6.5 | 6.6 |
| Zimbabwe | 4.5 | 3.1 | 3.2 | 3.3 |
| **Overall fiscal balance, including grants (% GDP)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
| **Africa** | **-3.5** | **-5.0** | **-6.3** | **-5.3** |
| **Southern Africa** | **-2.7** | **-3.0** | **-4.8** | **-4.4** |
| Angola | 0.3 | -2.2 | -10.6 | -7.7 |
| Botswana** | 0.7 | 5.2 | 3.2 | 3.8 |
| Lesotho** | 4.8 | 1.0 | 2.3 | 1.5 |
| Madagascar | -4.0 | -2.0 | -2.1 | -2.9 |
| Malawi* | -0.2 | -4.3 | -3.7 | -3.4 |
| Mauritius | -3.5 | -3.6 | -3.3 | -3.6 |
| Mozambique | -2.9 | -10.0 | -7.4 | -6.7 |
| Namibia** | -1.1 | 5.0 | 6.2 | 4.8 |
| South Africa | -3.9 | -3.4 | -3.6 | -3.9 |
| Swaziland** | 0.9 | -0.3 | -0.6 | -1.3 |
| Zambia | -6.7 | -5.5 | -5.1 | -4.9 |
| Zimbabwe | -2.4 | -2.4 | -1.3 | -1.1 |

*Note*: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).
*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

## West Africa

West Africa achieved relatively high GDP growth of 6% in 2014 despite the outbreak of Ebola in the region. The virus significantly reduced growth in the most affected countries: Guinea, Liberia and Sierra Leone. In Nigeria, Africa's largest country, growth accelerated to 6.3%, from 5.4% in 2013. It was again driven by the non-oil sector, notably services, manufacturing and agriculture, which shows that Nigeria's economy is diversifying. Its oil and gas sector has declined to around 11% of GDP and is now a similar size to manufacturing at around 10% of the total. Benin, Côte d'Ivoire, Niger and Togo also remained on a relatively high growth path. But growth slowed in Ghana, and Gambia's economy shrank slightly. West Africa's growth is projected to become more moderate in 2015 and to strengthen again in 2016, driven mainly by Nigeria.

### Macroeconomic prospects for West Africa

| Real GDP growth (%) | 2013 | 2014 (e) | 2015 (p) | 2016(p) |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| **Africa (excluding Libya)** | **4.0** | **4.3** | **4.3** | **5.0** |
| **West Africa** | **5.7** | **6.0** | **5.0** | **6.1** |
| Benin | 5.6 | 5.5 | 5.6 | 6.0 |
| Burkina Faso | 6.6 | 5.0 | 5.5 | 7.0 |
| Cabo Verde | 0.7 | 2.0 | 3.1 | 3.6 |
| Côte d'Ivoire | 8.7 | 8.3 | 7.9 | 8.5 |
| Gambia | 4.3 | -0.7 | 4.2 | 5.2 |
| Ghana | 7.3 | 4.2 | 3.9 | 5.9 |
| Guinea | 2.3 | 0.6 | 0.9 | 4.3 |
| Guinea-Bissau | 0.9 | 2.6 | 3.9 | 3.7 |
| Liberia | 8.7 | 1.8 | 3.8 | 6.4 |
| Mali | 1.7 | 5.8 | 5.4 | 5.1 |
| Niger | 4.1 | 7.1 | 6.0 | 6.5 |
| Nigeria | 5.4 | 6.3 | 5.0 | 6.0 |
| Senegal | 3.5 | 4.5 | 4.6 | 5.0 |
| Sierra Leone | 20.1 | 6.0 | -2.5 | 2.8 |
| Togo | 5.4 | 5.5 | 5.7 | 5.9 |
| **Overall fiscal balance, including grants (% GDP)** | **2013** | **2014 (e)** | **2015 (p)** | **2016(p)** |
| **Africa** | **-3.5** | **-5.0** | **-6.3** | **-5.3** |
| **West Africa** | **-0.5** | **-1.0** | **-4.6** | **-4.2** |
| Benin | -1.9 | -1.1 | -1.5 | -1.8 |
| Burkina Faso | -4.4 | -3.7 | -4.0 | -3.8 |
| Cabo Verde | -9.0 | -8.0 | -7.1 | -6.2 |
| Côte d'Ivoire | -2.3 | -2.2 | -3.4 | -3.9 |
| Gambia | -8.6 | -8.7 | -3.5 | -1.4 |
| Ghana | -9.5 | -10.4 | -9.5 | -9.9 |
| Guinea | -2.1 | -4.2 | -2.8 | -4.1 |
| Guinea-Bissau | -1.4 | -2.1 | -3.9 | -3.4 |
| Liberia* | -1.6 | -1.1 | -6.7 | -9.0 |
| Mali | -6.9 | -5.6 | -5.1 | -5.1 |
| Niger | -2.3 | -5.7 | -7.8 | -3.2 |
| Nigeria | 1.1 | 0.1 | -4.5 | -3.9 |
| Senegal | -5.5 | -5.1 | -4.5 | -4.6 |
| Sierra Leone | -2.4 | -1.2 | -3.2 | -3.5 |
| Togo | -4.5 | -4.9 | -3.1 | -2.9 |

*Note*: * Fiscal year July (n-1)/June (n).
*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

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# PART I

## Africa's performance and prospects

*Chapter 1*

# Africa's macroeconomic prospects

Africa's economic growth should strengthen to 4.5% in 2015 and 5% in 2016 close to levels seen before the 2008/09 global crisis. This chapter looks at the challenges Africa's governments face as they take differing paths to recovery. It also highlights how lower oil and commodity prices, uncertain global conditions, the Ebola outbreak in West Africa and domestic political uncertainties could still block the return to the strong pre-crisis growth levels. There is also a special look at Africa's energy sector.

## In brief

Africa's gross domestic product (GDP) growth is expected to strengthen to 4.5% in 2015 and 5% in 2016 after subdued expansion in 2013 (3.5%) and 2014 (3.9%). The 2014 growth was about one percentage point lower than expected, as the global economy remained weaker and some African countries saw severe domestic problems. But the world economy is improving and if the AEO 2015 predictions are right, Africa will soon be closing in on the impressive growth levels seen before the 2008-09 global economic crisis.

There are surprising regional differences. West Africa achieved relatively high growth of 6% in 2014 despite its battle with the Ebola virus. Nigeria's growth of 6.3% came mainly from non-oil sectors showing that the economy is diversifying. But Southern Africa's growth fell below 3% as the key South African economy only grew by 1.5%.

On the supply side Africa's growth has been mainly driven by agriculture, extractive industries, construction and services. On the demand side, the boost has come from private consumption and infrastructure investment.

So far African economies have been relatively resilient to the sharp fall of international commodity prices. Production has often increased despite the lower prices, and growth has also been boosted by other sectors. But if commodity prices remain low or decline further, growth shortfalls in resource-rich countries would increase as governments need to cut spending. Governments will be keeping a close watch on conditions in key markets, especially Europe and China.

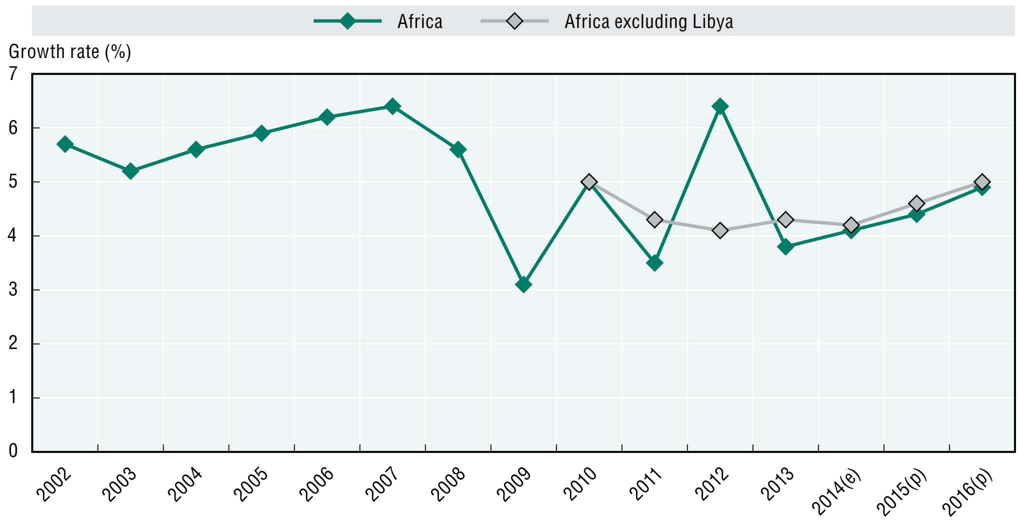
In countries where inflationary pressures have eased, policy interest rates have been reduced to stimulate growth. Yet in several countries exchange rates came under pressure and central banks responded by tightening policies to stabilise exchange rates and contain inflation. Most African countries continued their prudent fiscal policies to keep budget deficits at sustainable levels. But in several countries, including oil exporters, fiscal positions weakened despite efforts to limit spending and to improve tax revenues.

## Africa's growth is on target to strengthen

Africa's impressive economic turnaround during the 2000s saw average gross domestic product (GDP) growth more than double from just above 2% during the 1980s and 1990s to above 5% between 2001 and 2014. It was higher than general world growth, just above 4%, and higher than Latin America and the Caribbean, just above 3%. But it was lower than for emerging and developing Asia at about 8% (See Box 1.1). Africa's growth has been held back by the hesitant global economy and political and social conflicts. Export markets, notably in Europe but also in China, remained weaker than expected in 2014. The unforeseen drop of oil and other commodity prices reduced revenues for Africa's commodity exporters. An outbreak of the Ebola virus, with Guinea, Liberia and Sierra Leone at the epicentre, killed thousands at a high economic cost. In a few countries political and security uncertainty continued while in some others it stabilised. Furthermore, in some countries, improvements in the business environment have stalled or even reversed while in many others framework conditions for doing business made new progress (see Chapter 5).

As a result of these opposing factors, growth has remained strong in some countries and moderate in others. Africa's overall GDP grew 3.9% in 2014, up from 3.5% the previous year. It should accelerate to 4.5% in 2015 and 5% in 2016, approaching levels seen before the 2008/09 global financial crisis. In sub-Saharan Africa growth was 5.2% in 2014. It is projected to weaken to 4.6% in 2015 and to strengthen again to 5.4% in 2016. Relatively low growth in South Africa is reducing overall growth in sub-Saharan Africa by about three-quarters of a percentage point. Excluding South Africa, sub-Saharan Africa's economy will grow by 5.2% in 2015 and 6.2% in 2016. This projection depends on the world economy improving, oil prices gradually recovering and the Ebola epidemic in West Africa being contained. If the virus spreads, if commodity prices fall further or if political and security conflicts become more serious, Africa's growth would be lower than projected. The fragility of export markets, notably in Europe, and of global financial markets also remains a risk.

Figure 1.1. **Africa's economic growth, 2002-16**




*Note*: (e) estimates; (p) projections.

*Source*: Statistics Department, African Development Bank.

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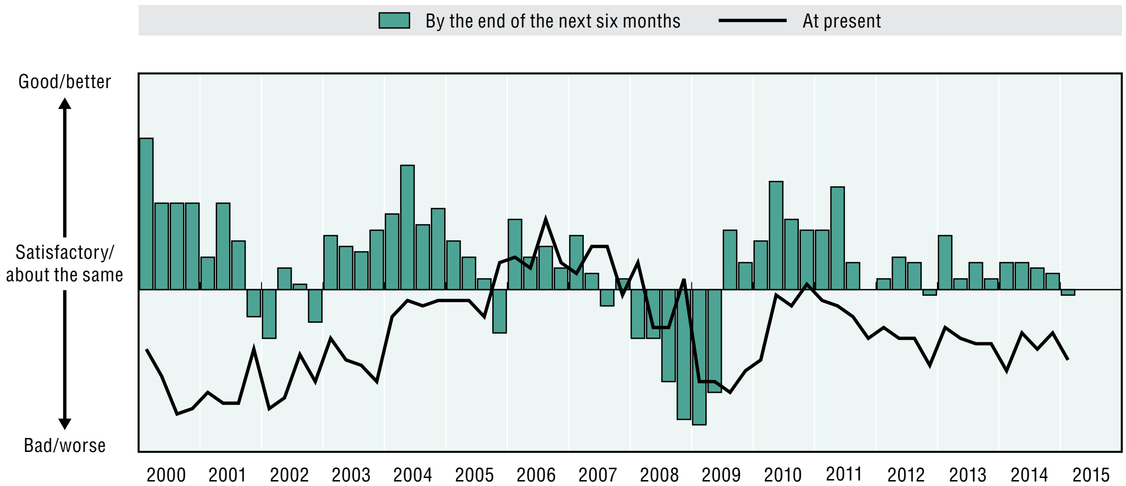
Subdued global growth is expected to gradually strengthen, supported by increased export demand. It is projected to accelerate to 3.5% in 2015 and 3.7% in 2016 from 3.3% in 2014, mainly driven by the United States and a gradual recovery in Europe and Japan. Among emerging markets, China and India should remain the fastest growing economies but at a slower pace than in the past decade. World trade volume growth should recover from 3.1% in 2014 to 3.8% and 5.3% in 2015 and 2016 respectively (IMF 2015). The lower oil price is boosting growth in oil-importing countries but several, notably in the euro area, still struggle with high debt levels and weak demand. Strengthened global growth will support Africa's exports but this will be more subdued than during earlier recoveries when global growth was stronger and commodity prices were higher.

African participants in the Ifo Institute's World Economic Survey[1] predicted an improvement in 2014 amid positive expectations. But in early 2015 both the assessment of the current situation and expectations for the first half of 2015 deteriorated, which shows that prospects are uncertain.

Figure 1.2. **Africa's economic situation and six-month projections, 2000 Q1-2015 Q1**




*Source:* Ifo Institute World Economic Survey (2015).
StatLink http://dx.doi.org/10.1787/888933206482

Box 1.1. **Africa seeks path to sustain improved growth**

**Political stability, better economic policies and high demand for commodities** have all helped Africa's economic revival in past decades. It is now looking for a path to make it sustainable and help those countries that have not vaulted the barriers to growth. A comparison of today's conditions and the 1980s and 1990s, Africa's so-called "lost decades" helps understand what is needed.

Africa's economy is not homogenous and the performance of individual countries should be studied before aggregate growth. A comparison of growth performances for 1986-2000 and 2001-14 reveal the following: In the first period, in more than a third of African countries average GDP growth remained below 2% and in 44% of countries below 3%. As population growth was mostly between 2% and 3%, per capita GDP declined or stagnated in most of these countries. But in the second period the number of countries with growth below 3% declined to 17% and only in Central African Republic and Zimbabwe was growth below 2%.

In the second period the number of countries with growth above 4% was much higher than in the first period (Figure 1.3). When looking at the growth performance of individual countries during these two periods three main factors appear to have accelerated growth:

**Political stability:** Many countries which recorded growth below 2% during the first period suffered from civil wars, military coups or social unrest (Algeria, Angola, Burundi, Central African Republic, Democratic Republic of the Congo (DRC), Djibouti, Guinea-Bissau, Niger, Rwanda and Sierra Leone). Political stability improved between 2001 and 2014 although several economies suffered again, at least temporarily, from political unrest (Central African Republic, Côte d'Ivoire, Egypt, Libya, Guinea, Guinea-Bissau, Madagascar, Mali and Tunisia). In some of them (Central African Republic, Côte d'Ivoire, Guinea, Guinea-Bissau and Madagascar) average growth remained below 3%.

**High commodity demand and soaring prices:** World output growth accelerated during the 2000s, mainly driven by China and other emerging nations. This boosted demand for oil and minerals and increased commodity prices, which benefited Africa's resource-rich countries. Average annual growth in several of these countries (Angola, Box 1.1. **Africa seeks path to sustain improved growth** (cont.)

Chad, Equatorial Guinea, Nigeria and Sierra Leone) rose to 8% and more between 2001 and 2014. High commodity prices also boosted other resource-rich economies such as Zambia where average growth accelerated from half a percentage point in 1996-2000 to almost 6% in 2001-14. Mozambique and Ghana, which are not classified as resource-rich, but where extractive industries have become more important, also attained high growth of almost 8% and close to 7% respectively.

**Improved economic policies:** Lower inflation and stronger budgets due to more prudent fiscal policies, also helped by debt relief, have improved macroeconomic stability and supported growth in many countries. States are promoting structural transformation from traditional towards more productive activities. This has helped some countries without resources, such as Ethiopia and Rwanda, to attain high annual growth of 8% or above. But structural transformation has remained limited in most countries and productivity growth is too slow and has not created enough jobs to lower poverty (AfDB et al., 2013).

These findings tell us that political and social stability are clearly prerequisites for economic growth. But political and social stability also depend on how the fruits of growth are shared. In this respect many African countries rank poorly (Ncube, Shimeles and Younger, 2013). Among countries with average growth above 6% from 2001 to 2014, Ethiopia had the highest ranking with respect to inclusive growth. Other countries with similarly high or even higher GDP growth ranked much lower. So there is an urgent need to make growth more inclusive.

Second, if the fall in oil and mineral prices is not reversed, growth could suffer in Africa's resource-rich countries. Resource-rich and resource-poor countries need to maintain macroeconomic stability and speed up diversification by improving economic and social infrastructure and governmental institutions. This will broaden the economic base and help to better meet social development needs. Growth will then become more inclusive and more sustainable as countries become less vulnerable to economic shocks.

Figure 1.3. **Growth in Africa: Distribution of countries by average annual rates of growth**


*Source*: Authors' calculations.

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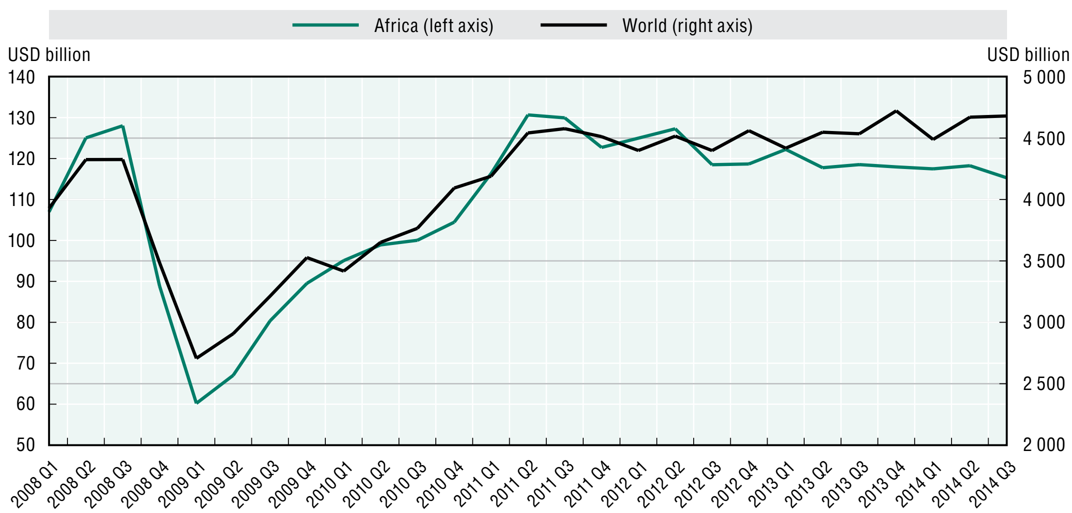
## Domestic demand plays an important role in Africa's 2014 growth

Africa's growth is driven by changes on the demand side and the supply side. Domestic demand has continued to boost growth in many African countries while external demand has remained mostly subdued because of flagging export markets, notably in advanced countries and to a lesser extent in emerging countries. Export values of goods were also depressed by lower export prices (Figure 1.4). African exports are expected to strengthen in 2015 and 2016 as the world economy improves. In 2014, domestic demand was in most African countries boosted by private consumption and public infrastructure investment with the latter also increasingly financed by issuing international sovereign bonds (see Chapter 2).

Figure 1.4. **Development of African and world exports of goods, 2008-14**




*Source*: IMF Direction of Trade Statistics (n.d.).
StatLink http://dx.doi.org/10.1787/888933206507

On the supply side, many African countries have improved conditions for doing business, which enhance long-term growth prospects. Benin, Côte d'Ivoire, Democratic Republic of the Congo, Senegal and Togo are even in the top ten countries worldwide with the most reforms making it easier to do business. Africa's supply side growth in 2014 was mainly driven by agriculture, extractive industries, construction and services, and to a lesser extent by manufacturing. But sectoral growth should not be seen in isolation, as there are important spillovers between sectors. Furthermore, modernisation and structural transformation is also happening within some sectors.

Agriculture is Africa's largest economic sector and accounts for around 60% of Africa's employment and about one quarter of its GDP. In recent years agriculture's GDP share has declined significantly in some countries, such as in Ethiopia, Ghana and Nigeria. It has however increased in others, such as in Angola and Kenya. The sector remains vulnerable to erratic weather and to international farm prices. In 2014, weather conditions were quite good in most African countries although there were exceptions such as Angola, Gambia and Mauritania. This, together with higher investment, contributed to good harvests. The increased supply and lower import prices for food also reduced prices for consumers. At the same time farmers' export revenues were depressed by lower international prices for products, notably cotton.

Resource-rich countries continue to depend on extractive industries although their GDP share has declined in recent years. In 2014, these sectors were important drivers of growth in Algeria (oil), Botswana (diamonds), Democratic Republic of the Congo (copper, gold, diamonds, oil), Republic of the Congo (Congo) (oil), Namibia (mining), Sudan (gold and oil) and Tunisia (phosphate). In Ghana, oil production continued to increase but gold production declined in response to the lower gold price. In Nigeria, the largest oil producer in sub-Saharan Africa, oil production remained below target. In Zambia, a key copper exporter, production stagnated. But Nigeria and Zambia achieved relatively high growth due to buoyant non-extractive sectors. In Equatorial Guinea, which depends heavily on extractive industries, the decline of oil and gas production and of GDP continued for a second year. With the expected moderate recovery of the global economy and some increase in international commodity prices, extractive sectors will continue to support growth in 2015 and 2016 in most of Africa's resource-rich countries even if its GDP share may continue to decline.

Construction is an important driver of growth. Its share in GDP has increased in recent years in most countries and is in some countries as large or even larger than the manufacturing sector. This is due to booming infrastructure and housing investment.

The services sector is a principal engine of growth in most African countries. New information and telecommunication technologies are boosting growth and productivity. With more people in remote regions becoming connected and able to using mobile banking, the technology also supports economic and social inclusion. Traditional services, such as transport, trade, real estate, and public and financial services also continue to grow and provide new jobs although often in the informal economy. In recent years in many countries the shares of services in GDP has increased and in Nigeria it has doubled since 2008.

Manufacturing remains relatively small in most African countries although this varies. It tends to be smallest in less developed countries and where natural resources are abundant. Although there is large potential to develop labour intensive manufacturing in Africa, the sector is hampered in many countries by a lack of skilled labour, poor transport infrastructure and unreliable and expensive energy (see Annex 1.A1. Energy sectors in Africa: Problems and opportunities). In recent years, the share of manufacturing in GDP has increased in several oil-rich countries, such as Angola, Chad, Gabon and Nigeria, although from low levels. In some countries with above-average manufacturing, such as in Morocco, the sector has expanded, while in others, notably South Africa, Lesotho and Mozambique its share in GDP declined. In 2014 growth in several countries – such as Kenya, Malawi, Morocco, Nigeria, United Republic of Tanzania and Tunisia – was boosted by increased manufacturing production. But in other countries, such as Mauritania, South Africa and Zambia, manufacturing's performance cut growth. In Ghana the sector suffered from extensive power outages.

Tourism is an important industry and it has been affected by economic weakness in key markets, notably Europe, the Ebola outbreak and security problems in some African countries. According to preliminary data, international tourist arrivals in Africa increased in 2014 by around 2%, down from 4.8% in 2013 and less than half of the 2005-08 average of 5.8%. The 2014 increase was due to higher arrivals in sub-Saharan Africa (around 3%). In North Africa tourist arrivals stagnated. In the Ebola affected region of West Africa, tourist arrivals declined sharply, and almost halved in Sierra Leone after years of double-digit growth, although from a low base. In North Africa, arrivals increased 2% in Morocco but decreased again in Tunisia, by 3%.

In other countries tourism was adversely affected by domestic problems, such as political uncertainty and security problems in Egypt and security concerns after militant attacks in Kenya. The Ebola outbreak also reduced in tourism countries such as Burkina Faso, Côte d'Ivoire, Gambia and Senegal which are around the epicentre of the epidemic. Sluggish growth in Europe and other key origin markets affected tourism in Mauritius, Namibia and Seychelles. But tourism remained strong in countries such as Benin and Tanzania and boosted growth. The projected gradual improvement of the global economy should help Africa's tourism recover in the near future. For 2015, the United Nations' World Tourism Organization expects international tourist arrivals in Africa to increase between 3% and 5% (UNWTO, 2015).

Figure 1.5. **International tourist arrivals and receipts in Africa, 1980-2014**


*Source*: UNWTO (2015).

StatLink http://dx.doi.org/10.1787/888933206512

## Regional economic growth remains uneven

Economic growth varies across Africa reflecting many factors such as differences in income levels, availability of natural resources, macroeconomic policies, and political and social stability. Growth remains highest in East, West and Central Africa, respectively and lowest in North and Southern Africa. The main challenges in all regions are to diversify and make growth more inclusive.

**Central Africa's** growth accelerated in 2014 to 5.6% from 4.1% in 2013. Economic conditions are, however, quite different between countries. The Central African Republic is affected by a political and security crisis. Despite some moderate growth, GDP will remain much lower than before the conflict broke out at the end of 2012. In Equatorial Guinea, GDP continues to fall due to lower oil production. All other countries in the region should remain on a relatively high growth path. Despite some damage from lower commodity prices, the mining sector and related investment remain the main engines of growth in the region. But in some of the countries, such as in Cameroon, Democratic Republic of the Congo, Gabon, and Sao Tome and Principe, growth is broader based.

**East Africa's** growth accelerated in 2014 to more than 7%, from below 5% in 2013. It is projected to decelerate to 5.6% in 2015 and accelerate again to 6.7% in 2016. East Africa will then again become the continent's fastest growing region. East Africa recorded the highest increase in foreign direct investment in 2014 (see Chapter 2). Fluctuations in East African average growth are due to volatile development in South Sudan, where armed conflict cut oil production and GDP in 2013. It recovered in 2014 but is projected to decline again in 2015, although forecasts for this country are highly uncertain and depend on the evolution of the peace process. Ethiopia, Kenya, Rwanda, Tanzania and Uganda kept up their relatively high growth. As these countries have small mining sectors and their manufacturing is also not very large, or has declined as a percentage of GDP, their growth is more driven by services and construction. But countries are achieving growth with different degrees of sectoral transformation. In Ethiopia structural changes are most pronounced with the share of agriculture in GDP shrinking (although remaining higher than in the other countries) and services expanding more than in the other countries. In Sudan, growth remains weaker as the economy is still coping with the shock of South Sudan's secession in 2011 and the loss of oil revenues.

**North Africa's** growth remains uneven as fallout from the uprisings of 2011 is still affecting countries. Libya is highly unstable with power struggles between different groups and a collapse of political and economic governance. Its oil production declined again in the first half of 2014. Despite some recovery in the second half, growth was again negative in 2014 and prospects are highly uncertain. By contrast, in Egypt and Tunisia greater political and economic stability is helping to improve business confidence. The gradual recovery of export markets and improved security should support growth, including in tourism, although in Tunisia terrorist attacks in March have created new concerns. Algeria's oil production increased for the first time in eight years and is boosting growth together with the non-oil sector. In Morocco, agricultural production declined in 2014 from its exceptionally high level in 2013 and reduced GDP growth. But assuming normal harvests and better export markets, growth is expected to accelerate. Mauritania continues to achieve the highest and steadiest growth in the region, supported by favourable macroeconomic and structural policies. This was mainly boosted in 2014 by parts of the mining sector (iron ore) and construction and on the demand side by private consumption and private investment. The exceptionally high total investment of around 45% bodes well for future growth.

**Southern Africa's** growth slowed to below 3% in 2014 and only a moderate recovery is projected for 2015 and 2016. The subdued performance is due to the relatively poor growth in South Africa. The key economy's growth fell to 1.5% in 2014 from 2.2% the previous year. It suffered from weakened demand in trading partners and lower prices for its raw materials, while labour unrest and electricity shortages disrupted economic activity. South Africa's growth is projected to recover gradually on the back of more buoyant export markets and improved competitiveness due to the large depreciation of the rand. In Angola, growth also decelerated due to the oil price fall, a temporary reduction in oil production as well as a drought, which reduced agricultural production. Angola's growth is projected to remain lower than for most of the past decade as government expenditures are depressed due to lower oil revenues. Mozambique and Zambia are achieving the highest growth in the region. Mozambique is mainly driven by so-called mega projects and large infrastructure investment, financed by foreign direct investment and the government. In Zambia, good harvests boosted 2014 growth and mitigated the effect of lower growth in mining, manufacturing and services. Growth is expected to remain strong in both countries but more efforts are needed to broaden the economy and make growth more inclusive.

**West Africa** achieved relatively high GDP growth of 6% in 2014 despite the outbreak of Ebola in the region. The virus significantly reduced growth in the most affected countries, Guinea, Liberia and Sierra Leone (Box 1.2). In Nigeria, Africa's largest country, growth accelerated to 6.3%, from 5.4% in 2013. It was again driven by the non-oil sector, notably services, manufacturing and agriculture, which shows that Nigeria's economy is diversifying. Its oil and gas sector has declined to around 11% of GDP and is now a similar size to manufacturing at around 10% of the total. Benin, Côte d'Ivoire, Niger and Togo also remained on a relatively high growth path. But growth slowed in Ghana and Gambia's economy shrank slightly. West Africa's growth is projected to become more moderate in 2015 and to strengthen again in 2016, driven mainly by Nigeria.

Table 1.1. **Africa's growth by region, 2013-16**
(Real GDP growth in percent)

| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|
| **Africa** | **3.5** | **3.9** | **4.5** | **5.0** |
| Central Africa | 4.1 | 5.6 | 5.5 | 5.8 |
| East Africa | 4.7 | 7.1 | 5.6 | 6.7 |
| North Africa | 1.6 | 1.7 | 4.5 | 4.4 |
| Southern Africa | 3.6 | 2.7 | 3.1 | 3.5 |
| West Africa | 5.7 | 6.0 | 5.0 | 6.1 |
| Memorandum items: | | | | |
| Africa excl. Libya | 4.0 | 4.3 | 4.3 | 5.0 |
| Sub-Saharan Africa (SSA) | 4.7 | 5.2 | 4.6 | 5.4 |
| SSA excl. South Africa | 5.4 | 6.2 | 5.2 | 6.2 |

*Note*: (e) estimates; (p) projections.
*Source*: Statistics Department, African Development Bank.

Box 1.2. **The economic impact of Ebola**

The Ebola virus has particularly hit Guinea, Liberia and Sierra Leone and curtailed the immense strides they have made in macro and fiscal stability in recent years. The epidemic has caused tremendous human hardship and high economic costs in these countries and only a gradual recovery is expected in the near term (UNDP 2014a). By March 2015 there had been more than 25 000 reported cases of the virus and more than 10 000 reported deaths, according to World Health Organisation figures. But thanks to international support and national policies in the region there are signs of progress. The spread of the virus to neighbouring countries has been contained.

The Ebola shock has cut production in most sectors in the affected countries. Some firms have closed and construction has reduced, while agricultural production has experienced a modest decline. Rice production is estimated to see a decline from 2013 ranging from 8% in Sierra Leone, to 4% in Guinea and 3% in Liberia (FEWS NET, 2015). Hotel and restaurant services have been heavily affected as development workers and business people withdrew from the countries. This gap has since been partially filled by Ebola response workers, although they are expected to depart during 2015 as the outbreak is contained. International concerns about the epidemic have led to airlines cancelling services to affected countries. This has, in turn, increased the cost of medical evacuation insurance. While port activity has continued, ships have been re-routed, increasing shipping costs, and again insurance costs have increased. Government actions to contain the epidemic have increased the economic cost. Closing borders has reduced trade, while transport restrictions, quarantines and curfews have reduced commercial activity. Liberia lifted most restrictions by November 2014, opening borders and dropping a curfew in February 2015. In Sierra Leone restrictions have been eased a little but still slow economic activity. By contrast, Guinea did not implement curfews and movement restrictions.

Household welfare has deteriorated in the crisis, as employment and incomes have decreased. In Liberia, a study of businesses carried out by the US Agency for International Aid indicated permanent employment decreased by 19% between the baseline (2013 to July 2014) and October 2014. By December, the loss in permanent employees had reduced to just 14% below baseline. Temporary and permanent female employment was more significantly affected, falling 55% and 38% respectively, and neither category had seen a clear improvement by December. The construction and renovation sector saw the largest decline in temporary male employees (partly due to the rainy season), while hotels and restaurants saw the largest decline in temporary female employees (USAID, Building Markets and AfDB, 2015). Food insecurity was high before the crisis and is expected to rise slightly until mid-2015, as households become more reliant on market access for food.

Box 1.2. **The economic impact of Ebola** (cont.)

GDP growth in 2014 slowed considerably. Sierra Leone's growth fell from an estimated 13.8% in the AEO 2014 to 6%, in Liberia from 6.8% to 1.8%, and in Guinea from 4.2% to 0.6%. The 2014 GDP shortfall in the three countries together (compared with AEO 2014 projections) amounted to about USD 1.4 billion (in purchasing power parity), with Sierra Leone accounting for USD 775 million, Guinea USD 460 million and Liberia USD 165 million. This corresponds to a shortfall of per capita income of about USD 130 in Sierra Leone, and about USD 40 in Liberia and Guinea.

Besides this short-term damage there is also an adverse medium and longer-term impact as lower investment in the private sector and in public infrastructure reduces growth potential. As the Ebola outbreak is not yet contained it is difficult to make economic forecasts. Our scenario for growth in these three countries assumes that the Ebola crisis will be contained during 2015. But economic activity will remain depressed, notably in Sierra Leone where the economy is expected to contract. But by 2016 the economies are expected to recover again in all three countries.

Lower economic activity has kept government revenues stagnant while the need for additional social expenditure has increased (UNDP 2014b). In Liberia, tax revenues through end-February 2015 have been stable with the previous year and bolstered by substantial budget support, which has led to a 19% increase in total revenues over the previous year. However, much of the budget support has been frontloaded from future years, which could lead to financing gaps in the next two years. This means the government must carefully prioritise expenditure. Before the Ebola crisis Guinea and Sierra Leone were only at moderate risk of debt distress and Liberia at low risk. But with lower growth and weaker fiscal positions, the risks for macroeconomic and financial market instability are rising. The Ebola crisis also risks diverting government and donor spending to emergency health care services, at the cost of other infrastructure, which could reduce longer-term growth. The perception of a return to instability could take years to overcome. This could also reduce growth potential (Hettinger, 2014).

Although the spread of the virus to neighbouring countries has been contained, the region has been adversely affected through lower cross-border trade and fewer international tourists, notably Burkina Faso, Côte d'Ivoire, Gambia and Senegal (for more details see the respective countries in Part III).

## International commodity prices have fallen

Commodity prices, which had started to edge down in 2013, fell sharply during the second half of 2014. Weak demand from industrialised countries and emerging countries such as China met with higher supply. Some commodity prices are now 40-50% down from their peak level but are still higher than before the commodity price boom started. Prices should gradually increase again during 2015/16 as the global economy strengthens but this assumption is surrounded by a relatively high risk.

**Oil prices** have lost more than half the price of over USD 100 a barrel in mid-2014 to go below USD 50 at the beginning of 2015. The international oil supply has increased significantly, notably due to higher US production of oil from shale, or "fracking", while traditional producers, notably Saudi Arabia, did not cut output in response to lower prices. The higher supply of oil with the appreciation of the US dollar met with lower demand due to subdued global growth. The AEO 2015 economic forecast for Africa is based on the assumption that the price of oil will remain on average slightly below USD 60 per barrel, around 40% lower than its 2014 average. For 2016 we assume a moderate increase to an average of around USD 65 a barrel.

The lower oil price affects economies through a number of channels. First it puts downward pressure on other fuel prices, particularly natural gas. The lower prices reduce costs for heating, transport and energy intensive sectors including agriculture. As a result household purchasing power increases, and – if spent on domestic products – GDP increases. Model simulations indicate that the fall in oil prices – if sustained – could have a significant positive impact on world GDP.[2]

African countries benefit from lower oil prices, which eases inflation, increases real incomes and strengthens export markets. However, Africa's oil exporters have to cope with lower government revenues. As oil profits decline, investment and exploration could be cut which would reduce production in the longer-term. The oil price decline has also weakened the currencies of oil-exporting countries, putting upward pressure on inflation and reducing countries' capacity to borrow. Monetary authorities in countries with strong foreign reserves can mitigate currency depreciation by intervening in exchange markets, although there are limits as foreign reserves are depleted.

Given these various transmission channels from oil prices to economic activity it is difficult to quantify the overall impact of the lower oil price on economic growth in Africa's oil-exporting countries. Model scenarios produced by the African Development Bank suggest that a permanent oil price decline of 25% causes GDP growth shortfalls of between 0.6% and 2.7% for Africa's main oil exporters (Table 1.2). As the AEO 2015 projections are based on a larger oil price decline, the impact could be more significant. However, such simulations illustrate long-term effects on growth using general *ceteris paribus* assumptions. So far, most African oil-producing countries have been relatively resilient to the price decline and achieved relatively high growth in 2014. Oil production often increased and growth was also boosted by non-oil sectors. The main adverse effect has so far been on government revenues. If oil prices remain low this will reduce growth in coming years, as governments will have to cut spending.

Table 1.2. **Impact of oil price decline on selected African oil exporters**

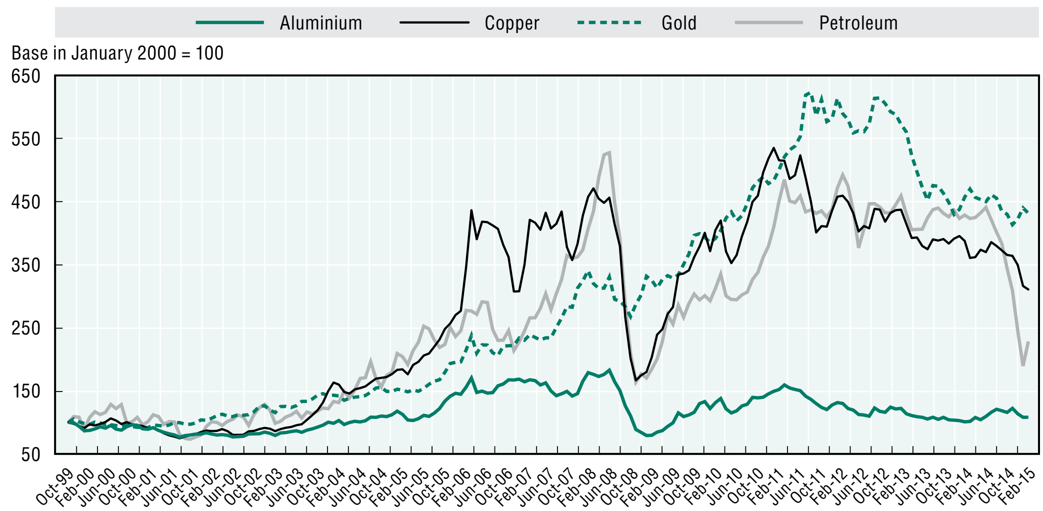
| Oil exporting countries* | % share of oil in GDP (2013) | Growth shortfall of a 25% oil price decline** in % (rounded) |
|---|---|---|
| Algeria | 29.6 | 1 |
| Angola | 40.6 | 2.7 |
| Cameroon | 7.4 | 0.6 |
| Chad | 27.4 | 2.3 |
| Congo | 58.0 | 2.6 |
| Equatorial Guinea | 74.1 | 1.5 |
| Gabon | 40.0 | 1.3 |
| Nigeria | 32.4 | 1.4 |

*Notes*: *Excluding Libya, for reasons of data availability.
** From USD 100 to USD 75 a barrel.
*Source*: AfDB Staff Computations using the AfDB GVAR Model.

Prices of non-oil commodities such as copper and gold and the export prices of some agricultural products such as cotton also weakened (Figures 1.6 and 1.7). While lower prices are affecting revenues in the exporting countries, most of them recorded relatively high growth in 2014 and prospects for 2015 remain favourable. The reason for this resilience is that agriculture and mining production increased and that other sectors, notably services, boosted growth. As a result, in many countries growth remained relatively strong, such as in Benin, an exporter of cotton, in Burkina Faso, a producer of gold and cotton, and in Zambia, a main producer of copper.

Figure 1.6. **Commodity prices, October 1999-February 2015**




*Source*: World Bank (2015a).

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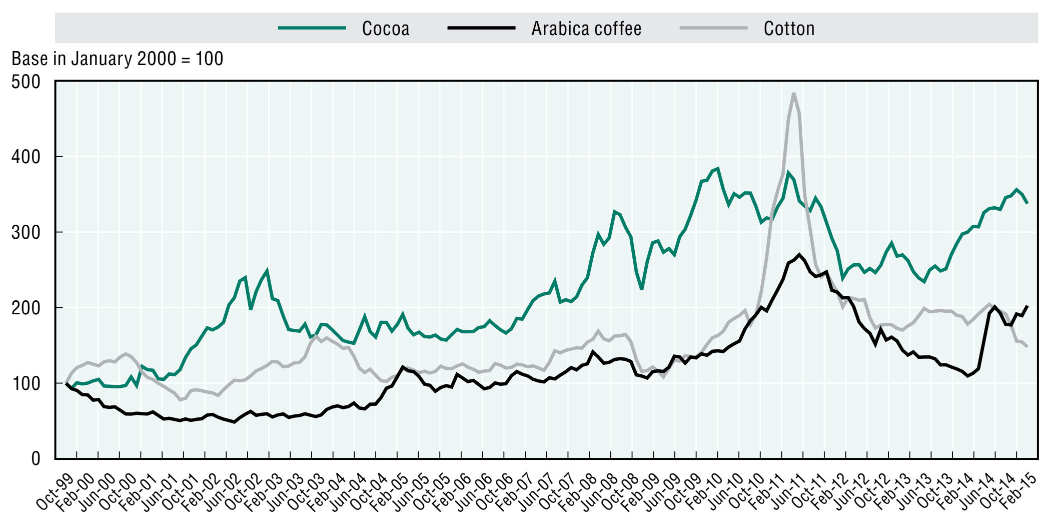
Figure 1.7. **Export prices of agricultural products, October 1999-February 2015**




*Source*: World Bank (2015a).

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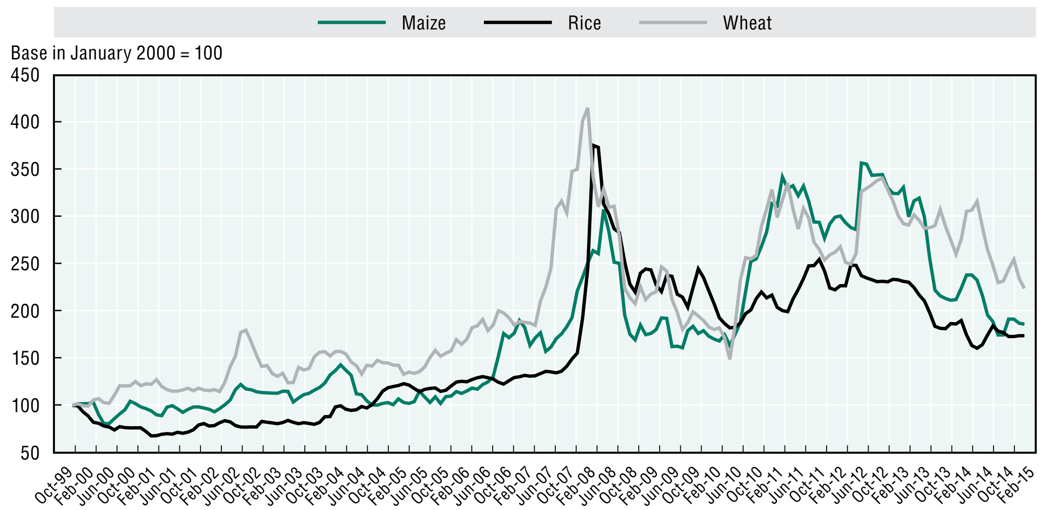
Import prices of basic foods continued to decline in 2014 as supply increased (Figure 1.8). This, together with good harvests, helped to moderate food prices in many African countries.

Figure 1.8. **Import prices of basic foodstuffs, October 1999-February 2015**




*Source*: World Bank (2015a).

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## Africa struggles for monetary policy to stimulate economy

Most African countries are labouring to improve monetary policy transmission mechanisms so that monetary policy can better combat inflation and stimulate their economies. To this end, countries such as Rwanda and Sudan have taken measures to improve links between monetary policy, financial markets and the real sectors.

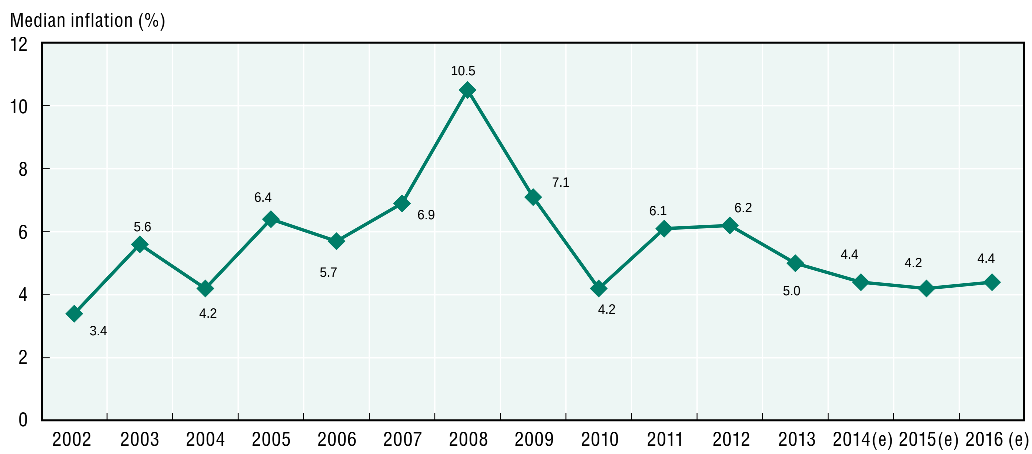
Africa's monetary and exchange rate policies continued in 2014 to be geared toward maintaining or achieving price stability. In countries where inflationary pressures have eased and exchange rates have remained relatively stable, policy interest rates have been reduced to stimulate growth. This has been tried by Botswana, the Central African Economic and Monetary Community (CEMAC),[3] Mozambique and Rwanda. Other monetary authorities – the West African Economic and Monetary Union (WAEMU),[4] Kenya, Mauritius and Tanzania, did not ease, or only marginally eased policies. In Ethiopia, tight monetary conditions helped push inflation from a peak of almost 40% in November 2011 to around 7% in December 2014. According to AEO 2015 projections, inflation will remain at single-digit levels in 2015/16. But as deposit interest rates are lower than inflation, real interest rates are negative and provide little incentive to save.

Central banks in countries where exchange rates came under pressure responded by tightening policies. This was the case in Nigeria although inflationary pressures have been contained at single-digit levels due to lower fuel and food prices. In Ghana, inflation increased due to expansionary money supply growth and the depreciation of the currency. The central bank adopted a more restrictive policy stance, which should ease inflation in 2015/16. But risks remain if exchange rate pressures continue and fiscal deficits remain high.

Inflation in South Africa remained relatively stable in 2014 at around the upper range of the inflation target (3-6%). When the rand currency depreciated, the central bank responded by raising policy interest rates to reduce inflation risks. Both external and domestic factors put pressures on the exchange rate, notably the quantitative easing by the US Federal Reserve, which could trigger capital outflows, weaker growth in China, and in South Africa continued labour unrest and a higher than expected current account deficit. South Africa's actions led to weaker real effective exchange rates and tighter monetary policies in Lesotho, Namibia and Swaziland, which operate a common monetary union with South Africa.

Sudan and Malawi faced particularly high inflation in 2014, around 38% in Sudan and around 24% in Malawi. Their central banks have tightened policies and aim to stabilise their exchange rates and boost foreign exchange reserves.

Figure 1.9. **Consumer price inflation in Africa, 2002-16**




*Note*: (e) estimates; (p) projections.
*Source*: Statistics Department, African Development Bank.
StatLink http://dx.doi.org/10.1787/888933206550

## Fiscal positions and current accounts have weakened

Falling commodity prices have had a significant impact on government budgets in resource-rich countries. More solid public finances in recent years have helped many African countries to improve macroeconomic stability and make them more resilient to external shocks. But the commodity price decline has shown again how vulnerable budgets are in some countries to those shocks. The global recession in 2008/09 caused Africa's average fiscal balance to deteriorate from a surplus to a deficit of around 5% of GDP. The average deficit gradually declined to around 3%, helped by the economic recovery and prudent policies. But in 2014 deficits started to increase again to an average above 4% and they are expected to rise to the levels of the global recession.

The main reason is the deterioration of budget balances in oil-exporting countries. Lower oil prices have caused a sharp fall in government revenues in these countries. Despite efforts to limit spending and improve revenue collection several oil exporters, notably Algeria, Angola, Congo, Equatorial Guinea and Gabon, are expected to face relatively high fiscal deficits between 7% and 13% of GDP in 2015. In Libya the deficit could even reach 30% of GDP. Nigeria's government budget was broadly balanced in 2014. In 2015 the fiscal position will worsen but as collection of non-oil revenues improves, the budget deficit is expected to be limited to 4.5% of GDP. In Mozambique new consolidation measures will help to reduce the high deficit from 10% of GDP in 2014 to below 7% by 2016. In Ghana, despite new measures, the deficit will only decline from above 10% of GDP in 2014 to 9.5% in 2015. In Egypt, the deficit will remain at around 11% in 2015 due to an expansionary fiscal policy, which is, however, accompanied by efforts to improve the quality of spending. One important measure was the reduction of energy subsidies by 40%. Countries such as Ethiopia, South Africa, Sudan, Tanzania and Zimbabwe are following prudent fiscal policies to keep deficits within sustainable limits. Botswana is also continuing fiscal discipline and is expected to achieve sizable surpluses again in 2015 and 2016.

Given the increased budgetary pressures, keeping debt at sustainable levels remains a priority in many countries. According to a debt sustainability analysis by the World Bank and the International Monetary Fund, two-thirds of countries assessed since 2012 are at a low or moderate risk of debt distress and around a third are a low risk. Overall the assessment of debt in Africa changed little compared to the AEO 2014 with a few exceptions: The debt sustainability rating for the Democratic Republic of the Congo improved from high to moderate risk. By contrast the assessments for the Central African Republic moved from "moderate" to "high" and for Cabo Verde and Cameroon from "low" to "moderate" (Table 1.3).

Despite the debt risks, governments also face spending pressures, in particular to reduce the large bottlenecks in economic and social infrastructure. With the limited space to increase spending, it is vital to make spending more geared to boost growth and human development. This can be done by improving the composition of spending and by making individual spending programmes more effective. It has been shown that phasing out energy subsidies and shifting funds to more productive uses, notably infrastructure investment, is welfare improving (Glomm and Jung, 2015). As fuel prices have declined such restructuring of spending is now politically easier and several countries have already reduced energy subsidies. Egypt cut energy subsidies by around 40% in June 2014.

There is also large potential for improving tax collection. This must be done as foreign aid is expected to decline. Despite improvements in recent years, many African countries are still not fully reaching their revenue potential (see Chapter 2). The complexity of tax systems and inefficient tax administrations make it difficult for taxpayers to comply although there are large differences across the continent. Four countries stand out for ease of paying taxes and are in the 50 best-practice countries among the 189 covered in the World Bank's *Paying Taxes 2015* report. They are Mauritius (ranked 13), South Africa (19), Rwanda (27) and Seychelles (43). The next ten best African countries are Madagascar (65), Morocco (66), Botswana (67), Swaziland (74), Djibouti (75), Liberia (77), Zambia (78), Tunisia (82), Namibia (85) and Cabo Verde (91). But many African countries rank very poorly in this international comparison, which is largely due to their high administrative burden on firms and the complexity of their tax systems.

Table 1.3. **Debt sustainability analysis: Assessing risks of debt distress**

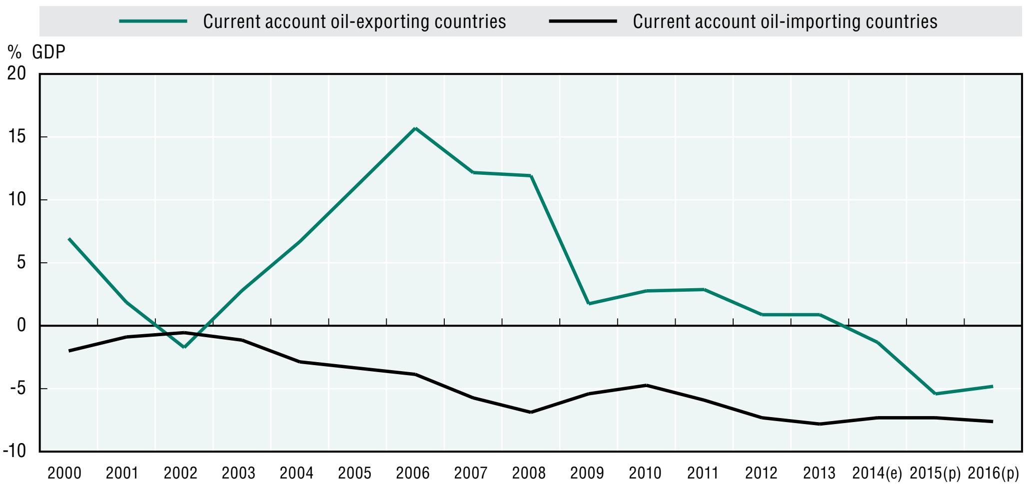
| Low risk | Moderate risk | High risk |
|---|---|---|
| Benin (January 2013) | Burkina Faso (July 2014) | Burundi (March 2014) |
| Congo (September 2014) | Cabo Verde (May 2014) | Central African Republic (June 2014) |
| Ethiopia (September 2014) | Cameroon (July 2014) | Comoros (December 2013) |
| Kenya (September 2014) | Côte d'Ivoire (December 2013) | Chad (September 2014) |
| Liberia (June 2014) | Democratic Republic of the Congo (May 2014) | Djibouti (March 2013) |
| Madagascar (July 2014) | Ghana (May 2014) | Sao Tome and Principe (January 2014) |
| Nigeria (April 2014) | Gambia (May 2013) | Sudan (November 2013) |
| Rwanda (December 2013) | Guinea (September 2014) | Zimbabwe (July 2014) |
| Senegal (July 2014) | Guinea-Bissau (October 2014) | |
| Tanzania (May 2014) | Lesotho (July 2014) | |
| Uganda (December 2013) | Malawi (February 2014) | |
| Zambia (January 2014) | Mali (December 2013) | |
| | Mauritania (June 2012) | |
| | Mozambique (May 2014) | |
| | Niger (April 2013) | |
| | Sierra Leone (September 2014) | |
| | Togo (February 2014) | |

*Source:* Joint World Bank-IMF Low Income Countries Debt Sustainability Analysis (LIC DSA). (Date of most recent analysis in brackets).

The fall in oil prices has also adversely affected current accounts for exporting countries. Most of them will record current account deficits in 2015 after having achieved surpluses in recent years. Among the large oil exporters, only Libya and Nigeria are expected to record current account surpluses. Botswana will continue to run significant current account surpluses. Oil-importing countries will on average register current account deficits of 7-8% of GDP, and this despite relief from lower international oil and food prices. Lower export prices and export volumes outweigh the effect of lower import prices on the current account. Some countries saw import prices pushed up through currency depreciation.

Figure 1.10. **Current account in oil-exporting and oil-importing countries in Africa, 2000-16**




*Note*: (e) estimates; (p) projections.

*Source*: Statistics Department, African Development Bank.

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## African economies face risks and policy challenges

The gradual strengthening of African economies, as already described, is what the AEO 2015 sees as the most likely outcome. But if the global economy weakens and commodity prices fall further, Africa's growth would suffer. This could be through lower exports of goods and services, including tourism, and possibly also lower inflows of foreign direct investment, official development assistance and workers' remittances. Another external risk is financial market volatility and exchange rate pressures in some countries. This could also be caused by volatile capital movements if market expectations change about the likely evolution of monetary policies stance in key countries, notably the United States.

On top of global economic uncertainties, risks also exist within Africa. The Ebola epidemic has not yet been fully contained and could take a higher human toll and cause higher economic costs in the region. Furthermore, insecurity and political and social tensions in some countries, notably the Central African Republic, Libya, Somalia, and South Sudan continue to have adverse effects on their economies and make forecasts highly uncertain. Political and social tensions could also arise in countries with elections looming, although Africa's recent elections have been largely peaceful (see Chapter 5).

Political, macroeconomic and social stability are key requirements for economic and social development. Keeping economies on a high growth path and sharing growth more equally helps to reduce political and social tensions and to achieve development goals. Africa has made progress in this regard but more needs to be done to sustain growth, create more and better jobs for the growing labour force, and reduce poverty. The following chapters discuss in more detail how near Africa is to its development goals and what still needs to be done.

Table 1.4. **Macroeconomic developments in Africa, 2006-16**
(Summary table)

| | 2006-10 | 2011 | 2012 | 2013 | 2014 (e) | 2015 (p) | 2016(p) |
|---|---|---|---|---|---|---|---|
| **Real GDP growth (%)** | | | | | | | |
| Central Africa | 4.1 | 4.7 | 5.5 | 4.1 | 5.6 | 5.5 | 5.8 |
| East Africa | 7.1 | 5.9 | 4.2 | 4.7 | 7.1 | 5.6 | 6.7 |
| North Africa | 4.7 | -0.3 | 10.5 | 1.6 | 1.7 | 4.5 | 4.4 |
| Southern Africa | 4.2 | 3.9 | 3.4 | 3.6 | 2.7 | 3.1 | 3.5 |
| West Africa | 6.4 | 5.0 | 5.1 | 5.7 | 6.0 | 5.0 | 6.1 |
| **Africa** | **5.2** | **2.8** | **6.7** | **3.5** | **3.9** | **4.5** | **5.0** |
| **Africa (excluding Libya)** | **5.1** | **3.8** | **3.8** | **4.0** | **4.3** | **4.3** | **5.0** |
| *Memorandum items* | | | | | | | |
| *North Africa (including Sudan)* | *4.8* | *-0.2* | *9.8* | *1.8* | *1.8* | *4.4* | *4.4* |
| *Sub-Saharan Africa* | *5.6* | *5.0* | *4.6* | *4.7* | *5.2* | *4.6* | *5.4* |
| *Sub-Saharan Africa excluding South Africa* | *6.4* | *5.5* | *5.2* | *5.4* | *6.2* | *5.2* | *6.2* |
| *Oil-exporting countries* | *5.5* | *1.9* | *8.2* | *3.1* | *3.9* | *4.6* | *5.2* |
| *Oil-importing countries* | *4.7* | *4.5* | *4.2* | *4.2* | *3.8* | *4.3* | *4.8* |
| **Consumer prices (inflation in %)** | | | | | | | |
| Central Africa | 7.0 | 5.2 | 3.5 | 1.8 | 2.9 | 2.7 | 3.2 |
| East Africa | 11.0 | 18.4 | 22.9 | 15.7 | 13.1 | 10.1 | 10.4 |
| North Africa | 7.0 | 7.9 | 7.3 | 4.9 | 6.2 | 6.6 | 6.4 |
| Southern Africa | 8.1 | 6.8 | 6.5 | 6.3 | 6.2 | 5.6 | 5.9 |
| West Africa | 9.4 | 9.8 | 10.5 | 7.7 | 7.6 | 7.1 | 6.8 |
| **Africa** | **8.2** | **9.2** | **9.5** | **7.0** | **7.2** | **6.8** | **6.7** |
| *Memorandum items* | | | | | | | |
| *North Africa (including Sudan)* | *7.4* | *8.7* | *9.3* | *7.1* | *8.3* | *7.7* | *7.4* |
| *Sub-Saharan Africa* | *8.9* | *9.5* | *9.7* | *7.1* | *6.5* | *6.2* | *6.3* |
| *Oil-exporting countries* | *9.1* | *10.4* | *10.9* | *8.1* | *8.8* | *8.4* | *8.2* |
| *Oil-importing countries* | *6.9* | *7.6* | *7.6* | *5.7* | *5.1* | *4.6* | *4.8* |
| **Overall fiscal balance. including grants (% GDP)** | | | | | | | |
| Central Africa | 6.5 | 1.7 | -0.6 | -1.9 | -5.3 | -6.7 | -6.0 |
| East Africa | -2.6 | -2.1 | -3.1 | -4.4 | -3.9 | -4.5 | -3.7 |
| North Africa | 1.6 | -6.3 | -3.5 | -7.2 | -11.1 | -9.8 | -7.7 |
| Southern Africa | -1.1 | -1.5 | -2.0 | -2.7 | -3.0 | -4.8 | -4.4 |
| West Africa | -0.5 | -2.4 | -2.6 | -0.5 | -1.0 | -4.6 | -4.2 |
| **Africa** | **0.2** | **-3.0** | **-2.6** | **-3.5** | **-5.0** | **-6.3** | **-5.3** |
| *Memorandum items* | | | | | | | |
| *North Africa (including Sudan)* | *1.3* | *-5.6* | *-3.5* | *-6.8* | *-10.0* | *-8.8* | *-7.0* |
| *Sub-Saharan Africa* | *-0.4* | *-1.8* | *-2.2* | *-2.0* | *-2.6* | *-5.0* | *-4.5* |
| *Oil-exporting countries* | *1.6* | *-2.4* | *-1.9* | *-3.3* | *-5.7* | *-7.8* | *-6.3* |
| *Oil-importing countries* | *-1.8* | *-4.0* | *-3.9* | *-4.1* | *-4.0* | *-4.1* | *-4.0* |
| **External current account, including grants (% GDP)** | | | | | | | |
| Central Africa | -0.3 | -2.1 | -4.3 | -4.2 | -5.2 | -6.3 | -5.6 |
| East Africa | -6.7 | -3.7 | -7.1 | -7.5 | -7.7 | -7.3 | -7.9 |
| North Africa | 8.7 | 0.5 | 1.5 | -1.2 | -4.5 | -6.1 | -5.9 |
| Southern Africa | -2.0 | -0.7 | -2.8 | -3.6 | -4.4 | -6.4 | -5.6 |
| West Africa | 4.7 | 0.7 | 1.0 | 0.5 | -0.2 | -5.2 | -4.9 |
| **Africa** | **2.6** | **-0.4** | **-1.1** | **-2.2** | **-3.7** | **-6.1** | **-5.8** |
| *Memorandum items* | | | | | | | |
| *North Africa (including Sudan)* | *7.0* | *0.3* | *0.5* | *-1.9* | *-4.9* | *-6.2* | *-6.0* |
| *Sub-Saharan Africa* | *0.2* | *-0.7* | *-1.9* | *-2.4* | *-3.1* | *-6.0* | *-5.7* |
| *Oil-exporting countries* | *8.0* | *3.3* | *3.2* | *0.9* | *-1.3* | *-5.4* | *-4.8* |
| *Oil-importing countries* | *-4.5* | *-5.3* | *-7.5* | *-7.3* | *-7.8* | *-7.3* | *-7.6* |

*Note*: (e)estimates; (p) projections.
*Source*: Statistics Department, African Development Bank.

## Annex 1.A1. Energy sectors in Africa: Problems and opportunities[5]

Infrastructure bottlenecks, including poor energy supply, are important barriers to the faster economic and social progress and economic diversification needed to maintain high and sustainable growth. New energy supply is not keeping up with new demand and this annex describes the state of Africa's energy sector and its policy challenges.

### Energy supply has increased but remains scarce

An adequate energy supply is a prerequisite for economic development and at the same time, demand for energy rises with higher income. In sub-Saharan Africa, primary energy demand increased by around 45% from 2000 to 2012. This was about half of GDP growth so that on average a 1.0% increase in GDP was accompanied by a 0.5% increase in primary energy. In other developing and emerging countries the nexus between energy consumption and GDP growth has been much larger, which points to supply constraints in Africa.

Many African countries put in place policies to improve energy supply. As a result, installed grid-based power generation capacity has steadily increased. In sub-Saharan Africa in 2012, coal-fired generation capacity was 45% of the total (mainly South Africa), 22% hydropower, 17% oil-fired (both more evenly spread), 14% gas-fire (mainly in Nigeria), 2% nuclear, and less than 1% renewables. Until recently, energy policies have been primarily nationally independent, but regional co-operation is deepening and helps to serve larger markets. Industry, led by mining and refining activities, accounts for half of electricity consumption in sub-Saharan Africa, but much of it is concentrated in Ghana, Mozambique, Nigeria and South Africa. The residential sector represents only 27% of total electricity consumption, as there are relatively few electricity-consuming appliances per household and limited disposable income. A communications boom, particularly for mobile telephones, has driven up energy demand in recent years.

### Electricity access differs widely between and within countries

Strong political commitment has helped to increase electricity access through grid and mini-grid systems in countries such as Ghana, Mali, Mozambique, Rwanda and Tanzania. In sub-Saharan Africa, the electricity access rate has increased from 23% in 2000 to 32% in 2012 and 145 million people have gained access to electricity since 2000. But in many African countries, rapid population growth is outpacing the extra electricity produced. As a result, 625 million people in sub-Saharan Africa – out of a population of 915 million – are living without access to electricity and the number without access continues to rise. Nearly 80% of people without access to electricity live in rural areas, which is also detrimental to spatial inclusion (see Part II: Regional development and spatial inclusion). Modern energy is also costly and too expensive for many people. African firms and households have often to cope with missing or unreliable power supplies and use private back up diesel or gasoline generators. Many households continue to cook traditionally with wood, agricultural waste and charcoal, which cause health problems from indoor smoke and also lead to forest degradation.

In seven African countries the share of population without electricity was in 2012 above 90% (Central African Republic, Chad, Democratic Republic of the Congo, Liberia, Malawi, Sierra Leone and South Sudan). In 13 countries it was between 75% and 90% (Burkina Faso, Burundi, Ethiopia, Guinea, Guinea-Bissau, Kenya, Madagascar, Mauritania, Niger, Rwanda, Somalia, Tanzania, Uganda). In 18 countries it was between 50% and 75% (Angola, Benin, Comoros, Congo, Côte d'Ivoire, Djibouti, Eritrea, Gambia, Lesotho, Mali, Mozambique, Namibia, Nigeria, Sudan, Swaziland, Togo, Zambia, Zimbabwe) and in six between 25% and 49% had not electricity (Botswana, Cameroon, Gabon, Ghana, Sao Tome and Principe, Senegal). In South Africa, 85% of the population has access to electricity and in seven countries (Algeria, Egypt, Libya, Mauritius, Morocco, Seychelles, Tunisia) electricity supply is similar as in advanced countries with 100% or close to 100% of the population plugged in.

It has been projected that with new electrification programmes, the total number of people without access to electricity will start to decline in the 2020s and by 2040, 950 million people will have gained access. But as the population will have increased faster, more than half a billion people, mainly in rural areas, are forecast to remain without electricity in sub-Saharan Africa (OECD/IEA, 2014). While such long-term projections are highly uncertain they illustrate the magnitude of the challenge for policy makers. Indeed, without adequate energy provision long-term growth cannot be sustained.

Many African firms cite access to electricity among their biggest obstacles. In 12 countries, firms saw access to electricity in recent years as the most important obstacle (Burundi, Central African Republic, Congo, DRC, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Nigeria, Senegal, Uganda) (World Bank Group Enterprise Surveys). Reducing energy constraints for firms and households is thus of key importance to boosting economic and social development. An integrated policy approach is needed which considers economic, social and environmental objectives. Continued efforts are required, in particular:

- creating an appropriate energy investment climate across the whole range of recoverable (oil, gas, coal) and renewable (solar, hydro, wind) energy sources
- improving the management of natural resources and of resource revenues by improving the quality, transparency and accountability of institutions
- deepening regional integration and co-operation in energy policies
- addressing problems in remote rural areas with solutions such as solar photovoltaic and mini-hydropower projects
- promoting clean cooking fuels and stoves for households and helping to replace solid biomass fuels with liquefied petroleum gas.

 

***Notes***

1. The quarterly Ifo World Economic Survey (WES) attempts to draw an up-to-date picture of the current economic situation and the short-term outlook in about 120 industrial, emerging and developing economies. The 1 100 survey participants work for research institutes, universities, think tanks or financial institutions like banks or insurance companies. Some respondents are affiliated to companies or are representatives of associations or chambers of industry or trade. Unlike the official statistics, which are primarily constructed around quantitative information, WES consists of qualitative information: appraisals and expectations of economic experts. Whereas the official statistics on the international level often appear after considerable delays, the WES results are timely and internationally comparable. Especially in countries where the database of the official statistics is insecure, the appraisals and expectations expressed by on-site economic experts in the WES are of particular importance. In Africa, the survey covers 30 countries and receives on average 150 responses quarterly.
2. According to the OECD, a permanent USD 20 per barrel decline in crude oil prices could raise GDP growth in the OECD area by up to 0.4 percentage points over the first two years and decrease headline inflation by at least 0.5 percentage points (OECD, 2014). And according to the World Bank, a 30% oil price decline driven by a supply shock would be associated with an increase in world GDP of about 0.5% in the medium-term (World Bank, 2015b).
3. The CEMAC members are Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.
4. The WAEMU members are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.
5. This annex draws significantly on OECD/IEA, 2014.

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*Chapter 2*

# External financial flows and tax revenues for Africa

This chapter analyses recent trends in external financial flows to Africa and tax revenue collection. It explores how the African finance landscape has changed in the past decade with a focus on the growing importance of private flows, such as foreign direct investment, portfolio investments and remittances, and the decline in official development assistance. Despite significant efforts to increase fiscal revenue these still fall short of needs.

## In brief

The financial landscape has changed considerably in Africa since 2000. Private external flows in the form of investment and remittances now drive growth in external finance. Foreign investments are expected to reach USD 73.5 billion in 2015, underpinned by increasing greenfield investment from China, India and South Africa. Foreign direct investment (FDI) is diversifying away from mineral resources into consumer goods and services and is increasingly targeting large urban centres in response to the needs of a rising middle class. African sovereign borrowing is rocketing. Remittances have increased six-fold since 2000 and are projected to reach USD 64.6 billion in 2015 with Egypt and Nigeria receiving the bulk of flows. Conversely, official development assistance (ODA) will decline in 2015 to USD 54.9 billion and is projected to diminish further. More than two-thirds of states in sub-Saharan Africa, the majority of which are low-income countries, will receive less aid in 2017 than in 2014. Despite significant improvements in tax revenue collection over the last decade, domestic resource mobilisation remains low. Financing the post-2015 development goals will depend on the capacity of African policy makers and the international community to harness these diverse funding options and exploit their potential to leverage additional finance.

## Private flows drive growth in external financial flows to Africa

This section reviews the evolution in external financial flows to Africa, highlighting the relative importance and trends of FDI, portfolio investments, remittances and ODA. It also examines ways to optimise these resources with a view to financing the Post-2015 Development Agenda.

### External flows slowed in 2014

In 2014, total external flows to Africa were estimated at USD 181 billion, 6% lower than in 2013. This decrease resulted from a sharp drop in portfolio flows and a slight decline in FDI flows, reflecting subdued global demand and weaker commodity prices, especially for metals. This decline offset the slight increase in remittances (+2.1%) and ODA (+1.1%). Overall, estimates for total external flows averaged 7.3% of GDP in 2014, compared to 8.2% in 2013.

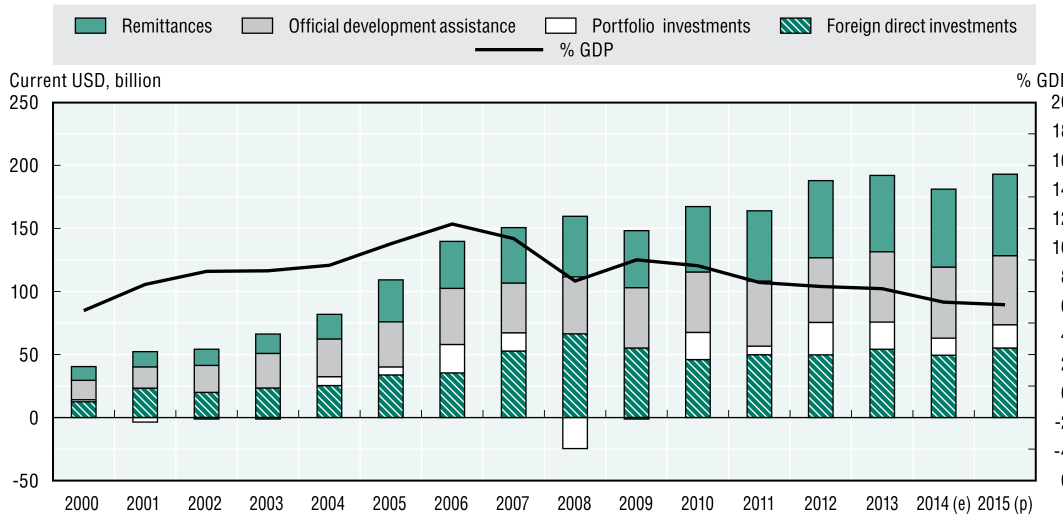
Over the last decade external financial flows have played a major role in financing Africa's development. However, they fall short of the financing needed to address Africa's key challenges. The third International Conference on Financing for Development, due to take place in Addis Ababa in July 2015, will provide an opportunity to take stock of progress towards financing the Millennium Development Goals (MDGs), which were set at the Monterrey conference in 2002. In the run up to the 2015 conference, the international community is designing a new development finance framework to fund the Sustainable Development Goals, which will replace the MDGs. African Union leaders representing the Common African Position on the Post-2015 Development Agenda have reiterated the need to mobilise significant resources from a variety of sources and to ensure the effective use of financing (African Union, 2014).

#### Private financial flows have grown in importance

Since the Monterrey conference financing options for the continent have increased substantially. Private financial flows have become more prominent, increasing from 63% of total external resources in 2002-06 to more than 70% in 2010-14 (Figure 2.1). Africa has attracted increasing foreign investment, notably from other emerging economies and within the continent. Foreign direct investment is diversifying away from mineral resources into consumer goods and services, as a response to the rapidly urbanising population and a rising middle class.

Figure 2.1. **External financial flows to Africa, 2000-15**




*Note*: ODA estimates (e) and projections (p) are based on the real increase in Country Programmable Aid (CPA) in OECD (2014b). The forecast for remittances is based on the projected rate of growth according to the World Bank. (This graph excludes loans from commercial banks, official loans and trade credits.)

*Sources:* Authors' calculations based on OECD/DAC, World Bank, IMF and *African Economic Outlook* data.

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Portfolio flows to the continent have also increased. Since 2011, more than a dozen countries, including Kenya, Nigeria and Uganda, have issued international sovereign bonds for the first time with the objective of financing large infrastructure projects.

Migrant remittances continue to grow and represent the single largest source of international financial flows to African countries. While private capital flows are volatile, remittances constitute a more stable source of foreign exchange and are therefore more suitable for longer-term purposes such as financial sector development (Ncube and Brixiova, 2013).

**Public financial flows have decreased in importance**

Conversely, the relative importance of international public flows, and especially bilateral aid from OECD countries, is diminishing. The share of ODA in total external flows declined from 37% in 2002-06 to 30% in 2010-14. This reveals a shift in regional aid allocation with a reduction of grants to low-income African countries and an increase of soft loans to middle-income countries in Asia. Nevertheless, South-South co-operation continues to grow rapidly, more than doubling between 2006 and 2011 (UN, 2014).

Countries are increasingly mobilising domestic resources to compensate for declining foreign aid. Tax revenues have grown thanks to major efforts to improve revenue collection and gains from the commodity price boom (Sy, 2015). However, in spite of considerable efforts and reform, tax mobilisation remains low (Table 2.1).

Table 2.1. **Financial flows and tax revenues to Africa (current USD, billion), 2005-15**

| | | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (e) | 2015(p) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign | Private | Inward foreign direct investments | 33.8 | 35.4 | 52.8 | 66.4 | 55.1 | 46.0 | 49.8 | 49.7 | 54.2 | 49.4 | 55.2 |
| | | Portfolio investments | 6.3 | 22.5 | 14.4 | -24.6 | -0.3 | 21.5 | 6.8 | 25.7 | 21.5 | 13.5 | 18.4 |
| | | Remittances | 33.3 | 37.3 | 44.0 | 48.0 | 45.2 | 51.9 | 55.7 | 61.2 | 60.6 | 61.8 | 64.6 |
| | Public | Official development assistance (net total, all donors) | 35.8 | 44.6 | 39.5 | 45.2 | 47.9 | 48.0 | 51.8 | 51.3 | 55.8 | 56.3 | 54.9 |
| | | *Total foreign flows* | *109.2* | *139.7* | *150.6* | *135.0* | *147.9* | *167.3* | *164.0* | *187.9* | *192.0* | *181.1* | *193.0* |
| Domestic | | Tax revenues | 258.1 | 305.9 | 343.4 | 442.4 | 330.6 | 408.3 | 462.9 | 515.1 | 507.4 | | |
| Total foreign flows | | Low-income countries | 21.8 | 22.8 | 29.5 | 36.5 | 36.9 | 39.5 | 47.5 | 47.9 | 49.7 | 52.3 | 54.2 |
| | | Lower-middle-income countries | 61.7 | 78.4 | 84.1 | 81.8 | 69.4 | 94.7 | 84.9 | 109.1 | 111.9 | 96.3 | 105.2 |
| | | Upper-middle-income countries | 23.2 | 35.6 | 33.2 | 11.9 | 35.9 | 28.1 | 26.5 | 25.6 | 26.0 | 26.9 | 26.6 |

*Note*: ODA estimates (e) and projections (p) are based on the real increase of Country Programmable Aid (CPA) in OECD (2014b). The forecast for remittances is based on the projected rate of growth according to the World Bank. (This table excludes loans from commercial banks, official loans and trade credits.)
*Sources*: Authors' calculations based on OECD/DAC, World Bank, IMF and *African Economic Outlook* data.

## Private flows will play a major role in financing the Post-2015 Development Agenda

Private flows drive growth in external financial flows to the continent. Total external flows to Africa are projected to reach USD 193 billion in 2015, mainly due to a surge in portfolio inflows and a slight increase in remittances and FDI, the latter spurred by economic growth and an expanding consumer base. However, investor enthusiasm may diminish as a result of recent external and domestic risks, including declining commodity prices, the slowdown in emerging economies, and spillover effects from the Ebola outbreak and political instability in West Africa.

### Mobilisation of domestic resources is crucial to counterbalance the decline in ODA

In terms of international public flows, the present decline in ODA to Africa from OECD countries is projected to continue. More than two-thirds of sub-Saharan African states, most of which are low-income countries, will receive less aid in 2017 than in 2014 (OECD, 2014b).

Improvements in the mobilisation of domestic resources will be key to counterbalancing aid declines. African governments will have to increase efforts to strengthen tax systems, expand domestic tax bases and enhance local financial markets to attract other private flows (UN, 2014). However, these domestic resources will not be sufficient to meet financing needs. More and better quality aid will remain an essential complement, especially in low-income countries.

### Public and private flows supported by policies and incentives are necessary to fund the Post-2015 Development Agenda

Financing the Post-2015 Development Agenda will require an optimal mix of domestic and international, public, private and blended resources. There is also growing emphasis on using aid as a catalyst for private investment in the form of guarantees, loans or more traditional public-private partnerships.

Private flows will play an increasingly important role. In this respect, governments will need to develop policies and incentives that better match investor preferences with investment needs, so as to ensure that long-term sustainable development needs, for example, are not financed through short-term funds (UN, 2014). Governments must also continue efforts to attract sovereign wealth funds, private companies and development finance institutions, as they provide more stable and long-term sources of financing and help to mitigate the volatility inherent in financial markets (Sy, 2015).

**Private capital flows can help promote local development**

Fostering economic linkages between multinational companies and the domestic private sector will also help to maximise business contributions to development goals. For example, large agribusiness companies work in partnership with donors to integrate African small-scale farmers into their value chains. These inclusive business ventures provide inputs and transfer knowledge and skills, but remain limited in outreach and scale.

Private capital flows can also contribute significantly to development by spurring innovation in local capital markets and encouraging expansion in the scope and scale of financial services. The exponential growth of branchless banking and mobile banking technologies are a good move in this direction.

**Tapping remittances and curbing illicit financial flows could free up resources**

Remittances also have huge untapped potential in terms of resource mobilisation. Policy makers and the development community are exploring ways to exploit this potential to leverage savings and investment in productive assets. However, more effort is needed to maximise their development impact, including by reducing their transmission costs and channelling remittances through national commercial banks to access additional finance.

In addition, illicit financial flows from Africa, which are estimated to exceed FDI and ODA over the last decade, are a potential source of domestic resource mobilisation for the continent. If curbed, they could free up resources to invest in public goods.

## Africa remains the frontier for foreign investment

This section explores recent positive trends in FDI,[1] outward African investment and portfolio investment. It points to the emergence of new sectors, investors and destinations, and highlights the top recipients as well as sources of foreign investment. The outlook for FDI and portfolio investments in 2015 looks favourable, although external and domestic risks may undermine investor confidence.

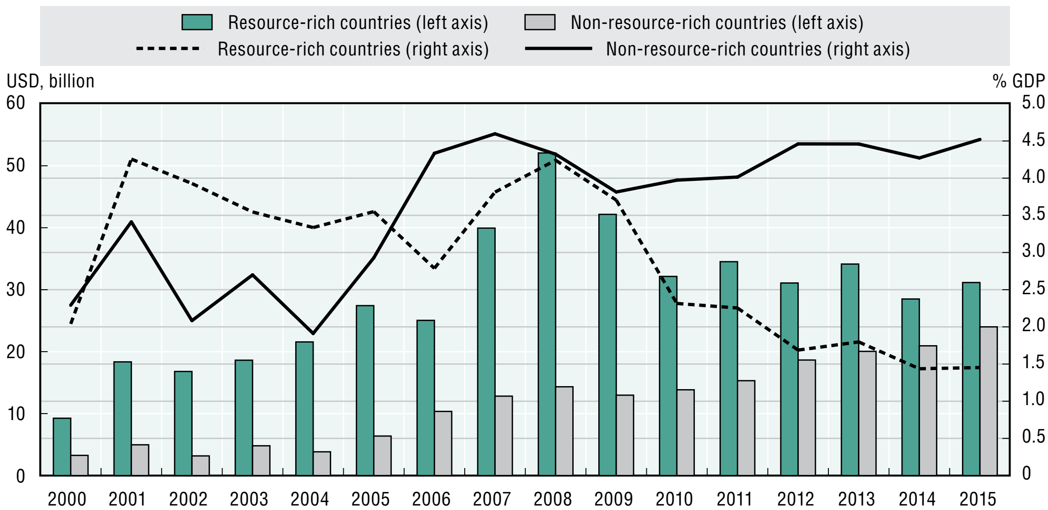
### Africa continues to attract FDI inflows, but at a slower pace

In 2013, Africa's share of global FDI projects reached 5.7%, its highest level in a decade. FDI inflows increased to USD 54.2 billion, up 9% from 2012, driven by international and regional investment in the extractive sector, infrastructure and consumer-oriented industries. Estimates for 2014 show a slight decrease to USD 49.4 billion; however, inflows are projected to reach USD 55 billion in 2015, alongside continuous growth in the emerging middle class, which will boost FDI in consumer-oriented sectors (IMF, 2014b). Indeed, since the 1980s Africa's middle class has increased threefold, reaching 355 million in 2010 (34.3% of the population) and is projected to reach 1.1 billion (42%) in 2060 (AfDB, 2011).

### Consumer-oriented sectors in Africa are increasingly attracting FDI

Although mineral resource-rich countries[2] remain the principal destination for investment flows, non-resource-rich countries increasingly account for a larger share of FDI. According to the IMF, non-resource-rich countries received an estimated 42% of the share of FDI in 2014, compared to 19% in 2008 (Figure 2.2). In 2014, the FDI-to-GDP ratio for non-resource-rich countries stood at 4%, twice the level of 2002. Conversely, the ratio for resource-rich countries shrunk from 4% to 1.5% over the same period.

Figure 2.2. **Foreign direct investment to Africa: Resource-rich vs. non-resource-rich countries, 2000-15**




*Source:* Authors' calculations based on IMF (2014b).
StatLink http://dx.doi.org/10.1787/888933206589

In 2013, the Herfindahl index for sectoral concentration reached its lowest level in a decade, averaging 0.1 compared to 0.43 in 2003. This trend is also confirmed by data on announced greenfield projects. In 2013-14, manufacturing and services accounted for about 85% of the total value of projects in Africa (fDi Markets, 2014). In particular, FDI flows are starting to diversify into consumer-market oriented industries, including information and communication technology (ICT), retail, food and financial services. In 2013, investment in ICT and retail increased from 14% and 12% of total FDI in 2007 to 20% and 17%, respectively. Over the same period, the share of business services doubled, reaching 12% of total FDI (Ernst & Young, 2014).

### Investments are targeting large African urban centres

Table 2.2 shows the main location-based motives for FDI in Africa over the last decade. Company investments in the continent are primarily market seeking, with more than 50% of projects motivated by access to domestic markets and one-third of FDI driven by proximity to regional markets and consumers.

Table 2.2. **Determinants for foreign direct investment in Africa, 2003-14**

| Motive | Projects | % of FDI projects |
|---|---|---|
| Domestic market growth potential | 554 | 52.2 |
| Proximity to markets or customers | 321 | 30.3 |
| Regulations or business climate | 250 | 23.6 |
| Skilled workforce availability | 67 | 6.3 |
| Natural resources | 61 | 5.7 |
| Infrastructure and logistics | 55 | 5.2 |
| Lower costs | 53 | 5.0 |
| Industry cluster/critical mass | 34 | 3.2 |
| Government support | 33 | 3.1 |
| Attractiveness/quality of life | 23 | 2.2 |
| Other motive | 88 | 8.3 |

*Source*: Authors' calculations based on fDi Markets (2014).

African cities represent a growing and untapped consumer market, and are increasingly targeted by investors. Disposable income in Africa's major cities is expected to grow at an average of 5.6% per year up to 2030, while aggregate spending power is set to more than double from USD 420 billion in 2013 to USD 1 trillion in 2030 (Oxford Economics, 2013). The most appealing sub-Saharan cities for investors are Johannesburg, Cape Town, Nairobi and Lagos (in this order). Casablanca, Cairo and Tunis are considered to be the top three cities to invest in North Africa (Ernst & Young, 2014). This ranking reflects the current quality of business climate, infrastructure and availability of a skilled workforce.

The recent surge in infrastructure projects indicates that investors are also injecting resources into transport corridors aimed at connecting cities and transforming them into large urban clusters with a large consumer base. Examples include the Greater Ibadan-Lagos-Accra urban corridor, the Maputo Development Corridor, and the Northern Corridor between East and Central Africa.

## New destinations are receiving attention from investors

In 2014, the leading investment destinations in Africa were Egypt, Mozambique, Morocco, South Africa, the Republic of the Congo (Congo) and Ghana (Table 2.3).

Table 2.3. **Top foreign direct investment destinations in Africa by value of investment, 2014**

| Country | Value (USD billions) | Main sectors |
|---|---|---|
| Egypt | 5.5 | Oil, gas, automotive |
| Mozambique | 4.9 | Infrastructure, gas |
| Morocco | 4.7 | Manufacturing, real estate, food processing |
| South Africa | 4.2 | Infrastructure |
| Congo | 2.8 | Oil |
| Ghana | 2.7 | ICT, retail |

*Source*: Authors' calculations based on IMF (2014b).

Several other countries are assuming a more prominent position on investors' radar, including Kenya, the Republic of Tanzania, Uganda and Zambia, reflecting the shift towards consumer goods. In Kenya, investment flows more than doubled in one year, reaching USD 1.2 billion in 2014. The country is becoming a favoured business hub, not only for oil and gas exploration, but also for manufacturing, transport and ICT. Kenya has also become a world leader in payment by mobile phone (see Box 2.2). In addition, the country is building a USD 14.5 billion information technology hub called Konza Technology City outside Nairobi, with a view to attracting investment in business process outsourcing, software development and data centres. Konza Technology City should lead to the creation of 16 000 direct jobs by 2018-19 and 200 000 by 2030.

### FDI inflows vary significantly by region

In terms of regional performance, East Africa recorded the highest increase in FDI inflows, with overall investment growing by 9% to USD 9.5 billion in 2014. Southern Africa saw inflows resume normal levels, declining by 20% to USD 9.7 billion after record-high flows to South African infrastructure in 2013.

West Africa also experienced a 20% decrease in inflows with investment sliding to USD 8.3 billion, mainly as a result of continued political and security uncertainties in Nigeria. The Ebola outbreak, which disrupted economic activities across several sectors in Guinea, Liberia and Sierra Leone and isolated them from international markets, has also dented investor confidence. The service sector (hospitality, construction, transportation and business services) has suffered the most, but investment flows have also declined in the primary sector. Large foreign investors such as Vale and Rio Tinto in Guinea have evacuated many foreign workers. In Liberia's mining sector, planned investments to expand capacity at the country's largest mining company (ArcelorMittal) to 15 million tonnes per year have been put on hold, and one major mining company (China Union) ceased operations in August 2014 (World Bank, 2014b). Evacuation of managerial and supervisory personnel has also slowed down investment in palm oil planting. Construction of a USD 10 million modern oil palm mill for Sime Darby began in July 2014 with completion expected in 2015, but has since been put on hold (World Bank, 2014b).

FDI flows to North Africa and Central Africa also decreased, but only marginally. Political uncertainties in North Africa seem to have had a negative impact on non-oil manufacturing activities while, with the exception of Libya, oil and gas remained unaffected. The resurgence of investor interest in the region is particularly evident in Egypt, where the United Arab Emirates (UAE) are establishing a firm foothold, investing across several sectors including oil and gas, banks, automobiles, tourism, food industries and education.

### Investment in agribusiness is becoming more inclusive

The investment landscape of the agrifood market is changing. Uncertainty about the future supply of many agricultural products, land pressure and declining yields – Africa has the lowest level of agricultural productivity in the world – are leading many companies to work more closely with small-scale farmers to ensure stable supplies. In some sectors, such as horticulture and to a lesser extent in cocoa and coffee, companies are actively assisting in the production process. Notable examples include "inclusive" agribusiness business ventures, which align the profit incentive with a social mission to involve low-income farmers and provide them with inputs, training and other forms of support (Box 2.1).

#### Box 2.1. **Inclusive investment in agribusiness**

A range of business models for inclusive market development in the agribusiness sector build on the complementarities between smallholders and large-scale investors. These include diverse types of contract farming schemes (out-grower schemes), joint ventures and management contracts. In the case of out-grower schemes the commercial farmer facilitates access to inputs (e.g. bank loans, seed and advisory services) for smallholder farmers, in return for the right to market their output. These arrangements should reduce the risk to both parties. However, several key factors determine the outcome, including the negotiating power of large-scale investors and farmers, the professionalisation of farmer organisations and the terms of the contract.

Successful examples in the horticulture sector are found in **Ethiopia** and **Kenya**, where large investors and exporters have worked with local producers, through out-grower schemes, to provide them with the necessary capacity, market access and financing. This has allowed local producers to diversify their crops and their source of revenue.

Other smallholder-dominated export crops, such as cocoa and coffee, have not yet experienced these changes, but exhibit high potential, especially given the current surge in demand which is encouraging traders to work directly with farmers to ensure future supply. In so doing, traders also collaborate with international donors and local NGOs who possess greater knowledge of local realities and can also co-finance inputs and training for farmers.

Box 2.1. **Inclusive investment in agribusiness** (cont.)

In East Africa, a large trading and processing company, ECOM, partnered with the NGO Hivos to train coffee producers. Between 2007 and 2012, they co-developed a training programme which has since helped over 85 000 coffee producers to improve the quantity and quality of yields and achieve greater transparency in production processes. As a result, farmers' income went up from 60% to 75%. Building on this success, ECOM and Hivos launched another partnership in 2013 to support 90 000 smallholder coffee producers (of which 50% are women) in **Kenya**, **Tanzania** and **Uganda**. The programme aims to build commercially viable models for the creation of effective farmer support systems, which can be widely replicated, allowing ECOM to expand its activities independently in the future.

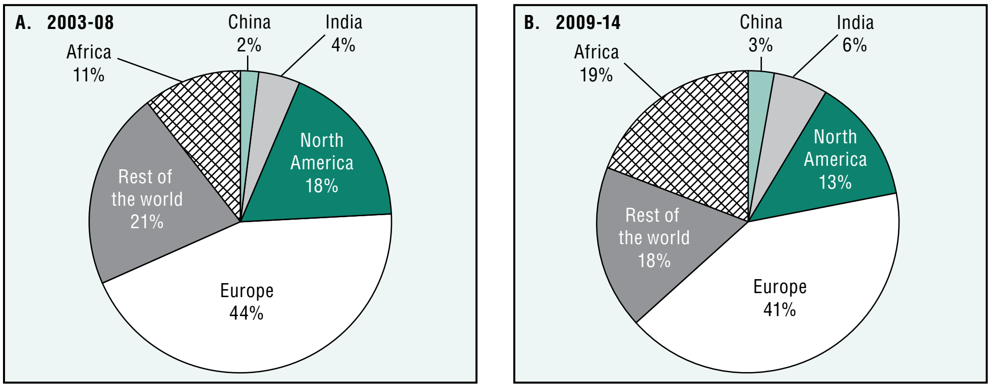
In **Côte d'Ivoire**, another agribusiness corporation, Cargill, collaborated with the NGO Solidaridad to provide cocoa farmers with access to inputs and training in good agricultural practices, with a view to increasing productivity and preserving the environment. Support activities include assisting co-operatives to obtain certification for their cocoa and improve the working and living conditions of member farmers. Women farmers also received training in other income-generation activities to help diversify their sources of income. A recent evaluation of Cargill and Solidaridad support activities during 2008-12 showed that the majority of the 60 000 Ivorian farmers benefited from the training they received. Productivity and quality of cocoa beans improved, which led to a rise in income, and farmers also increased their knowledge of labour and children's rights. While this initiative and others similar tend to target co-operatives (accounting for less than 15% of total farmers), they contribute to efforts to make the cocoa value chain more inclusive and sustainable.

*Sources*: Authors' elaborations based on Wageningen UR (2012, 2014), Wegner and Zwart (2011) and Hivos (n.d.).

## Greenfield projects in emerging African economies are increasing

Emerging economies are becoming an increasingly important source of greenfield projects in African countries (Figure 2.3). While investment by OECD countries is decreasing, the share of China and India in total announced greenfield investment projects grew from 2% and 4%, respectively, in 2003-08, to 3% and 6% in 2009-14 (fDi Markets, 2014).

Figure 2.3. **Sources of greenfield investment in Africa (by number of projects), 2003-08 and 2009-14**




*Sources*: Authors' calculations based on fDi Markets (2014) and UNCTAD (2014).
StatLink http://dx.doi.org/10.1787/888933206599

China, in particular, invested about USD 11.7 billion between 2009 and 2014 in 129 greenfield projects, creating approximately 48 000 jobs (fDi Markets, 2014). In 2013-14, a large proportion of this investment (USD 4.3 billion) concentrated in oil and gas-producing countries of the West African region, although Chinese capital is diversifying into transport, construction and clothing. In 2013, the Huanjin Group opened its first shoe production factory with a view to establishing a USD 2 billion special economic zone for light manufacturing in Ethiopia (UNCTAD, 2014). The factory could create employment for almost 100 000 Ethiopian workers. In Egypt, the Chinese electronic company Hisense partnered with local broadcaster Sun TV with the objective of producing 100 000 LCD televisions a year (Ernst & Young, 2014). These examples illustrate China's increasing use of specific African markets as manufacturing platforms to export products to global markets.

In 2013-14, the leading investors in terms of value of announced greenfield investment were the United Arab Emirates (USD 45.6 billion), France (USD 21 billion), the United States (USD 10.7 billion), Greece (USD 10 billion, concentrated in Egypt), the United Kingdom (USD 6.9 billion) and Belgium (USD 5.2 billion). European countries accounted for 41% of FDI to Africa and 37% of jobs created by greenfield FDI (308 000 jobs during 2009-14).

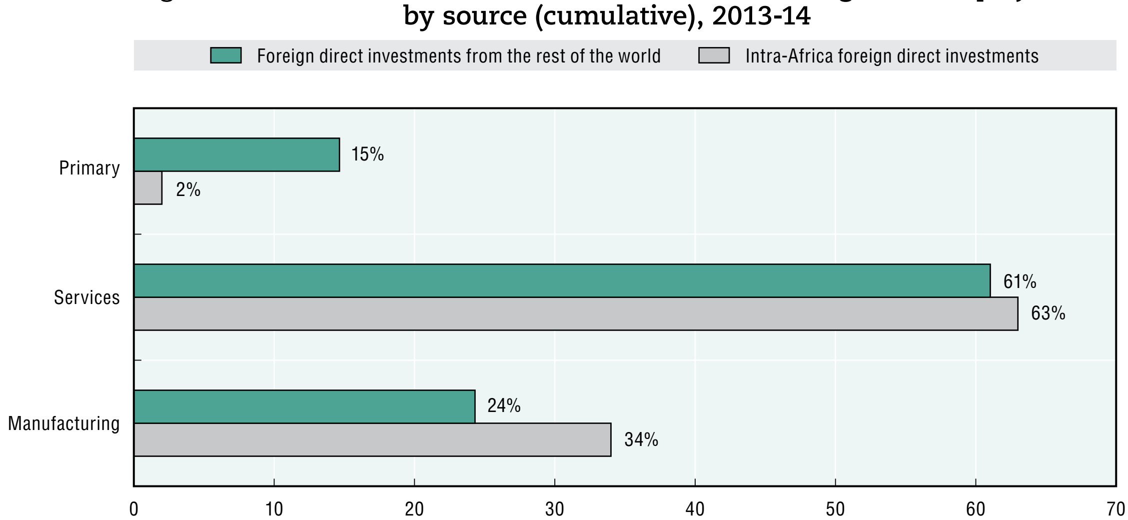
## Intra-African FDI flows are increasing

Recent surveys on the attractiveness of Africa as an investment destination highlight the increasing confidence and optimism of African investors towards investment opportunities on the continent. The majority of respondents hold positive opinions concerning Africa's progress and its potential to attract investors. This growing optimism has translated into a surge in intra-African investment (Ernst & Young, 2014).

### Intra-African greenfield investment is rising

The share of announced cross-border greenfield investment projects originating from within Africa rose from 11% of the total during 2003-08 to 19% during 2009-14. The share of jobs created by intra-African projects increased from 6% to 10%, reaching 86 000 in 2009-14 (fDi Markets, 2014).

Figure 2.4. **Sectoral distribution of announced value of greenfield projects by source (cumulative), 2013-14**




*Sources*: Authors' calculations based on fDi Markets (2014) and UNCTAD (2014).

StatLink http://dx.doi.org/10.1787/888933206609

South African companies are the leading investors on the continent, accounting for about 50% of intra-regional greenfield projects. In 2009-14, South Africa invested in 312 greenfield projects for a total value of USD 25.6 billion (fDi Markets, 2014). Kenya, Nigeria and Mauritius follow as other important sources of intra-African investment, accounting for 134, 89 and 50 greenfield projects, respectively, between 2009-14. As indicated in Figure 2.4, about 99% of intra-African projects are concentrated in manufacturing and services, while extractive industries play a marginal role (fDi Markets, 2014).

### Outward FDI flows from Africa are also growing

The last few years have also witnessed an increase in FDI flows from Africa to the rest of the world. In 2013-14, Africa's outward investment averaged USD 11.4 billion compared to USD 8.1 billion for 2011-12.

A number of emerging African multinationals are expanding their presence across the continent and worldwide, with some companies launching innovative products. FDI flows from African countries to the outside world increased by 30% from 2003-08 to 2009-14. The service sector is particularly dynamic, especially in retail, banking and ICT (Box 2.2).

#### Box 2.2. **Leading African companies investing in Africa and worldwide**

**SABMiller,** originally South African Breweries, has expanded from its original South African base to become a multinational brewing and beverage company. Currently the world's second largest brewer measured by revenues sales, SABMiller has brewing interests and distribution agreements across six continents. Its brewing operations in Africa encompass 31 countries and the company is now the second largest brewer in India. SABMiller also owns 49% of Snow, the biggest beer brand in China measured in terms of volume.

Another South African company to invest heavily in China is **Naspers**, Africa's largest media conglomerate. Naspers owns a 34% stake in China's largest Internet company, Tencent.

The **Shoprite Group of Companies** is a South African-based retail and fast food company. It operates over 1 200 corporate and 270 franchise outlets in 16 countries across the continent, in which it employs more than 11 000 people. It is also Africa's largest supermarket chain and ranks 93rd in the world list of food retailers. In 2014, Shoprite continued its expansion strategy with plans to open 47 new outlets across the continent, focusing on Angola and Nigeria. The group has also decided to increase the share of fresh products supplied by local smallholders. Smallholders supply about 80% of fresh products sold in Zambia, about 60% in Nigeria and 50% in Angola. Shoprite supermarkets have been instrumental in promoting the inclusion of smallholders in agribusiness value chains in a number of countries.

**Safaricom** is East Africa's largest mobile telecommunications provider and was ranked by Forbes as the most innovative company in sub-Saharan Africa in 2012. In 2007, Safaricom launched M-Pesa, Africa's first SMS-based money transfer service, which lets users deposit, transfer and withdraw funds via text message. M-Pesa has fundamentally altered the landscape of financial services in Kenya and Tanzania. By 2014, over 60% of the population of these two countries used mobile payments, with the service expanding to many other African countries and beyond. Competing services are also now emerging and spreading across the continent.

Africa is experiencing a big increase in e-commerce. The most popular online shopping site is **Jumia**, founded in Nigeria in 2012, which offers a wide range of electronics, fashions, home appliances and items for children. As of 2014, Jumia had warehouses in seven other African countries, including Cameroon, Côte d'Ivoire, Egypt, Ghana, Kenya, Morocco and Uganda. One year after its launch in Kenya, Jumia was the country's number one retailer, offering over 50 000 products and employing over 100 workers.

*Sources:* Based on reports of selected companies and media articles (Fast Company, 2014; Forbes, 2012).

## FDI should rise in 2015, but slowing commodity prices, domestic political risks and the Ebola outbreak may undermine investor confidence

FDI flows to Africa are expected to grow by 12% in 2015, reaching USD 55 billion. The largest recipients of FDI are projected to remain almost the same as 2014, namely: Egypt (USD 6.5 billion), Morocco (USD 5.2 billion), Mozambique (USD 5 billion), South Africa (USD 4.2 billion) and Congo (USD 2.8 billion) (IMF, 2014b).

Despite political uncertainties in Egypt, Emirati Dana Gas and Italian Eni SpA have recently announced major investments in the oil and gas sector. North Africa is therefore expected to be the largest recipient region of FDI in 2015, topping USD 18 billion. Projections indicate that East Africa will rank second as result of increased FDI flows to ICT and infrastructure, followed by West Africa due to a small increase in investment in the extractive industries of Guinea and sustained, albeit slightly decreasing, investment in Côte d'Ivoire, Ghana and Nigeria.

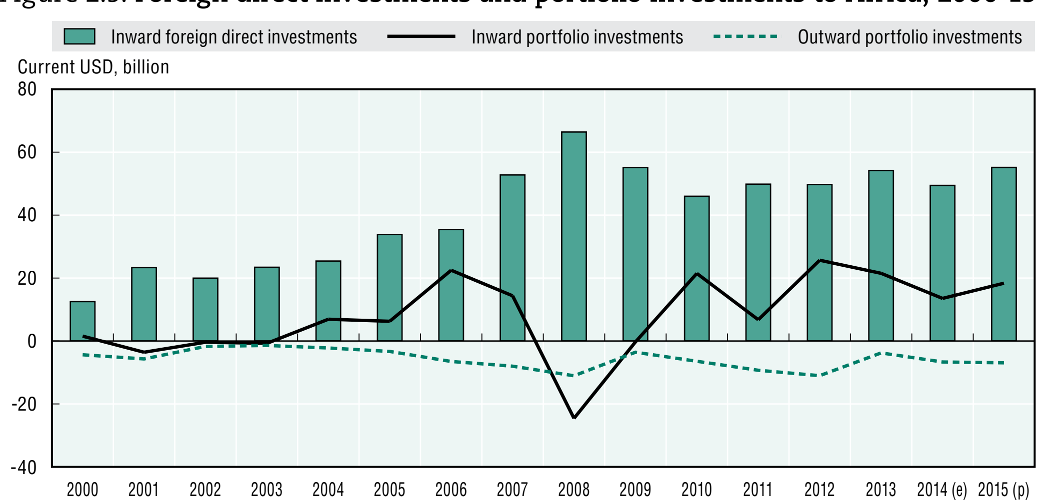
However, a series of external and domestic factors threaten this outlook. On the international front, a continuous decline in metals and oil prices could lead to a significant reduction in exports and cause foreign investors to scale down operations in resource-rich countries (World Bank, 2014a). At the same time, investors may be discouraged by economic slowdowns in emerging economies, especially China, and sluggish recovery in the euro area. On the domestic front, downside risks are emanating from the conflict in South Sudan, the deterioration in security in northern Nigeria, which is also negatively affecting neighbouring countries, and the precarious situations in northern Mali and the Kenyan coast.

The recent Ebola outbreak also constitutes a major risk to investor confidence in Guinea, Liberia and Sierra Leone, and may impact the economies of the West African region if intervention to stop the spread of the disease does not scale up effectively. No major Ebola-related disruptions are expected in the Nigerian oil sector, due to high regional concentration and significant offshore activity. However, should the crisis persist, economic reactions driven by fear may heighten, leading to deferral or cancellation of FDI to the West African region, which would affect large-scale mines, the cash crops sector (e.g. palm oil, cocoa), tourism and hospitality (World Bank, 2014b).

## Portfolio inflows and outflows exhibit growing volatility

Portfolio investment inflows, including international investments in both equity and debt securities issued by non-resident entities, dropped in 2014. Conversely, portfolio outflows, comprising international equity and debt investment by residents, have increased. In general, both inflows and outflows remain highly volatile (Figure 2.5).

Figure 2.5. **Foreign direct investments and portfolio investments to Africa, 2000-15**




*Note:* (e) refers to estimates and (p) refers to projections.

*Source:* Authors' calculations based on IMF (2014b).

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### Projections for portfolio inflows expect recovery but highlight potential risks

Over the last decade, portfolio inflows have gradually increased their share of total investment to Africa. However, they have experienced persistent volatility since their initial peak at USD 22.5 billion in 2006. From a record high of USD 25 billion in 2012 portfolio inflows declined in 2013 and almost halved in 2014, to an estimated 13.4 USD billion. Nigeria recorded the sharpest drop in inflows from USD 13 billion in 2013 to an estimated USD 0.6 billion in 2014. Ghana also recorded a decline from USD 0.7 billion in 2013 to negative inflows in 2014 (-USD 0.2 billion). Egypt experienced a more moderate decrease from USD 1.4 billion to an estimated USD 1.2 billion inflow in 2014. South Africa was the largest recipient of portfolio investments, with inflows rising from USD 7.5 billion in 2013 to USD 9 billion in 2014 (IMF, 2014b). The IMF expects portfolio investment in Africa to rise in 2015, as a result of the projected recovery in portfolio inflows to Nigeria (expected at USD 6.4 billion). However, this positive outlook contains risks.

The tapering of quantitative easing in the United States, oil market uncertainty and political risks may alter investor sentiment toward the continent. African countries projected to receive the largest portfolio investment, such as Egypt, Nigeria and South Africa, may in fact experience a sharp drop in inflows. This in turn could result in pressure on countries with large external financing needs (IMF, 2014a).

### Portfolio outflows are expected to increase slightly, led by South Africa

Portfolio outflows from Africa have also been quite volatile, declining sharply from USD 11 billion in 2012 to USD 3.8 billion in 2013, and then rising to USD 6.7 billion in 2014. South Africa accounts for 77% of total outflows at USD 5.1 billion, followed by Angola at USD 1.2 billion. Other African countries recorded minor portfolio outflows, including Namibia (USD 0.5 billion), Botswana (USD 0.2 billion), Cameroon, Kenya and Mali (all less than USD 0.1 billion) (IMF, 2014b). In 2015, portfolio outflows are expected to increase slightly to USD 6.9 billion, mainly as a result of increased outflows from South Africa (projected at USD 5.6 billion).

## African sovereign borrowing is rising sharply

Sovereign bond issuance is rising across Africa. Since 2011, more than a dozen countries, including Kenya, Nigeria and Uganda, have issued international sovereign bonds for the first time with the objective of financing large infrastructure projects. This trend continued in 2014 with African governments taking advantage of low interest rates and investor demand for higher yielding debt. Total issuance for sub-Saharan African countries, including South Africa, amounted to nearly USD 7 billion between January and October 2014, above the record USD 6.5 billion issued in 2013 (IMF, 2014a). This is equivalent to more than 25% of ODA and 14% of FDI to the region in 2014.

### Bond issuance is increasing among African countries and local corporations

In the first half of 2014, Côte d'Ivoire and Kenya issued dollar-denominated bonds for the first time. Many issuances were oversubscribed, with orders reaching USD 5 billion and USD 8 billion in the case of Côte d'Ivoire and Kenya, respectively (World Bank, 2014a). Zambia issued a USD 1 billion ten-year dollar denominated government bond in April 2014 and was followed by Senegal (USD 500 million), South Africa (USD 1.7 billion) and Ghana (USD 1 billion). In December 2014, Ethiopia debuted its first USD 1 billion bond. In general, sovereign spreads went down with the exception of Ghana and Zambia, where budget deficits are widening and the pace of reform is slow.

The shift in consumer growth patterns is also translating into a significant broadening of corporate issuance, as companies in consumer-driven industries such as telecoms, energy, real estate and banking turn to capital markets to finance their growth.

The growing issuance trend is expected to continue well into 2015 (Standard Bank, 2014), given the need to finance infrastructure projects across the continent. Rwanda announced that it may sell up to USD 1 billion in dollar-denominated bonds in 2015, following its successful USD 400 million international bond sale in 2013.

In general, African countries' debt as a share of GDP is low. If the proceeds are spent on capital investment, this will produce greater returns and improve the ability of these countries to repay. However, excessive growth in international debt poses a series of risks, including delays in the implementation of projects, debt sustainability risks and currency risks (ODI, 2014). According to a recent ODI study, the currency depreciation experienced by sub-Saharan African countries in 2014 might threaten their capacity to repay their bonds to investors (ODI, 2015).

## Remittances have a huge unexploited potential to spur investment in Africa

This section reviews the recent trend in remittance flows to Africa, highlighting how aggregate data mask huge diversities among recipients, both geographically and by income group. Remittances can be leveraged to spur investment and growth, but efforts to maximise their development impact must overcome major obstacles to their transmission. The data illustrated here underreport the actual size of remittances to Africa, since a significant amount (up to 75% of recorded flows) is sent via informal channels (OECD, 2014a).

### Remittances continued to grow in 2014, with Egypt and Nigeria receiving the bulk of flows

Official remittances remain the largest source of international financial flows to Africa, accounting for about 33% of total external financial inflows since 2010. Private cross-border transfers from individuals and households have increased substantially over the last 15 years, from USD 11.9 billion in 2000-02 to an estimated USD 61.2 billion in 2012-14 (Table 2.4).

Table 2.4. **Fifteen largest recipient countries in Africa (ranked by % of GDP), 2014**

| Country | % GDP | USD per capita | Current USD, billion |
|---|---|---|---|
| Lesotho | 22.2 | 285.6 | 0.55 |
| Gambia | 21.1 | 100.3 | 0.19 |
| Liberia | 18.6 | 92.0 | 0.39 |
| Senegal | 10.5 | 114.3 | 1.66 |
| Cabo Verde | 10.0 | 381.0 | 0.20 |
| Comoros | 9.7 | 97.1 | 0.07 |
| Togo | 7.2 | 49.7 | 0.35 |
| Mali | 6.8 | 46.9 | 0.81 |
| Sao Tome and Principe | 6.6 | 121.6 | 0.02 |
| Egypt | 6.3 | 210.8 | 18.00 |
| Morocco | 6.1 | 205.5 | 6.82 |
| Tunisia | 4.8 | 214.8 | 2.36 |
| Guinea-Bissau | 4.6 | 27.5 | 0.05 |
| Uganda | 3.8 | 26.3 | 1.00 |
| Nigeria | 3.6 | 122.4 | 21.29 |

*Source*: Authors' calculations based on World Bank Remittances data.

After growing steeply during 2010-12, on average by more than 10%, official remittances declined by about 1% in 2013. In 2014, however, they recovered by 2.1% in nominal terms, reaching an estimated USD 61.8 billion.

Per capita remittances for the continent were estimated at USD 56 per person in 2013-14, compared to USD 20 in 2003-04, with some countries including Cabo Verde, Egypt, Lesotho and Tunisia receiving over USD 200 remittances per person in 2014.

**Remittances represent a key source of capital for African countries**

Cabo Verde, Gambia, Lesotho, Liberia and Senegal, for example, receive a large share of GDP in the form of remittance flows (Table 2.4). Remittances account for a relatively smaller share of GDP in large countries, but still outpace other sources of external financing. In Egypt, for example, private cross-border transfers are three times higher than foreign exchange revenue from the Suez Canal or tourism (World Bank, 2014c) and almost four times higher than FDI. In addition, remittances represent a more stable source of flows compared to other international private flows, largely because of their resilience to downturns in the receiving economy. They may even behave countercyclically, while FDI tends to be procyclical (OECD, 2014a).

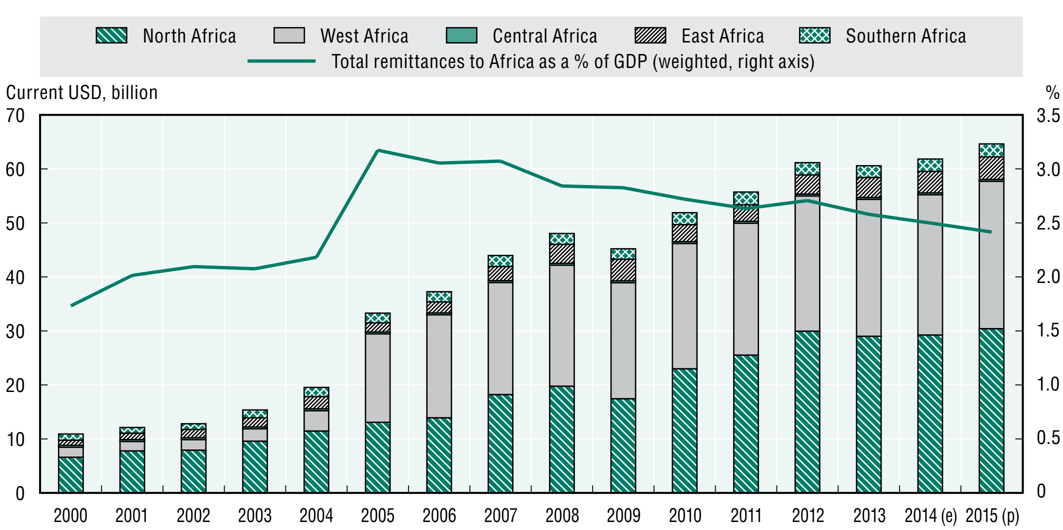
**Remittances are often invested productively and can help ease debt sustainability pressures**

Remittances behave in a countercyclical manner because they represent a private transaction and are often based on family and social ties. Traditional perceptions of remittances link them to spending on consumption rather than productive investment. However, evidence from Burkina Faso, Kenya, Nigeria, Senegal and Uganda shows that African households receiving international remittances from OECD countries have invested in buying agricultural equipment, building houses, starting businesses, purchasing land and improving farms (Plaza and Ratha, 2011). At the macroeconomic level, empirical studies show that remittances can help ease debt sustainability pressures by expanding the tax base, as has been the case in Egypt (Ncube and Brixiova, 2013).

**Regional distribution of remittances is uneven**

Official remittances to African countries are unevenly distributed with North and West African countries receiving the bulk of flows in 2014 at 47% and 42%, respectively (Figure 2.6). The largest recipients of remittances in 2014 were Nigeria (USD 21.3 billion), Egypt (USD 18.0 billion), Morocco (USD 6.8 billion), Tunisia (USD 2.4 billion), Algeria (USD 2.0 billion) and Senegal (USD 1.6 billion). Kenya and Uganda were the only two East African countries to receive slightly more than USD 1 billion in remittances. In Southern Africa, only South Africa surpassed the USD 1 billion threshold, receiving USD 1.4 billion in remittance flows in 2014.

Figure 2.6. **Remittance flows per African subregion, 2000-15**




*Note:* (e) refers to estimates and (p) refers to projections.
*Source:* Authors' calculations based on World Bank remittances data.
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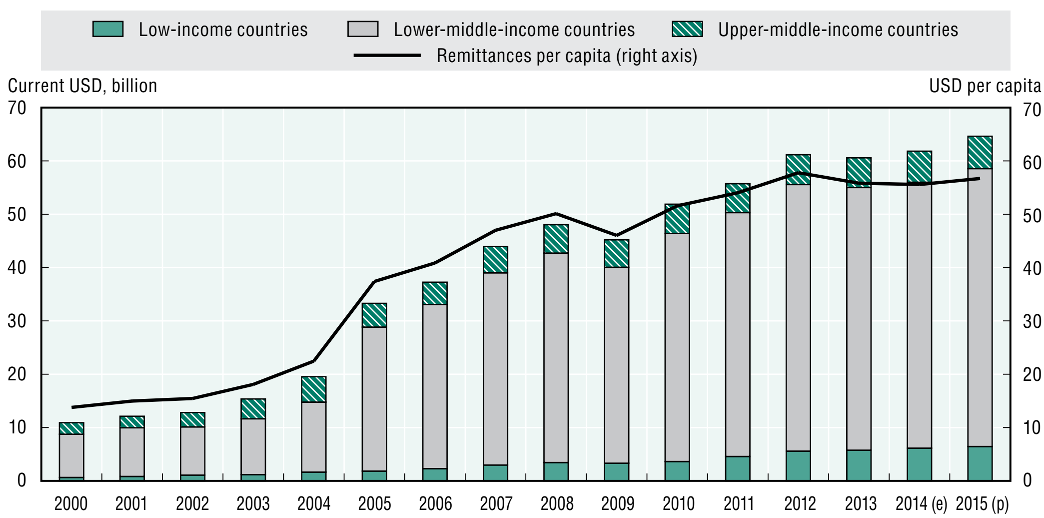
Remittances to North Africa increased by only 0.8% in 2014, compared to the 20% growth rates registered during 2010-12. After a sharp decline of 7% in 2013, remittances to Egypt increased by a modest 0.9% in 2014, attracted in part by the issuance of investment certificates for the planned expansion of the Suez Canal. Remittances to Morocco decreased slightly in 2014, due to continuing high unemployment rates in Europe, where 80% of Moroccan migrants reside (World Bank, 2014c). Remittances to sub-Saharan Africa grew by 3% due to a 2% increase in flows to Nigeria in 2014, although the largest nominal increases were recorded in Botswana (+63%), Comoros (+19%), Sierra Leone (+16%) and Kenya (+11%).

In terms of income grouping, this uneven distribution results in lower-middle-income countries receiving the largest share of remittances – 80.7% in 2014 – mainly due to the weight of Egypt and Nigeria, compared to 9.9% for low-income countries and 9.4% for high-income countries (Figure 2.7). Despite their low share, remittances exceed private investment flows for many low-income African countries and represent a lifeline for the poor (Mohapatra and Ratha, 2011).

Figure 2.7. **Remittance flows to Africa per income group, 2000-15**




*Note:* (e) refers to estimates and (p) refers to projections.

*Source:* Authors' calculations based on World Bank remittances data.

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## More should be done to maximise the development impact of remittances

According to World Bank projections, official remittances are expected to increase further in 2015, reaching USD 64.6 billion. In particular, remittances to North African countries will increase by 4% in nominal terms, while those to sub-Saharan Africa will increase by 5%.

### Diaspora remittance flows could spur growth, but greater transparency is needed

Countries with a large population of migrants possess an opportunity to harness the potential of remittance flows, using them as a catalyst to develop the financial sector and spur investment and growth.

Amid the current debate over financing of the Post-2015 Development Agenda, policy makers are designing incentives to leverage diaspora remittances and savings to increase financial resources, including through issuance of diaspora bonds (World Bank, 2014c).

The African diaspora living in high-income countries saves more than USD 53 billion annually (Plaza and Ratha, 2011), and several African countries are in the process of tapping into this pool of funds by issuing bonds for investments in their homeland. The money raised through diaspora issuances could be used to finance projects of interest to overseas migrants, such as housing, schools, hospitals and infrastructure, that have a concrete benefit to their families or community back home (Plaza and Ratha, 2011). However, diaspora bonds are not a new concept and Kenya and Ethiopia, for example, have already issued diaspora bonds with limited success. This is due partly to lack of awareness of the product within the targeted diaspora community, as well as fears of misuse of funds. Transparency and engagement of diaspora members in investment decisions may help to incentivise funds from migrants who want to make a contribution to their home countries.

Another possible way to raise finance for infrastructure and development projects might be to channel remittances though the local banking system, thereby allowing banks to use these flows as collateral to "securitise" future remittance receipts (OECD, 2014a). According to the African Development Bank, Africa could potentially raise an additional USD 17 billion annually by using future remittance flows as collateral (Shimeles, 2010).

#### A number of obstacles prevent African countries from deriving the full benefit of remittances

While the average global cost of sending remittances has decreased from 8.9% in 2013 to 7.9% in 2014 (World Bank, 2014c), remitting money to sub-Saharan Africa remains costly at around 12% of the value sent. As a result, a substantial proportion of flows occur through informal channels. In addition, South-South remittances are either not permitted or are costly due to lack of competition in the remittance market, high foreign exchange commissions and outward capital controls in many developing countries (Ratha and Shaw, 2007; World Bank, 2014c). One worrying trend is the imposition of additional fees on beneficiaries by international banks, some of which are now reducing their involvement in this sector following closer monitoring precipitated by money laundering and terrorism financing concerns (World Bank, 2013a). This is the case especially in Somalia and other African fragile states, which are highly dependent on remittances.

The G20 has taken steps to reduce the transaction costs and barriers for remittances by fostering co-operation between remitting and receiving countries (UN, 2014). Greater competition and diffusion of mobile phone and Internet-based technologies could also contribute significantly to driving down fees.

## Official development assistance to low-income African countries is declining

The section analyses trends in official development assistance to Africa, drawing on the OECD Development Assistance Committee (DAC) Survey on Donors' Forward Spending Plans (OECD, 2014b). Foreign aid to the continent is estimated to decline from 2015 onwards. Against this backdrop, the development community is proposing a series of options designed to use aid as a catalyst for private investment. However, core aid will remain important, especially grants to low-income countries.

### Foreign aid to developing countries rebounded in 2013

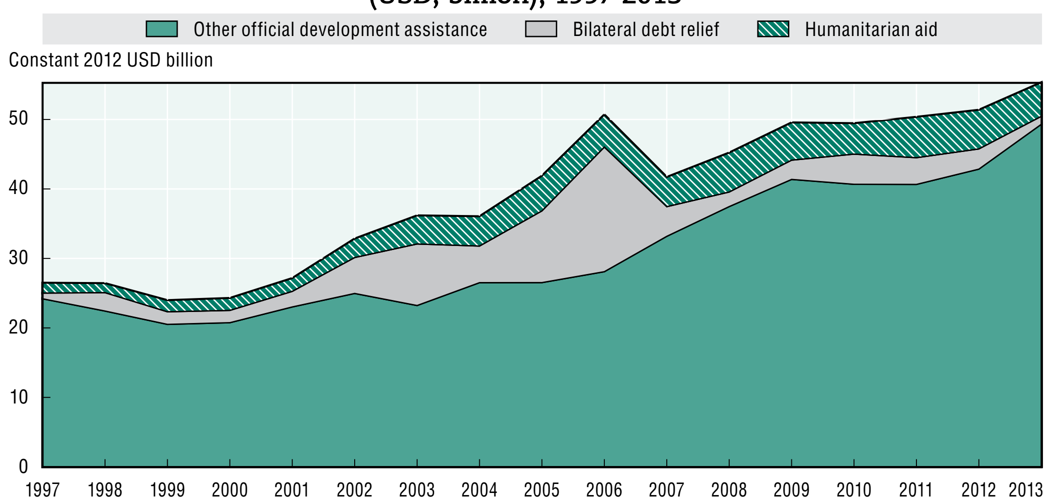
Foreign aid to developing countries fell in 2012, mainly due to bilateral aid budget cuts in DAC[3] countries, but rebounded in 2013 rising by 12.4% in real terms. Donors provided a total of USD 150 billion in net ODA.

Bilateral aid from DAC member countries accounts for over 62% of total ODA, and increased by 5.9% in real terms from 2012, reaching USD 93.7 billion. In turn, net ODA from DAC countries stood at 0.3% of gross national income (GNI)[4] from 0.29% in 2012 (OECD, 2014a). Multilateral aid reached USD 41.5 billion, recording an increase of 3.9% in real terms. Non-DAC donor support recorded the highest increase of about 187% in real terms, reaching USD 15 billion in 2013.

### Non-DAC donor aid to Africa boomed in 2013

Official development assistance to Africa also increased in 2013 by 7.7% in real terms (Figure 2.8). Net ODA disbursements amounted to USD 55.8 billion compared to USD 51.3 billion in 2012. Multilateral aid increased slightly by 3% in real terms, and reached USD 20.6 billion in 2013; however, the increase in aid allocations to Africa mainly reflects higher disbursements from non-DAC[5] donors.

Figure 2.8. **Net official development assistance disbursements to Africa (USD, billion), 1997-2013**




*Source:* OECD (2015).

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In particular, net ODA from non-DAC donors amounted to USD 5.8 billion compared to USD 1.1 billion in 2012, representing an increase of 413% in real terms. This increase was the result of support provided by the United Arab Emirates to Egypt, which increased dramatically from USD 11 million in 2012 to USD 4.6 billion in 2013. Indeed, the United Arab Emirates posted the highest ODA/GNI ratio of 1.34%.

Although data on concessional flows by non-DAC donors, and in particular on aid from emerging countries, are incomplete, estimates show a substantial increase in recent years (UN, 2014). For example, China's financing commitments to Africa increased from USD 5 billion in 2006 to USD 10 billion in 2009 and to USD 20 billion in 2012. In 2014, China increased this credit line by another USD 10 billion (Sun, 2014). The majority of this concessional support is channelled to infrastructure development.

## OECD/DAC country aid to some of the neediest countries in Africa is falling

Conversely, DAC member aid to Africa declined by 4.2% in real terms from 2012 to 2013, down to USD 29.4 billion. In particular, the United States, the largest contributors of ODA to the continent, reduced disbursements to sub-Saharan Africa by 3.6% in real terms to USD 8.6 billion in 2013. France also lowered its ODA net disbursements to sub-

Saharan Africa by 33%, averaging USD 2 billion in 2013, due to lower levels of debt relief compared to 2012. This reduction in DAC bilateral aid to Africa highlights a reduction in grants, which declined by 1.9% in real terms.

**Regional disbursements are uneven, with North and East African countries benefiting most**

Much of the 2013 increase in ODA to Africa was allocated to North Africa. Egypt was the largest recipient receiving about USD 5.5 billion, more than three quarters of which were allocated to infrastructure projects. Other major recipients included Ethiopia (USD 3.8 billion), Tanzania (USD 3.4 billion), Kenya (USD 3.2 billion), the Democratic Republic of the Congo (USD 2.6 billion) and Nigeria (USD 2.5 billion). These six recipients accounted for 38% of total ODA to Africa. East African countries, in particular, experienced an increase in aid allocations compared to 2012. However, the same period saw a decline in ODA disbursements to several other low-income countries, mainly in West and Central Africa.

The ODA share of GDP for low-income African countries declined to 8.2% in 2012-13 compared to 11.5% in 2010-11 (Figure 2.9). This trend is expected to continue in coming years (OECD, 2014b). This is a cause for concern, as many African low-income countries are heavily dependent on foreign aid.

Figure 2.9. **Net official development assistance disbursements to African countries by income group (% GDP weighted), 2000-15**


*Note*: ODA (e) estimates and (p) projections are based on the real increase of Country Programmable Aid (CPA) in OECD (2014b).

*Source*: Authors' calculations based on OECD (2015) and IMF data.

StatLink http://dx.doi.org/10.1787/888933206659

In December 2014, the OECD-DAC committed to reversing the declining trend of ODA to least developed countries (LDCs) and allocate more of total ODA to countries most in need, including LDCs, low-income countries (LICs), small island developing states, landlocked developing countries and fragile states. It also decided to revise the methodology for measuring ODA loans to reflect the current interest rates environment and incentivise more concessional financing to LDCs and other LICs. These actions are meant to encourage additional concessional resources for countries most in need, including low-income African countries, and support their implementation of the post-2015 development framework.

## Aid to Africa is projected to decline from 2015 onwards, reflecting shifts from grants to soft loans

According to the 2014 DAC Survey on Donors' Forward Spending Plans, there has been a gradual shift in overall regional allocation priorities towards middle-income countries in Asia, while donor aid to Africa has stagnated and is likely to decrease from 2015 onwards. More than two-thirds of countries in sub-Saharan Africa are projected to receive less aid in 2017 than in 2014 (OECD, 2014b).

### Survey estimates predict a decline in Country Programmable Aid to Africa

The survey provides estimates of future aid allocations for all DAC members and major non-DAC and multilateral donors, from 2014 up to 2017, based on the gross receipts of Country Programmable Aid (CPA) of developing countries.[6]

In 2013, CPA to Africa grew by more than 13%, at a faster rate than in other regions, allowing the continent to maintain its position as the largest recipient of CPA. However, estimates for 2014 show that CPA volume increased by only 1.1% to USD 47.6 billion from USD 47.1 billion in 2013. North African countries, including Morocco and Tunisia and large recipients in sub-Saharan Africa (Ghana, Mozambique and Nigeria), accounted for most of the increase. The largest CPA recipients in 2014 were Ethiopia, Kenya, Nigeria and Tanzania, as was the case in 2013.

Projections indicate that CPA for the region will decline by 2.6% in 2015 to USD 46.4 billion, by a further 3.0% in 2016 to USD 45.0 billion and by 0.3% in 2017 to USD 44.8 billion. In 2015, about half of African countries are expected to receive less CPA. In 2017, only Libya, Morocco and Tunisia in North Africa and Côte d'Ivoire, South Sudan and Zambia in sub-Saharan Africa are projected to receive noticeable increases in aid compared to 2014. For 35 sub-Saharan African countries the level of CPA aid will be lower in 2017 than in 2014.

Given Africa's growing population, aid per capita is expected to decline at a faster pace. Indeed, CPA per capita in sub-Saharan Africa will decrease from its peak of USD 41.5 per capita in 2013 to USD 37 per capita in 2017.

### Low-income countries will be most affected by the decline in CPA

Country Programmable Aid to the 27 low-income African countries, which are home to about 520 million people, is likely to decrease by 4% in 2015, by a further 4% in 2016 and by 1% in 2017. Low-income countries' share of total CPA will therefore decline from 59.3% in 2014 to 58.5% in 2015 and 58.0% in 2017. This trend reflects reduced access to grant resources on which these countries are highly dependent (OECD, 2014b). In turn, lower-middle-income countries and upper-middle-income countries will see their share of total CPA increase in 2017 to 34.5% and 7.5% respectively, from 33.7% and 7% in 2014. It is likely that much of this support to upper-middle-income countries will be in the form of soft loans (OECD, 2014b).

As highlighted earlier, this declining trend in CPA to low-income countries is particularly worrying as aid flows for most of them still account for a large share of external financial flows (53% in 2013-14). Although some of these countries have undertaken significant efforts to improve domestic resource mobilisation and attract other private flows, these are insufficient to meet their large financing needs.

**Blended loans will help finance the Development Agenda, but core aid will remain important**

To finance the Post-2015 Development Agenda, the development community is proposing a new financing framework, which brings together domestic and international, public, private and blended resources. Blended finance encompasses traditional public-private partnerships, as well as instruments provided by development finance institutions, to leverage private investment (e.g. blended loans, equity investments, guarantees). For example, from 2007 to 2014, the European Union blended EUR 2 billion in grants with loans and equity from public and private finance institutions, generating investment with an estimated value of about EUR 40 billion (OECD, 2014a). These risk-sharing mechanisms are well suited to funding infrastructure projects, which by nature are long, costly and risky, and can deter private investment. In addition, blended loans allow financing costs for borrowers to be lowered and have the benefit of improving access to financing for local businesses.

Although these approaches are promising, core aid – and mainly grants to low-income countries – will remain an important source of finance. Greater efforts are also needed to improve the quality of foreign aid, making it more predictable and aligning it with the specific needs of recipient countries (OECD, 2014b). Timely and predictable aid is one of the core pillars of the "New Deal for Engagement in Fragile States", endorsed in 2011 by the G7+ group, fragile and conflict-affected countries and international organisations. Under the "New Deal", development partners commit to enhancing transparency in the use of aid, implementing risk management measures, strengthening national capacities and timeliness of aid, and improving the speed and predictability of funding with a view to achieving better results.

## Despite important efforts, tax revenue collection still falls short of needs

This section analyses the performance of tax revenue in Africa from 2003 to 2013. It is based on the latest available data collected by the African Development Bank though annual country missions for the *African Economic Outlook*. Despite improvements in domestic resource mobilisation over the past decade, African countries still face enormous challenges in raising more and better taxes. A major hurdle is illicit financial outflows from Africa, which are estimated to outpace the flow of aid and investment.

### Taxation is increasingly important for Africa

Enhanced domestic resource mobilisation in Africa is central to meeting the dual challenge of increasing productivity levels and making growth more inclusive in pursuit of the continent's integration and transformation agenda (AfDB et al., 2010). While governments need more resources to invest in physical and social infrastructure – which markets will eschew or underprovide – tax reforms are also an essential feature of successful governance reforms (Prichard, 2010). Domestic resource mobilisation reinforces a country's ownership of public policy and allows countries to move towards financial autonomy (UN, 2014). For this reason, African Union leaders reiterated the key messages of the 2002 Monterrey Consensus and the 2008 Doha Declaration in the context of the 2014 Common Africa Position on the Post-2015 Development Agenda, and declared that policies that increase and improve the quality of finance from domestic sources should remain a top priority for their governments (African Union, 2014).

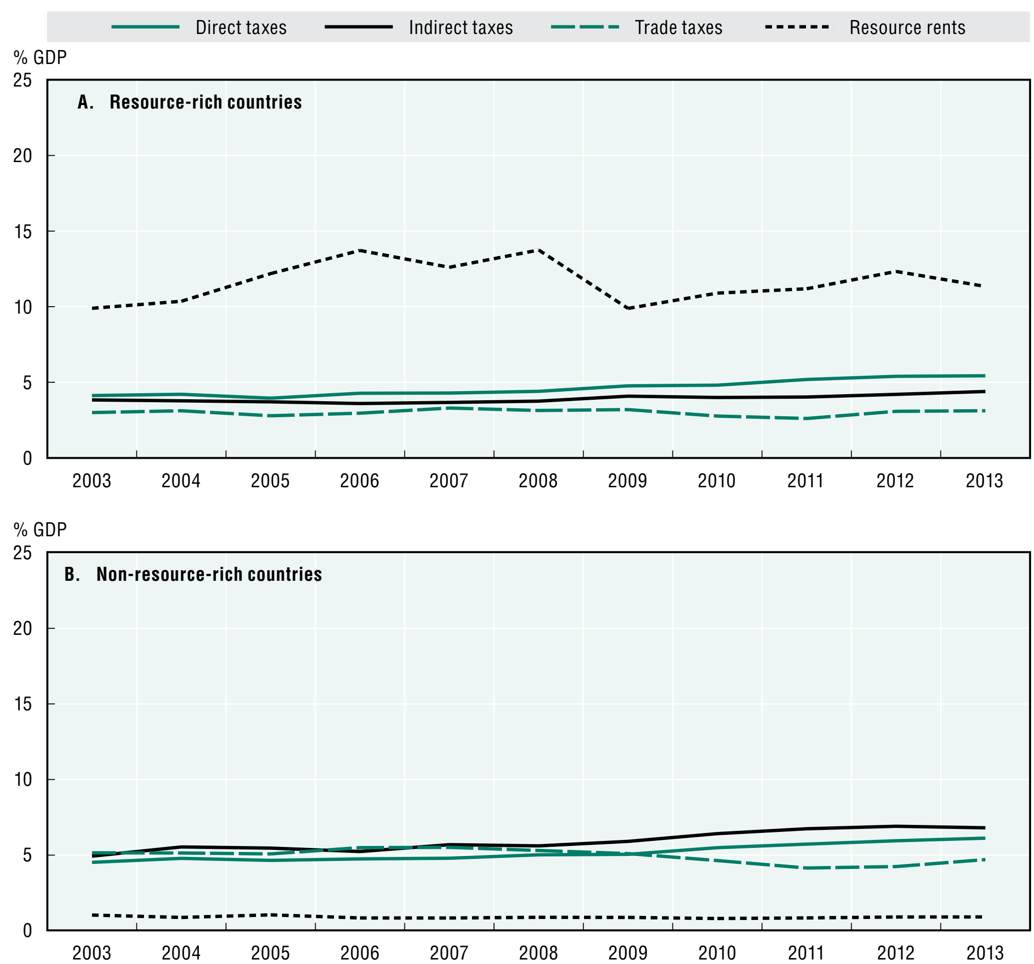
## Tax revenues are increasing but remain vulnerable to shifts in energy prices

Public domestic finance in Africa has increased more than threefold in a decade from USD 157 billion in 2003 to USD 507 billion in 2013. Compared to 2012, total tax revenue in 2013 registered a slight decrease of about 1.5% mainly on account of lower resource rents.

### Resource rents account for the majority of tax revenue, but are highly volatile

Resource rents are the main contributor to tax revenue in Africa, amounting to USD 215 billion in 2013. Their share of total tax revenues increased from an average of 39% in 2000-03 to an average of 43% in 2010-13. However, rents from natural resources are volatile by nature, as they depend on fluctuations in international commodity prices (Figure 2.10). Indeed, resource rents increased during the 2002-08 period and then contracted during the 2008-09 global recession, mirroring the boom and bust of commodity prices. After peaking at USD 235 billion in 2012 they decreased by 8% in 2013, following a broad-based decline in energy, metals and minerals prices. The continuous decline of commodity prices, illustrated in Chapter 1, and in particular collapsing oil prices, do not bode well for the collection of resource rents in 2014 and 2015.

Figure 2.10. **The tax mix in Africa: Resource-rich vs. non-resource-rich countries, 2003-13**




*Source*: Authors' calculation based on *African Economic Outlook* data.

StatLink http://dx.doi.org/10.1787/888933206660

In 2013, 70% of tax collected in Africa originated from six countries: South Africa (USD 86.5 billion), Nigeria (USD 77.8 billion), Algeria (USD 71.8 billion), Angola (USD 48.7 billion), Libya (USD 42.8 billion) and Egypt (USD 38.9 billion).

#### The tax mix is more balanced in non-resource-rich countries

The tax mix – the relative composition of a country's tax revenue – differs widely between resource-rich and non-resource-rich countries in Africa (Figure 2.10). For example, resource rents in Algeria, Angola, Congo, Equatorial Guinea and Libya accounted for more than 80% of total tax collection and represented more than 20% of GDP in 2013. Over the last decade, these countries have made little progress in setting up a more balanced tax mix, remaining highly vulnerable to shifts in commodity prices.

Conversely, non-resource-rich countries have progressed in broadening their tax base, raising tax collection through direct and indirect taxes. Ethiopia and Kenya have a well-balanced mix of indirect, direct and trade taxes, which helps them to maintain a more stable and predictable flow of resources to finance public goods.

### Domestic resource mobilisation is hampered by a range of obstacles

Despite significant improvements in tax revenue collection over the last decade, efforts still fall short of need in most economies. The infrastructure-financing gap remains wide as new challenges arise, such as mitigating and adapting to climate change. Moreover, tax systems have yet to play a significant role in tackling high levels of inequality, due to their relatively low redistributive effects.

#### Efforts to combat tax avoidance are hampered by lack of monitoring capacity

The combination of a huge informal sector, low levels of tax collection, high rates of tax evasion (low tax payer morale) and a weak tax administration all add to the challenge of fiscal reform for inclusive development. In addition, many resource-rich countries lack the capacity to negotiate contracts, which would promote greater transparency and improve public revenue from the extractive sector (OECD, 2014a).

Abusive transfer pricing – the artificial movement of taxable profits from high-tax to low-tax jurisdictions – occurs on a substantial scale in Africa. Moreover, only three African countries have transfer-pricing units in their internal revenue services (AU/ECA, 2015). Lack of official monitoring capacity leaves African countries highly vulnerable to these tax avoidance practices. The OECD and the G20 are working together to curb strategies defined as "base erosion and profit shifting" (BEPS), which exploit gaps and mismatches in tax rules to shift profits for tax purposes (Box 2.3).

#### Box 2.3. **African countries can benefit from global processes to address international tax issues**

The G20 has identified base erosion and profit shifting (BEPS) as a serious risk to tax revenues, sovereignty and fair tax systems, affecting both developed and developing countries worldwide. BEPS issues arise from deficiencies in current international tax rules and standards that enable multinational companies to shift profits across borders to take advantage of lower tax rates.

For low-income countries, which rely heavily on tax revenue from multinational companies, profit shifting has a particularly significant effect on vital tax revenues. If large and high profile taxpayers are seen to be avoiding their tax liabilities, confidence in the effectiveness of the tax system is undermined.

Box 2.3. **African countries can benefit from global processes to address international tax issues** (cont.)

The OECD and G20 economies are working together to address BEPS issues and provide consistency for both business and tax sovereignties. In 2013, the OECD launched a 15-point Action Plan to provide governments with domestic and international tools to combat profit shifting (OECD, 2013). The involvement of developing countries in the OECD/G20 BEPS project is crucial to ensure they receive appropriate support to address the specific challenges they face.

During the first year of the OECD/G20 BEPS project, more than 80 developing countries and other non-OECD/non-G20 economies provided input through four regional consultations and four thematic global forums. This process enabled the project to identify BEPS issues that are most relevant and pose specific challenges for developing countries. Priority areas include limiting base erosion via interest deductions and other financial payments, preventing tax treaty abuse and the artificial avoidance of Permanent Establishment status, transfer pricing (in particular base eroding payments), and transfer pricing documentation and country-by-country reporting. Political support and capacity building to address BEPS issues were identified as key cross-cutting challenges for developing countries.

Lack of comparable data on transfer pricing and the granting of wasteful tax incentives were also identified as areas of particular concern for developing countries (OECD, 2014). These issues are the subject of other specific mandates for further analysis by the G20 and ongoing work through the OECD Task Force on Tax and Development.

The involvement of developing countries in designing solutions to counter BEPS has now been scaled up to facilitate direct participation by developing economies in the project. Since 2015, 13 developing countries have been involved in the Committee on Fiscal Affairs and the relevant Working Parties on BEPS, including Morocco, Nigeria, Senegal and Tunisia – as well as the African Tax Administration Forum (ATAF) for Africa. The BEPS project organises network meetings in five regions (including Africa) to engage with a broader group of developing countries, particularly low-income countries that may lack the capacity to participate directly in the BEPS project. The meetings take place in partnership with ATAF and CREDAF (*Centre de rencontre des administrations fiscales*) for French-speaking countries.

*Sources:* OECD (2013, 2014e).

Increasing data accessibility and promoting the sharing of good practices among countries is critical to improving fiscal policies. Important efforts in this regard are presented in Box 2.4.

Box 2.4. **Making revenue statistics comparable in Africa**

Although consensus on the necessity to improve domestic resource mobilisation in Africa is a key feature of Agenda 2063, adopted by the African Union in January 2015, the lack of a solid information basis on government revenues hampers effective reform and policy making.

A broad partnership of international organisations* have therefore set up the Revenue Statistics in Africa project to improve the comparability, consistency, quality and accessibility of revenue indicators and data. These can then be used to analyse taxation and spending policies and their incidence on equity and economic efficiency, with a view to feeding policy dialogue networks, exchanging good practices and distilling policy recommendations on fiscal policy reform.

Tax officials from Cameroon, Senegal, South Africa and Tunisia gathered with partner organisations in November 2014 under the auspices of the African Union Commission to kick-off the project, and were joined in February 2015 by their peers from Cabo Verde, Côte d'Ivoire, Mauritius, Morocco and Rwanda. The first edition of Revenue Statistics in Africa is due for launch in early 2016 and will cover the nine participating countries. The aim is to gradually include

Box 2.4. **Making revenue statistics comparable in Africa** (cont.)

other African countries on a voluntary basis in future annual editions. The published statistics will enable comparison among participating countries from Africa, as well as from Asia, Latin American and the OECD.

*Note*: *The African Development Bank, the African Tax Administration Forum (ATAF), the African Union Commission, the *Centre de rencontres et d'études des dirigeants des administrations fiscales* (CREDAF), the OECD Centre for Tax and Policy Administration, the OECD Development Centre and the World Customs Organisation (WCO). For more information see: www.oecd.org/dev/emea/harmonisingafricanrevenuestatistics.htm.

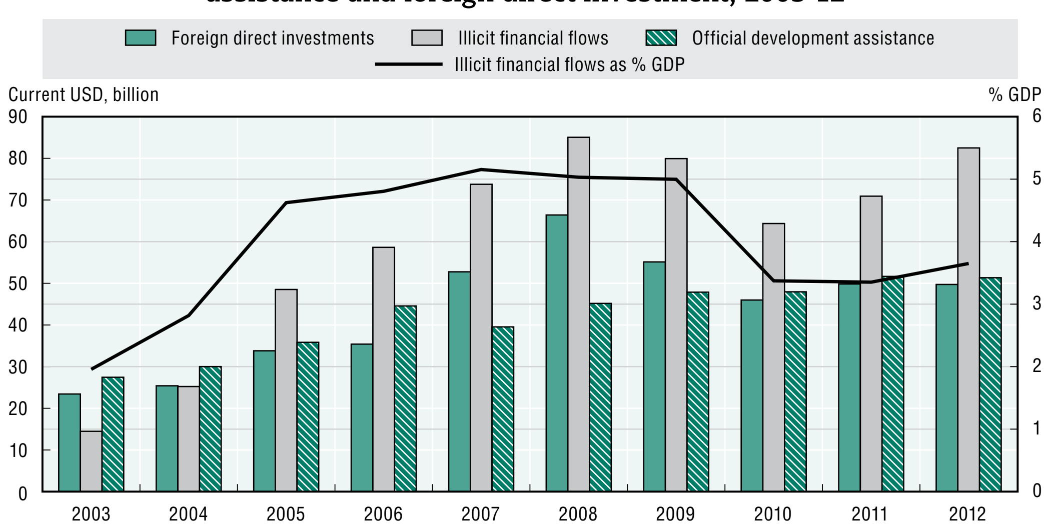
## Illicit financial flows from Africa are greater than ODA and FDI

Illicit financial flows (IFFs) drastically undermine efforts to mobilise domestic resources. While definitions vary, IFFs generally involve funds that are illegally earned, utilised or transferred out of a country in contravention of national or international laws (AU/ECA, 2015; OECD, 2014c). Illicit financial flows exploit practices such as tax evasion (including trade misinvoicing and abusive transfer pricing), money laundering, bribery by international companies and abuse of office by public officials.

### The impact of IFFs on African countries is especially negative and growing

These detrimental practices occur everywhere, however their economic and social impact on African countries is especially negative, given the smaller size of the resource base and markets (OECD, 2014c). Illicit financial flows remove money that could be invested to finance much-needed basic social and public services. They also weaken African financial systems and undermine state structures (OECD, 2014c). Ndikumana and Boyce (2012) estimate that Africa's capital stock would have increased by more than 60% if funds leaving Africa illicitly had remained within the continent, while GDP per capita would be 15% higher.

Figure 2.11. **Illicit financial flows from Africa compared to official development assistance and foreign direct investment, 2003-12**




*Note*: IFFs are computed according to the methodology developed by Kar and Spanjers (2014), which measures IFFs using two sources: (i) outflows due to deliberate trade misinvoicing, and (ii) outflows due to leakages in the balance of payments, also known as illicit hot money narrow outflows. The vast majority of measurable illicit financial flows from Africa (67.4 % on average from 2003 to 2012) are due to trade misinvoicing.

*Sources*: Authors' calculations based on Kar and Spanjers (2014), OECD (2015), and IMF and *African Economic Outlook* data.

StatLink http://dx.doi.org/10.1787/888933206679

Recent estimates show that IFFs are a large and growing problem (Figure 2.11). Africa lost an annual average of USD 60.3 billion – about 4% of GDP – in illicit financial outflows during 2003-12 (Kar and Spanjers, 2014). These outflows exceed aid and investment flows in volume – ODA and FDI for the continent over the same period averaged USD 42.1 billion and USD 43.8 billion per year, respectively. Illicit financial flows for sub-Saharan Africa in 2012 (estimated at USD 68.6 billion) are slightly less than the combined total of ODA (USD 41.1 billion) and FDI (USD 35.4 billion). However, IFFs are clandestine transactions, and as such estimates wary widely and may well underestimate the actual size of flows.

**The issue of IFFs is gaining increasing prominence in the international arena**

The OECD, the G8 and G20, the European Parliament and the African Tax Administration Forum have all launched initiatives to tackle the phenomena. In 2015, the AU/ECA High Level Panel on Illicit Financial Flows from Africa recommended the adoption of a unified policy instrument to combat IFFs within the Post-2015 Development Agenda. Its aim is to ensure coherence among the different initiatives and to reinforce Africa's limited capacities to cope with the problem.

According to the final report of the AU/ECA High Level Panel (2015), large commercial corporations account for the vast majority of IFFs (65%), followed by organised crime (30%) and corrupt practices (5%). The most widely documented method for transferring illegal money across international borders is trade misinvoicing – the deliberate over- and under-invoicing of trade transactions. This practice accounted for 67.4% of all illegal outflows from Africa between 2003 and 2012 (Kar and Spanjers, 2014).

**Joint efforts and greater transparency are needed to tackle illicit flows**

Given the detrimental effects of misinvoicing on the capacity of African countries to mobilise domestic resources, the AU/ECA High Level Panel recommends that African governments and the international community join efforts to ensure its curtailment. One option would be to equip customs authorities with the latest, comparable global pricing data, which would allow them to promptly detect and block misinvoiced transactions (AU/ECA, 2015).

Ultimately, putting a stop to IFFs depends on greater transparency. A key contribution to efforts in this area is the Africa Initiative launched by the Global Forum for Transparency and Exchange of Information for Tax Purposes (Box 2.5). For African countries to make the most of this and other global initiatives, they need to establish or strengthen the capacities of revenue authorities, transfer pricing units, customs services and anti-corruption agencies, and provide them with the necessary financial resources.

### Box 2.5. **The Africa Initiative of the Global Forum on Transparency and Exchange of Information for Tax Purposes**

The Global Forum on Transparency and Exchange of Information for Tax Purposes is the largest international tax group in the world with 126 members. It is responsible for monitoring the implementation of internationally agreed standards of transparency and exchange of information (EOI) for tax purposes. African member countries include Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Gabon, Ghana, Kenya, Lesotho, Liberia, Mauritania, Mauritius, Morocco, Niger, Nigeria, Senegal, Seychelles, South Africa, Tanzania, Tunisia and Uganda. All members participate on an equal footing and have committed to adhere to the international standard on Exchange of Information on Request.

Box 2.5. **The Africa Initiative of the Global Forum on Transparency and Exchange of Information for Tax Purposes** (cont.)

The Africa Initiative proposes approaches to combating the problem of illicit flows from Africa. These include strengthening the fight against tax evasion and supporting domestic revenue mobilisation through enhanced transparency and exchange of information throughout Africa, including by:

- building political momentum in Africa to make effective use of existing global EOI infrastructure
- providing African tax administrations with tools to request, process and use information
- increasing the number of African countries in the Global Forum
- building EOI capacity within African regional organisations such as the African Tax Administration Forum (ATAF)
- creating a sustainable legacy of transparency and EOI in Africa.

The Initiative is steered by a taskforce consisting of African members of the Global Forum and international and regional organisations, including ATAF, the *Centre de Rencontre et d'Etudes des Dirigeants des Administrations Fiscales* (CREDAF) and the World Bank Group.

*Source*: OECD (2014d).

## Notes

1. The OECD defines foreign direct investment as "a category of cross-border investment made by a resident in one economy with the objective of establishing a lasting interest in an enterprise that is resident in an economy other than that of the direct investor. The motivation to significantly influence or control an enterprise is the underlying factor that differentiates direct investment from cross-border portfolio investments. Portfolio investors do not have as an objective any long-term relationship. Return on the assets is the main determinant for the purchase or sale of their securities" (OECD, 2008).
2. Resource-rich countries include: Algeria, Angola, Botswana, Cameroon, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Equatorial Guinea, Gabon, Ghana, Guinea, Liberia, Libya, Mauritania, Namibia, Nigeria, Sierra Leone, South Africa, South Sudan, Sudan and Zambia (IMF definition).
3. DAC members include: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, the European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.
4. Denmark, Luxembourg, Norway and Sweden continued to exceed the United Nations' ODA target of 0.7% of GNI, and the United Kingdom met it for the first time. However, the Netherlands fell below 0.7% for the first time since 1974.
5. Non-DAC donor ODA disbursements to Africa include data from: Croatia, Cyprus, Estonia, Hungary, Israel, Kuwait (KFAED), Latvia, Lithuania, Malta, Romania, Russian Federation, Saudi Arabia, Thailand, Turkey and UAE.
6. Country Programmable Aid (CPA), also known as "core" aid is a sub-set of gross bilateral official development assistance that measures actual transfers to partner countries. CPA represents the proportion of aid that is subject to country allocation decisions by the donor. CPA been proven in several studies to be a good proxy for aid recorded at country level. For more information on CPA, see www.oecd.org/dac/cpa.

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*Chapter 3*

# Trade policies and regional integration in Africa

Africa has long sought deeper economic integration, and this chapter looks at trends and issues in trade and politics with an impact on progress being made at regional and continental levels. The chapter also examines the link between regional integration and spatial economic development, highlighting the impact of integration on industry location in Africa. Regional integration also generates spatial development, and regional institutions play a key role promoting spatial development and inclusion. Regional integration should help spread the gains from closer ties to a wider number of countries and regions. The key observations are intended to help policy makers focus on this, especially the need to help least developed and landlocked countries.

## In brief

Spatial economic development, how to overcome disadvantages imposed by a territory's space or geography, has been discussed for decades, particularly in Europe. Pulling down economic and institutional barriers to establish larger integrated markets reduces transport and transaction costs. Regional integration can help countries to overcome spatial disadvantages. A landlocked country or one without the natural resources that have helped some African states may not get the investment it desperately needs. The distance between markets may be extended by thick borders, with poor logistics and cumbersome customs procedures. Trade facilitation reforms can make those borders thinner and lower costs. Recent mega-trade deals, such as economic partnership agreements with the European Union, will also have an effect. But those deals could also lead to trade diversion and preference erosion.

Africa's regional groups and sub-regional institutions have sought integrated and geographically balanced development. Initiatives such as the proposed North-South transport corridor from Dar es Salaam to Durban could bring economic growth and better infrastructure and improve links between the eight countries it crosses. Space provides economic and geographical advantages and disadvantages which are considered by investors when they make decisions to enter a market. These factors also influence competitiveness, production and trade costs.

## Certain trends will affect regional economic integration and trade in Africa

Africa is not immune to the shocks and changes in the world economy that could help or hinder its efforts to speed up integration, bring down borders and better use its space to boost its own economy. The World Trade Organisation (WTO) *World Trade Report 2014* identified four major trends from the last decade which have had an impact on African integration:

- The increasing impact of shocks to the global economy shows that open trade can spread the fallout but also help to reduce volatility.
- The phenomenal trade growth from the developing world led by emerging economies in Asia, Latin America and Africa, where it has been spurred by demand for commodities. The income gap between emerging and developed countries has narrowed, but Africa is lagging behind.
- The expansion of global value chains. The share in total trade of intermediate goods, services and components between developing countries grew from about 6% in 1988 to nearly 25% in 2013. However, African firms have struggled to participate meaningfully in the global value chains.
- The changing prices of commodities exports of fuels and mining products.

Africa's resource-rich countries face challenges pursuing development strategies due to the boom-bust cycle of commodity prices. In addition, two other notable trends will impact Africa's spatial development. Facilitation agreements aimed at bringing down trade barriers have advantages and disadvantages for those pursuing long distance commerce. And the new wave of mega-trade agreements involving major trading countries can divert trade and erode preferences.

### Intra-Africa trade is growing, but intra-regional trade lags behind

From 2010 to 2013, intra-African exports grew by 50% from USD 40.9 billion to USD 61.4 billion (IMF Direction of Trade Statistics, n.d.). In 2013, the same exports grew by 11.5% from USD 55 billion in 2012 to USD 61.4 billion. However, the share of exports between African regions increased only from 11.3% in 2012 to 12.8% in 2013. This could indicate a lack of development of regional value chains and low levels of trade in intermediates between African countries.

Price volatility could cause problems for Africa's commodity producers. At the start of 2015, global commodity prices reached a five-year low. This is expected to have a significant impact on African trade, investment and economic growth as minerals and ores account for two thirds of Africa's merchandise exports. The continent's merchandise exports fell 5.8% between 2012 and 2013 to USD 602 billion (3.3% of world exports), according to the WTO. Imports, on the other hand, rose a modest 2.2% to USD 628 billion (3.4% of world imports). African merchandise exports were dominated by oil producers (USD 330 billion) and South Africa (USD 96 billion), pointing to the need for greater industrialisation, value addition and diversification.

There are encouraging signs that economic diversification is beginning to take hold, stimulated by increased foreign direct investment and improvements in the business environment. Manufactured goods now constitute nearly 40% of intra-African exports, compared with just 13% of its exports to the rest of the world. In 2013/14, sub-Saharan Africa surpassed other regions in terms of improved regulation, according to the World Bank's *Doing Business 2014 Report*. In Nigeria, where oil accounts for 95% of exports, services now constitute 60% of GDP. Likewise in Angola, Africa's second-largest oil producer, growth of 5%, about one third of government revenue in 2013, was derived from non-oil sources such as manufacturing, construction, fisheries and agriculture. A decade ago non-oil revenue was negligible in Angola.

African countries, in particular sub-Saharan Africa, suffer from low competitiveness in global markets due to low productivity and a lack of technological upgrading. More than 80% of the African workforce are in engaged traditional agriculture and the informal sector, both low productivity activities. Diversification, using commodities as a platform for value added growth, should lead to improved export competitiveness. Sustained trade facilitation reforms should lower production costs.

### Intra-African greenfield investment projects take a growing role

Intra-African investment has a key role in the resources required to drive spatial economic development. Between 2007 and 2013, South Africa was the biggest African investor in the rest of the continent. South African projects in other African countries have grown annually at 44.2% since 2007. Data for 2003/14 shows that intra-African finance is also the most significant source of foreign investment in low-and-middle-income countries such as Burundi (79%), Namibia (42%), Rwanda (62%), South Sudan (64%) and Uganda (45%). Intra-African investment is especially important for countries that are not major commodity producers. Growing consumer markets are an important driver of intra-African investment. Improvements in the business environment and connectivity to markets also play a role. The key investment recipients were financial services, telecommunications, cement, food and retail, and oil and energy.

## Africa's thick borders compound trade costs

Thick borders between two countries add to trade costs, like the geographical distance between markets. This abstract notion of "thickness" (Newfarmer, 2012) comprises elements such as cumbersome procedures and poor logistics that can be eased through policy changes and reforms, establishing a "single window" for customs clearance and reduced tariffs. Key factors that determine the thickness of borders are trade costs associated with transport and logistics to move goods. These constraints strongly influence an industry's decision to locate in a particular region.

By reducing the thickness of borders and deepening regional and global connectivity, trade costs decline, and greater opportunities to access global and regional value chains are created. Through trade facilitation reforms, regions that were once too costly for producers because of distance can become more competitive.

African countries, especially land-locked countries, have higher trade costs and thicker borders. In the World Bank's 2014 Logistical Performance Index, six of the ten lowest ranked countries are in Africa – Republic of the Congo (Congo), Djibouti, Democratic Republic of the Congo (DRC), Eritrea, Somalia and Sudan. In some instances the cost of crossing a border in Africa is two to three times higher than in other regions. Table 3.1 illustrates the additional trade costs related to inefficient borders in Africa which have a detrimental impact on industry location and competitiveness.

Table 3.1. **Time and cost of cross-border trade in selected sub-regions**

| Region | No. of documents to export | Time to export (days) | Cost to export (USD per container) | No. of documents to import | Time to import (days) | Cost to import (USD per container) |
|---|---|---|---|---|---|---|
| Southern African Development Community | 7.3 | 31.2 | 1 856.3 | 8.4 | 38.0 | 2 273.3 |
| Common Market for Eastern and Southern Africa | 7.2 | 32.4 | 1 915.3 | 8.2 | 38.3 | 2 457.5 |
| Economic Community of West African States | 7.6 | 27.6 | 1 528.1 | 8.1 | 31.6 | 1 890.9 |
| Economic and Monetary Community of Central Africa (CEMAC)* | 9.0 | 35.2 | 2 808.8 | 10.8 | 44.0 | 3 721.4 |
| Middle East and North Africa | 6.4 | 20.4 | 1 048.9 | 7.5 | 24.2 | 1 229.3 |
| East Asia and Pacific | 6.4 | 22.7 | 889.8 | 6.9 | 24.1 | 934.7 |
| South Asia | 8.5 | 32.3 | 1 511.6 | 9.0 | 32.5 | 1 744.5 |
| Latin America | 7.1 | 19.0 | 1 310.6 | 7.5 | 22.0 | 1 441.1 |
| Eastern Europe and Central Asia | 6.4 | 36.7 | 1 651.7 | 7.6 | 28.1 | 2 457.5 |
| European Union | 4.5 | 11.5 | 1 025.3 | 5.3 | 12.1 | 1 086.5 |
| OECD | 4.4 | 10.9 | 1 058.7 | 4.9 | 11.4 | 1 106.3 |

*Note*: *Aggregate data for CEMAC covers all members except Chad, because of the lack of reliable data.
*Source*: Ben Barka (2012).

Box 3.1. **Thick borders prevent potential spatial economic development between Kinshasa and Brazzaville**

Kinshasa and Brazzaville are only divided by the Congo River, yet their case epitomises the harmful effect of Africa's thick borders on trade and cross-border spatial development. Kinshasa in the DRC and Brazzaville in the Congo form Africa's third largest urban agglomeration. They are predicted to become Africa's largest metropolis by 2025 (Brülhart and Hoppe, 2011). The two cities, which are regional hubs in their own right, are separated by a border running through the Congo River. Standard trade theory would predict that the combined population of over 12 million and their strategic economic location as entry points to their hinterlands, ought to yield substantial economic benefits and foster regional spatial development. Yet only 1.1% of the Congo's imports come across the border (Brenton and Isik, 2012). The main constraints are poor cross-border transport infrastructure and cumbersome customs procedures. For example, crossing the border is costly. A return ferry ticket is about USD 40, more than 40% of the average monthly wage for a Kinshasa resident.

Regional trade agreements can reduce border thickness and the effects of distance. However, the impact of agreements has been limited in Africa, where addressing non-tariff barriers only recently began to attract the same level of attention as lowering tariffs. African regional economic communities are trying a range of trade facilitation initiatives. These include co-ordinated responses to infrastructure challenges; joint border operations to prevent delays and reduce road blocks, making it easier to use electronic documents at a single window and cross-border payment systems.

### Trade facilitation reforms can underpin regional spatial development

The WTO's Trade Facilitation Agreement aims to provide new impetus for regional efforts to reduce trade costs. Following nine years of negotiations, the 159 WTO members adopted the landmark "Bali Package", which included a trade facilitation accord, at the Ministerial Conference in December 2013. The package contains measures to streamline trade and provide developing countries with tools to achieve food security. The measures also seek to promote trade, particularly among least-developed countries. Adoption of the package injected much needed momentum into the multilateral trading system, although conclusion of the Doha Development Agenda remains a long way off as negotiations move painstakingly slowly.

The Ministerial Conference Trade Facilitation Agreement (TFA) within the Bali Package contains provisions to expedite the movement, release and clearance of goods through more efficient customs procedures and through greater co-operation between customs and other relevant authorities. Table 3.2 highlights estimates that implementing the trade facilitation agreement could add USD 1 trillion of GDP gains to the world economy (Hufbauer and Schott, 2013; UNECA, 2013; Zaki, 2014).

Table 3.2. **Estimates of the gains by 2020 brought about by improved trade facilitation**
(selected economies)

| | GDP gains* | | Export gains** | |
|---|---|---|---|---|
| **Country / Region** | **%** | **USD billion** | **%** | **USD billion** |
| Brazil | 0.37 | 5 | 4.38 | 7 |
| Canada | 1.41 | 22 | 5.00 | 20 |
| China | 1.45 | 124 | 8.83 | 187 |
| Egypt | 2.24 | 5 | 8.83 | 2 |
| European Union | 2.04 | 384 | 10.6 | 629 |
| India | 0.91 | 21 | 9.56 | 35 |
| Mexico | 2.47 | 33 | 11.79 | 49 |
| North Africa | 4.44 | 15 | 11.21 | 14 |
| Sub-Saharan Africa | 7.28 | 47 | 22.28 | 46 |
| Other Asia | 7.97 | 283 | 16.18 | 211 |
| Other Latin America and Caribbean | 3.07 | 40 | 16.20 | 40 |
| South Africa | 3.36 | 13 | 17.93 | 16 |
| United States | 0.55 | 90 | 3.90 | 61 |

*Notes*: *Zaki reports welfare gains, that include net income transfers as opposed to GDP gains.
**Dollar export gains calculated based on 2012 merchandise exports to GDP ratios, and include intra-regional trade where applicable.
*Sources*: Reproduced from the World Economic Forum (2014), *Global Enabling Trade Report*.
Zaki (2014), CEPII (2010) and World Bank (2013).

Implementation of the agreement and productivity improvements will help to ease some of the drawbacks of trade-related transaction costs, regional bottlenecks and fragmentation. This is particularly important to the success of regional spatial development initiatives and transport corridors like the Maputo Development Corridor, discussed elsewhere in this report. This will also complement the implementation of regional trade agreements and initiatives to create a continental free trade area by helping to reduce barriers to Africa moving into global value chains. The agreement should encourage Africa's industrialisation.

## Changing Africa's external trade relations will affect spatial development

Africa is looking to deepen integration between its regions and countries and get a greater foothold in the global economy, while at the same time strengthening trade and investment with major trading partners. The continent seeks to guard against the erosion of trade preferences in external markets. There are concerns that as tariff protection gradually declines, the entry of cheaper imports will harm African producers, and undermine efforts to achieve spatial development especially through regional industrialisation.

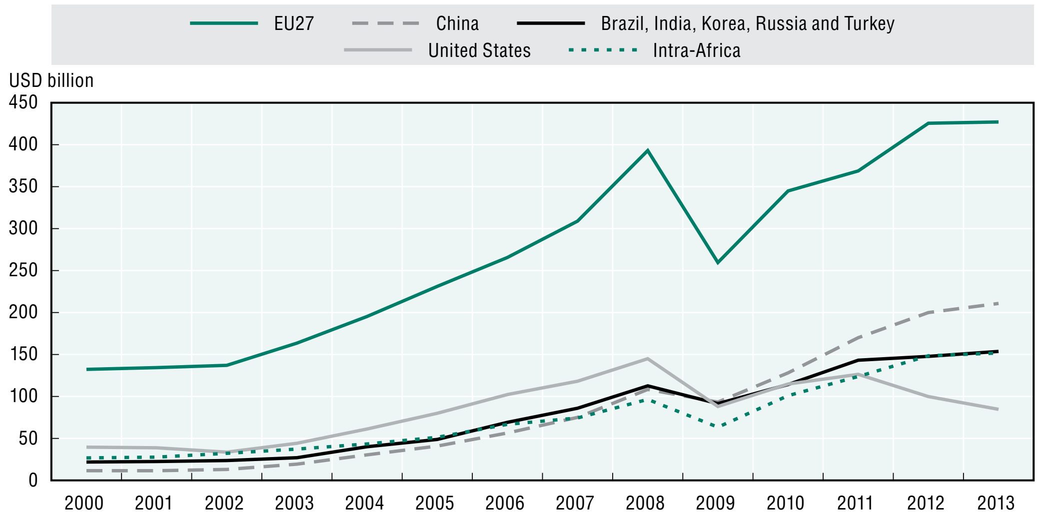
Developing supply capacity to produce goods that meet international market demands and attracting investment should be priorities for Africa in handling trade relations. Unfavourable changes such as loss of trade preferences can disrupt Africa's value chains and cause a loss in investment and jobs.

One example illustrates this point. The United States' decision to suspend Madagascar's preferential access to the US market under the African Growth and Opportunity Act (AGOA), after a coup in the island state in 2009 was a major blow to its economy. It vividly demonstrated the impact of loss of trade preferences and reversals for Madagascar's industrialisation (Andriamananjara and Sy, 2015). When it enjoyed AGOA eligibility from 2001 to 2009, Madagascar exported, on average, over USD 200 million per annum predominantly in the apparel sector. Exports reached a peak of over USD 300 million in 2004. The textile sector accounted for close to 8% of the country's GDP that year. Half of Madagascar's 150 factories, which employed 50 000 workers, served as major suppliers for large US stores and brands. When the suspension took effect, tariff rates on apparel exports returned to high levels averaging between 12% and 33%. In the five years to 2014 that eligibility was revoked, Madagascar's apparel exports fell to USD 35 million, cutting nearly 30% of jobs. When it won back preferred AGOA access in 2014, Swaziland lost its AGOA eligibility. This threatens to cut 20 000 apparel jobs from a sector which had previously averaged over USD 100 million a year in exports under AGOA.

Recent trends in African trade flows highlight a shift in trade dynamics and increasing competition from China for the African market. Africa's value of global trade has increased from USD 224 billion in 1995 to about USD 1.3 trillion in 2013, according to WTO figures. But between 2012 and 2013, Africa's exports declined by 6.3% to USD 599 billion (3.2% of world exports). Imports grew by 2.2% to USD 628 billion (3.3% of world imports). Europe remains Africa's largest trading partner. However, Africa's trade with Asia rose by 22% during this period, while trade with Europe grew by just 15%. Manufactured exports from Europe to Africa fell from 32% of the total in 2002 to 23% in 2011. On the other hand Asia's share in Africa's trade rose from 13% of the total to 22% during the same period. In 2009, China overtook the United States as Africa's largest single trading partner. Sino-African trade increased from USD 166 billion in 2011 to USD 210 billion in 2013 – more than two and half times the value of US-Africa trade (Information Office of the State Council [China], 2013). Figure 3.1 illustrates the evolution of trade flows between Africa and its major partners.

Figure 3.1. **Africa's total trade flows with selected and intra-African partners, 2000-13**




*Source*: Authors' calculations based on UN COMTRADE (database), http://wits.worldbank.org/wits/.
StatLink http://dx.doi.org/10.1787/888933206682

## Sino-Africa trade moves beyond commodities

China's trade and investment with Africa has traditionally been concentrated by country and by products. However, recent evidence shows growing diversification towards services. Five resource-rich countries, Angola, Congo, DRC, Equatorial Guinea and South Africa account for about 75% of sub-Saharan exports to China. Likewise, six countries – Angola, Benin, Ghana, Liberia, Nigeria and South Africa – account for more than 80% of sub-Saharan Africa's imports from China. Greater exposure to trade and investment with China helped shield the region from the 2007-08 global financial crisis and reduced export volatility, particularly for resource-rich countries. Research (Drummond and Liu, 2013) shows that a 1% increase in China's domestic investment growth results in an average 0.6% increase in sub-Saharan export growth. A slowdown in China's domestic investment growth would adversely impact African economies that are heavily dependent on trade with China.

## Africa must seize upon market access as Africa–EU economic partnership agreements are implemented

Negotiations on Economic Partnership Agreements (EPAs) between the European Union and 79 countries from Africa, the Caribbean and the Pacific (ACP) have dominated ACP–EU trade relations for the past decade. Despite 30 years of non-reciprocal preferential access to the European market, EU imports from ACP countries declined from 7% to 3% of total EU imports (EU Commission, 2014). In contrast to trade with China, African trade with the EU is more diversified. In addition to minerals, exports include base and precious metals, foodstuffs, beverages and agricultural products.

The EU decision to deny access from October 2014 to countries which do not show a clear intention to ratify the Economic Partnership Agreements (EPAS) added impetus to the negotiations. Talks with the five African regional groups are moving at different speeds however. There are also differences within the groups. Cameroon is the only country within the Central African group to have signed the interim EPA. Madagascar, Mauritius, Seychelles and Zimbabwe are the only members of the 12-country East and Southern Africa negotiating group to have begun putting the interim agreement into action.

Although the EPAS require both sides to lower tariffs on goods, there remain contentious issues on the terms between the EU and the five African negotiating groups. In West Africa – which accounts for 40% of ACP-EU trade – leaders from the Economic Community of West African States (ECOWAS) endorsed the EPAS for signature in 2014. This was despite reports of Nigerian reservations about potential tariff revenue losses, the region's weak supply capacity and the impact of imports on fledgling local industries.

### Partnership accords will affect tariff revenues and intra-regional trade for countries reliant on EU exports

To illustrate the effects of the economic partnership agreements, one assessment (Maur et al., 2014) found that Nigeria would see a modest reduction in average tariff protection from 11.3% to 9.2%. Given the EU's relatively low share of Nigeria's imports (23%) and the exclusion by Nigeria of certain sensitive tariff lines, the tariff change would cause a moderate increase in imports of between 0.8% and 1.8%. Over the implementation period some trade diversion is anticipated in favour of the EU. Nigeria's imports from the EU were expected to grow between 6.9% and 20% displacing imports from the rest of the world and, to a smaller extent, other West African countries.

Nigeria is estimated to lose about 18% of total tariff revenues. The revenue losses are projected to reach roughly Naira 140 billion per year, equivalent to 0.8% of total fiscal revenue or 3.3% of non-oil revenue. Nigeria is required to align its trade policy with the ECOWAS Common External Tariff by 2020. Although the current tariff structure is already aligned to the common tariff, Nigeria will need to dismantle various trade policy instruments such as import bans and special levies on certain products.

### EPA gains predicted for Nigeria at household and firm levels

At household level, tariff liberalisation is expected to cause a reduction in the price of the average consumption bundle of about 0.3%. The net effect is likely to favour higher income households over low income families. In terms of impact on competitiveness, the assessment projects that two thirds of manufacturing firms are likely to enjoy a net increase in profitability due to the EPAS, largely resulting from lower input prices. The remaining firms will likely face lower profits due to increasing import competition. Losses were found to be concentrated in four sectors (wood products, non-metallic mineral products, basic metals and non-machinery metal products). The majority of firms operating in these sectors already enjoy above average profitability and are expected to continue to do so even with the EPAS.

Like all countries engaged in the agreements, Nigeria must make up for revenue losses through reforms. One possible avenue, which would also benefit Benin and other neighbouring countries, is to collaborate on recovering the considerable tariff revenues lost due to widespread smuggling and the informal sector.

Trade barriers, especially between Benin and Nigeria, provide a strong incentive for smuggling into Nigeria. Smuggling has partly contributed to the development of entrepôt states in West Africa, particularly Benin, The Gambia and Togo (Golub, 2012) which have sought to become trading hubs. By retaining low import barriers and lowering importing and trans-shipment costs, these countries have become conduits for legal and illegal transit to landlocked and neighbouring countries in West Africa.

Goods subject to trade bans and high tariffs appear to be the most smuggled. These include food and processed foods like rice, motor vehicles and parts, fuel, textiles, and apparel. An estimated USD 5 billion worth of goods is smuggled from Benin, close to 10% of Nigeria's official imports. Lost tariff revenue on smuggled imports is estimated at USD 1.2 billion. Reforms to exemptions and domestic tax regimes could also result in improved revenue collection. These are areas where concerted regional action could result in positive financial changes and help to safeguard local producers.

Ultimately, the debates on economic partnership agreements and Africa's regional integration have largely focused on potential losses in tariff revenue and protection. However, Nigeria's example highlights the need for African policy makers to discuss gains from better access to markets and inputs and also gains in competitiveness that would really assist firms to participate in regional and global value chains, generating much needed spatial development benefits.

### The United States seeks to revitalise US-Africa trade

Since 2000, US-Africa trade relations have been driven by the Africa Growth and Opportunity Act (AGOA), which has stimulated US trade with sub-Saharan countries, particularly in oil, footwear, and motor vehicles and parts. The apparel sector in particular has contributed to some degree of sectorial industrialisation in countries like Lesotho and Swaziland. This has produced spatial development and social inclusion, especially for women who dominate the sector. Between 2001 and 2011, US-African trade grew fivefold with exports from sub-Saharan Africa to the United States reaching USD 79 billion. However, US-Africa merchandise trade has since taken a confounding downward trend, declining from a high of USD 125 billion in 2011 to USD 72.5 billion in 2014.

The weakening of US-Africa trade is partly due to the impact of the 2007-08 financial crisis on US demand. A number of African countries (textiles and apparel producers) were affected by uncertainty over the renewal in 2012 of an AGOA provision allowing producers to import fabric from a third country. Moreover, the drop in US oil consumption coupled with falling oil prices and a surge in US domestic shale production caused oil and gas exports from AGOA countries to the US to tumble from USD 60 billion to USD 20 billion.

AGOA is to expire in September 2015. Its renewal by the US Congress will dominate Africa's trade and regional integration landscape in 2015. There is general consensus that current trade and investment volumes do not reflect the relationship that should exist between the world's largest trader and one of the world's fastest growing regions. In 2012, just 0.7% (USD 31 billion) of US foreign direct investment went to sub-Saharan Africa. China put 3.4% of its foreign investment into the region in 2012. Moreover, US investment tended to concentrate in mining and extractive sectors across a few resource-rich countries like Nigeria and South Africa.

African countries need to attract US investment towards more diverse sectors, including services, whilst supporting a stronger supply side response. There are useful lessons to learn from countries like Vietnam, which has increased US bilateral trade from about USD 220 million in 1994 to USD 29.6 billion in 2013, becoming the second-largest source of US clothing imports (after China). It is also a major source for fish, footwear, furniture and electrical machinery (Martin, 2014). Vietnam has overcome many of the challenges now faced by African exporters seeking to access the US market with limited resources.

By contrast, AGOA countries, the Seychelles and the Comoros for example, did not use AGOA preferences in 2014. Moreover, while almost 900 different types of products were exported from sub-Saharan Africa, these are still fewer than the 6 400 product lines available under AGOA and the US Generalised System of Preferences. At least one-third of these product lines witnessed exports below USD 20 000.

### Mega deals could divert trade and harm preferences

The conclusion of mega-bilateral trade agreements is a challenge to African integration and spatial development through the threat of trade diversion and preference erosion. The stalemate in the Doha Round of multilateral trade negotiations has prompted some countries to seek alternative arrangements outside of the WTO. The largest of these mega deals is the US-EU Transatlantic Trade and Investment Partnership. The United States and the European Union together account for 60% of global GDP, a third of world trade in goods and 42% of world trade in services. Other mega-bilateral deals like the Trans-Pacific Partnership involves countries from the Americas and Asia. These countries collectively account for 40% of world GDP and one-third of global trade.

These agreements pose challenges for African integration. They could lead to further preference erosion across major markets, trade diversion taking investment away from Africa, and rules and standards being set without African countries. Together, these factors raise the threat of marginalisation for African countries which already find themselves on the periphery of the multilateral trading system and global value chains. The continent's approach to trade and investment with major partners needs to recognise the implications of these global developments.

### Regional integration reduces cost of cross-border business

Africa's regional groups and sub-regional institutions use many techniques to facilitate integrated and geographically balanced development. Regional economic integration helps to reduce spatial transaction costs associated with engaging and co-ordinating activities across space.

Two distinct integration effects are identified: *i)* those brought about by larger markets and lower transaction costs; and *ii)* those brought about by increased competition. Different economic theories predict contrasting spatial effects arising from integration at different levels. Regional integration can entice foreign investment into new spaces targeting larger markets. It can also lead to concentration in large urban centres in pursuit of larger market potential. Increased competition created by regional integration may lead firms to locate processes offshore or outsource, creating new activities in peripheral spaces.

Regional integration can raise incomes through sector specialisation as regional value chains develop and open up market access through tariff liberalisation to low-cost imports. The extent to which these processes take place and determine the location of investment, production, job creation and economic growth differs substantially. Across Africa, these differences are amplified by internal geography and trade costs that hamper or enhance the ability of interior regions to participate in regional and world markets.

Regional integration impacts economic development through the spatial effects that it generates through the "spatial transaction costs" associated with engaging in activities across several countries. This includes the cross-border flows of goods, services and capital, coupled with decreasing tariffs, and shrinking physical and economic distance among actors.

Deepening and broadening integration is essential for Africa's inclusive development. However, regional integration can also generate inequalities between two countries and regions based on their heritage and factors such as infrastructure availability, skills and geography (landlocked or coastal). Similarly, domestic and regional markets are concentrating around growing African cities, which can serve as major drivers for regional trade in goods, services and economic growth. Through improved spatial planning, national and regional policy makers create conditions to unlock economic value, even from marginalised groups or regions, towards national development. This creates more social and economic inclusion between regions and countries.

## Border regions gain from regional economic integration

Theories on regional economic growth dating back to the 1950s and 1960s sought to understand how an economy grows to achieve higher rates of productive output, increased per capita income and overall wealth, while reducing unemployment.

While initially "space" was thought of as representing homogenous territorial areas, a changing understanding of "space" allows economic activities and production factors, demand and sectoral structure, to be regarded as spatially heterogeneous within a region thereby shedding new light on integration across borders. This perception of space allows policy makers to analyse and apply the concept of agglomeration economies to help local development become regional development.

Trade policy has a major impact on the location of industries (Kuroiwa and Tsubota, 2013). Where a country, for example, raises high trade barriers this may raise import costs and drive export-oriented industries elsewhere. Mexico switched in the 1980s from a protectionist policy of import substitution toward trade liberalisation. Mexico gradually emerged as a manufacturing hub for component producers from North America. Moreover, a lot of manufacturing activities relocated from Mexico City to be closer to the Mexico-US border. Similarly, in Southeast Asia, following their accession into the Association of Southeast Asian Nations (ASEAN) countries such as Cambodia, Lao PDR, Myanmar and Viet Nam are increasingly integrated into the regional economy and can anticipate increasing industry location in their territories, provided the right incentives and accompanying enabling environment are in place.

There are contrasting views on the influence of regional integration on spatial development both based on new economic geography and its impact on industry location (Krugman and Livas Elizondo, 1996). One school of thought contends that integration will gradually disperse industry away from an agglomerated area resulting in development of frontier regions that can connect to international markets at lower cost. A contending view argues that Europe's integration has increased the regional concentration of economic activities. Despite this conflict, which is due to the different assumptions used by the two sides, both views highlight that border regions, gateway ports, and their hinterlands and other frontier regions will gain location advantages ahead of internal regions or landlocked areas due to the lower cost of accessing foreign markets.

In examining regional specialisation and manufacturing concentration in Eastern Europe (Bulgaria, Estonia, Hungary, Romania and Slovenia), researchers found that proximity to the larger EU market and factor endowment in these countries influenced industry location (Traistaru, Nijkamp and Longhi, 2012). This has supported backward and forward linkages related to production and consumption and ultimately shifts economic activities from a predominantly inward-orientation to a more outward-orientation.

Further research is required into such changes in African regional communities, which tend to be dominated by one or two large economies. Many coastal or frontier countries in Africa have struggled to attract industry, and this points to additional weaknesses such as poor infrastructure, the absence of adequate skills or an enabling environment. The World Bank's *Doing Business 2009 Report* says that reducing inland travel time in sub-Saharan Africa by one day increases exports by 7%. This further highlights the importance of dealing with transport and transit issues to reduce costs, to make internal regions and land-locked countries more attractive to industry.

### Governments struggle to spread benefits of growth

Productive infrastructure, industry and economic output in Africa tends to be concentrated in big cities and provinces. This is especially true in the more developed and emerging economies. For example, the Gauteng region (which includes Johannesburg) in South Africa, Cairo in Egypt and Lagos in Nigeria are the economic hubs of their countries. Gauteng is South Africa's smallest province, accounting for only 1.4% of the country's size but 40.6% of its manufacturing output and more than one-third of its GDP (Gauteng Provincial Treasury, 2014). This translates into 7.7% of Africa's GDP.

For national and regional policy makers, the challenge is to achieve greater dispersion in economic development, especially for the landlocked and less development countries and regions. Regional integration impacts on spatial development through its effects on trade, investment, growth and job creation. Essentially, regional integration will help create larger, more attractive markets, link landlocked countries to international markets and support intra-African trade. Larger markets will in turn attract more investment seeking to optimise economies of scale and drive competitiveness.

### More private involvement will spur the economy

The small size of the private sector and firms in many African countries has limited the continent's ability to drive and benefit from spatial development. According to research (Stampini et al., 2011) based on national accounts and labour market data, countries with small private sectors include oil-exporters such as Angola, Equatorial Guinea and Libya and some of the least-developed countries such as Burundi, Burkina Faso, Guinea-Bissau, Mali, Sao Tome and Principe, and Zambia. They have few enterprises able to play the role of "lead firms" dealing with small and medium-sized companies. Lead firms such as large regional retailers are better able to achieve a sustainable impact and scale and give support to regional market actors, bolstering competitiveness in a region.

### Regional institutions can play a lead role in spatial economic development

Several initiatives involving regional institutions have sought to address the "thickness" of national borders to reduce transport costs and improve Africa's regional connectivity. They have also been involved in the planning and development of productivity-enhancing regional infrastructure such as regional power pools. They also try to co-ordinate incentives to promote factor mobility and fiscal convergence to prevent a race to the bottom of incentives and promote regional industrialisation and the development of regional growth corridors.

For example, West Africa remains one of the least industrialised regions in Africa. The ECOWAS *Regional Integration for Growth and Poverty Reduction in West Africa: Strategies and Plan of Action* (2006) highlights priority sectors to spur economic development. These include infrastructure, industrial, financial, trade and agriculture sectors. Proposed road, rail, port, information technology and air transport infrastructure projects all aim to boost regional connectivity and create different centres of economic development linked by transport corridors and regional ports. Such initiatives are further aimed at averting the marginalisation and exclusion of some parts of the region by encouraging the full use of socio-economic facilities and infrastructure on each side of a border.

The 2010 West African Common Industrial Policy builds on infrastructure initiatives and reforms implemented by ECOWAS states by seeking to step up industrialisation. Each country has continued implementing its own national industrial policy with consultation at regional level. This has proved inefficient, despite the economic, social, industrial and commercial development initiatives supported by development partners.

It has resulted in duplication, the establishment of competing production facilities in the region (e.g. breweries, cement factories) and relatively low levels of value added exports.

As demonstrated by ECOWAS, weaknesses at national and regional policy levels, as well as limited resources, have been major constraints to effective implementation of regional spatial economic development initiatives. Many well-intentioned initiatives have only been partially implemented or only partially achieved the anticipated objectives.

At a continental level, in 2008 and African Union summit adopted an *Action Plan for Accelerated Industrial Development of Africa* which seeks to tap into growing interest among African regional organisations and development partners in the concept of development corridors and spatial development initiatives. A 2006 study undertaken for the New Partnership for Africa's Development (NEPAD) examined the status and potential of continent-wide development corridors, focusing on 12 new spatial development initiatives across Africa. This study forms the basis of the AU's resource-based African industrialisation and development strategy (RAIDS Plan of Action).

## Policy makers should focus on dynamic regional corridors to attract investment for economic development

Spatial development initiatives are a unique way of addressing spatial inclusion development, especially within regional integration. Spatial initiatives enable clustering of economic activities and infrastructure development in new locations and along transport corridors. While these activities support deeper integration between communities – within countries or between countries – they also provide an opportunity for inclusive development. In East and Southern Africa, the North-South Corridor traverses the Common Market for Eastern and Southern Africa, East African Community and Southern African Development Community Tripartite Free Trade Area. The spatial development potential of this and similar corridors requires closer examination by regional and national policy makers, learning lessons from initiatives like the Maputo Development Corridor (see Chapter 7). The trans-Africa North-South Corridor links the East African port of Dar es Salaam to the port of Durban in South Africa, the continent's biggest port. At over 8 000 kilometres, the corridor traverses Botswana, the DRC, Malawi, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe and offers great potential for growth and linking the entire tripartite region. With the emergence of global and regional value chains, policy makers will have to deploy more innovative solutions to lock in economic activities and development across the national and regional space.

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*Chapter 4*

# Human development in Africa

This chapter reviews development in Africa from a human development perspective. A subregional approach is deployed to analyse progress in expanding people's choices with regard to economic opportunities, health and education. The analysis employs measures of poverty and deprivation that extend beyond income to reflect on persistent human development gaps. The chapter also explores inequality and its impact on present and future human development trends and presents recommendations for the design of implementation and monitoring frameworks for Africa's Agenda 2063 and the global post-2015 goals. An analysis of uneven human development within countries demonstrates the impact of socio-economic and geographic inequality on progress in human development. Finally, the economic, social and governance-related drivers of uneven human development inform a set of policy recommendations for the ongoing prioritisation of poverty, inequality and sustainability on national, subregional and continental development agendas.

## In brief

Human development is improving but greater effort is needed to sustain and accelerate development gains. Despite progress, the level of human development in Africa remains low, and aggregate indicators of growth mask significant variations between and within countries, as well as poverty and deprivation. Challenges relating to low human development, poverty and exclusion persist both in least developed and middle-income countries, which are also vulnerable to health, environmental and social risks. Gender inequality and exclusion exist in many countries with high levels of discrimination present in relation to access to resources and assets, as well as violence against women. Distribution of income and consumption in Africa is highly skewed, and socio-economic and geographic differences contribute to uneven human development within countries.

The post-2015 agenda for sustainable human development for all in Africa should focus on the integration of equity, sustainability and vulnerability reduction in development planning, resource allocation, and implementation and monitoring of goals. This would include improved methods of measuring progress that consider variation in initial conditions and advances towards long-term sustainable financing for human development and social security. Dismantling economic, social and governance structures that create and perpetuate extreme inequality can help to reduce extreme poverty, enhance social welfare, and accelerate progress towards national, regional and global development goals.

## Human development in Africa is rising but uneven

This section explores rising human development across African countries, highlighting regional variations and differences between and within countries. It examines human development challenges in low and middle-income countries as well as human development challenges from a gender perspective.

### The rise in human development is uneven across regions

African countries have made significant strides in all dimensions of human development, comparable with other regions of the world. In 2014, 17 out of 52 African countries achieved high and medium levels of human development (Table 4.1). The remaining countries presented a wide variation of scores. Niger scored lowest with a human development score of 0.34, while Kenya ranked highest with 0.54. Some regions have shown progress over time: Human Development Index (HDI) values in sub-Saharan Africa increased by 26% from 1990 to 2013, making it the third fastest growing region after East Asia (36%) and South Asia (34%). In comparison, human development levels in the Arab States and Latin America for the same period were 19% and 18% higher, respectively. Improvements in human development can be attributed to rapid economic growth based on increased resource flows from natural resource extraction, growth in agriculture and services, human capital development and improved governance.

Table 4.1. **Country classification of human development levels by low, medium and high**

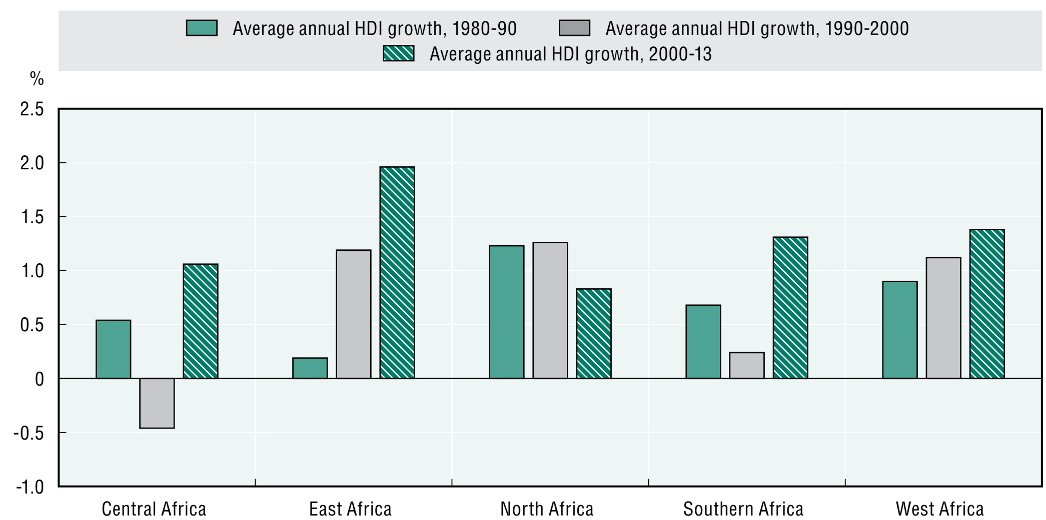
| High human development (above 0.7) | Medium human development (between 0.55 and 0.7) | Low human development (below 0.55) | | |
|---|---|---|---|---|
| Algeria | Botswana | Angola | Ethiopia | Niger |
| Libya | Cabo Verde | Benin | Gambia | Nigeria |
| Mauritius | Congo | Burkina Faso | Guinea | Rwanda |
| Seychelles | Egypt | Burundi | Guinea-Bissau | Senegal |
| Tunisia | Equatorial Guinea | Cameroon | Kenya | Sierra Leone |
| | Gabon | Central African Republic | Lesotho | Sudan |
| | Ghana | Chad | Liberia | Swaziland |
| | Morocco | Comoros | Madagascar | Tanzania |
| | Namibia | Congo, Democratic Republic of the | Malawi | Togo |
| | Sao Tome and Principe | | Mali | Uganda |
| | South Africa | Côte d'Ivoire | Mauritania | Zimbabwe |
| | Zambia | Djibouti | Mozambique | |
| | | Eritrea | | |

*Note*: Data were unavailable for Somalia and South Sudan.
*Source*: UNDP (2014).

Africa presents significant regional variation in terms of human development. Countries in East and West Africa have experienced faster rates of improvement in human development indicators related to education, health and income compared to Central, North and Southern Africa. The last 15 years have been characterised by strong recovery from the "lost decade" between 1990 and 2000 – a period characterised by slower rates of improvement in human development and even reversals in some countries. Since 2000, improvement rates for human development indicators have recovered in Central and Southern Africa and accelerated in East Africa. In Central Africa, Chad and the Republic of the Congo (Congo) present the highest improvements in human development indicators, while improvements in the Southern Africa region are highest in Angola, Botswana, Malawi, Mozambique and Zambia. The leading countries in East Africa are Burundi, Ethiopia, Rwanda and the United Republic of Tanzania. West Africa maintained a consistently high rate of improvement with improvements highest in Benin, Liberia, Mali, Niger and Sierra Leone. Progress in North Africa was also high but slowed between 2000 and 2013 (Figure 4.1).

Figure 4.1. **Change in human development by Africa's regions, 1980-2013**




*Source*: UNDP.

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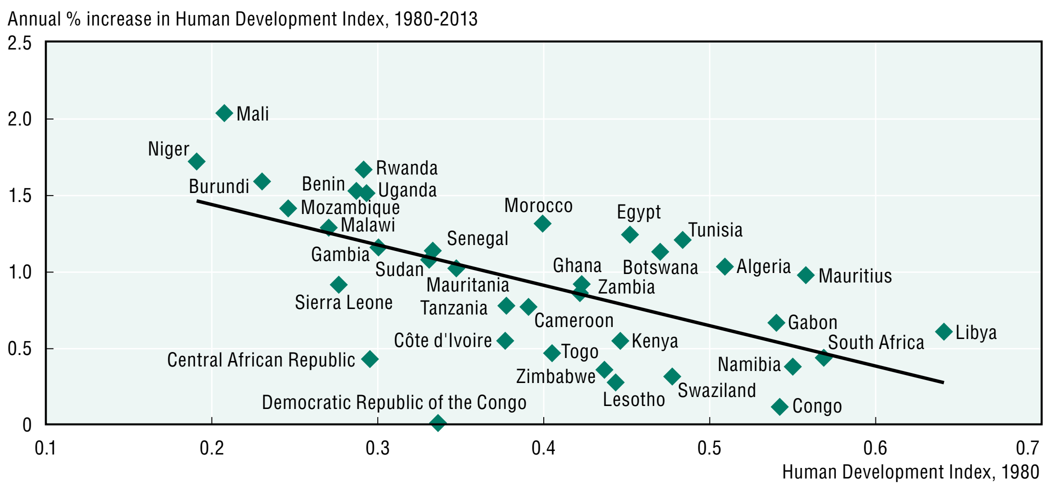
## Human development in Africa remains low and unequal

Despite progress made since 2000, human development levels in Africa remain low and are vulnerable to shocks. The level of human development in Africa is also much lower than the world average. In sub-Saharan Africa, for example, the average level of human development in 1990 was 0.40, compared to the world average of 0.60, representing a difference of 33%. This level rose slightly to 0.50 in 2013 but still remained 28% lower than the world average of 0.70 (UNDP, 2014). In general, progress in human development has resulted mainly from improvements in education and health and from growth in income per capita. Countries that were further behind or began from lower initial conditions are now improving faster than those with higher initial levels of human development. This trend indicates a potential convergence with many countries catching up to better performers, driven by improvements in poverty reduction and health and education outcomes.

The level of human development remains uneven. African countries still bear a large share of the burden of global poverty and low human development and have limited resources to address this challenge. Nearly one in three of the world's poor lives in sub-Saharan Africa (AUC, 2014). Africa is also home to the largest proportion of least developed countries (LDCs) and 75% of the countries with low human development. These LDCs are most vulnerable to economic, environmental and trade shocks (UNDESA, 2014).

Since 1980, growth in HDI values has remained uneven and below the global average for most countries. Countries with above average growth include those starting from a low base as well as those at the medium end of the spectrum (Benin, Mali, Rwanda and others). However, most African countries have failed to exceed the global average and only 11 have raised their HDI above the global annualised rate of HDI growth, represented by the line in Figure 4.2.

Figure 4.2. **Annual average Human Development Index growth in Africa, 1980-2013**




*Source*: Authors' calculations based on UNDP data.
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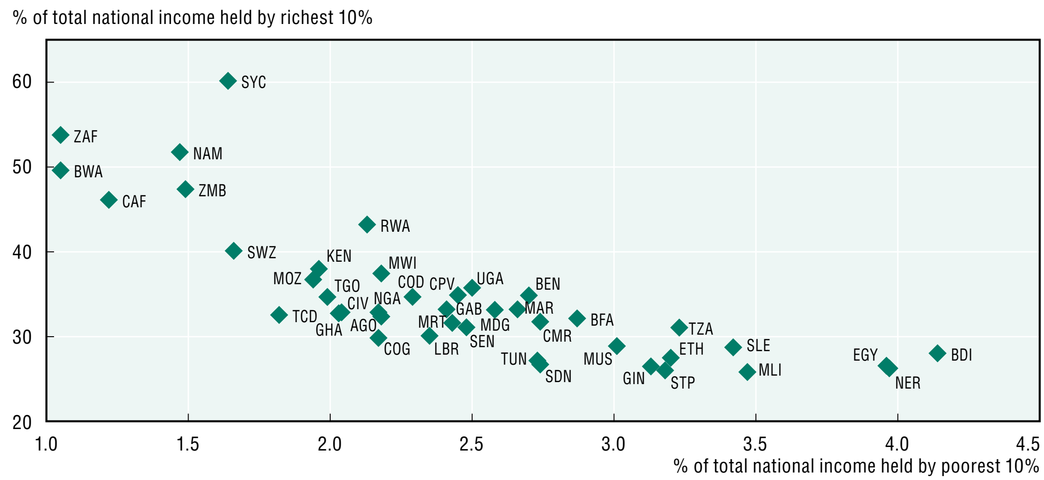
## Losses in human development are related to inequality

Uneven human development leads to inequality within countries. Inequality can be measured in terms of variation in access to resources, living standards, education and health. Distribution of income and consumption within countries in Africa, as measured by the Gini coefficient, is highly skewed.[1] Africa has the second highest unequal distribution of income and consumption within countries after Latin America and the Caribbean (AUC et al., 2014). Within Africa the most unequal region is Southern Africa, followed by Central Africa, East Africa and West Africa, with North Africa as the least unequal region (UNDP, 2014). An ongoing UNDP study on inequality in Africa, based on a sample of 29 countries, found the highest level of inequality in Seychelles followed by South Africa, Namibia, Botswana, Zambia and the Central African Republic. With the exception of the Central African Republic, all these countries are considered to be high and medium human development countries. In the case of sub-Saharan Africa, half the population lives in countries where inequality has fallen, while the other half lives in countries where inequality has risen (UNDP, forthcoming).

Wealth distribution within countries is unbalanced with the richest segment of the population accounting for a significantly higher proportion of national income. A recent study by AfDB (2011) found that those earning more than USD 20 a day constitute less than 5% of the population and control 19% of all income. Conversely, the poorest segment earns less than USD 2 a day and constitutes 66% of the population but controls only 36% of income. The middle class, which comprises those earning USD 4-10 (lower middle class) and USD 10-20 (upper middle class), constitutes 13% of the population and controls 21% of income. This unbalanced income structure is particularly strong in certain countries (Figure 4.3) with the highest disparity found for countries in Southern Africa. For example, in South Africa the richest decile controls 54% of national wealth, while the poorest controls no more than 1% of total income (AfDB, 2011).

Figure 4.3. **Share of wealth in the richest and poorest deciles in African countries**




*Source*: World Bank (2014).

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High levels of inequality in Africa are contributing to large losses in human development. The inequality-adjusted HDI for sub-Saharan Africa reveals a 33.6% loss in values once adjustments are made for inequality in distribution of income, health and education outcomes. Some medium human development countries face significant losses in human development from inequality. For example, Botswana and Zambia experienced losses of 38.2% and 35%, respectively. Other high and medium human development countries with lower levels of inequality, such as Egypt and Mauritius, experienced smaller human development losses of 24% and 14.2%, respectively.

For sub-Saharan Africa as a whole, the loss in human development due to inequality is much higher than the global average. The regions with the lowest losses due to inequality were Europe and Central Asia followed by East Asia and the Pacific. Latin America and the Arab States experienced almost similar levels of loss. In Africa, the underlying driver of inequality in HDI values is significant disparities in access to health and education. This contrasts strongly with high human development countries, where inequality is related more closely to income (Table 4.2).

Table 4.2. **Global comparison of drivers of inequality in Human Development Index values, 2013**

| Regions | Human Development Index (HDI) value | Inequality-adjusted HDI (IHDI) value | Inequality-adjusted HDI (IHDI) overall loss (%) |
|---|---|---|---|
| Arab States | 0.682 | 0.512 | 24.9 |
| East Asia and the Pacific | 0.703 | 0.564 | 19.7 |
| Europe and Central Asia | 0.738 | 0.639 | 13.3 |
| Latin America and the Caribbean | 0.740 | 0.559 | 24.5 |
| South Asia | 0.588 | 0.419 | 28.7 |
| Sub-Saharan Africa | 0.502 | 0.334 | 33.6 |
| Least developed countries | 0.487 | 0.336 | 31.0 |
| Small island developing states | 0.665 | 0.497 | 25.3 |
| World | 0.702 | 0.541 | 22.9 |

*Source*: UNDP (2014).

## Human development policies must address vulnerability to risks

Human development is highly vulnerable to risks. Policies must therefore aim to accelerate gains and build resilience. Key threats affecting African countries include extreme vulnerability to negative economic, political, social and environmental factors. Some human development gains have already been subject to reversals, such as the deterioration of human development levels in Central Africa and Southern Africa during the 1990s. More recently, negative socio-economic consequences have arisen from the impact of the Ebola virus in affected and neighbouring countries in the West African region (UNDG-WCA, 2015). Another source of vulnerability is the fall in commodity prices affecting most countries in Africa. Civil war and conflicts have also had a negative impact on human development, with continued insecurity in Central Africa and radicalisation in some countries in East Africa.

The experience of the 1990s and recent deceleration in human development in some North and West African countries underline the need to improve national resilience to political, health and environmental shocks. Human development policies must commit to maintaining gains by addressing vulnerability to natural disasters, climate change and financial setbacks for those most at risk. Renewed and comprehensive action with a focus on LDCs and especially fragile states is necessary to accelerate and sustain improvements in human development. Recent conferences have called for implementation of the Istanbul Programme of Action, whose priority areas include productive capacity development, trade, commodities, human and social development, response to shocks, mobilisation of financial resources, promotion of good governance, and agriculture, food security and rural development (UN, 2011). The programme also emphasised the need for stronger partnerships to support the development of productive capacities (UNOHRLLS, 2014).

## Middle-income countries also face human development challenges

There is a wide divergence in human development outcomes for middle-income countries (MICs) in Africa. Among the 27 African states classified as middle-income countries, 11 are upper-middle-income countries while the remainder are low-middle-income countries. Of these, 16 have achieved medium or high human development (Figure 4.4). This implies that almost three out of every five MICs in Africa have low human development. In addition, up to 70.6% of poor people are found in MICs (AUC et al., 2014), indicating that resource availability has not yet translated into improved health and education outcomes for the majority of the population. This situation is attributed mainly to differences between MICs including variation in economic sectors that drive growth and diversity in state capacity to administer and distribute resource wealth (Sumner, 2013).

A large proportion of people living in MICS face multiple levels of deprivation, despite rising levels of income per capita. The extent of poverty amid plenty is demonstrated by the Multidimensional Poverty Index (MPI), which captures deprivation in terms of health, education and living standards. In 11 out of 18 African MICS covered by the index, one-third of the population are living in multidimensional poverty (OPHI, 2014). In Mauritania, Senegal and Zambia in particular, the number of people living in multidimensional poverty accounts for over 60% of the population.

Middle-income countries need to address significant investment needs and capacity gaps to achieve sustainable human development for all. Adequate domestic and external public and private resource flows through global partnerships must remain high on the agenda, so as to help ensure financing, technology transfer and capacity development for poverty reduction. In addition, middle-income countries are vulnerable to environmental degradation and climate change. In four out of ten countries in Africa over 25% of the population lives on degraded land. This includes people living on

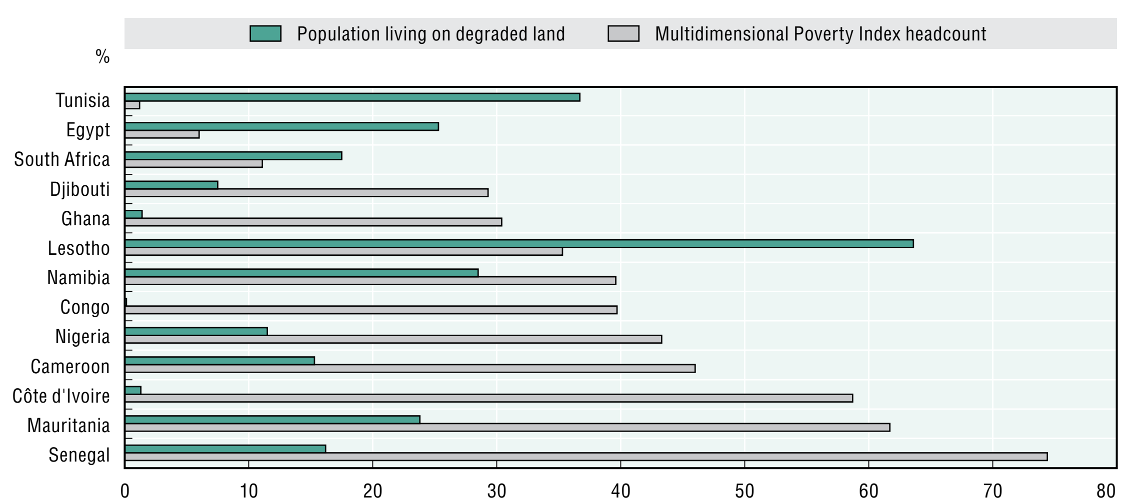
Figure 4.4. **Human development in Africa's middle-income countries by income group**

| | High human development | Medium human development | Low human development |
|---|---|---|---|
| Upper-middle-income countries | Algeria, Libya, Mauritius, Seychelles, Tunisia | Botswana, Gabon, Namibia, South Africa | Angola |
| Lower-middle-income countries | | Cabo Verde, Congo, Egypt, Ghana, Morocco, Sao Tome and Principe, Zambia | Cameroon, Côte d'Ivoire, Djibouti, Lesotho, Mauritania, Nigeria, Senegal, South Sudan, Sudan, Swaziland |

*Sources*: UNDP (2014); IBRD classifications.

severely or very severely degraded land in terms of biomass, soil health, water quantity and biodiversity. This has significant implications for food security, rural livelihoods and vulnerability to natural disasters and climate change (Figure 4.5). Addressing these challenges is likely to place additional strain on existing resources and institutional capacity. Development strategies therefore need to balance improvements to income with social and environmental deprivations. Countries where a very high proportion of the population lives in degraded environments, such as Egypt, Lesotho, South Africa and Tunisia, should ensure that efforts to improve environmental conditions do not leave people worse off in terms of poverty. The same principle holds for countries such as Cameroon, Congo, Côte d'Ivoire and Senegal, where efforts taken to reduce their level of deprivation must not worsen environmental conditions for the population.

Figure 4.5. **Share of African middle-income countries' population living in multidimensional poverty and on degraded land, 2013**




*Source*: UNDP (2014).

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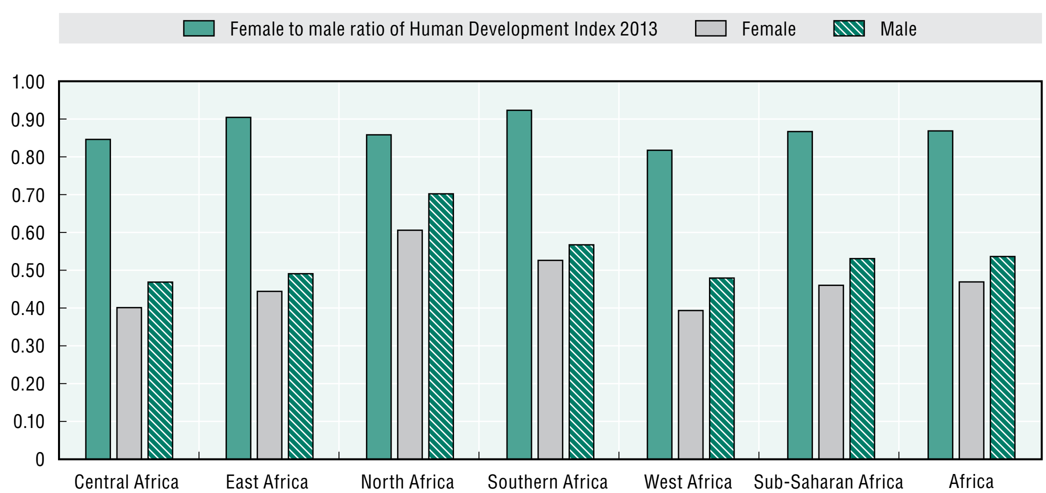
## Gender inequality and social and institutional discrimination remain high

This section explores the negative effects of gender inequality and social and institutional discrimination on human development.

### Human development outcomes are lower for women

There are noticeable differences in human development outcomes for women and men. The Gender Development Index (GDI) measures the gender gap in terms of achievement of three basic dimensions of human development for women and men and highlights the extent to which human development for women is lower. The average GDI for 39 African countries for which disaggregated data were available is 87%. The female HDI value is therefore 13 percentage points lower than the male HDI value. This level is equivalent to that of the Arab States and slightly better than South Asia, where the female HDI value is 17 percentage points lower than the male. The smallest gap is found in Latin America and the Caribbean, where the female HDI value is only 4 percentage points lower. In Central Asia, East Asia and the Pacific, and Europe, the female HDI value for women is 6 percentage points lower than the male. In Africa, the country with the highest level of inequality is Niger, where the female HDI value is 29 percentage points lower than the male value. Other countries in Africa where the female HDI value is at least 20 percentage points lower than the male value include the Central African Republic, Chad, Guinea, Liberia, Mali and Sierra Leone. Gender inequality in HDI is lowest in Botswana, Lesotho, Mauritius, Namibia and Rwanda. In terms of subregions, gender inequality in HDI values is highest in West and Central Africa, and lowest in Southern Africa followed by East Africa and North Africa (Figure 4.6).

Figure 4.6. **Ranking of Africa's regions in the Gender Development Index, 2013**




*Source*: UNDP (2014).

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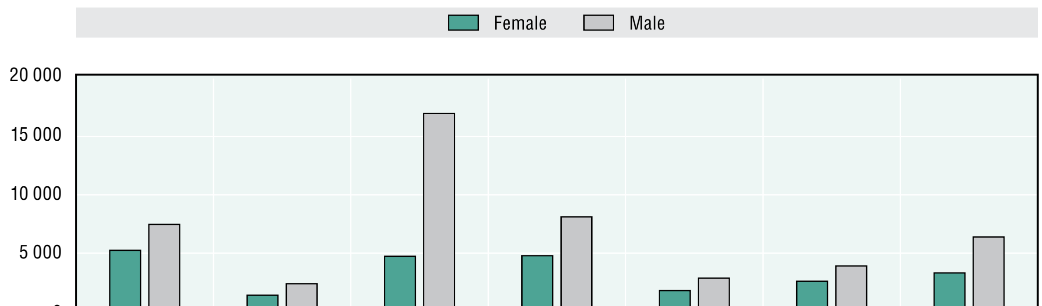
### Gender gaps drive inequality in human development outcomes

Gender inequality is prevalent in education, health and control over resources and drives much of the inequality in HDI outcomes. Gender inequalities are perpetuated through a system of discriminatory economic, political, social and environmental factors. These constrain women's labour force participation, human capacity development and control over productive resources. A smaller gender gap in terms of education contributes to better outcomes for females. For example, the gap related to mean years of schooling is highest in West and North Africa and lowest in Southern and Central Africa. In terms of income levels, the gap is highest in North and Southern Africa with men having a much higher income than women and lowest in East Africa followed closely by West Africa and Central Africa (Figure 4.7). In Southern Africa, therefore, the detrimental impact on female HDI from a high gap in income is offset by the small gap in educational attainment and a mid-level gap in life expectancy. In West and Central Africa, the difference in HDI outcomes between males and females is driven mainly by gaps in terms of educational attainment (Figure 4.8).

Figure 4.7. **Estimated gross national income per capita in Africa (female/male), 2013**
(2011 purchasing power parity USD)




| Central Africa | East Africa | North Africa | Southern Africa | West Africa | Sub-Saharan Africa | Africa |
|---|---|---|---|---|---|---|
| 5 164.88 | 1 285.22 | 4 649.35 | 4 699.43 | 1 688.81 | 2 491.92 | 3 211.62 |
| 7 407.57 | 2 280.21 | 16 988.19 | 8 053.02 | 2 759.48 | 3 812.03 | 6 314.12 |

*Source*: UNDP (2014).
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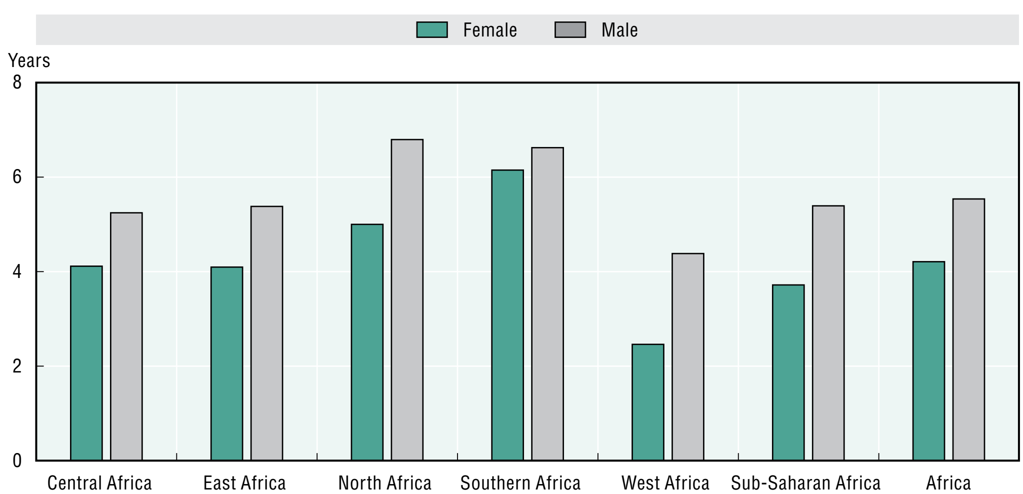
Figure 4.8. **Mean years of schooling in Africa (in years), 2002-12**




*Source*: UNDP (2014).
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## High levels of discrimination against women persist in social institutions

Discriminatory social institutions constrain women's rights and restrict their access to empowerment opportunities. These social institutions consist of formal and informal laws, practices and attitudes that set guidelines on "acceptable" codes of behaviour for women and men. Such institutions are captured in the OECD Development Centre's Social Institutions and Gender Index (SIGI), which covers 43 African countries. The SIGI combines qualitative and quantitative data to examine key areas such as discrimination within the family, violence against women, son bias, land and asset rights, and civil liberties. Recently updated in 2014, the latest results point to stagnating progress in Africa paralleling gender inequality in terms of human development. Most countries show high to very high levels of discrimination with violence against women, land rights and the low status of women within the family of particular concern. African women face high levels of discrimination that restrict their choices and infringe on their socio-economic rights. Notable challenges exist in relation to access to financial services and land and insecure property rights, which are undermined by discriminatory customary laws and practices.

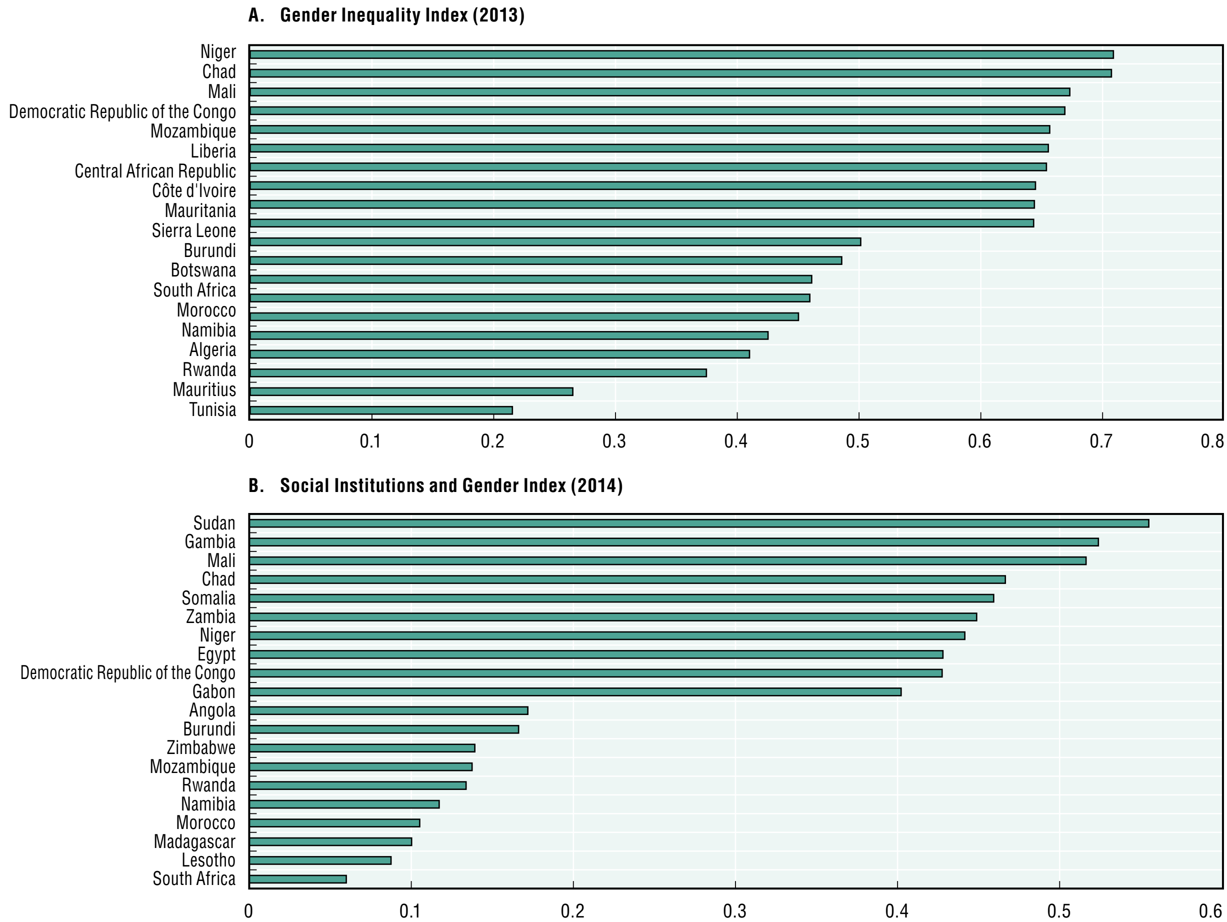
Violence against women continues to be a major concern. Women in fragile and conflict-affected states are particularly vulnerable to rape and other forms of violence. In some countries, gender-specific laws limit women's access to public space and political voice.

High levels of discrimination in social institutions have a negative impact on human development. The potential impact of social institutions on gender inequality can be deduced by looking at countries that experience the highest levels of gender inequality as captured by the Gender Inequality Index (GII), and those that exhibit the highest levels of social discriminatory practices as captured by the SIGI. The GII reflects the impact of gender inequality on human development in terms of losses in reproductive health, empowerment and labour market participation. The SIGI captures discriminatory social institutions and practices in five dimensions: discriminatory family practices, violence against women, son bias, restricted resources and assets, and civil liberties.

These indices show that countries such as Burundi, Morocco, Namibia, Rwanda, and South Africa, which demonstrate low to medium levels of social discriminatory laws, norms and practices, also present the lowest levels of gender inequality in terms of human development indicators. Conversely, countries such as Chad, the Democratic Republic of the Congo (DRC), Mali and Niger, which present some of the highest levels of gender inequality in human development outcomes, also have very high discriminatory laws, norms and practices. The SIGI allows each country to identify specific social institutions that most strongly influence the perpetuation of gender inequality and to address those barriers. For example, among ten African countries that present low levels of overall discriminatory social institutions, action is still required to reduce discriminatory family practices (Burundi, Madagascar and Morocco), prevent violence against women (Angola and Burundi), and improve access to resources and assets (Angola, Namibia and Rwanda).

Figure 4.9. **Gender Inequality and Social Institutions Indices**




*Note*: GII measures loss in human development from inequality (UNDP); SIGI measures discrimination in social institutions (OECD).

*Sources*: OECD (2014); UNDP (2014).

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## The post-2015 agenda must accelerate sustainable human development

This section outlines policy imperatives for implementation of the post-2015 agenda. It examines the integration of equity and sustainability into implementation and monitoring frameworks, and sustainable financing for new challenges such as climate change and social protection.

### The post-2015 agenda for Africa must harness momentum and build on lessons learned from the Millennium Development Goals (MDGs)

Africa has an opportunity to harness the momentum of Agenda 2063 and the post-2015 goals. The post-2015 agenda responds to global challenges and requires a global partnership for sustainable development. This agenda focuses on a shared future with shared responsibilities and one universal and transformative agenda for sustainable human development. In this regard, African institutions and countries have a key role to play in meeting the unfinished agenda of the MDGs and accelerating equitable and sustainable human development in Africa. Sustaining the momentum achieved by governments, civil society and private sector actors during national and regional consultations on the Post-2015 Development Agenda is vital to producing clear goals and developing implementation and monitoring frameworks that respond to new challenges including climate change and social protection.

Africa lags behind in achievement of the MDGs and priority actions must be taken for equity and sustainability. The region is on track to meet only two out of the eight MDGs, the goals related to universal primary education and gender parity at primary level of education (AUC, 2014). Insufficient progress has been made in relation to the poverty and hunger goals, while the environment and health goals are least likely to be met (AUC et al., 2014). In addition, progress achieved to date is vulnerable to reversals due to weak capacity to respond to various shocks and inadequate and poorly funded social protection systems. Priority actions for the post-2015 agenda include integrating equity, sustainability and vulnerability reduction; improving measurement of progress taking into account initial conditions; and ensuring sustainable long-term financing for human development, risk reduction and social protection.

Effective implementation and monitoring platforms are needed. The challenge for African countries is to create coherent and effective implementation and monitoring platforms for the achievement of equitable and sustainable human development. Social, economic and environmental issues must be integrated in a coherent, effective and sustainable way at regional and national levels. The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (UN, 2013) proposed five transformational "shifts" in this regard: *i)* leave no one behind; *ii)* put sustainable development at the core; *iii)* transform economies for jobs and inclusive growth; *iv)* build peace and effective, open and accountable institutions for all; and *v)* forge a new global partnership. Building blocks for nationally owned development frameworks include the African Union's Common African Position on the post-2015 agenda, the AU Agenda 2063, the Report of the Open Work Group on Sustainable Development Goals (UNGA, 2014) and the UN Secretary-General's Synthesis report (UN, 2015).

## Sustainability and accountability are key to progress

Lessons from the MDGs must be addressed in the implementation of new frameworks for equity and sustainability. Lessons on the need for ownership, accountability, leadership and quality data for monitoring can inform regional and national implementation frameworks for the Sustainable Development Goals (AUC et al., 2011). For example, MDG Acceleration Frameworks, in place in at least 24 countries in Africa, have been a useful tool for systematically identifying bottlenecks, prioritising solutions that use local knowledge and experiences, influencing policy and planning processes and developing partnerships to accelerate progress (UNDP, 2013).

### Box 4.1. **Social protection policies**

Social protection policies function as an important tool to address inequality, ensuring growth is more inclusive and sustainable and helping to build a more cohesive and accountable society (AUC et al., 2011). However, a review of current social protection policies, programmes and reports, from Ethiopia, Kenya, Lesotho, Mozambique, Namibia and Rwanda, reveals inadequate coverage of vulnerable groups including older people, children, people with disabilities and workers in the informal sector (Omilola and Kaniki, 2014). Current initiatives are characterised by inadequate funding, weak co-ordination of social protection initiatives, and a need for closer alignment of policies and programmes. Gender aspects also need to be incorporated to increase access to social protection by women and girls, who often constitute a disproportionate share of the poor. Furthermore, it is important to integrate social protection measures into development planning and financing to make them more equitable and sustainable.

Monitoring frameworks must address sustainability and accountability. The development of national targets for sustainable human development should integrate economic, social and environmental aspects and recognise their inter-linkages. Measurement of progress from a sustainable human development perspective implies that the methodologies used must consider social goods as well as the impact of socially and environmentally harmful activities. The methodologies must also take into account equity and the distribution of costs and benefits, as well as the impact on future generations. The goal is to promote an evidence-based course for attaining sustainable development, while responding to varying realities and capabilities in each country. Potential methodologies that take into account initial conditions and progress made by countries are reviewed in the Africa MDG Report 2014. Proponents of a "data revolution" prioritise rationalisation of the data collection process and a co-ordinating mechanism to ensure that a limited set of indicators are tracked and shared widely to inform public policy and accountability. In addition, priority should be given to improving country capacity for long-term data collection using new technologies (UNDP, 2014).

African countries should prioritise accountability mechanisms for implementation, as well as adequacy of financing, institutional capacity and appropriate responses to climate change. Strong, inclusive public mechanisms at sub-national, national and regional levels for reporting, monitoring progress, learning lessons and ensuring mutual accountability are also important. The 2015 International Conference on Financing for Development, due to be held in July 2015 in Addis Ababa, could galvanise a global partnership to make effective use of public and private, national and international sources of financing for human development. In this regard, effective strategies for sustainable human development must address aid, trade, debt, taxation and financial market stability, as well as the articulation of country-owned financing strategies, rooted in enabling national policy environments and complemented by a reformed international enabling environment. Ongoing discussion on illicit financial flows, the role of remittances, domestic resource mobilisation and changes to the global tax system should inform national implementation of global development goals.

Box 4.2. **Climate change**

The global agreement at the 2015 Conference of the Parties to the United Nations Framework Convention on Climate Change will be of significance for Africa. Addressing climate change is a priority for a region already facing the adverse impact of drastic changes in weather patterns, rising sea levels and recurring natural disasters, which are likely to erode development gains. The latest Working Group reports by the Intergovernmental Panel on Climate Change as part of the Fifth Assessment Report provide evidence of progressive warming, rising sea levels, rising intensity of heat waves and frequency of heavy precipitation (UNDP, 2014).

## Exclusion, inequality and sustainable human development are linked

This section analyses the links between exclusion, inequality and human development and examines socio-economic and geographic drivers of uneven human development in Tanzania and Zambia.

### Addressing exclusion and inequality is key to achieving human development and environmental sustainability

Inequality dilutes progress in human development. Exclusion and inequality – both intergenerational and intra-generational – hinder the translation of economic growth and technological advances into poverty reduction and sustainable human development.

Analysis shows that building a future characterised by mass poverty in the midst of plenty is "economically inefficient, politically unsustainable and morally indefensible" (UNDP, 2005). However, 15 years after the Millennium Declaration, progress in human development remains slow and uneven amid growing national, regional and global economic inequality. Much work remains to build greater equity – in terms of technology and financial and human resources – in an increasingly unequal world. However, such efforts are a powerful catalyst for poverty reduction and progress towards national and global development goals.

Environmental sustainability is linked to inequality. Exclusion and inequality are linked to environmental sustainability through the contribution of environmental degradation to intra-generational inequality. Research has demonstrated that environmental degradation disproportionately impacts poor and vulnerable segments of society and intensifies inequality. Moreover, inequalities in human development amplify environmental degradation (UNDP, 2009). Promoting sustainable human development therefore requires a joint focus on environmental sustainability and equity with an emphasis on strategies that seek to empower disadvantaged people.

Structural inequality and exclusion have an impact on uneven human development. The following sections on Tanzania and Zambia use data on sub-national human development and various indicators of exclusion to explore the extent to which socio-economic and geographical exclusion drives uneven human development. In both countries, uneven human development between regions is partially explained by geographic location, levels and gaps in income per capita and in labour force participation between women and men, employment shares in low productive sectors, and access to energy. In general, inequality within countries is driven by several underlying factors that can perpetuate uneven human development, such as economic conditions, group allegiance, the extent of migration across economic sectors and the limited role of the state in redistributing wealth through taxes or expenditure (UNDP, forthcoming).

**Country study: Tanzania**

Tanzania is an example of a low-income country with significant regional variation in human development and poverty, which may be explained by socio-economic and geographical differences. Tanzania's per capita GDP of USD 1 654 is slightly below the LDC average of USD 1 971. The country has made rapid improvements in human development but remains a low human development country with 67.9% of the population living below the international poverty benchmark (USD 1.25 per day) and 65.6% or 29.8 million people facing multidimensional poverty (UNDP Tanzania, 2015).

Distribution of human development along Tanzania's regions is uneven. There are significant gaps in underlying indicators of human development. Three of Tanzania's regions have already achieved global levels of medium human development. Overall, Arusha, Kilimanjaro, Dar es Salaam and Iringa have the highest levels of human development, while Tabora, Kagera, Dodoma, Singida and Kigoma have the lowest. There have been improvements over time and lower human development regions are improving more rapidly, although significant gaps between regions remain. In terms of education and income, there remains a gap of three years in expected years of schooling between the lowest- and best-performing regions, and GDP per capita in the lowest human development region is half that of the best-performing region.

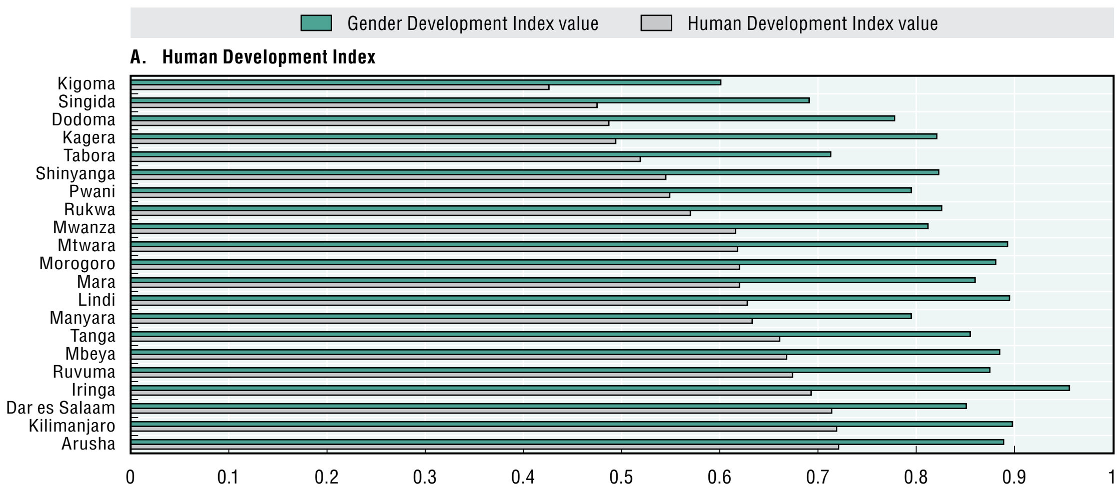
Agriculture continues to play a significant role in the economy of both high and low human development regions. Drivers of human development include productive commercial cash and food crops, the growing service and trade sector, and to a lesser extent manufacturing. Employment in the agriculture and fishing sector accounts for

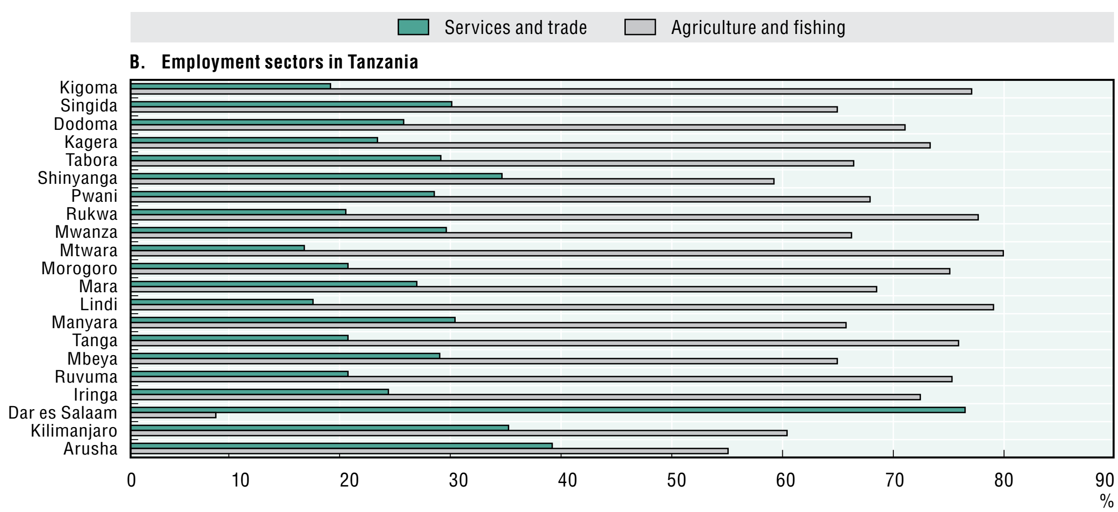
 

70% of employment in two out of the top five human development regions (Iringa and Ruvuma) as well as three of the bottom five (Kagera, Dodoma and Kigoma). However, in lower human development regions this activity involves less productive subsistence agriculture. The growing mining and service sectors in Singida are yet to have a significant impact on local human development.

A gap exists between female and male levels of human development in all regions. The gap between female and male HDI is higher in low human development regions, but is also present in certain higher human development regions, such as Dar es Salaam and Ruvuma (Figure 4.10). The gap in HDI levels is strongly related to underlying inequality in control over resources or income per capita for females and males. These gaps may be linked to the main livelihoods or occupations in each region. The regions with the highest proportion of employment outside agriculture, especially in services and trade, correspond to those with high incomes per capita, as well as a high degree of inequality in female and male HDI and incomes.

Figure 4.10. **Human Development Index levels and employment sectors in Tanzania by region, 2014**




*Sources*: UNDP Tanzania (2015); United Republic of Tanzania (2014).

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Higher population concentrations are found in higher human development regions. Population concentration and geographic location may contribute to higher human development, although higher densities could also have a detrimental effect on quality of service delivery. Regions with the highest levels of human development tend to have a higher proportion of urban population than those with the lowest levels. The top five regions in terms of human development all have urban population concentrations of over 20%, while the lowest are all below 20%. Higher urban concentrations seem to correspond to wider use of electric lighting, which could be considered a proxy for access to energy for households and enterprises, with improved access to energy expected to have a positive influence on human development. For example, over 30% of households in the highest human development regions have access to electricity compared to 8-12% for regions with lower human development. However, the overall impact of population density on human development is uncertain, as very high population densities may also have a negative impact on access to social services. For example, education and health outcomes are lower in Dar es Salaam, Kagera, Mtwara and Shinyanga. Such challenges can be overcome, however – Kilimanjaro, Mwanza and Tanga have high population densities but rank higher in terms of life expectancy and expected years of schooling. Meanwhile, in less urbanised regions, such as Lindi, Manyara and Tanga, human capital including longer life expectancy seems to play a critical role in human development.

**Country study: Zambia**

Zambia is a middle-income country with significant regional variation in human development and poverty, which may be explained by socio-economic and geographical differences. The per capita GDP of USD 2 990 is slightly below the sub-Saharan average of USD 3 237. The country has made rapid improvements in human development and has achieved medium human development status. However, 75% of the population still lives below the international poverty benchmark of USD 1.25 per day and 64% of the population, or 7.6 million people, face multidimensional poverty (UNDP Zambia, forthcoming).

Distribution of human development outcomes within Zambia is uneven. There are wide regional variations between the best- and worst-performing provinces in terms of human development and poverty. Out of Zambia's ten provinces, only four (Lusaka, Northwestern, Copperbelt and Southern) have attained medium human development status, while the other six (Central, Luapula, Eastern, Muchinga, Western and Northern) remain in the low human development category. HDI levels range from 0.35 for Northern and Western Provinces to 0.60 for the highest human development provinces. However, regions with a high HDI may include large within-region inequalities. For example, the poverty incidence remains high in Southern (65%) and North Western (63%) Provinces, which have relatively high levels of HDI (UNDP Zambia, forthcoming). Differences in HDI between and within regions are mainly attributed to variations in income and livelihoods. There has been a rapid increase in per capita incomes and economic opportunities in the four leading provinces. In particular, improvement in HDI in Northwestern Province is attributed to growth in revenues and employment in the mining sector, as well as higher life expectancy.

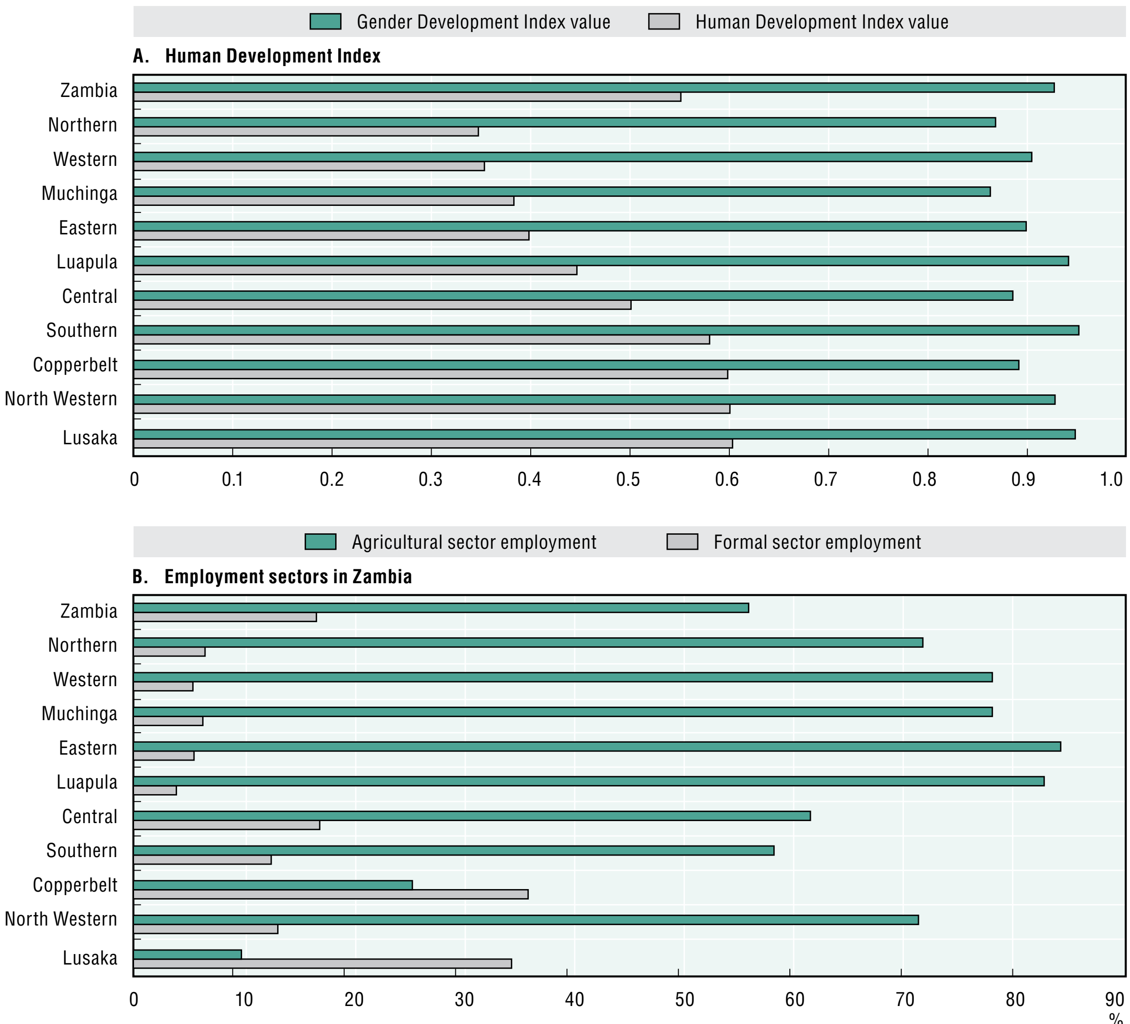
Human development outcomes for women and men vary between regions. Regions with higher gender inequality tend to have lower human development outcomes. Gender inequality as measured by the GII is found to be higher in low human development provinces than in medium human development ones. The gap between female and male HDI is smaller in medium human development provinces, where female HDI reaches up to 95% of male HDI, compared to 86% in low human development provinces (Figure 4.11). This gap could be driven by differences in educational attainment between females and males, and the high proportion of women engaged in the informal sector and non-remunerative employment (Government of Zambia, 2013).

Regions with higher population concentrations and access to infrastructure tend to have higher levels of human development. One explanation for this could be that lower incremental costs of providing social services and infrastructure in urban areas result in better health and education outcomes. Alternatively, historical patterns of development with a focus on extractive industries and an urban bias, as well as geo-political considerations in resource allocations, could contribute to the difference in human development levels.

In the case of Zambia, the majority of medium human development provinces have a larger urban population, with the exception of Central Province. Lusaka Province, home to the nation's capital, and Copperbelt, a mining and industrial centre, have very high population concentrations with over 80% urbanisation, followed by Central and Southern Provinces. Central Province is an important transportation and mining centre, while Southern Province includes a significant tourist attraction – the Victoria Falls – and commercial farming. Using the proportion of households connected to electricity as a proxy for access to infrastructure, the most urbanised provinces lead by a wide margin, with connectivity ranging from 61% in Lusaka Province to 4% in Western Province. Access to energy for household and productive use has significant implications for livelihoods and the improvement of health and education indicators. As such, a focus on improving energy access using innovative and off-grid solutions should be a priority for more balanced human development.

Women's participation in the labour force is lower than men's on average and is concentrated in lower productivity sectors such as agriculture in low human development regions. Labour force participation varies between medium and low human development provinces, and agriculture still plays a significant role in livelihoods. More females and males are actively engaged in the labour force in lower human development provinces compared to higher human development provinces. This could be a function of the predominance of the agricultural sector in low human development provinces. On average, female participation in the labour force is 10.5 percentage points lower than for males, and this gap widens for higher human development provinces such as Lusaka and Copperbelt. The gender gap in labour force participation seems closely linked to shares of formal employment with female representation in the workforce lower in provinces with a higher share of formal employment. As employment in the agricultural sector continues to play an important role in livelihood strategies for most provinces, a focus on improving agricultural productivity in low human development areas could drive human development gains and greater control over resources by women and men.

Figure 4.11. **Human Development Index and employment sectors in Zambia by province, 2014**




*Sources*: UNDP Zambia (forthcoming); Government of Zambia (2013).

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## Policy actions are essential for inclusive and sustainable human development

Inclusive and sustainable human development at sub-national level requires policy actions to enhance agricultural transformation and promote access to energy. Recent findings on the determinants of economic inequality point to the role of production structures and growing differentiation in terms of land ownership and productivity, which have an adverse effect on distribution of income (UNDP, forthcoming). Most countries exhibit a dual agricultural system with a large under-resourced subsistence agricultural sector characterised by low productivity, alongside a smaller more productive commercial agriculture sector geared towards exports. In the country studies of Tanzania and Zambia, regions lagging behind in terms of human development tend to have high concentrations of subsistence agriculture, while those with higher incomes per capita have a larger proportion of commercial agriculture and growing trade and service sectors. As access to modern energy remains low on average and even lower in human development-challenged areas, efforts to address this barrier, which hampers livelihoods, education and health, could lead to significant human development gains.

Inclusive and sustainable human development at sub-national level also requires specific action to address bias in resource allocation and female participation in the labour market. Inequality is also driven by natural resource enclave economies that fail to provide opportunities for the majority, an urban bias in resource allocation and expenditure, and a growing urban informal sector with low wages and vulnerable jobs where women tend to be overrepresented. The country studies of Tanzania and Zambia demonstrated that gender inequalities persist despite rising levels of human development, due to differences in labour force participation, employment sectors and control over resources. The level of both female and male labour force participation remains high in lower human development regions that rely on subsistence agriculture. However, with rising human development linked to more formal employment, female participation in the workforce is falling and gaps between female and male income are rising. This indicates a need for specific actions to address inequalities in women's and men's participation in all areas of the labour market, as workers migrate from agriculture to other sectors.

## The political economy of exclusion and uneven human development need addressing

This section focuses on the economic, social and governance drivers of inequality and examines uneven human development and gaps within countries. "Human development gaps within countries are as stark as the gaps between countries. These gaps reflect unequal opportunity – people held back because of their gender, group identity, wealth or location. Such inequalities are unjust. They are also economically wasteful and socially destabilising. Overcoming the structural forces that create and perpetuate extreme inequality is one of the most efficient routes for overcoming extreme poverty, enhancing the welfare of society and accelerating progress towards the MDGs" (UNDP, 2005).

Structural barriers that drive inequality hamper progress on human development objectives. The preceding analysis underlines the need to look beyond national averages when assessing progress towards development objectives. Such averages obscure deep inequalities in progress rooted in disparities based on wealth, gender, group identity, location and other factors. Global, regional and national development reports published by UNDP show that failure to tackle extreme inequalities hinders progress towards achieving the MDGs. High levels of income inequality hamper growth and weaken the rate at which economic growth translates into poverty reduction. This process reduces the magnitude of growth and the benefits of growth for the poor. These reports emphasise the need for a holistic approach to addressing structural barriers that contribute to chronic poverty in Africa, including the vulnerability of those just escaping poverty. Approximately 200 million Africans (World Bank, 2014) live between the international poverty benchmarks of USD 1.25 and USD 2.00 per day and are at risk of slipping back into poverty if exposed to adverse shocks. Actors working within the framework of the post-2015 global agenda and Africa Agenda 2063 need to identify and address economic, social and political drivers of uneven human development, as well as conditions that allow the poor and disadvantaged to benefit from sustained progress.

**Weak structural transformation and over-dependence on natural resources are economic drivers of exclusion and uneven human development**

Weak structural transformation drives inequality and uneven human development. In Africa, various economic drivers compound the impact of socio-economic and geographical exclusion that leads to uneven human development pathways. Examples include slow growth in sectors that could potentially generate employment and livelihoods for the poor (e.g. manufacturing and industry) and weak productivity gains in sectors that a large majority of the poor depend on for their livelihood (e.g. agriculture) (AfDB/OECD/UNDP, 2013). In sub-Saharan Africa, for example, rapid growth in GDP per capita since 2005 has failed to result in a growing share of manufacturing in GDP, underlining the need for structural transformation (see Chapter 6). The share of manufacturing in value added declined dramatically from 14.4% in 1993-2000 to 9.3% in 2005-12, pointing to deindustrialisation with much of the growth occurring in non-manufacturing industries (mainly minerals) and services (UNDP, 2015).

The service sector has the potential to create sustainable livelihoods in areas such as tourism, transport and trade. In particular, there are tremendous opportunities to leverage the benefits of tourism for broad-based economic growth in countries such as Tanzania (World Bank, 2015). Economic diversification, agricultural transformation and equitable benefit sharing from natural resource development are key to inclusive growth. Policy recommendations to accelerate industrial development for economic and social transformation include more effective industrialisation strategies, stronger institutions and more proactive action to attract foreign investment while strengthening local productive capacities (UNDP, 2015). This approach would lead to the creation of wage-earning jobs for Africa's youth population and livelihood opportunities for marginalised groups and remote areas. Human development also drives transformation, as human capabilities influence both the rate of innovation and the uptake of new technologies.

Dependence on natural resources and uneven access to resources, technology and infrastructure drive exclusion. African economies continue to depend disproportionately on renewable and non-renewable natural resources for their development (APP, 2013). As such, fluctuating commodity and oil prices have a significant effect on commodity exporters and importers through revenue and investment channels. In this regard, African countries will continue to face challenges in transforming renewable and non-renewable natural capital into national wealth in the form of infrastructure, human capital and institutions in ways that are equitable, sustainable and fiscally prudent. The preceding analysis already provides evidence of uneven distribution of access to assets and economic resources, including infrastructure, energy resources and financial services. In addition, there are underdeveloped linkages to external opportunities for trade and technology transfer at the national level with opportunities concentrated in only a few areas at subnational levels. The *African Economic Outlook 2014* (AfDB/OECD/UNDP, 2014) provided extensive coverage of Africa's weak integration into global value chains and the implications for human development. It called for product and firm-specific strategies and a policy environment for value chains with the greatest identified potential, without harming the development of other chains. It also highlighted the need to focus on strengthened productive capabilities, trade facilitation, trade policy and improved infrastructure.

 

### Social drivers of exclusion and uneven human development include unequal access to social services and poorly managed migration

Unequal access to social services drives exclusion. Social drivers that amplify the impact of socio-economic and geographical exclusion and lead to uneven human development include both demand and supply-side barriers. On the demand side are barriers that contribute to unequal access to services (where these are available) due to social, household, community and individual characteristics, such as quality, income, knowledge and education. Differences in power and voice at the community and household levels have a significant impact on access to social services and could lead to an inter-generational transfer of vulnerability and exclusion. Ensor and Cooper (2004) explore these barriers in detail for the health sector. On the supply side, social drivers include factors that reduce the capacity of institutions to provide quality social services with equity. The ability of institutions to provide social services is hampered by the increasing rate of movement of citizens within and between countries. For individuals, families and households, mobility usually provides a mechanism to pursue aspirations and respond to opportunities. Mobility, in its diverse forms, is therefore significant for the process of human development. Institutional frameworks and cultural norms play a pivotal role in shaping the intensity, patterns and timing of internal migration, thereby giving rise to differences in mobility regimes and outcomes between countries (Bell and Muhidin, 2009).

Poorly managed internal migration leads to exclusion and uneven human development (see Chapter 6). Human development is hampered when internal migration leads to urbanisation at a pace that outstrips the generation of employment and livelihoods and overwhelms social delivery mechanisms. Analyses of internal migration patterns in Ghana, Kenya, Rwanda, South Africa and Uganda reveal that the propensity to move is highest among the young, the well-educated, the highly skilled and those in particular occupations and industries (Bell and Muhidin, 2009). It also varies according to income, household type, housing tenure and a range of other variables. Age has been identified as a major predictor of migratory potential – the potential is highest among young adults and falls steadily with increasing age, reaching a low typically around retirement age, then rising again among the very old. Lifetime migration intensity was highest in Ghana (17.75%), followed by South Africa (15.36%), Kenya (12.64%), Rwanda (10.41%) and Uganda (5.24%).

Approximate global estimates from this study indicate that there are at least 740 million internal migrants compared to approximately 200 million international migrants (Montgomery, Engebretsen and Temin, 2013). Recent analysis on migration and urbanisation in Tanzania (United Republic of Tanzania, 2015) shows that the volume of internal migrants is increasing steadily towards 7.4 million, and that the majority are aged between 15 and 29. Internal migration is now dominated by women including those with a low level of education, who are recruited as maids, and educated women moving to urban areas to study or look for a job matching their skills. While high-pressure out-migration areas exist, distribution of immigrants by place of residence indicates that they are drawn from rural and urban areas. Rural to urban migration has had a significant impact on rapid urban growth, paralleling natural increases as a result of birth and death rates and reclassification of rural areas into urban areas (United Republic of Tanzania, 2015). The challenges that internal migrants face, including social isolation, discrimination, forced eviction and poor working conditions, need to be addressed through policies that foster inclusion in provision and access to social services and opportunities for more inclusive human development (AfDB, 2014).

### Poorly developed governance frameworks, resource allocation and state capacity to implement policies all drive exclusion and uneven human development

Poorly developed governance and accountability frameworks contribute to uneven human development. Weak accountability mechanisms, poor legal enforcement of rights and access to justice, poor management of national resources, and bias in investments contribute to uneven human development. Country performance in relation to economic and social governance is captured by the African Development Bank's Country Governance Ratings of public sector management institutions. These analyse country performance in relation to property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilisation, quality of public administration, and transparency and accountability in the public sector.

Allocation of resources influences variation in human development. Well-managed public sector institutions are expected to engender efficient and equitable allocation of resources, with a view to meeting objectives that contribute to more efficient and equitable economic and social progress. Comparing the level of governance to the level of inequality, as measured by the loss in human development arising from unequal distribution of benefits, shows that better run public sector institutions correspond to lower losses in human development from inequality. Countries with relatively good governance ratings, such as Cabo Verde, Ethiopia, Ghana, Kenya, Rwanda, Senegal and Tanzania, show a loss in human development due to inequality of less than 30%. At the other extreme, countries with lower governance ratings, such as Burundi, the Central African Republic, Chad, the DRC, Guinea and Guinea-Bissau, show a loss in human development due to inequality of between 38% and 44%.

State capacity to plan and implement policies has an impact on the distribution of human development. This finding is corroborated by the Africa Capacity index (ACBF, 2014), which maps state capacity in terms of policy environment, process for implementation, development results at country level and capacity development outcomes. Cabo Verde, Rwanda and Tanzania are again among the top eight African countries with the highest capacity (ACBF, 2014), while other top performers include the Gambia, Malawi, Mali, Mauritius and Morocco. Likewise, the Central African Republic and Guinea-Bissau are among the six countries with the lowest capacity, while other low-performing countries include Comoros, Mauritania, Sao Tome and Principe, and Swaziland.

 

### Note

1. The Gini coefficient measures inequality using an index ranging from 0 to 1. A value closer to 1 indicates that distribution of income is highly unequal; a value closer to 0 implies that income distribution is almost equal (AUC et al., 2011).

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*Chapter 5*

# Political and economic governance in Africa

This chapter looks at some of the gains and losses in political and economic governance in Africa in 2014. It also looks at longer-term trends, both since the 1970s and the 2008/09 global crisis, comparing the trajectories of countries sharing similar circumstances. It considers some of the underlying factors of change and anticipates developments that may be expected in 2015.

## In brief

Africa saw some major advances in democracy in 2014: the new constitution in Tunisia, the transition in Burkina Faso and a record 179 million people voting in mostly peaceful and credible elections in 12 countries. Several countries, however, continued to experience instability, acts of terrorism or conflicts.

The continent remains nonetheless on a trajectory of improved governance. In 2013, 387 million sub-Saharan Africans lived in a democracy as opposed to 2.5 million in 1970. The most obvious governance gains since 2008 have been in participation.

Apart from political participation, there have been few governance gains or reversals on aggregate since 2008. The gains that have been made are fragile and can be reversed unless the causes and manifestations of terrorism and civil wars are addressed.

## What is governance and why does it matter?

This chapter defines governance as the way different state and non-state actors make public decisions and manage economic and social resources for development. State entities, political parties, civil society organisations and private sector actors all play a role in the process. This chapter considers several dimensions of governance: safety and security, the rule of law, political participation, human rights, public sector management, the business environment and social inclusion.

The 2015 edition of the AEO highlights political participation, public sector management and the business environment. Participation is the area where governance gains have been most obvious since 2009. Public sector management is crucial because the public sector influences growth and development outcomes through the delivery of essential public services. This covers the management of public investments such as infrastructure and the institutions and policies that shape behaviours and determine the sustainability of such services and infrastructure. Finally, the business environment merits highlighting because it has improved markedly in countries that have needed it the most.

Governance and democracy are central to the African Union's (AU) agenda. The AU's vision is one of "a democratically governed and conflict-free Africa". The union aims for "an Africa of good governance, democracy, respect for human rights, justice and the rule of law and a peaceful and secure Africa" (AU, 2014a). Specifically, the 2007 African Charter on Elections, Democracy and Governance aims to: *i)* strengthen democratic governance; *ii)* reject unconstitutional changes of government; *iii)* promote integrity and promote leadership that is committed to the interests of the people; and *iv)* foster the participation of African peoples through democratic elections.

Why does governance matter to growth and development? As the African Development Bank (AfDB) Strategy for 2013-22 states: "Economic growth can only be built on the firmest foundations of just, transparent and efficient governance and institutions administered by the capable state" (AfDB, 2013). There is evidence that open, responsive and inclusive political systems, driven by high levels of transparency, accountability and participation, help turn growth into human development. Conversely, countries without such systems tend to have a narrow distribution of power and struggle to maintain political stability. They are not able to broaden the sources of growth and ensure the benefits are shared, negatively affecting long-term growth and development. Acemoglu et al. (2001) and Kaufmann and Kraay (2002) confirmed that improved governance leads to higher per capita income across a wide range of countries, although the reverse is not true. Many top governance performers are also top human development performers. These include Mauritius and Seychelles, as well as Botswana, Cabo Verde, Ghana, Sao Tome and Principe, South Africa and Zambia.

The majority of top GDP growth performers since 2009 have one of two governance profiles:

- Countries that set the governance standard in Africa, such as Ghana, Lesotho, Morocco, Namibia, Sao Tome and Principe, Seychelles and Zambia. Their steady governance record, in spite of some political challenges in Lesotho, contributed to continued robust growth.
- Post-conflict countries that have been able to make governance strides since peace was restored, notably Burundi, Côte d'Ivoire, the Democratic Republic of the Congo (DRC), Republic of the Congo, Liberia, Mozambique, Niger, Rwanda, Sierra Leone and Uganda.

Reforms usually have to be sequenced, but for governance to contribute to growth and development over the long run there needs to be progress in all dimensions. In most cases, countries demonstrate progress along one dimension but slower progress in others. For example, between 2003 and 2008 improved economic governance drove governance gains for the continent. Since the 2008/09 global crisis, it has mostly been improved political participation (Mo Ibrahim Foundation, 2014).

## Despite a year of dramatic headlines, there were some bright spots and governance gains continue to hold

There were a few positive governance developments in 2014. In Tunisia, a constitution endorsed in January 2014 enshrined religious freedom and guaranteed gender equality. This was followed by largely undisputed parliamentary and presidential elections, held in October and December 2014 respectively. South Africa held its fifth round of peaceful elections 20 years after its historic 1995 elections marked the end of the apartheid era. Over 179 million people went to the polls and voted in largely peaceful and credible elections (see section "Gains are clear in political participation, but results are mixed in public sector management and the business environment" below). In Burkina Faso, mass protests led to the ouster of President Compaore in a short, successful transition (Box 5.1).

### Box 5.1. **Burkina Faso's transition**

Few countries have known as much turmoil in only six weeks, with a positive outcome. Two public protests bookending two military coups took place between October and November 2014 in what Burkinabè citizens dubbed the Black Spring, drawing a parallel with the Arab Spring of 2011.

- In October, Burkina Faso's president of 27 years, Blaise Compaore, attempted to have parliament lift the two-term limit on his time in office. This sparked two days of spontaneous public protests in Ouagadougou.
- Citizens again took to the streets on 2 November after the army chief of staff and then a senior officer in the military declared themselves heads of state on 31 October.

Box 5.1. **Burkina Faso's transition** (cont.)

- This led to negotiations among the army, political parties, civil society organisations and religious leaders. A civilian was then nominated president of a transition government. The general elections, planned for end-2015, will mark the full restoration of democracy.

This is a positive outcome for citizen engagement and for a country that serves as a base for the fight against Islamist extremism in the Sahara and Sahel.

It has arguably shaped events in the Democratic Republic of the Congo, where there were public protests across the country against the extension of term limits (Reuters, 2014). DRC lawmakers echoed these concerns and blocked the extension in January 2015. Elections are scheduled for 2016. The Burkina Faso and DRC precedents may shape the similar and ongoing debates in Benin, Burundi, Republic of the Congo, Rwanda, Togo and Uganda (see section "2015 could be a record year for elections").

Beyond these bright spots, however, 2014 saw a number of governance challenges. The wars in the Central African Republic, Libya and South Sudan continued, with rippling effects beyond their borders. Nigeria and its neighbours were beset by continued attacks and kidnappings by Boko Haram, while Al-Shabaab continues its attacks in the Horn of Africa. The outbreak of the Ebola virus in Guinea, Liberia and Sierra Leone highlighted the fragility of Africa's health systems, although it also demonstrated the importance of a committed leadership at the community level. An estimated 3 072 migrants fleeing political and economic hardship lost their lives in the waters of the Mediterranean Sea – out of an estimated 4 077 worldwide – up from around 700 in 2013 (Brian and Laczko, 2014).

## Governance gains continue to hold

In spite of this difficult year, the continent remains on a trajectory of improved governance. The record is impressive if considered since the 1970s, whereas it is more modest since the 2008/09 global crisis.

Taking a long view, the share of regimes in Africa that are at least partial democracies has grown markedly since the first wave of decolonisation and independence and continuously so since the late 1980s peak. For example, in 1972 there were 4 democracies and 36 autocracies. This proportion was reversed to 24 democracies, 22 hybrid regimes (a mix of democracy and autocracy) and only 5 autocracies as of 2013. In terms of population, in 1970 2.5 million sub-Saharan Africans lived in a democracy, whereas 387 million did so by 2013. This increase is in large part due to democratisation in Nigeria and South Africa (Polity IV data on country regimes since 1946; World Bank population datasets).

Although there has been no regression in governance since 2009, governance progress as measured by the Ibrahim Index of African Governance has been negligible, apart from political participation. Dimensions such as public sector management, the business environment, the rule of law, state accountability to citizens, personal safety, national security and human rights all demonstrate negligible change since 2009.

## Governance trajectories diverge, including among comparable countries

The lack of clear progress for the continent overall in recent years masks remarkable improvements in some countries and a deterioration in others (IIAG, 2014, summarised in Table 5.1; World Bank, 2014a). In fact, many of the largest governance gains and declines globally took place in Africa.

Drivers of governance progress are as diverse as African countries themselves, but they are often domestic rather than external. They may be linked to the rise of an urbanised middle class, the expanding ranks of educated, connected youth and expectations of improved livelihoods after a decade of growth. Moreover, increasingly professional and disciplined armed forces following a decade of army and police reforms and the commitment of leadership to improve public management may also play a part. Finally, the positive impact of globalisation on the business environment could be driving progress (see References and Further reading sections).

Trajectories have also diverged among comparable countries (see examples in Boxes 5.2 and 5.3).

Table 5.1. **Main improvements and deterioration across nine governance dimensions in Africa, 2009-13**

(Ibrahim Index of African Governance)

| Public management | Business environment | Social inclusion | Rule of law | Accountability | Personal safety | National security | Participation | Human rights |
|---|---|---|---|---|---|---|---|---|
| | | | | **IMPROVEMENTS** | | | | |
| Burundi | Comoros | Benin | Guinea | Senegal | Gabon | Angola | Libya | Tunisia |
| Democratic Republic of the Congo (DRC) | Liberia | Malawi | Sierra Leone | Sao Tome and Principe | Niger | Uganda | Tunisia | Niger |
| Guinea | Morocco | Rwanda | Côte d'Ivoire | Kenya | Côte d'Ivoire | Côte d'Ivoire | Côte d'Ivoire | Senegal |
| Mauritius | Rwanda | Tunisia | Mauritania | Niger | Mauritania | Liberia | Guinea | Lesotho |
| Seychelles | South Africa | Zimbabwe | Cabo Verde | Algeria | Sierra Leone | Zimbabwe | Niger | Zimbabwe |
| | | | | **DETERIORATION** | | | | |
| Central African Rep. | Burkina Faso | Burundi | Egypt | Mauritania | Libya | Benin | Guinea-Bissau | Mali |
| Egypt | Burundi | Eritrea | Guinea-Bissau | Guinea-Bissau | Central African Rep. | Egypt | Central African Rep. | Swaziland |
| Guinea-Bissau | Egypt | Guinea | Libya | Liberia | Egypt | Mozambique | Mali | Equatorial Guinea |
| Libya | Libya | Libya | Mali | Libya | Tunisia | Libya | DRC | Ethiopia |
| Tunisia | Mauritania | Mozambique | Central African Rep. | Eritrea | Benin | DRC | Gambia | Chad |

*Source*: IIAG (2014).

Box 5.2. **Diverging trajectories among Arab Spring countries**

Among Arab Spring countries, Tunisia faces significant challenges, not least to its tradition of secularism, which is confronted by the threat of terrorism (ICG, 2014a). But whether it's the rule of law, human rights, accountability, participation or social inclusion, the trends are positive. Moreover, the economy is starting to pick up.

In Egypt and Libya, the commitment of citizens there to democracy will be a determining factor.

The May 2014 Egyptian presidential election was free of violence, and Egypt has more apparent stability now than in 2011, 2012 or 2013. The Sisi government was elected by a landslide but "in the context of limited space, rights and freedom" (AU Observation Mission, 2014). Egyptian affairs have also been dominated by restoring the economy and an insurgency in the Sinai (see Egypt Country Note).

Box 5.2. **Diverging trajectories among Arab Spring countries** (cont.)

In Libya, increased citizen participation did not effectively translate into better outcomes. Whereas Tunisia and Egypt had been well-established states before Presidents Mubarak and Ben Ali came to power in the 1980s, in Libya this was not the case. This along with Qaddafi's concept of *Jamahiriya* ("state of the masses") led to limited political representation. Moreover, the Qaddafi regime relied heavily on tribal loyalties and spatial exclusion to secure its power (Libya Country Note; ICG, 2011). These are some of the enduring challenges in the Libyan transition. A coup attempt and two parallel governments in Tobruk and Tripoli reflect struggles between Islamists and secular groups. For this reason, the current conflict is as much a subnational affair as an issue of control over the central government.

Box 5.3. **Diverse outcomes among Ebola-hit countries, as predicted by their respective governance profile**

Guinea, Liberia, Mali, Nigeria, Senegal and Sierra Leone have all been hit by Ebola but experienced diverse outcomes, as predicted by their respective governance profile. Mali, Nigeria and Senegal, which all have stronger administrations and health systems than Guinea, Liberia and Sierra Leone, each managed to contain the disease rapidly. For the World Health Organisation, Senegal's successful containment of Ebola is a "lesson for the world at large: an immediate broad-based and well-coordinated response can stop the Ebola virus in its tracks."

A few months into the crisis it was predicted that the strength of Guinea's respective administrations would make it more successful at containing and rolling back Ebola than Sierra Leone, which itself would perform better than Liberia. As of February 2015, the death toll in the three countries does reflect this prediction. However, the case incidence is higher in Sierra Leone than Liberia, and only in Liberia is there a discernible downward trend. This indicates that factors besides the strength of national administrations are playing an important role. These are the political leadership's rapid reaction, its ability to engage with community leaders and change behaviours, the strength of local communities and the effectiveness of international support (e.g. enough beds, ambulances and safe water).

Guinea-Bissau, which shares a border with Guinea, is another country with relatively weak systems. However, being spared early in the crisis allowed the country to invest in preparedness, and there has been no case recorded so far.

## Gains are clear in political participation, but results are mixed in public sector management and the business environment

The section that follows highlights developments in political participation, public management and the business environment.

### Participation is the area where governance gains have been the most obvious since 2009

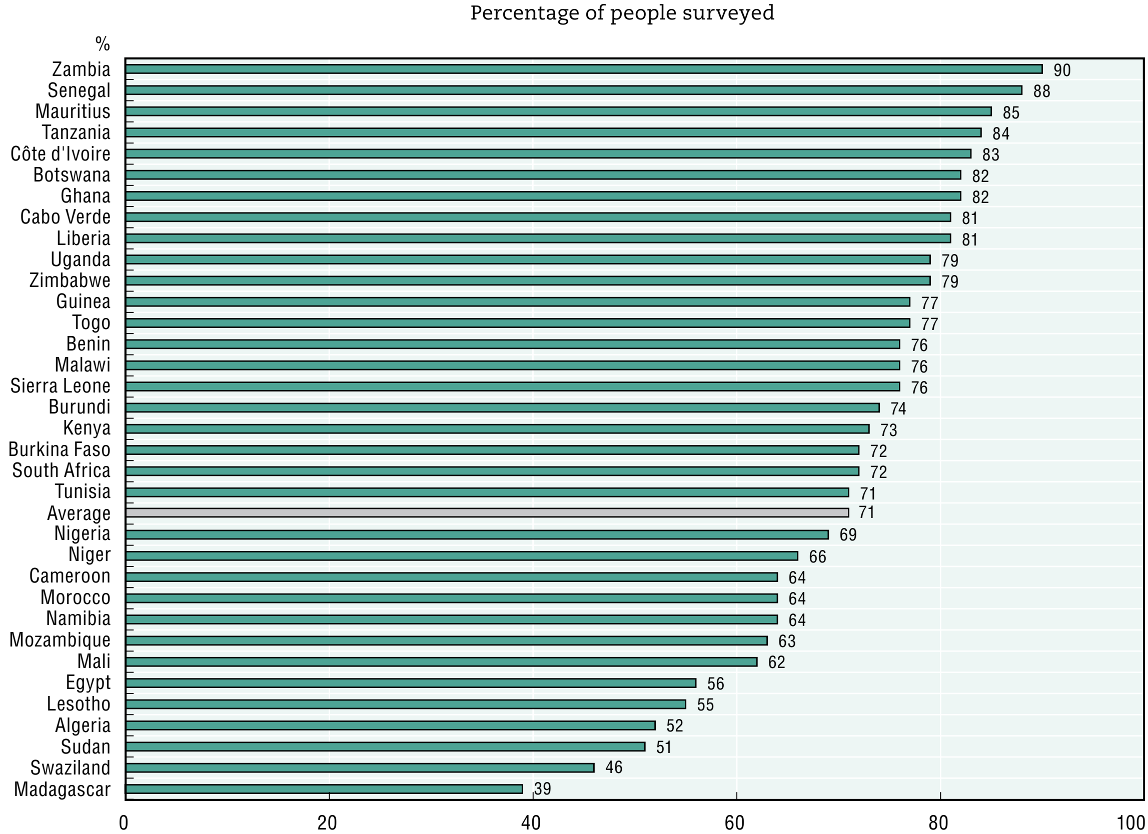
Expert analysis, governance indices and newspaper headlines all point to political participation, through elections or other means, as being the dimension that has most progressed since 2009.

Africans increasingly demand democracy: the Afrobarometer index of demand for democracy climbed 15 points in 16 countries surveyed, from 36% in 2002 to 51% in 2012. Seven out of ten Africans in 34 countries surveyed preferred democracy to "other kinds of government" by 2011-13. The demand for democracy is strongest in West Africa (Figure 5.1). And the extent of democracy is measured against the yardstick of elections, which Africans increasingly see as the best sign of a democratic regime. This surpasses other factors, such the performance of the president or the economic conditions in the country.

Figure 5.1. **Proportion of African citizens who believe that "democracy is preferable to any other kind of government", 2011-13**

Percentage of people surveyed




*Source*: Bratton and Houessou (2014).

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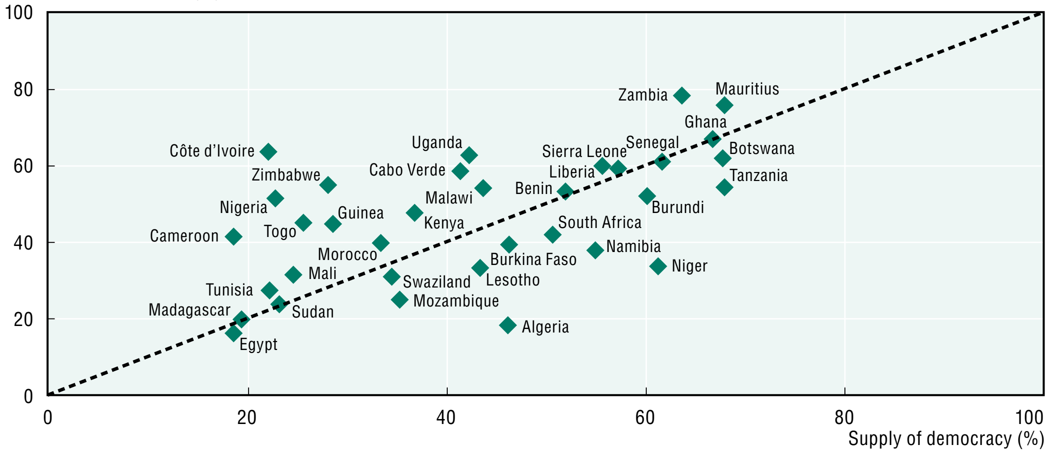
However, advances in the democratic process seem slower than what the public would expect. Only 53% of Africans interviewed across 24 countries consider their country a democracy, with this proportion reaching 70% or more in Botswana, Ghana, Mauritius and the United Republic of Tanzania but falling to 21% or less in Madagascar and Togo from 2011 to 2013 (Bratton and Houessou, 2014). This means that a number of African countries experience what Afrobarometer calls a "deficit of democracy", in which expectations from citizens exceed the realisations. In these countries, popular pressure for further democratisation is likely to surface.

Figure 5.2. **Expectations and realisations of democracy in Africa, 2012**




*Source*: Bratton and Houessou (2014).

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The elections in 12 countries in 2014 brought a total of 179 million people to the polls (see Table 5.2 and examples in Box 5.4). They were peaceful and credible, with the exception of Malawi where vote buying was noted despite free elections (African Union, 2014c; European Union, 2014; IFES, 2015; International IDEA, 2015).

Box 5.4. **Examples of elections in Africa in 2014**

**Tunisians** reinforced their democratic engagement with two rounds of credible, transparent and peaceful elections in 2014. Parliamentary elections in October 2014 saw the peaceful transfer of power from the Islamist *Ennahda* ("Renaissance") party to the secular *Nidaa Tounes* ("Tunisia's Call") party. A presidential election, which followed in December, led to the election of President Essebsi from the same party. Civil society continued to play a central role, galvanising young Tunisians to cast their vote and fielding 30 000 observers accredited by the electoral commission.

In **Egypt**, the March 2014 presidential election proceeded peacefully across governorates, followed by orderly, well-organised voting and counting, with only a limited number of violations noted by international observers. Because the Presidential Election Law confined the duty to vote to voters already registered in the database, over 5 million people of voting age were unable to vote.

The presidential and legislative elections in **Guinea-Bissau** were free of violence and credible overall. An active civil society engaged in voter education and monitored pre-election campaign activities and the electoral process, with an unprecedented participation of some 680 monitors. The European Union, for example, found that "the elections were the culmination of a process creating the conditions for Guinea-Bissau to come out of international isolation and to bring the country closer to constitutional normalcy" (EU Election Observation Mission, 2014a).

In **Nigeria**, the April 2015 elections were hailed as the first handover between civilians of different political parties since independence, marking what could be the emergence of an effective two-party democracy.

Elections in 2014 confirmed the notable increase in women representation. From 2000 to 2013 the number of women elected to parliament jumped by 16% and to cabinet positions by 7%. Much of this progress was achieved post 2010 (IIAG, 2014; IPU, 2014).

However, women candidates remain rare, often hampered by more limited access to education and socio-economic opportunities and a male-oriented political culture, especially in political parties (IIAG, 2014; UNDP, 2014b; International IDEA, 2015; European Union, 2014).

Table 5.2. **Elections in Africa, 2014**

| Country | Voting for | Total population (m) | Voting age population (m) | Voter turnout (%) |
|---|---|---|---|---|
| Egypt* | presidential | 86.9 | 54.3 | 47 |
| South Africa | parliamentary | 48.4 | 31.1 | 71 |
| Algeria | presidential | 38.8 | 26.0 | 49 |
| Mozambique | parliamentary | 24.7 | 11.9 | 48 |
| Mozambique | presidential | 24.7 | 11.9 | 48 |
| Malawi | presidential | 17.4 | 8.2 | 70 |
| Malawi | parliamentary | 17.4 | 8.2 | 67 |
| Tunisia | presidential | 10.9 | 7.9 | N.A. |
| Tunisia | parliamentary | 10.9 | 7.9 | 56 |
| Libya | parliamentary | 6.2 | 4.0 | 41 |
| Mauritania | presidential | 3.5 | 1.9 | 47 |
| Botswana | parliamentary | 2.2 | 1.3 | 74 |
| Namibia | parliamentary | 2.2 | 1.2 | 72 |
| Namibia | presidential | 2.2 | 1.2 | 70 |
| Mauritius | parliamentary | 1.3 | 1.0 | 73 |
| Guinea-Bissau | presidential | 1.7 | 0.9 | 88 |
| Guinea-Bissau | parliamentary | 1.7 | 0.9 | 84 |

*Compulsory voting.
*Source:* IFES (2015); International IDEA (2015); UN (2012).

Citizen engagement in the political process has also improved through means other than voting in elections. This includes public discussions, public protests (see Box 5.5) and petitions. Citizens in Malawi presented a petition to the Lilongwe City Assembly in January 2015 in protest over the country's financial woes. Membership in political organisations and campaigning has also gained prevalence. Digital activism, including using web- or text-based mobilisation, has been on the rise as well. For example, a group of students, *Olho do Cidadão* ("Eye of the Citizen"), in Mozambique created an online platform "for people to report any suspicious acts during the elections". Finally, social media were used to follow, report on and encourage the spontaneous public demonstrations that erupted in Ouagadougou, Burkina Faso, leading to President Compaore's resignation (see Box 5.1).

Box 5.5. **Public protests in Africa in 2014**

Public protests are defined as strikes and demonstrations with political, economic or social motives. After peaking in 2013, they started to decrease slightly in 2014 (Figure 5.3). This trend reflects an easing of tensions in most African countries, which contrasts with heightened tensions in a limited number of hot spots.

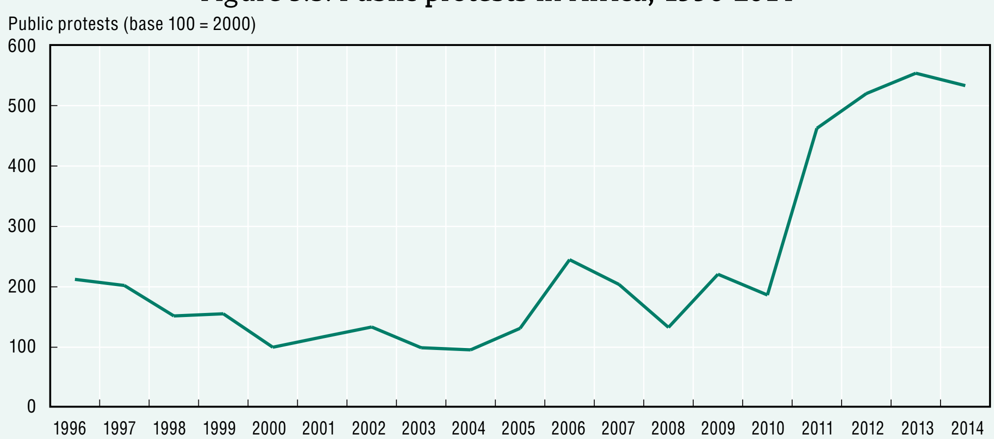
The political normalisation of countries that had been in crisis, particularly since the Arab Spring, partly explains the overall decline in the intensity of protests (see Box 5.2). Guinea saw a return to normal in 2014 after an episode of troubles linked to the electoral process in 2013.

Box 5.5. **Public protests in Africa in 2014** (cont.)

That said, a limited number of countries such as South Africa and Gabon were affected by important strikes, and protests tended to target private corporations rather than governments. In South Africa, a five-month strike affected the world's top three platinum producers, with negative impacts on GDP growth, exports and the exchange rate. Workers demanded salary increases from their employers. Confrontations also pitted strikers against miners wanting to return to work. In addition, the country experienced protests over power blackouts. Gabon's attempt to revamp a 40-year-old system of bonuses and introduce performance-based criteria in public administration led to strikes throughout 2014, adding to strikes in the oil sector (see the South Africa and Gabon Country Notes).

The proportion of strikes relative to demonstrations was on the rise in 2014. There were, however, fewer clashes with police forces than in 2013 in several countries, including Mozambique, South Africa and Sudan.

Figure 5.3. **Public protests in Africa, 1996-2014**




*Source:* Authors' calculations based on news verified by press agencies (*Marchés Tropicaux et Méditerranéens* for 1996-2005, AFP and Reuters for 2006-14). See full methodology and data by country in the Statistical Annex of this report.

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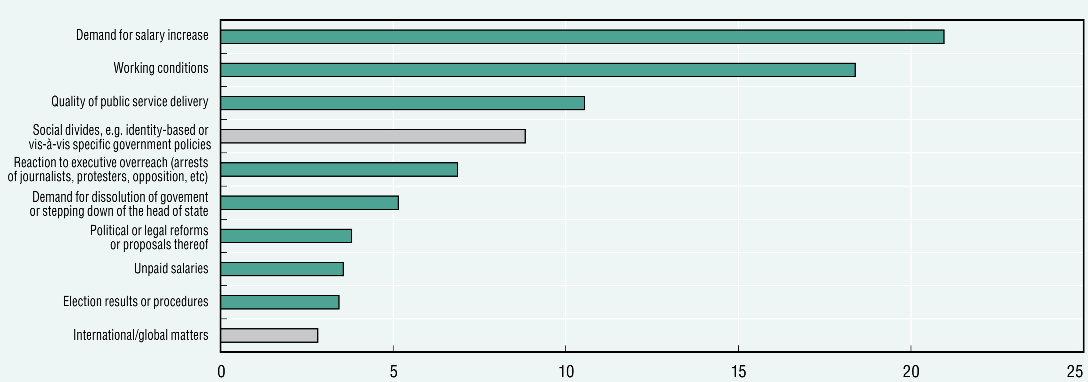
Top drivers of public protests (see Figure 5.4) continue to be employment-related claims for wage increases and better working conditions, followed by demands for better public services. However, there was also a rise in less traditional motives, such as political divides among citizens and, for the first time in the top ten list, protests over international or global matters.

Figure 5.4. **Top drivers of public protests in Africa, 2014**




*Source:* Authors' calculations based on news verified by AFP and Reuters.

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These forms of civic participation promote better government accountability to citizens between elections and better service delivery. There is growing awareness – at least in East Africa (Afrobarometer, 2014) – that citizens can demand accountability between elections. Are the large protest movements that have erupted across the continent a sign of deeper citizen engagement or a rejection of more traditional forms of participation, such as voting and campaigning? Only future surveys will tell, but Box 5.6 provides a baseline.

Box 5.6. **Public protests and more traditional forms of participation in Africa**

- In Ghana, Kenya, Senegal and Uganda, 75% or more of citizens surveyed have cast a ballot in their life, but only 24% or less have participated in an organised protest. This is line with the global median of 78% having voted and 15% having participated in a protest.
- The balance is very different in Egypt, where as many as 47% of the people interviewed declared participating in an organised protest in the past, almost the proportion of those who said they had voted at the time of the survey (53%).
- Senegal, South Africa and Tunisia are in an intermediary position: 63-71% of citizens surveyed have cast a ballot in their life, but only 13-20% have participated in an organised protest (Pew Center, 2014b).

### Though public sector management is a big determinant of growth and development outcomes, it has not improved since 2009

Public sector management is defined as the quality of budgetary and financial management, the efficiency of revenue mobilisation, the quality of public administration, property rights and rule-based governance, as well as transparency, accountability and corruption in the public sector. Overall, public sector management has not improved much for the continent, but there has been progress in specific areas, especially equity in the use of public resources, statistical capacities and public administration (IIAG, 2014). For example, the Lesotho government introduced performance agreement frameworks in the civil service, with the objective of establishing continued and sustainable national capacity (see Lesotho Country Note).

The biggest improvements in overall public sector management since 2009 have been in Burundi, the Democratic Republic of the Congo, Guinea, Mauritius and the Seychelles. Progress in Burundi and the Democratic Republic of the Congo is largely due to improved external debt sustainability. Mauritius, for its part, improved access to the financial records of state-owned companies. It was already a top public management performer across the continent, alongside Botswana, Senegal, South Africa and Tunisia (IIAG, 2014).

The quality of budgetary and financial management has gone down since 2009 in spite of some countries implementing reforms (World Bank, 2014a). Ghana, for example, has pressed on with reforms, including payroll and wage reform, fiscal decentralisation, modernisation of revenue authority and the rollout of the Ghana Integrated Financial Management Information System (see Ghana Country Note). In 2014, public expenditure, procurement and financial management were assessed in Benin, Burkina Faso, Republic of the Congo, Ethiopia, Gabon, the Gambia, Madagascar, Mauritania, Sierra Leone and South Africa (final reports forthcoming on the Public Expenditure and Financial Accountability assessment portal).

Corruption in the public sector remains a major issue. Control of corruption did not evolve much from 2009 to 2013 (World Bank, 2015a). According to Transparency

International's 2014 Corruption Perceptions Index, which reflects expert opinions of public sector corruption, Botswana, Cabo Verde and Seychelles are perceived as the most law-abiding African countries, ranking 31, 42 and 43 respectively out of 174 countries.

The countries most successful in improving perceptions of corruption in 2014 included Côte d'Ivoire, Egypt, Mali and Swaziland. Angola, Malawi and Rwanda were among countries where perceptions of corruption worsened the most over the past year (Transparency International, 2014). This has the potential to undermine long-term growth (Mauro, 1995) and development (Kaufmann, 1997).

### The business environment has improved markedly in countries that needed it the most

Sub-Saharan Africa remains the region with the most difficult business environment, but it is also the region making the most progress, accounting for one in every three regulatory reforms worldwide. The ten countries that most improved their business environment from June 2013 to June 2014 include five African countries that were in the bottom quintile globally for ease of doing business: Benin, Côte d'Ivoire, the Democratic Republic of the Congo, Senegal and Togo (see Table 5.3). The fact that these countries remain in the bottom quintile, however, indicates that further efforts are needed.

Global risk analytics company Verisk Maplecroft assessed the rule of law, corruption, corporate governance, the regulatory framework, respect for property rights and supply chain labour risk and determined that Senegal's economy improved the most in 2014. This was thanks to a strong anti-corruption drive. The improved business climate in countries that needed it the most correlates with Africa making "a giant leap" in attractiveness for foreign direct investment (FDI) (EY, 2014) and with sustained growth rates (see Chapter 1; Ahmed, 2014).

Mauritius is among the 30 economies worldwide where it is easiest to do business. Rwanda, South Africa and Tunisia are not far behind (World Bank, 2015a). Rwanda, for example, has implemented reforms estimated to have led to USD 5 million in cost savings for the private sector, investments of USD 45 million and an estimated 15 000 jobs (see Rwanda Country Note). Egypt, Morocco and South Africa occupy the top spots as FDI destinations, attracting 85% of all FDI to Africa (2007-13) (EY, 2014). A sign of returning investor confidence, net FDI inflows to Egypt reached USD 4.1 billion in fiscal year 2013/14, compared to only USD 3.8 billion the previous fiscal year. Moreover, a new unified investment law is expected to be issued in 2015, standardising incentive schemes, facilitating market entry and exit procedures and expediting litigation and dispute resolution (see Egypt Country Note).

The total tax rate fell in all regions of the world from 2004 to 2012, and it is sub-Saharan Africa that had the biggest decline. Its average total tax rate dropped by almost 17 percentage points during this period. However, its average total tax rate still remains the highest, at 53% in 2012. Although the capacity of African countries to collect revenues had grown since 2000, it has dropped in recent years, driven chiefly by a large drop in revenue collection in Libya (AfDB Country Performance Assessment; World Bank IDA Resource Allocation Index).

Despite these results, some countries recorded a regression in the business environment in 2014. This included not only countries affected by civil war and unrest, such as the Central African Republic and Libya, but also Cabo Verde, Cameroon, Gabon, Guinea-Bissau, Mauritania and Zambia (World Bank, 2015b).

Table 5.3. **Countries in Africa with the most improved business environments (2013-14) and examples of reforms**

| | Starting a business | Protecting minority investors | Trading across borders | Registering property |
|---|---|---|---|---|
| **Benin** | Reduced minimum capital requirement and the fees to be paid at the one-stop shop | Introduced greater requirements for disclosure of related-party transactions to the board of directors; made it possible for shareholders to inspect the documents pertaining to related-party transactions and to appoint auditors to conduct an inspection of such transactions | Reduced the number of documents needed for imports | |
| **Togo** | Enabled the one-stop shop to publish notices of incorporation and eliminated the requirement of obtaining an economic operator card | | | Transferring property made easier by lowering the property registration tax rate |
| **Côte d'Ivoire** | Reduced minimum capital requirement, lowered registration fees and enabled the one-stop shop to publish notices of incorporation | | Simplified the processes for producing inspection report and reduced port and terminal handling charges at the port of Abidjan | Digitised its land registry system and lowered the property registration tax |

*Source*: World Bank (2015b).

## Transnational terrorism and civil war are the two main threats to Africa's governance gains

Terrorism and the trafficking that supports it are a clear threat to the continent's growth and development, from Al-Qaeda in the Islamic Maghreb (AQMI) and Boko Haram in West Africa to Ansar-al-Sharia in Northern Africa and Al-Shabaab in East Africa. For the President of Ghana and ECOWAS chairman John Mahama, "Terrorism is like a cancer, and if we don't deal with it will keep going. It threatens everybody in the sub region. When it comes to terrorism nobody is too far or too near."

Boko Haram ("Western education is sin") killed thousands of people in 2014, mainly in Nigeria but also in Cameroon, Chad and Niger (Neumann, 2014). As of January 2015, the terrorist organisation controlled about 50 000 square kilometres in the Nigerian states of Borno and Yobe. Despite the #BringBackOurGirls campaign, a local initiative that mobilised people around the world, most of the schoolgirls kidnapped in April 2014 remain in the hands of Boko Haram. As for Al-Shabaab ("the youth") in Somalia, while it was driven out of the Somali capital and major towns by 2011, it killed 266 people in Kenya and Somalia in 2014, echoing the deadly raid against a Nairobi mall in 2013. The Somalia government remains fragile, with its third prime minister in two years following a standoff between the president and two successive prime ministers (see Somalia Country Note).

Regional trafficking in arms, drugs and people funds these terrorist networks. Boko Haram is funded by militants and other terrorist networks, including Al-Qaeda, as well as trafficking in drugs and people. Similarly, Al-Shabaab has benefited from backing from other terrorist groups, state sponsors, the Somali diaspora, charities, piracy, kidnapping, the extortion of local businesses, and illicit trade in charcoal, sugar and ivory. Although the French-led military intervention in Mali in January 2013 disrupted drug trafficking networks, these span several countries, including Libya, Mauritania and Niger (ICG, 2013). East Africa is also a growing transit point for heroin from Afghanistan, although the volumes smuggled remain smaller than those that transit across Central Asia and Iran.

Beyond global anti-terrorism initiatives, the response also needs to be domestic. Weak states, unemployment and lack of participation are challenges that must be addressed. Identifying local antagonisms will be key to avoid fuelling them further and offering regional networks the opportunity to hijack local agendas. In the words of United Nations Secretary-General Ban Ki-Moon, "Missiles might kill terrorists, but good governance kills terrorism."

Terrorism is transnational in nature, but it is also born from local conditions, social divisions and grievances. "Local conditions and local responses drive radicalisation and terrorism" (ISS, 2014). A case in point, Boko Haram has claimed since 2002 to address domestic grievances in Nigeria linked to failures of local governance, particularly corruption and regional inequalities. They have done so by implementing a harsh form of Sharia law. Many militiamen are drawn from poor youth with little education, religious or otherwise. However, operations in Cameroon and Niger in 2014 and contacts with Al-Qaeda also suggest regional ambitions. The terrorist organisation may have two factions, one focused on establishing an Islamic state in Nigeria, the other with transnational terror goals. Al-Shabaab, too, has competing loyalties, one focused on the fight against the federal government and the AU Mission in Somalia, the other seeking regional domination. In Libya, rapidly shifting alliances at the local level will influence the national outcome.

Violent conflicts, which are defined as contests for government and/or territory where armed force is used between the contesting parties, continue to be intra-national in nature rather than inter-state. However, their spillover effects are increasingly obvious. They include armed incursions and flows of militias, their weapons, the drugs that fund them and refugees.

In addition, violent conflicts continue to be mostly between non-state actors, rather than involving the state as one of the contesting parties (see Box 5.7).

### Box 5.7. **Non-state violence in Africa**

Non-state violence rose sharply in 2011-12, as documented annually in this report. After peaking in 2012, it started to decrease in 2013 (Figure 5.5).

Like the downward trend for public protests, this decrease also reflects an easing of tensions in most African countries compared to 2013. This compensates for an extreme deterioration in a limited number of places, with some links to jihadist terrorism. This includes most notably:

- The attacks by Boko Haram in Nigeria and the unrest in Libya and Egypt described above.
- Anti-Balaka and former Séléka forces (both non-state) continue to fight each other in the Central African Republic while the process of political transition in Bangui unfolds (ICG, 2014e).
- Nuer groups are fighting each other in Sudan, in addition to Dinka-Nuer conflicts and Darfurians-Nuer conflicts, divisions that echo and resonate with the civil war in South Sudan (ICG, 2015).

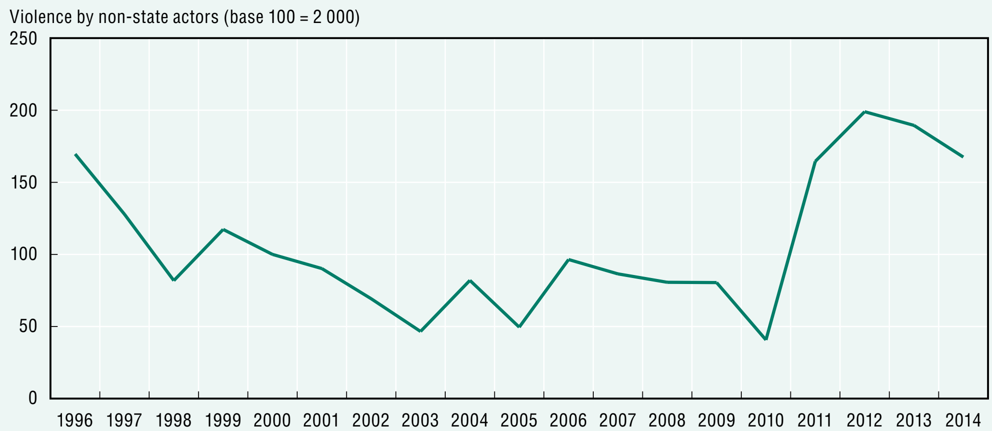
 

Box 5.7. **Non-state violence in Africa** (cont.)

Non-state violence in 2014 targeted civilians rather than the government or the military much more than in 2013. This was particularly the case in the Central African Republic and Nigeria.

The intensity of these outbursts contrasted with a decline in the non-state violence index elsewhere on the continent, leading to a slight decrease in the aggregate. For instance, non-state violence receded in Mali following counter insurgency by the government and international forces.

Figure 5.5. **Non-state violence in Africa, 1996-2014**




*Source:* Authors' calculations based on news verified by press agencies (*Marchés Tropicaux et Méditerranéens* for 1996-2005, AFP and Reuters for 2006-14). See full methodology and data by country in the Statistical Annex of this report.

StatLink http://dx.doi.org/10.1787/888933206835

Based on available data, the conflicts (civil or inter-state, involving government or not) were particularly deadly in the Central African Republic, Libya, Nigeria, Somalia, South Sudan and Sudan.

Overall, peacekeeping continues to be at an all-time high, with 72 000 UN Blue Helmets deployed in Africa in 2014, more than the 64 000 deployed in 2013 (author's calculations, based on UNDPKO [2014] and UNDPKO [2013]). The UN's largest peacekeeping missions in 2014 were in the Democratic Republic of the Congo and Darfur. Five of the seven billion US dollars allocated for UN peacekeeping are allocated to peacekeeping in Africa. While funding is mostly from outside the continent, the troops come more and more from Africa (see Box 5.8).

African armies are professionalising. Military spending increased 65% between 2002 and 2011, faster than anywhere else (SIPRI, 2014). This was particularly the case in Angola, Burkina Faso, Ghana, Namibia, Tanzania, Zambia and Zimbabwe. The surge in defence spending could help Africa increase its capacity for peacekeeping in trouble spots on the continent and beyond, as well as combat terrorism and maritime piracy.

**Box 5.8. More African responses to transnational terrorism and civil war**

The transnational nature of threats and crises on the continent calls for regional responses. The AU's Peace and Security Architecture is therefore based on the premise of "African solutions to African challenges".

Africa is increasingly contributing both troops and resources, both through the UN and the AU. In 2014, four in ten UN Blue Helmets, or 50 000 troops, were from African armies. The AU is increasing its contribution to peacekeeping, in particular in the Central African Republic, Mali, Somalia and Sudan (Darfur), as well as through the African Union Regional Task Force, the African Standby Force and Rapid Deployment Capability.

Benin, Cameroon, Chad, Niger and Nigeria, which have all been affected by Boko Haram attacks, are uniting their armed forces against the terrorist group and its affiliates, possibly as an AU multinational force. At the same time, Burkina Faso, Chad, Mali, Mauritania and Niger have established the Group of Five for the Sahel to fight terrorism. They have yet to co-ordinate their efforts with the AU, the Economic Community of West African States (ECOWAS), the EU, the Executive Council of the Community of Sahel-Sahara States, the UN and the World Bank, which all have their own Sahel strategies.

On top of the security response, African countries continue to be involved in mediation. South Africa's former president, Thabo Mbeki, is facilitating dialogue between Sudan President Al-Bashir and opposition groups in Darfur, the Nuba Mountains and the eastern provinces (see Sudan Country Note). Ghana, Mauritania and Senegal played a key role in Burkina Faso's transition in mediation among the parties and the army (see Box 5.1). Moreover, ECOWAS is monitoring any unconstitutional acts until the next elections. A final example is South Sudan, where the Inter-Governmental Authority on Development is mediating talks.

Beyond regional responses, national responses are needed to address challenges that remain domestic in nature, such as negotiating a new political settlement both subnationally and nationally in Libya, Mali and South Sudan. In Libya, an inclusive spatial strategy is an important determinant of a democratic transition (see Libya Country Note). As for Mali, West African and French troops have collaborated against Ansar Dine and Al-Mourabitoun, but an end to the conflict also requires a political agreement on resources and the devolution of power. Dialogue with the Tuareg and Islamists has stalled, and security concerns continue to weigh on growth and development prospects.

## 2015 could be a record year for elections

In 2015, a record 266 million people could be called to the polls. Elections are planned, or have been held, in countries that are among both the continent's 15 largest economies and 15 most populated countries, including Egypt, Ethiopia, Nigeria, Sudan and Tanzania (see Table 5.4).

Elections scheduled for 2015 in Benin, Chad, Equatorial Guinea, Mauritius, Niger and South Sudan are yet to be confirmed. The elections in South Sudan, for example, hinge on the cessation of violence, a minimum of political space and international assistance in funding, logistics and peacekeeping.

Table 5.4. **Elections in Africa by population size, 2015-16**

| Country | Voting for | Population (million)* |
|---|---|---|
| **2015** | | |
| Nigeria | chamber of deputies, president, house of representatives | 183.5 |
| Ethiopia | house of representatives | 98.9 |
| Egypt | people's assembly | 84.7 |
| Tanzania | referendum, president, national assembly | 52.3 |
| Sudan | president, national assembly | 39.6 |
| Côte d'Ivoire | president | 21.3 |
| Niger | president, national assembly (to be confirmed) | 19.3 |
| Burkina Faso | president, national assembly | 17.9 |
| Zambia | president | 15.5 |
| Chad | national assembly (to be confirmed) | 13.6 |
| Guinea | president | 12.3 |
| South Sudan | president, national assembly (to be confirmed) | 12.2 |
| Benin | national assembly (to be confirmed) | 10.9 |
| Burundi | president, national assembly | 10.8 |
| Togo | president | 7.2 |
| Mauritius | national assembly (to be confirmed) | 1.3 |
| Equatorial Guinea | president (to be confirmed) | 0.8 |
| **2016** | | |
| Democratic Republic of the Congo | president, national assembly | 71.2 |
| Uganda | president, national assembly | 40.1 |
| Morocco | national assembly | 34.0 |
| Ghana | national assembly | 27.0 |
| Côte d'Ivoire | national assembly | 21.3 |
| Zambia | president, national assembly | 15.5 |
| Chad | president | 13.6 |
| Benin | national assembly | 10.9 |
| Central African Republic | national assembly, president | 4.8 |
| Congo | president | 4.7 |
| Gambia | president | 2.0 |
| Gabon | president, national assembly | 1.8 |
| Djibouti | president | 0.9 |
| Cabo Verde | national assembly, president | 0.5 |
| Sao Tome and Principe | president | 0.2 |
| Seychelles | parliament, president | 0.1 |

*Notes:* * Population figures are 2012 UN projections for 2015.
Data as of 4 February 2015.
*Source:* IFES (2015); International IDEA (2015); UN (2012).

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# PART II

## Regional development and spatial inclusion

*Chapter 6*

# Regional development at the heart of Africa's structural transformation

In the debate on Africa's structural transformation, the demographic and spatial dimensions have been overlooked. This chapter analyses the challenges and opportunities brought about by the rapid growth of urban and rural populations, especially in sub-Saharan Africa. It argues that development strategies must focus not just on economic sectors, but also on people and places. Regional development can promote spatial inclusion and unlock the potential of African economies.

## In brief

Structural transformation is Africa's overarching priority. But despite some progress over the last decade, current policies have not proved effective enough at speeding up job creation in productive sectors.

New approaches are all the more necessary to accelerate structural transformation in the face of Africa's unique demographic and spatial dynamics. In the decades to come, a fast rise in urban and rural populations, acute regional disparities and the constraints of global competition will make the challenge of transforming the continent a unique undertaking, although with wide variations between North, South and sub-Saharan Africa.

Africa's transformation path will thus have to cross unchartered territory. Past experiences of demographic, urban and economic transition may inspire action, but they cannot provide blueprints. As for current strategic options hinging on specific sectors, they may not be enough to meet the double challenge of massive job creation and productivity growth on their own. Pragmatic, context-specific approaches combining their merits will have to be crafted. Africa has no choice but to innovate.

But how? One way is to start from the unique structural features of African economies: the demographic boom demands to place job creation at the centre of development strategies; its stark regional disparities call for regional approaches to development – multi-sectoral and place-based. This report focuses on the latter: it explores ways in which African policy makers may better tap African regions' diversity and unlock their potential by building on specific local resources.

## Accelerating Africa's structural transformation calls for new approaches

Recent analysis demonstrates the continent's nascent but slow progress towards structural transformation. But by focusing too narrowly on the issue of factor reallocation across economic sectors – and especially the question of industrialisation – the current debate ignores the demographic and spatial dimensions, although they are part and parcel of structural transformation.

### Structural transformation is Africa's economic priority

Over the past few years, structural transformation has gradually made its way to the top of Africa's economic agenda. It is at the centre of the African Development Bank's ten-year strategy (AfDB, 2013) and a priority for the Economic Commission for Africa (UNECA, 2011). The World Economic Forum for Africa 2012 focused on the theme "Shaping Africa's Transformation", and the African Center for Economic Transformation, an Accra-based think tank, has started to publish an African Transformation Index (ACET, 2014). This strategic shift culminated in the African Union's adoption of its Agenda 2063 in January 2015, which identifies structural transformation as Africa's overarching objective.

At the heart of this new consensus is the realisation that growth alone will not be enough for the continent to fulfil its aspirations, especially employment creation. The benefits of Africa's recent growth episode have been shared unequally between countries and within them, raising the question of their sustainability and effectiveness (King and Ramlogan-Dobson, 2015; McMillan and Headey, 2014; McMillan, Rodrik and Verduzco-Gallo, 2014; Rodrik, 2014; Chuhan-Pole et al., 2013). Despite new opportunities brought about by the global process of "shifting wealth" (AfDB et al., 2011), Africa's recent growth has failed to create the amount and quality of jobs that young entrants on labour markets demand (AfDB et al., 2012).

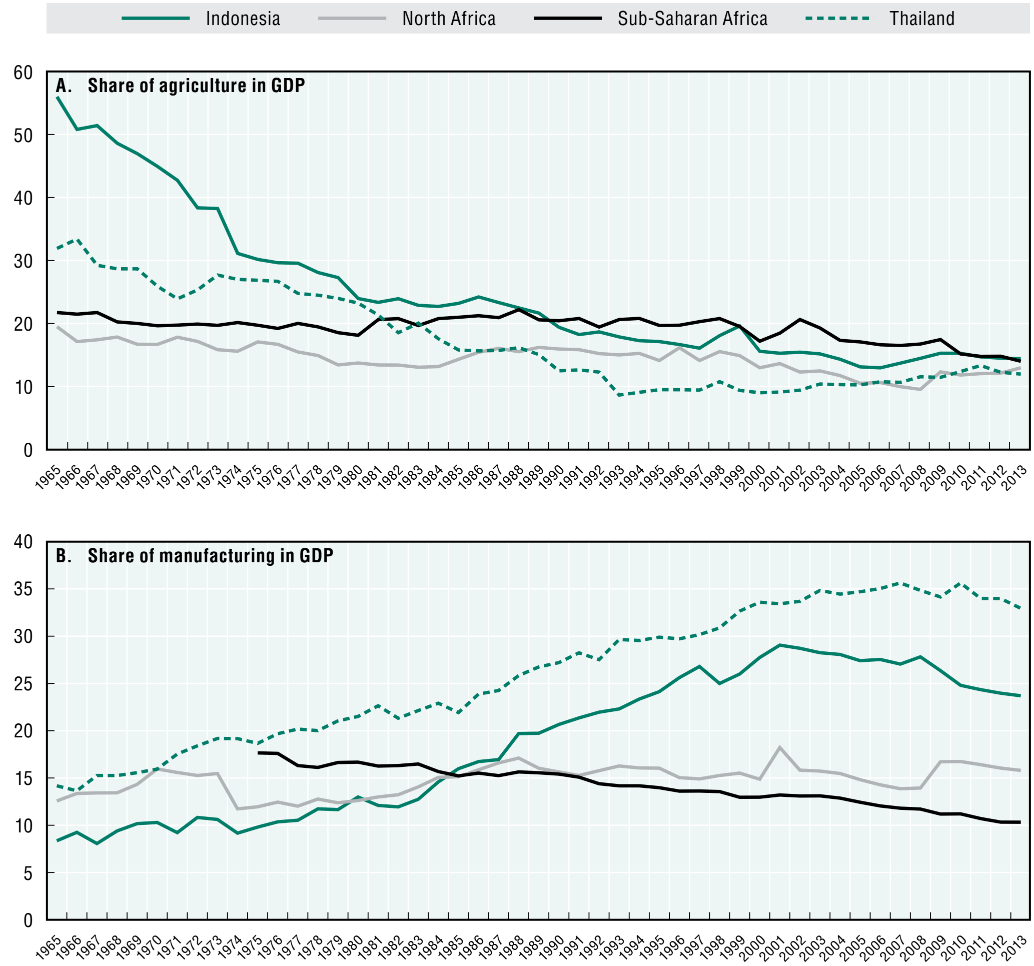
 

This is because structural transformation – the process by which new, more productive activities arise and resources move from traditional activities to these newer ones – has been too limited and too slow (AfDB et al., 2013). Although structural transformation has increased slightly since 2000, the change has been insufficient. Overall, between 1990 and 2005, "labour seems to have moved" from relatively high-productivity sectors (wholesale and retail trade, and manufacturing) to low-productivity sectors (informal services and agriculture); as a result, labour productivity fell by 1.3 percentage points per year and eliminated more than half of within-sector productivity gains. Some countries did experience positive structural transformation (Ghana, Ethiopia and Malawi), but not enough to fundamentally transform their economies (De Vries, Timmer and De Vries, 2013; McMillan, Rodrik and Verduzco-Gallo, 2014; UNECA/AU, 2014).

## Policies have had a limited impact on Africa's economic structures

In contrast with Asia, the structure of Africa's **economy** has changed little over the past five decades. It remains dominated by primary activities linked to natural resources and by services, especially in sub-Saharan Africa (Devarajan and Fengler, 2013). Over that same period, Indonesia and Thailand have seen the share of agriculture in GDP decrease and that of manufacturing increase. However both have remained fairly stable in Africa over the same period, with manufacturing noticeably on the decline in sub-Saharan Africa (Figure 6.1).

Figure 6.1. **Shares of manufacturing and agriculture in gross domestic products of Africa, Indonesia and Thailand, 1965-2013**




*Source*: Authors' calculations (GDP weighted) based on World Bank (2014).
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Efforts to increase competitiveness and promote export diversification have yet to reverse the long-standing dependency of many African countries on commodity rents and official development assistance. Few African countries have managed to diversify their **export structure** away from unprocessed commodities (Table 6.1). In eight countries, a single commodity accounts for over three-quarters of exports; in seven countries, only two commodities account for the same. Seventeen countries have slightly diversified exports, with more than ten products accounting for three-quarters of them. Some countries still largely depend on exports of a single crop such as cotton, cloves, cashew nuts or tuna. However, the dominant commodity is usually extracted; in most cases it is oil. Nevertheless, some countries without sizeable mineral resources have managed to maintain growth by diversifying their exports. These include Ethiopia, Rwanda, Senegal and Uganda. They have opened up sectors with greater added-value, which contributes to their structural transformation (McMillan, Rodrik and Verduzco-Gallo, 2014). The *African Economic Outlook 2014* also identified important achievements in specific sectors where local companies actively participate in global value chains (AfDB/OECD/UNDP, 2014).

Table 6.1. **Number of products accounting for more than 75% of exports in African countries, 2013**

| Products accounting for more than 75% of exports | Countries and main exports | Number of countries |
|---|---|---|
| 1 | Angola, Chad, Congo, Libya, Nigeria, Sao Tome and Principe, South Sudan (oil); Botswana (diamonds) | 8 |
| 2 | Equatorial Guinea (oil and gas); Eritrea (gold and copper); Gabon (oil and manganese); Guinea (aluminium and oil); Guinea-Bissau (cashew nuts and fish); Niger (cigarettes and oil); Sierra Leone (iron and diamond) | 7 |
| 3 to 5 | Algeria, Burkina Faso, Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Gambia, Liberia, Malawi, Mali, Mauritania, Rwanda, Seychelles, Somalia, Sudan, Zambia | 16 |
| 6 to 10 | Benin, Cabo Verde, Cameroon, Ethiopia, Ghana, Mozambique | 6 |
| More than 10 | Côte d'Ivoire, Djibouti, Egypt, Kenya, Lesotho, Madagascar, Mauritius, Morocco, Namibia, Senegal, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zimbabwe | 17 |

*Source*: AfDB Statistics Department; UN Statistics Division (2015).

Similarly, **employment structures** have changed little, according to available studies.[1] Family farming remains the main occupation in sub-Saharan Africa, though it does not prevent rural populations from participating in other activities (see Chapter 7).[2] In East Africa and the Sahel, two-thirds of the workforce are engaged in farming (see Annex Table 13). Household enterprises outside of agriculture are the second largest source of employment in sub-Saharan Africa, estimated at 22% of all jobs (Filmer and Fox, 2014). When adding small firms to self-employment, the share of this informal sector is estimated at 28-36% (Jütting and de Laiglesia, 2009).[3] In comparison, the formal (waged) sector – manufacturing and services, including administration – is estimated at an average 16% of the jobs in sub-Saharan Africa (Filmer and Fox, 2014), though the percentage is much lower in many countries. The flexibility of the informal sector, including family farms, is key to Africa's economic resilience but it also translates into low incomes and under-employment, with few hours worked per active person. The large size of the informal sector partly explains why recent economic growth has hardly reduced poverty and exclusion. The extractive, energy and industrial sectors create few jobs. The industrial sector's share of employment remained stable between 2000 and 2013, at around 9% of total jobs (UNECA/AU, 2014: 27).

### Different dynamics are underway

While structural transformation has been slow across Africa, a finer analysis of ongoing processes of factor reallocation across sectors reveals that different dynamics are underway. For example, in all countries the share of agriculture is declining in both

GDP and employment, and it is decreasing faster in GDP than in employment due to productivity gaps between sectors (Timmer, 2009). But different countries move at different speeds: based on the pace at which countries diversified from agriculture between 1961 and 2010, four different profiles of structural transformation can be distinguished:[4]

- The countries that diversified the most, the "**diversifiers**", experienced the greatest changes. Characterised by higher urbanisation and a significant exit from the agricultural sector, the 11 countries concerned include those marked by industrial development – Mauritius, Tunisia and South Africa – and those that maintained a dynamic agricultural export sector – Cameroon, Côte d'Ivoire, Egypt and Morocco.
- The "**agriculturally-based**" profile includes the 12 countries of East Africa, Madagascar and Mali, which are predominantly rural-populated. Agriculture remained the cornerstone of their economy and, overall, change was particularly slow.
- The "**intermediate**" profile corresponds to eight countries including Ghana, Senegal and Togo, where the share of agriculture was smaller.
- The fourth profile, "**agriculture +**", presents the atypical evolution of 11 countries where the share of agriculture tended to increase. These are mainly countries that experienced crises and where the agricultural sector provided a refuge from the overall lasting downturn, as in Burundi, the Democratic Republic of the Congo, Guinea-Bissau, Liberia and Sierra Leone. This profile also includes countries with a booming agricultural sector, like Burkina Faso since its "cotton revolution".

This diversity hints at the need to better take into account the heterogeneity of structural features of African economies. One way of doing so is to look beyond the issue of economic factor reallocation across sectors and broaden the analysis to other driving forces that shape countries' transformation trajectories and yet are mostly absent from recent analyses: demography and places.

### Africa's demographic and spatial dynamics must be at the centre of the structural transformation debate

As seen above, the debate on Africa's structural transformation has mainly focused on explaining how and why economic factors, notably labour, have been moving slowly out of agriculture, bypassing industrial sectors and moving into low-productivity services in a context of lingering informality. Despite the fact that, as shown by Shimeles and Nabassaga (forthcoming), spatial factors account for close to 40% of asset inequality in Africa (see Annex 6.A2), little attention has been paid to the continent's demographic and spatial dynamics.

And yet urbanisation is part and parcel of structural change: typically, productivity growth in agriculture releases workers from farming, pushing them towards urban areas where higher productivity sectors locate as they benefit from higher economies of agglomeration and knowledge spill-overs (Jedweb, Gollin and Vollrath, 2013; Hnatkovska and Lahiri, 2013; Long, Zou and Yansui, 2009; Markusen, 1996). Progress in income, health and education which come with these changes are usually associated with a demographic boom which also fuels urbanisation until fertility eventually decreases (Leukhina and Turnovsky, 2014).

Strikingly, however, this traditional model of structural change does not seem to apply to most African countries, where urbanisation has occurred without industrialisation (Jedweb, Gollin and Vollrath, 2013; Losch, Fréguin-Gresh and White, 2012). Broadening the discussion to the interplay between economy, demography and geography is thus essential to designing effective strategies for structural transformation.

The World Bank's *World Development Report 2009: Reshaping Economic Geography* dealt with the issues of spatial transformation (Box 6.1). This report aims to connect those issues to some of Africa's major structural challenges.

Box 6.1. **The *World Development Report 2009***

The World Bank's *World Development Report 2009: Reshaping Economic Geography* (WDR2009) deals with the need for "spatial transformation" to achieve economic development.

The WDR2009's analytical framework proposes three dimensions of development: **density** of population and economic product, **distance** between lagging and leading regions, and **division**, i.e. the extent of trade barriers due to borders, regulations, etc. These dimensions mainly correspond to three levels of policy making – local, national and international – and three social and economic forces: agglomeration, migration and specialisation.

The WDR2009's "main message is that economic growth *will* be unbalanced. To try to spread out economic activity is to discourage it". The report states that, despite imbalanced growth, development can be inclusive if growth is achieved through economic integration at the local, national and international levels. The WDR2009 proposes three instruments to articulate policies for more inclusive economic development: **institutions, infrastructure** and **incentives** (World Bank, 2009: 22-23). The first priority must be given to institutions, which must be "spatially blind" to reduce divisions. Secondly, investing in infrastructure can reduce distances. Finally, spatially targeted interventions can connect places and thus boost population densities. Spatially-targeted measures (such as tax-breaks for manufacturing) must be taken as a last-resort. When conditions of density, distance and division are poor, strong institutions must accompany them.

Critics of the WDR2009 (such as Bryceson et al. [2009], Harvey [2009], Rodríguez-Pose [2010], Hart [2010] and Garcilazo, Martins and Tompson [2010]) have argued that its methodological choices overlooked important contributions of the economic geography literature and that it neglected topics related to space and scale. The report's focus on economic development overshadowed other dimensions of human activities, be they historical, political, financial, demographic, social, environmental or cultural. Such dimensions precisely make each country, region and place unique, opening doors to a variety of development experiences. Policy recommendations were thus deemed too generic, advocating a universal path towards a single type of development.

In this chapter, we show that the challenges facing Africa differ from those faced by other regions of the world, notably in terms of historical, demographic, environmental and global contexts. The AEO2015 argues for strategies that focus on the particularities of each city, region and country and on the multiple dimensions of development (OECD, 2011; Barca, 2009; EU, 2011; see also Chapter 8).

## Africa's demographic revolution creates unprecedented opportunities and challenges

Demographic patterns are central in any process of structural transformation, but in the case of Africa, they will shape the policy agenda given their magnitude and pace.

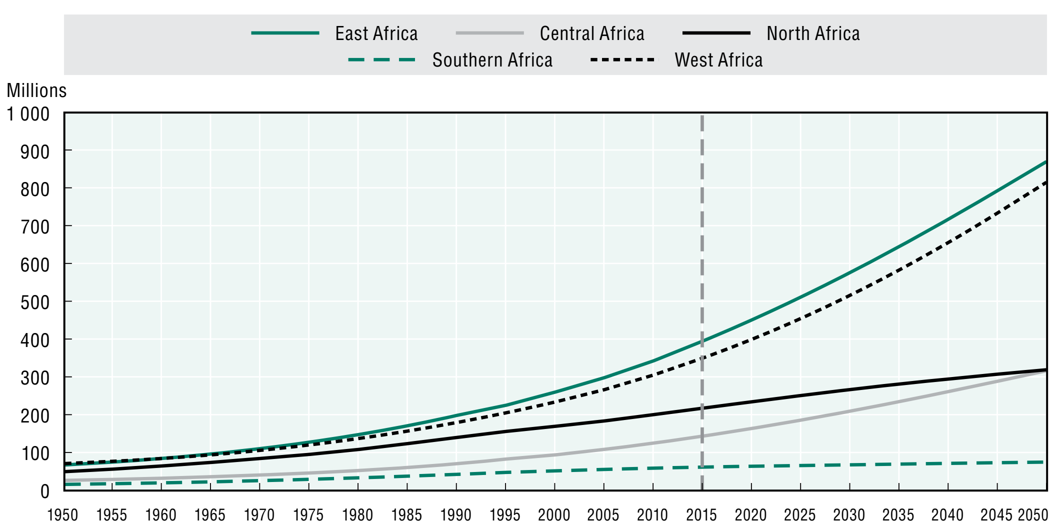
### Demographic growth will shake up labour markets

Africa's population of 1 billion in 2010 should double by 2050, but the magnitude of the increase will vary across the continent. Only South Africa and the region of North Africa will be less affected (Figure 6.2). The disparities across the continent are magnified when comparing GDP per capita and fertility rates. Africa's 54 countries appear divided into three major "macro regions", based on common historical and structural features and displaying different challenges: the five countries along the Mediterranean coast, as well as South Africa, have per capita incomes of USD 3 000-6 000 per year and low fertility rates at fewer than three children per woman. They have broad-based economies and are substantially urbanised. Of the 47 countries in Central, East and West Africa, 37 have lower per capita incomes of below USD 1 500 and higher fertility rates varying between 4 and 7. They depend more on mining and agriculture and in most cases have a majority of rural dwellers. The anamorphic Maps 1 and 2 (see at the end of Part II) compare the size of African countries' GDPs and populations: they illustrate the respective challenges of those three "macro regions", stressing in particular the disparities between the demographic and economic weights of countries in Central, East and West Africa[5] on the one hand and North and South Africa on the other.

A finer analysis reveals that various groups of countries will evolve in different ways, depending on the stage of their demographic transitions. Guengant and May (2013) thus list four such groups (see Annex, Table 13):

- the few countries that have been in transition for a long time, where fertility is less than three children per woman: Mauritius, South Africa and countries in North Africa
- more recent transition countries, where fertility has fallen from six to seven children per woman at the end of the 1970s to three to four children: Côte d'Ivoire, Ghana and countries in Southern Africa
- countries in slow and erratic transitions with five children per woman: the majority of African countries
- countries with six to seven children per woman, that have gone through a very slow transition or whose transition has not begun: landlocked Central and West African countries.

Figure 6.2. **Population growth in Africa, 1950-2050**




*Note*: Medium fertility scenario.[6]
*Source*: UNDESA (2014).
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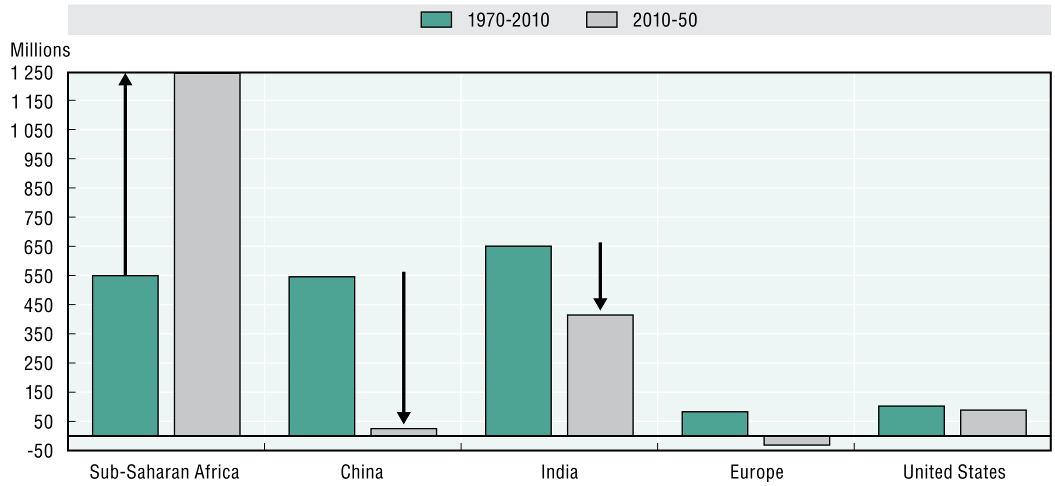
Some experts play down the challenge of demographic growth, noting that Africa has coped with fast demographic growth in the past. However, the magnitude of future changes should not be underestimated. Past decades have seen the absolute – in some cases also the relative – numbers of poor people increase. But the population increase currently underway is unprecedented in size and pace.

Between 1970 and 2010, China, India and sub-Saharan Africa grew in similar numbers, by some 550-650 million people. Over the next 40 years, however, the increase of sub-Saharan Africa's population will be at least 200% of that between 1970 and 2010, compared with 70% in India, while in China it will level off and start to fall (Figure 6.3).

Figure 6.3. **Demographic changes in sub-Saharan Africa, China, India, Europe and the United States, 1970-2010 and 2010-50**




*Source*: UNDESA (2012).

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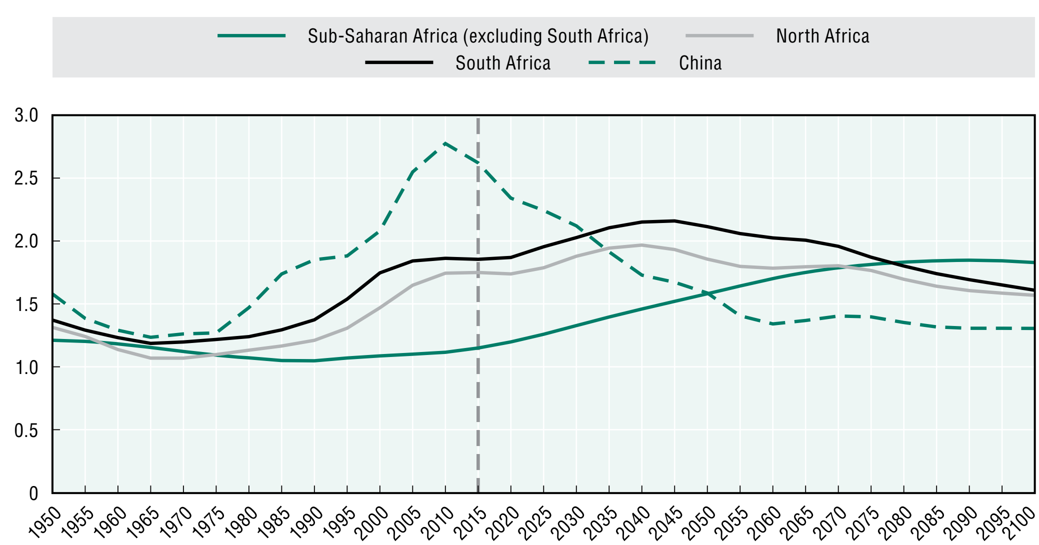
Those demographic changes bring about both opportunities and challenges. On the one hand, the ongoing demographic transition opens a window of opportunity, as ratios of the working-age population to the inactive population improve significantly. The ratio between those inside and outside the workforce, the activity ratio,[7] will increase over the next several decades and possibly create a demographic dividend for sub-Saharan Africa. The number of active people supporting inactive people will increase due to lower birth-rates; this will free up resources to improve living conditions (e.g. education, health care and housing) and boost savings and investment. And it will remove a long-lasting, heavy burden from Africa, although differences between countries will be significant. In the 1990s, there was practically one active person for each inactive one.[8] The average activity ratio is expected to steadily rise and continue well beyond 2050. By that time it is forecast to reach 1.6 active people per inactive person in sub-Saharan Africa (far from China's current level) (Figure 6.4). Ahmed et al. (2014) estimate that Africa's demographic dividend could contribute 10-15% of gross GDP volume growth by 2030.[9]

Figure 6.4. **Activity ratios in sub-Saharan Africa, North Africa, South Africa and China, 1950-2100**




*Note*: Aggregate ratios are population weighted. The activity ratio is the ratio between the working age population (15-64) and the dependent age population (under 15 and over 65). Projections are modelled using the medium fertility variant.

*Source*: Authors' calculations based on data from UNDESA (2012).

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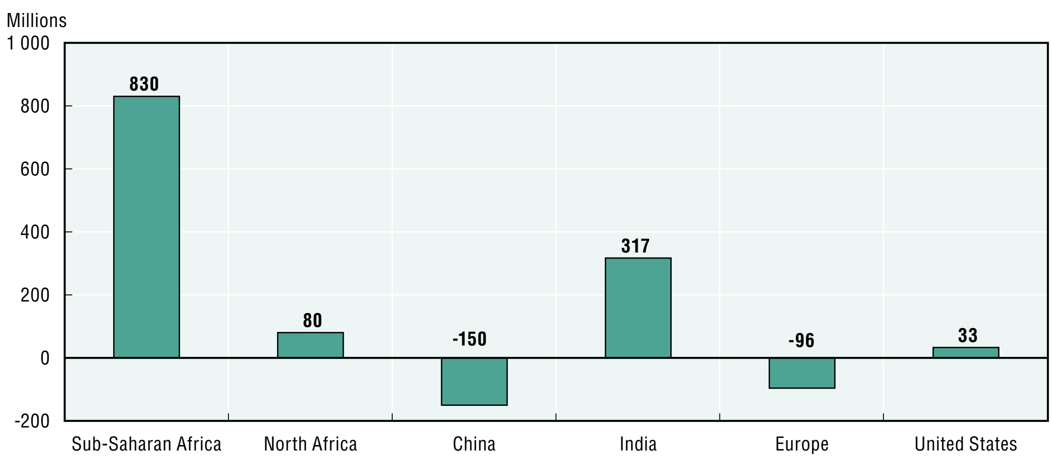
On the other hand, the rapid growth of Africa's workforce will increase the pressure on labour markets. The workforce is expected to increase by 910 million people between 2010 and 2050, of which 830 million in sub-Saharan Africa and 80 million in North Africa. Creating more productive jobs, a major stake in Africa's structural transformation, becomes even more pressing. The estimated numbers of youth joining labour markets in 2015 are about 19 million in sub-Saharan Africa and 4 million in North Africa. Over the next 15 years, the figures will be 370 million and 65 million respectively, or a yearly average of 24.6 million and 4.3 million new entrants. While the 2015 population figure is an estimate, the magnitude of cumulative flows is fairly certain, as those entrants have already been born (see Annex, Table 13).

The upcoming growth in Africa's workforce represents two-thirds of the growth in the workforce worldwide (Figure 6.5). It is ahead of Asia, which includes India's additional 317 million workers. In Europe the figure should drop by 96 million and in China by 150 million.

Figure 6.5. **Projected workforce growth in sub-Saharan Africa, North Africa, China, India, Europe and the United States, 2010-50**




*Source*: UNDESA (2012).

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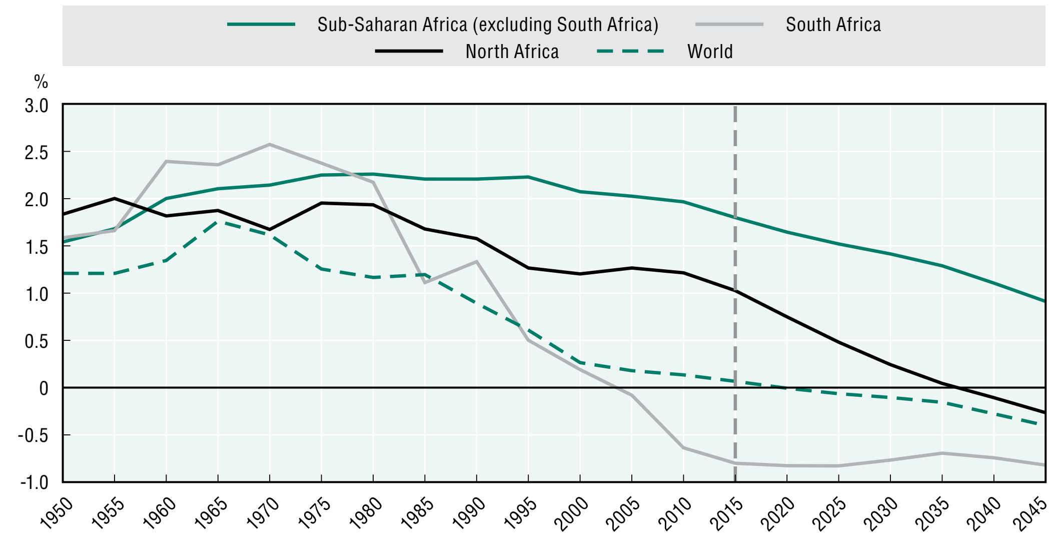
## Rural and urban populations will grow, affecting the environment

Africa's cities will grow fast, but so will its rural communities. Africa remains a predominantly rural continent, despite strong urbanisation rates at its northern and southern rims and along the Gulf of Guinea. The majority of Africa's population is likely to remain rural until the mid-2030s, while the majority of the world's population has lived in urban areas since 2007. Figure 6.6 shows that North and sub-Saharan Africa's rural populations are projected to grow more than the world average. South Africa's annual rural growth rate has been below zero since 2003, and the world's growth rate is projected to also be negative by 2020.[10] By 2050, sub-Saharan Africa's rural population is expected to increase by two-thirds, i.e. 400 million more people (UNDESA, 2014). This forecast should be interpreted with caution, notably due to the various definitions of "rural" (see Box 6.2) and to fast changing dynamics that further blur them. Nevertheless, a general trend towards a significant increase in the "rural" population, however defined, is to be expected.

Figure 6.6. **Annual growth rates of rural populations in Africa and the world, 1950-2045**




*Source*: UNDESA (2014).

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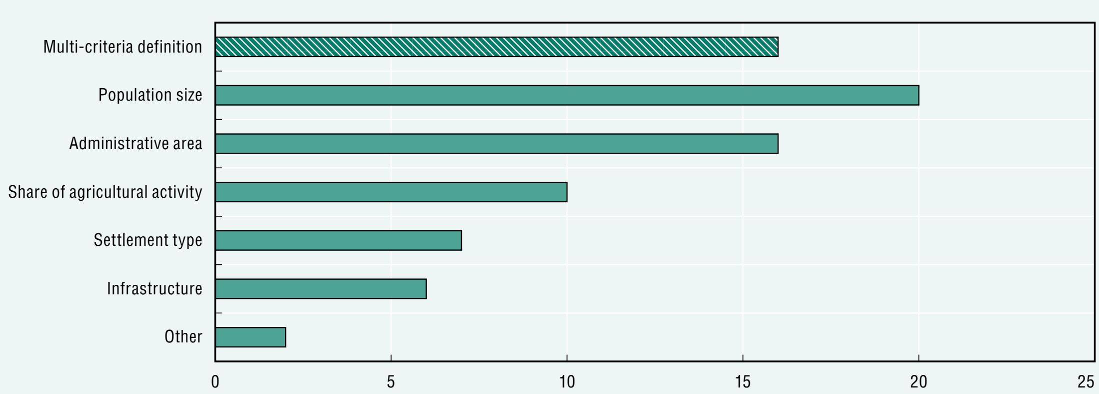
Box 6.2. **"Urban" and "rural": flexible definitions**

There are no universal definitions of "urban" and "rural" areas. The United Nations recognises that, because of national variations, urban and rural areas cannot be distinguished on the basis of a single definition valid for all countries (UN, 1998; FAO, 2005). Rural areas are often described negatively, as in "what is not urban" (UN, 1998; UNDESA, 2004). Therefore, inconsistencies and variations in defining urban areas lead to similar contradictions when defining rural areas.

The UN *World Urbanization Prospects* reports the sources for its data (mostly population censuses) as well as definitions of "urban" and "rural" for each country when available. The most common criteria are based on widely varying quantitative population thresholds (Figure 6.7). For example, several West African countries define a "town" as having at least 2 000 inhabitants, while Nigeria sets the minimum at 20 000. Some countries have changed thresholds multiple times.[11] Other criteria include population density, administrative boundaries, service provision (e.g. water, electricity, schools) and the extent of farming. The large differences make it difficult to give weight to aggregate data.

Figure 6.7. **Frequency of common criteria in 32 African countries' definition of "rural"**




*Note*: The striped bar shows that 16 of the 32 countries in the sample use more than one criterion for their rural definitions.

*Source*: Authors' calculation based on UNDESA (2014).

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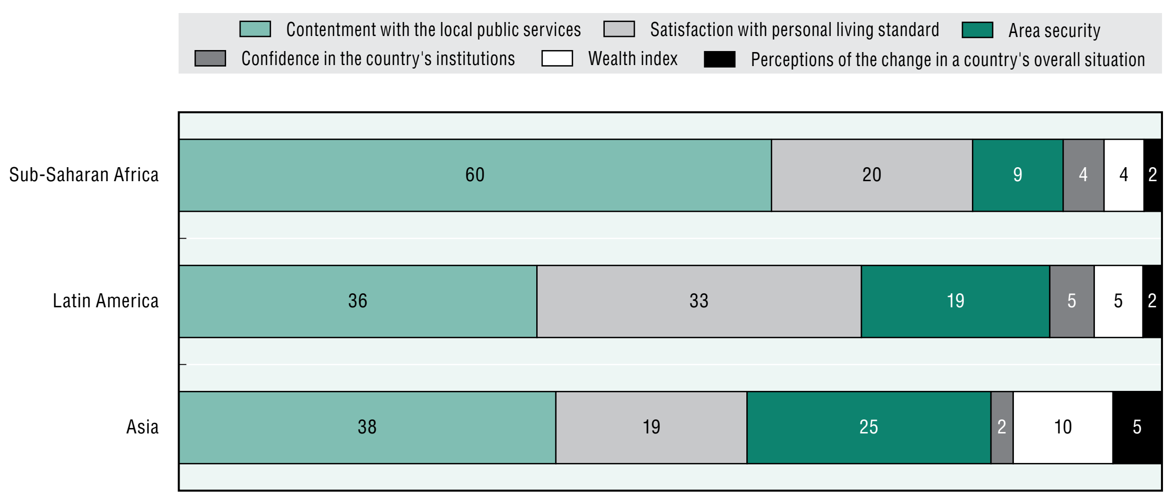
Demographic growth will affect resources and cause migration. Natural resources of already densely-populated areas will come under pressure, possibly magnified by the impacts of climate change (Map 3 at the end of Part II). As a result, people are likely to migrate to urban areas or to less populated areas, boosting the need for facilities. In some cases, people might move to neighbouring countries or further afield. For some already densely-populated countries, e.g. around the Great Lakes, even modest increases in population density could cause major physical and social changes.[12] Environmental damage, along with extreme weather events, often render places inhabitable, obliging people to abandon them (Gemenne, Brücker and Ionesco, 2013).

The deep-rooted causes of tensions potentially intensified by climate change vary greatly by region. They depend on demographics, economics, and institutional or social and political factors. Trouble erupts when local resilience is exhausted and local and central authorities have no suitable solutions (Busby et al., 2014). There is no consensus on a direct link between climate change and civil disorder, but it does heighten the risk of turbulence (Gleditsch and Nordås, 2014; O'Loughlin, Linke and Witmer, 2014).

At present, 29% of people in sub-Saharan Africa want to move away from their current areas, and dissatisfaction with local public services accounts for 60% of the variation in migration intentions compared with 20% for discontent with their personal living standard (Figure 6.8).

Figure 6.8. **Relative contribution of explanatory variables to overall variation in migration intentions, 2014**




*Source:* Table 2 from Dustmann and Okatenko (2014), based on Gallup World Poll 2012.
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Migration for public services rather than for economic opportunities is "economically inefficient" (World Bank, 2009: 168). First, migration imposes fixed economic and emotional costs on migrants' households, and congestion costs on receiving regions. Second, industrialisation has created too few jobs to absorb this rural outflow in formal sectors. Most migrants thus find low-paid informal jobs and still end up in poverty. Only 16% of the rural-urban gap in multidimensional poverty is explained by the gap in the deprivation intensity, suggesting that the deprivations faced by the rural and urban poor are similar (Annex 6.A2). Third, rural-urban migrants tend to be young mobile males who are more educated than the average rural residents. In a study of five African countries, 57% of rural-urban migrants were male and were 28 years old on average, whereas only 48% of rural residents were male and were 36 years old on average; those migrants were also better educated (de Brauw, Mueller and Lee, 2014). Such migration can take away labour force from activities in the local economies where they are often needed, such as physical labour in farming.

Africa's demographic patterns thus raise a series of questions:

- How to mitigate the magnitude and speed of the population increase? In particular, how to slow the flow of new entrants into the labour market and enhance their skills? (Annex 6.A1 suggests how education policies could help capture the demographic dividend.)
- How to manage the migration flows stemming from demographic pressure, climate change and regional disparities?
- How to accelerate the pace of job creation to match labour supply?

This report focuses on the latter.

## Africa needs innovative development strategies

African economies cannot merely reproduce past models of economic transition, not just because of the unique demographic and spatial patterns described above, but also because they face external restraints that Asian and OECD countries have not had to confront. They need fresh strategies that combine the merits of existing prescriptions so as to build on their own unique demographic and spatial features and to chart original paths to structural transformation.

### Globalisation and climate change impose new constraints

The moment in time when transitions occur is important; for Africa that moment differs greatly from the industrial periods of Asia, Europe and Latin America.[13] Since the 1990s, Africa has faced the challenge of structural transformation in a context of globalisation and climate change. African policy makers thus enjoy less room to implement their structural transformation than early industrialisers. **Globalisation** offers new market opportunities but entails a number of constraints. Africa can gain shares in several agricultural, agro-industrial, industrial and services markets (AfDB/OECD/UNDP, 2014). But today's global markets are stiffly competitive, in costs as well as in the quality of goods and services and in production potential. In addition, multilateral and bilateral agreements regulate trade and trade-related policies more stringently. Indeed, Africa's share in world trade decreased sharply from around 6% in 1980 to less than 2% in 1998 and has remained low (UNCTAD, 2014). Moreover, increasing trade openness may have contributed to eroding the link between agricultural production and domestic food demand since food can be imported from abroad (UNRISD, 2010). Encouraging young labour entrants to work abroad is not presently an option because of tight migration controls in OECD and other countries (Rodrik, 2011).

Africa is also vulnerable to ongoing **changes to the environment**.[14] The negative effects of climate change-related hazards on agricultural resources heavily affect the poorest who largely depend on them not only for food but also for jobs (Muller et al., 2011; Thornton et al., 2011). Pressure on already limited water supply is expected to increase sharply due to changes in water cycles caused by erratic rainfall and to affect negatively the production of annual crops such as cereals and cotton, or perennial crops like coffee, cocoa and palm oil. Livestock may also suffer from shrinking water supply, as grazing land is divided and damaged, and new diseases arise (Niang et al., 2014).[15] As the demographic pressure on land grows, gathering wood for fuel will cause deforestation, as will developing agriculture and felling for timber (Bodart et al., 2013; Vittek et al., 2014; Malhi et al., 2013).[16] The recent growth episode has compounded the deterioration of environmental resources, and ecological boundaries are close to being exceeded (AfDB/WWF, 2012; Raworth, 2012). Because environmental issues are localised and require local solutions tapping local assets, this report highlights that the related challenges must be taken into account in African development strategies but does not propose generic solutions. Those will depend on local contexts and must be defined on a case-by-case basis (see Chapter 8).

 

### Available policy options will not be enough to foster Africa's structural transformation

In today's debate on Africa's structural transformation, experts put forward several policy options to speed up the process, but none of them alone may be sufficient to address the demographic and environmental constraints mentioned above. Each option tends to prioritise one sector, underrating the necessity of a multi-sectoral approach combining different options. They tend to overlook the importance of regional dynamics and sometimes underestimate the constraints imposed by the global context (Losch, 2015). We consider here the five major policy options with their benefits and limitations as found in the literature.

- Some experts propose that **industrialisation** be the mainstay of the African structural transformation. The continent should emulate past policies of developed and emerging economies, but in a more pragmatic way, and integrate into world trade (UNECA/AU, 2014). The changing international economic environment – increasing manufacturing costs in Asia, the shift from the manufacturing of end products to task-based production (UNIDO, 2008), and the development of outsourcing and intra-firm trade (Dinh et al. 2012) – opens up opportunities for light manufacturing: it requires less capital and fewer technical and managerial skills and remains viable in fragile economic and institutional environments (AfDB/OECD/UNDP, 2014). However, many hurdles have to be overcome, all related to appropriate public policies, institutions, governance systems and sustainability (Page, 2012). As technical change has gradually rendered manufacturing more capital and skill intensive, it has triggered premature de-industrialisation in many developing countries over the past decades (Rodrik, 2014: 11). On its own, industrialisation may not suffice to create the almost 30 million additional jobs Africa will need every year.
- Others see **services** as the new pillar of structural transformation because jobs in services continue to expand (Ghani and O'Connell, 2014). Services related to outsourcing, new information and communication technologies, and cloud computing present multiple possibilities. Whether opportunities are large enough to enable countries to bypass industrialisation is debatable, particularly as services are becoming increasingly tradable and the challenges associated with winning effective market shares will be high (UNRISD, 2010). Furthermore, productive services require high-skilled workers, whereas the African workforce is mostly low skilled (Rodrik, 2014).
- A third option to foster structural transformation would be to produce more **natural resources**. Investing natural resource revenues wisely and simultaneously developing industrial policies could diversify economies (AfDB, 2013).[17] Improving transparency, tax collection, public spending, the management of public companies, and the social and environmental impacts of mining would sustain growth (APP, 2013). However, given governance deficits in the extractive sector (RWI, 2013), the long-term risks associated with this option are high, due to environmental limits and the instability of international prices.
- **Green growth** strategies, calling for dramatic changes in production and consumption modes, have been advocated as a fourth alternative (UNESC/UNECA/UNEP, 2011). Africa could initiate the world's energy transition and leapfrog to a more sustainable development path. But such a transition would take too long. The current resource extraction model will continue to mobilise significant investments in the short to medium term, thereby hampering the green transition (Swilling, 2013).
- Finally, tenants of an **agriculturally-based** growth stress that, given the current share of agriculture in employment, this sector should be prioritised (Headey, Bezemer and Hazell, 2010). As seen above, the number of workers in rural areas will continue to grow. The economic development literature highlights the important role of agriculture in structural transformation and its direct effect on poverty reduction (Johnston and Mellor, 1961; Johnston and Kilby, 1975). Improved agricultural performance played a major role in the economic successes of East and

Southeast Asia (World Bank, 2007). More recent works on Africa confirm the sector's unique role (Diao et al., 2007; Dorosh and Thurlow, 2012). Still debated, however, is the type of development model for agriculture that could absorb a significant share of the workforce while dramatically improving productivity, such as small- or large-scale farming (Losch, Fréguin-Gresh and White, 2012; see Box 6.3).

In the end, there is no single solution to the challenges of African structural transformation. Today's international environment makes it more difficult to achieve high growth rates like East Asia did with export-led strategies. While there is little doubt that job creation must be the central priority, the options are not necessarily exclusive. Drivers of change differ according to the context: "Perhaps it will be agriculture-led growth. Perhaps it will be services. But it will look quite different than what we have seen before" (Rodrik, 2014: 15).

### Regional development can promote spatial inclusion and unlock the potential of African economies

Given the unique set of challenges confronting the continent, "business-as-usual" is not an option. Changing policy models and changing scales are imperative (Paulais, 2012: 197). Effective transformation strategies need to draw from Africa's own experiences and those of others, but they must also focus on the uniqueness of Africa's transformation challenge: to manage its population growth and its spatial development. Therefore, structural transformation in Africa may require policies that:

- focus on local resources and their adequate development and management
- better articulate the changing relationships between the countryside and the cities
- strengthen networks of intermediary cities (Annex 6.A3)
- diversify the rural economies through decent off-farm activities (Box 6.3)
- better define the changing role of agriculture in African societies
- accompany the transformation towards more sustainable metropolitan areas
- provide services and opportunities, particularly in the regions whose populations are doubling
- make the informal sector more productive (Box 6.3)
- improve regional integration, notably by developing African value chains and tapping regional markets.

Each sectoral approach holds a part of the answer to those imperatives. African policy makers need innovative, effective ways of articulating those policies. One such way, discussed in the next chapters, is development strategies that focus on local assets, such as firms, the labour force and natural resources to unlock the potential of African regions (Garofoli, 2009: 225). In this respect, the continent's unique assets have an immense potential:

- **a fast growing domestic market**: the continent's current population of 1.1 billion inhabitants will grow by 1.2 billion by 2050.
- **an emerging middle class of urban consumers**: Africa's combined consumer spending was USD 680 billion in 2008 and is projected at USD 2.2 trillion in 2030 (AfDB, 2011: 14).[18]
- **a diversity of ecosystems**: Africa hosts a quarter of the world's approximately 4 700 mammal species, a fifth of the world's 10 000 bird species and 40 000-60 000 plant species (UNEP, 2006).
- **natural resources**: Africa has an estimated 10% of the global reserves of oil, 40% of gold and 80-90% of chromium/platinum group metals (AfDB et al., 2013: 135).[19]
- **large scale and vast land areas**: the continent represents around 24%, or 600 million hectares, of the world's arable land.[20]

Tapping those assets requires balancing trade-offs at the local level: for instance choosing between extracting natural resources and developing eco-friendly activities.

 

Box 6.3. **Policies must support decent job creation in labour absorptive sectors**

Structural transformation critically hinges on developing new, productive economic activities (AfDB et al., 2013). Last year's AEO demonstrated the opportunities offered by greater participation in global value chains and upgrading in the agricultural, manufacturing and services sectors but showed the limited impact on job creation in formal companies so far (AfDB/OECD/UNDP, 2014). By identifying and activating unexploited local resources, place-based development strategies can widen opportunities for integrating into global value chains and enlarging modern businesses. In addition, demographic growth will increase the number of jobs in non-tradable sectors such as construction, public services (e.g. health, education, security), retail and infrastructure (see Chapter 7). However, unless growth patterns are significantly altered, the change in employment structures will likely be slow over the next decade (Filmer and Fox, 2014). Therefore, employment strategies should focus both on formal enterprises and on improving labour absorption by small-scale businesses and farming (Chuhan-Pole et al., 2014; AfDB et al., 2012).

- **Productivity and employment in agriculture are key for structural transformation**. Few countries met the 2003 Maputo Declaration target to commit 10% of their budgets to agricultural development, and agricultural growth in Africa has been limited (Benin and Yu, 2012). Weak incomes in the sector translated into low rural demand, slow rural change and thus slow structural transformation. A two-fold rationale must therefore guide public investment: labour absorption and increased productivity to sustain the livelihoods of newcomers. Whether to promote labour-intensive small-scale farming or more productive large-scale farming is debated (see for instance Collier and Dercon, 2014; and Losch, Fréguin-Gresh and White, 2012). Trade-offs can only be settled on a case-by-case basis.
- **Jobs in the non-farm sector will be crucial to increase productivity in rural areas**. Haggblade, Hazell and Reardon (2007) point out that only 9-19% of the rural labour force in Africa are employed in the rural non-farm sector, yet they are responsible for 37% of the income of rural households. Non-farm activities diversify the household income to absorb the impact of agricultural shocks and utilise spare agricultural labour during the low season. Additional income also relieves credit constraints, allowing households to invest in human and physical capital. However the rural non-farm sector is still limited in Africa. On-farm income represents a much higher share of total income for rural households in Africa than in other regions, at 63% compared to 33% in non-African countries; while the shares of non-farm wage income average 8% in Africa and 21% elsewhere (Davis, Di Giuseppe and Zezza, 2014, based on a sample of nine countries accounting for 51% of the sub-Saharan population and 13 non-African countries). African households may resort to low-productivity non-farm jobs due to the agricultural sector's poor performance and to the absence of financial markets (Reardon et al., 2007). Promoting the rural non-farm sector thus does not necessarily translate into more productive employment. Rural non-farm activities will develop alongside other economic sectors. Higher agricultural productivity leads to more non-farm activities, and non-farm income increases demand for agricultural goods.
- **Jobs in the urban informal sector can be more productive**. Recent evidence from a number of countries in Africa, Asia and Latin America shows that returns to capital in the urban informal sector are high (Banerjee and Duflo, 2004; McKenzie and Woodruff, 2006; De Mel, McKensie and Woodruff, 2008; Kremer, Lee and Robinson, 2010; Fafchamps et al., 2011; Grimm, Krüger and Lay, 2011). Yet those high returns – up to 60-70% annually – remain largely unexploited as a result of a number of economic, institutional and social constraints (Grimm, Krüger and Lay 2011; Grimm, van der Hoeven and Lay, 2011). Removing them would enable entrepreneurs to create and enlarge their businesses, achieve their full productive potential, and create better quality jobs for themselves and others. Public interventions need to improve the income generating capacity of the informal sector while supporting its ability to absorb additional workers (AfDB et al., 2012).

This thematic part of the *African Economic Outlook 2015* aims to assess the usefulness of regional development policies in contributing to the structural transformation of African countries. Policies of regional development have benefited from centuries of experience and decades of analysis. Many debates have arisen as to which policies are the most effective, such as: should regional policies aim to actively mobilise the potential of all regions? Or should they focus on creating the conditions for the most competitive to thrive? Those debates, however, have mainly focused on European experiences, far from African realities (Box 6.1). This report argues that development strategies can unlock untapped potential by better valuing the diversity of African regions and by better connecting them.

Box 6.4 discusses the various terms used in the economic literature and beyond to discuss where human activities take place and argues for the use of the term region throughout Part II of this report.

### Box 6.4. **Definitions of region, place, territory, space and regional development**

There are no standard definitions of region, place, territory, space and regional development. Moreover, these terms are sometimes used interchangeably. The three languages in which this report is published – English, French and Portuguese – also lack a common usage of these terms.

The concept of **region** gained notoriety with the work of Vidal de la Blache, a French geographer, for whom a region results from a historically constructed relationship between human beings and nature in a specific spatial unit (De La Blache, 1883). Today "region" is often understood as a unit of analysis or a tool for policy making or public administration (Ribeiro, 2004; Dunford, 2009). People define a region's limits depending on their own specific practices and activity (Fremont, 1976). "Functional regions" refer to the spatial unit whose boundaries are defined by the organisation of social and economic relations (OECD, 2009, 2012; EU, 2011; Cistulli et al., 2014).

"Region" traditionally means a particular spatial unit either within a country or crossing the border between two countries. However, recently it has also come to refer to spatial units that encompass many countries, on a scale between national and continental as in the case of Africa's Regional Economic Communities. **In this report, the term region refers to spatial units at the supranational, subnational and cross-border levels.**

"**Place**" usually refers to the space that people experience and involves meaning, practice and materiality. Barca (2009: 5) states that place, in the context of a development policy, refers to an area with physical continuity. In other words, in a given place similar conditions influence development, such as nature, culture and work. The word is now broadly used for development policies in the terms "place-based approaches" and "place-based policies". The term place has almost always been used in geography, but geographers began to conceptualise it in the 1970s (Cresswell, 2009).

The concept of **territory** became popular with the work of Jean Gottman, a French geographer, who defined it as the jurisdiction of a state (Gottman, 1952); However, Santos (2008: 138) claims that globalisation and the increasing porosity of national borders have modified its meaning. Territory can relate to identity, usage and belonging. It is also a space where a coalition of actors share goals (Giraut, 2008). This is the approach adopted in economic geography (Benko and Lipietz, 1992, 2000; Storper and Walker, 1989; Storper, 1997). Hence, networks of stakeholders mobilise a territory's resources and dedicate them to a project, frequently to produce goods or services but also to promote broader economic and social development (Campagne and Pecqueur, 2014). Often local, these networks benefit from strong social capital and sometimes rely on complementary skills, as illustrated by Italian industrial districts (Becattini et al., 2003). Cataia (2011) summarises the debate by saying that territory is the political dimension of geographic space.

Geographical space or simply **space** refers at once to an area and its content or can be understood as a totality. The area refers to size, distance and materiality, such as buildings and railways. The

 

Box 6.4. **Definitions of region, place, territory, space and regional development** (cont.)

content refers to the meaning that a society attributes to it. As a totality, space is a collection of places, their relationship, and their material, economic and social characteristics (Santos, 1999; Lévy and Lussault, 2009).

French and Portuguese speakers traditionally distinguish between the concepts of **space** and **territory** more so than English speakers, who use "space" more often than "territory". "Spatial planning", for example, translates into French as *aménagement du territoire* and into Portuguese as *planeamento territorial*. One exception is Harvey (2001), who distinguishes space from territory by pointing out that space is a basic category of human life, but that space becomes territory when leaders organise it to optimise economic production. Moreover, Storper (1997) argues that these concepts can help provide a response to globalisation through regional development. For instance, the European Union's "Territorial Agenda 2020" refers to the development of its "diverse regions" (EU, 2011).

Despite different definitions, **regional development** always relates to improving welfare and economic productivity in a certain region of a country (Baerenholdt, 2009: 181). The idea of regional development emerged in the framework of regional geography. Different schools of thought have since developed. François Perroux established the idea of poles of development (Perroux, 1991). More contemporary approaches base regional development on entrepreneurship, innovation and knowledge (Howells, 2009; Nijkamp and Abreu, 2009). In line with the most common usage, the English version of this report refers to regional development where the French and Portuguese versions use territorial development.

Since Africa's structural transformation is not only an economic but also a social transformation, issues of economic efficiency must be balanced with concerns for equity. Strategies for spatial inclusion must therefore complement those for regional development. Spatial inclusion is a pillar of inclusive growth, together with economic, social and political inclusion (AfDB, 2013). Growth is by nature spatially unbalanced, but it must be inclusive to be sustainable. Fostering growth requires competitive regions, and sustainable growth requires economic integration. Moreover, balancing effectiveness and equity is particularly important in the context of the demographic revolution and the persistence of spatial poverty traps (Annex 6.A2). Regional development will increase the competitiveness of regions; spatial inclusion will improve their connectivity. The approach should thus be multidimensional and participatory (OECD, 2009, 2012).

Regional development policies have been implemented in African countries at various scales (Table 6.2). The next chapters review their policy experiences in light of the structural transformation imperative, before proposing actions to improve their impact.

Table 6.2. **Simplified definitions of regional scales and policies**

| SCALE | DEFINITION | POLICIES |
|---|---|---|
| Supranational region | Territory of an international organisation (e.g. Economic Community of West African States). | Economic and social policies for integration and economic corridors. |
| National territory | Jurisdiction of a country | Policies for transfers, policy co-ordination, urbanisation, credit, education, training and health. |
| Sub-national region | Spatial unit within a country created to manage specific needs (e.g. Volta, Ghana). | Policies for services and investments in research and development. |
| | | Policies for poles of growth, for transport and communication infrastructure linking rural and urban areas, for specific resources activation, and for special economic zones. |
| Cross-border region | Spatial unit created to manage issues that cross national borders (e.g. SKBo). | Policies related to cross-border issues. |
| City or neighbourhood | A place at the scale that people actually experience. | Policies that promote the local economy, urban planning, and citizens' and local leaders' participation in and management of local issues. |

## *Notes*

1. Data on jobs are mostly inaccurate due to the limited development of formal employment and wage systems.
2. The actual share of agriculture in economies is a debated issue. The Food and Agriculture Organization's broad definition of the economically active population in agriculture includes anyone employed or unemployed and seeking work in farming, hunting, fishing and forestry. It does not take account of other activities or under-employment and therefore tends to overestimate the share of agriculture.
3. No standard definition of the "informal sector" exists, and the notion is disputed. It is usually defined relative to formal companies and self-employment. The latter are registered with tax authorities and observe rules of accounting as well as economic and social aspects of labour law related to hiring, firing, minimum wage and working conditions (Charmes, 2011). The informal sector includes in particular handicrafts, transport and small-scale trading.
4. Groups of countries were built by statistical analysis of 42 countries using regression-based agglomerative hierarchical clustering on time series data from FAOSTAT (2011) and World Bank (2014) between 1961 and 2010. Countries eliminated from the analysis are countries with too short time series and also several oil-exporting countries with a drastic evolution in GDP shares.

   The countries are classified as follows : i) *Diversifiers* : Benin, Cabo Verde, Cameroon, Côte d'Ivoire, Egypt, Mauritius, Morocco, Namibia, South Africa, Swaziland, Tunisia; ii) *Intermediate*: Botswana, Ghana, Kenya, Lesotho, Mauritania, Senegal, Sudan, Togo; iii) *Agriculturally based*: Central African Republic; Djibouti, Eritrea, Ethiopia, Madagascar, Malawi, Mali, Mozambique, Seychelles, Tanzania, Uganda, Zimbabwe; iv) *Agriculture+*: Burkina Faso, Burundi, Comoros, Democratic Republic of Congo, Guinea, Guinea-Bissau, Liberia, Niger, Rwanda, Sierra Leone, Zambia
5. Anamorphosis is the intentional distortion of a depicted object and is used in statistical cartography to highlight a phenomenon. In anamorphic maps the value of the area is replaced by another statistical value. This distorts the geometry of the map according to the weight of each variable shown but keeps the shape and relative position of each country.
6. UN demographic projections mainly distinguish between high, constant, medium and low fertility. However, the UN has constantly revised its projections upward (Guengant and May, 2013).
7. The ratio is the inverse of the dependency ratio (inactive/active) which is more commonly used. This one has the advantage of targeting active people, i.e. the activity or production dimension, rather than dependent people and their cost.
8. In China in the 1990s, there were two active people for every one inactive (2.5 today), a sharp difference with Africa at the time in terms of productive capacity and living standard improvements.
9. In the case of the East Asian "miracle", the effective realisation of such potential contributed 25-40% of GDP per capita growth between 1965 and 1990 (Bloom and Williamson, 1998; Bloom, Canning and Malaney, 2000).
10. Growth rates of the rural population are the yearly increase in rural population as a share of the existing population.
11. Mali revised the size criterion several times: until 1987, it used an urban cut-off of 5 000 inhabitants; the 1998 census used a cut-off of 30 000 and the 2009 census used a cut-off of 40 000 (McGranahan and Satterthwaite, 2014: 7). In Tanzania, estimates of the extent of urbanisation may vary depending on three definitions used by different institutions. The urbanisation rate ranges from 16.8% (using the political-administrative approach) to 22.8% (using the statistical approach) and 23.5% (using the human settlements approach). Nonetheless, when using the OECD's occupancy-density-based approach, Tanzania's urbanisation rate rises to 33.5% (Paulais, 2012: 71).
12. In a small country like Burundi, the average size of land per household used for agricultural exploitation has fallen from around 2.2 hectares in 1990 to half a hectare in 2014 (AEO Country Note). With one of Africa's lowest levels of urbanisation (11%), Burundi has 396 inhabitants per square kilometre (World Bank, 2014).
13. Europe fully benefited from its hegemony in consolidating its structural transformation, and its imperialism gave it access to captive markets with little competition. It also enabled massive European emigration to the "new worlds", helping to absorb its growing workforce, strong poverty and even starvation like in Ireland in the 1850s. Latin America and Asia relied on important state-led modernisation policies – though arguably with many variations –, with import-substitution, protection of infant industries (Evans, 1995; Amsden, 2001) and substantial support to modernise agriculture (Djurfeldt et al., 2005), particularly during the Cold War period. Strong state intervention was the rule in reaction to World War I and the 1929 financial crash until the late 1970s when economic liberalisation began, with state disengagement and the rise of globalisation (Giraud, 1996; Ha-Joon, 2002). By then, African countries were still young and had barely worked out their own plans for modernisation.

 

14. By the end of the century, the predicted rise in temperatures of at least 2° C is set to seriously disrupt land and marine ecosystems.
15. Those consequences are mostly forecast through average changes in the weather, whose variations are still poorly understood (Thornton et al., 2014), but extreme weather events such as droughts and floods will also probably have significant impacts on agricultural systems. In recent decades, unpredictable rainfall has already badly affected the Lake Victoria region, northern Tanzania, the eastern part of the Democratic Republic of the Congo, the agro-pastoral region from central Kenya to the Eritrean coast, the Atlantic coast of West Africa, and the coasts of Angola and the Republic of the Congo.
16. Forests still cover between half and two-thirds of the land available in sub-Saharan Africa, but the increase in farmland – from 200 to 340 million hectares between 1975 and 2000, a 57% increase – was mainly at their expense (Brink and Eva, 2009).
17. The mixed results of many resource-rich countries in terms of poverty alleviation and inequality (Gamu, Le Billon and Spiegel, 2015) is largely explained by poor governance and rent usage (Bhattacharyya and Collier, 2014).
18. In 2010, 326 million people, or 34.3% of Africa's total population, had a daily income of USD 2-20 in 2005 PPP, the range used to characterise the middle class in Africa (AfDB, 2011: 2).
19. Expenditure on mining exploration activity in Africa has long remained below USD 5 per square kilometre relative to an average of USD 65 in Australia, Canada and Latin America. Exploiting these resources, however, may imply trade-offs with environmental sustainability.
20. "Some 24% of the world's agricultural land is found in Africa, but it produces only 9% of global agricultural output" (AfDB et al., 2013: 136).

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## Annex 6.A1. Capturing the demographic dividend requires fast-track education policies

One important channel for the demographic dividend is fast-track, quality education policies that can accelerate the demographic transition. Fast-track education policies can contribute to economic growth by increasing activity ratios – the proportions of workers to dependants – and by upgrading people's skills (Cuaresma, Lutz and Sanderson, 2014; Lutz, Butz and KC, 2014; Basu, 2002; Abdurazakov, Minsat and Pineda, 2012). Accelerating the demographic transition will also smoothen the structural transformation of many countries.

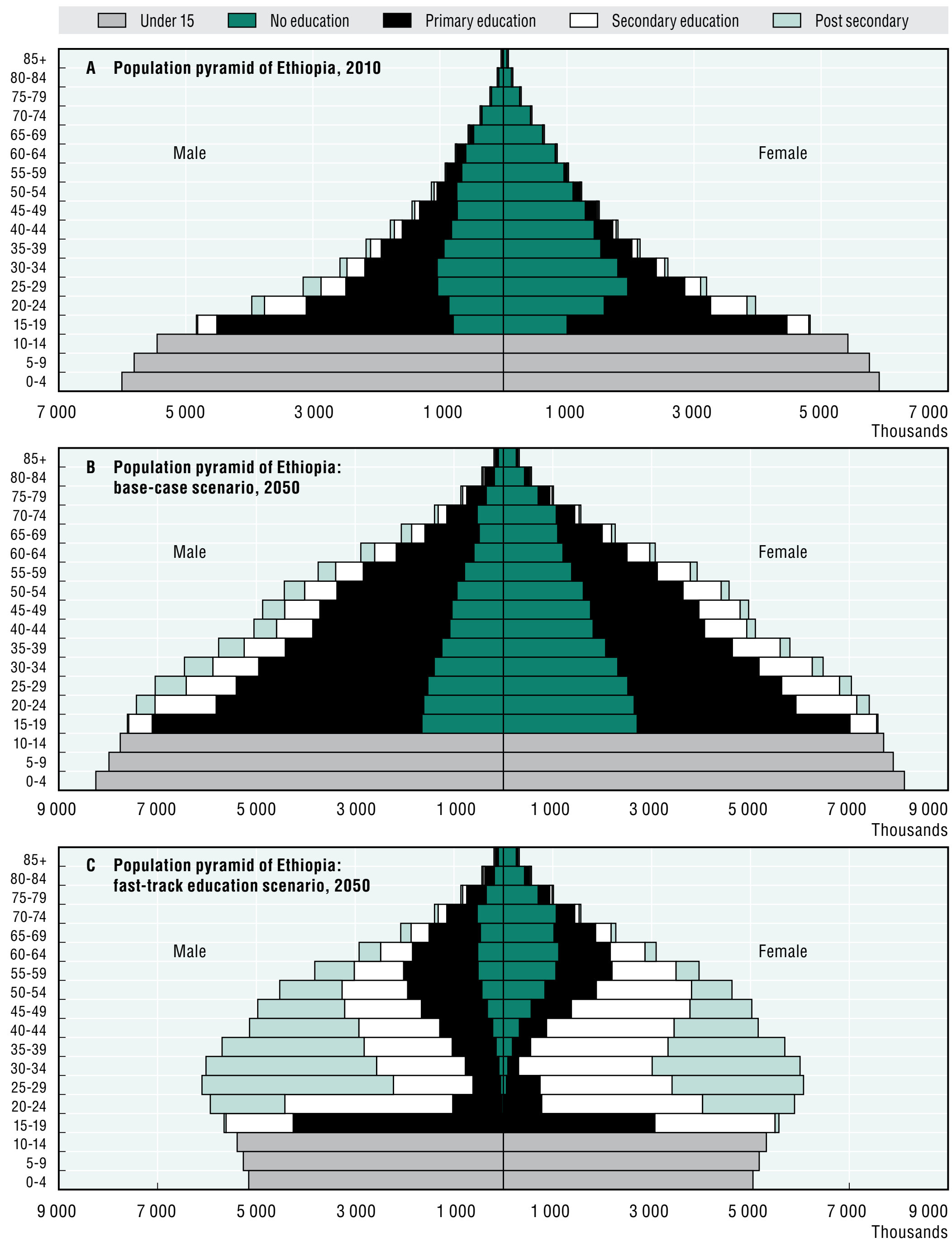
The Wittgenstein Centre has developed demographic scenarios that integrate the effect of education on fertility and mortality, among others (Wittgenstein Centre for Demography and Global Human Capital, forthcoming). The scenario based on the constant enrolment ratio, or base-case scenario, projects no quantitative educational improvements. The fast-track scenario predicts that countries will achieve ambitious educational targets consistent with the Millennium Development Goals and the Education for All initiative. This scenario assumes that countries manage "to follow the experience of nations such as the Republic of Korea and Singapore, who experienced some of the most rapid expansions in schooling in human history" (Lutz and KC, 2013: 5). Base-case implies keeping the same percentage of students in school, while fast-track increases the number of students and their level of education.

### A country scenario: The case of Ethiopia

Ethiopia would benefit from stronger education policies. The country's fertility rate was almost five children per woman in 2010. Ambitious education policies would reduce population pressure, increase the activity ratio, foster a more educated labour force and decrease gender inequality in education achievement. Figure 6.A1.1 illustrates the impacts of alternative education policies on Ethiopia's demographic structure. It compares Ethiopia's education attainment in 2010 with two possible demographic scenarios. By 2050, according to the base-case scenario, the dependent population would increase by 57%, compared with 14% in the fast-track scenario.

Fast-track education policies would favourably reshape Ethiopia's population pyramid. In 2010, Ethiopia's pyramid was triangular due to the large population of young dependents. If the country adopts fast-track education policies, by 2050 the pyramid will become dome shaped as most of its population will have reached working age. Further, 23% of the population would obtain a post-secondary education. By contrast, under the base-case policies, Ethiopia's pyramid would remain triangular, and the majority of its population would remain without secondary education. Between 2010 and 2050, Ethiopia's total population would grow from 82.9 million to either 143.9 million in the fast-track scenario or 169.6 million in the base-case scenario.

Figure 6.A1.1. **Ethiopia's educational achievement in 2010 and scenarios for 2050**



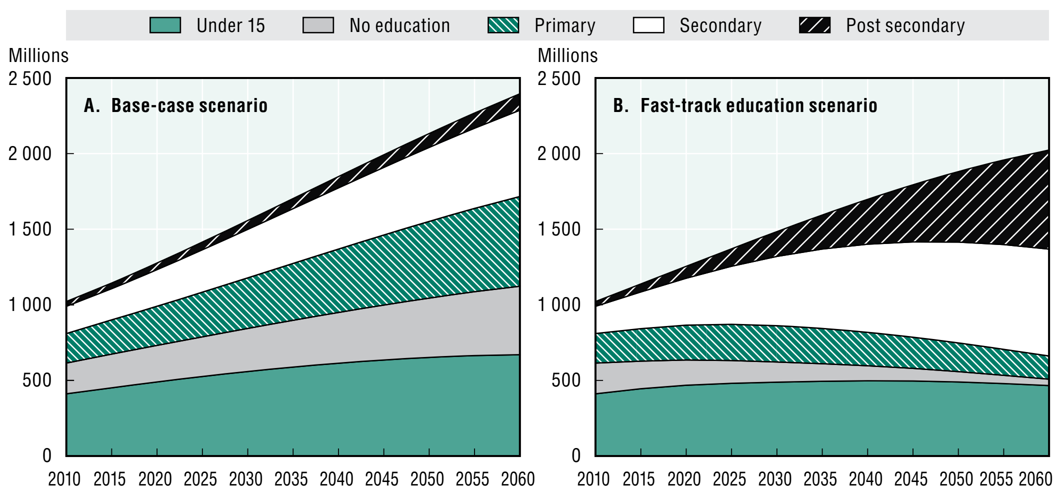

*Source*: Wittgenstein Centre for Demography and Global Human Capital (forthcoming).

StatLink http://dx.doi.org/10.1787/888933206921

## A continental scenario

At the continental level, a fast-track education scenario would expand the working-age population significantly. It would improve Africa's activity ratio by increasing the number of workers per 100 dependents from 133 in 2015 to 200 in 2050. Moreover, ambitious fast-track policies would increase the number of workers with post-secondary degrees to almost 650 million by 2060, compared with 31 million in 2010. By contrast, keeping the current rate of enrolment would leave almost 700 million people of working age with no education in 2060 and few people with post-secondary degrees. Figure 6.A1.2 shows Africa's projected education structure by 2060. It also illustrates how education policies could affect the size of the continent's population. If African governments pursue fast-track education policies, the African population will reach 1.88 billion in 2050, compared with 2.13 billion in 2050 if the enrolment rate remains constant, a difference of 250 million people.

Figure 6.A1.2. **Distribution of educational attainment in Africa: Policy scenarios, 2010-60**




*Source*: Wittgenstein Centre for Demography and Global Human Capital (forthcoming).
StatLink http://dx.doi.org/10.1787/888933206933

Korea adopted the fast-track education scenario. Since the 1960s, Korea sequenced its education policy to match the changing domestic labour demands. The first stage included expanding universal access to primary school through free compulsory education and building more schools, including in lagging areas. The programme was financed through a dedicated surtax and foreign aid which more than tripled the education budget from 4% of the government's total budget in 1954 to 15% in 1959. As the education base was gradually strengthened, the government shifted investment towards the expansion of secondary and tertiary education before investing in improving the quality of education at all levels (Kim, 2010). Throughout these periods, the government also focused on establishing and strengthening technical and vocational training to match the domestic demand for skills.

Moreover, increasing the availability and quality of education can help African countries direct their growth models towards higher value-added activities. Better quality education is linked to higher labour productivity, even when controlling for per capita income (OECD/CAF/ECLAC, 2014: 89; Hanushek and Woessmann, 2012). Improving education also means better targeting labour markets in both rural and urban areas. Post-secondary education is often too generalised and instils few of the practical skills that small businesses or self-employment require. Technical and vocational skills development plays a minimal role for the moment, though it can be an important tool especially when used in co-operation with businesses. Fewer than 5% of secondary school students are enrolled in technical and vocational programmes, and their share in educational budgets is only about 2-6% (AfDB/OECD, 2008). A much larger share of youth goes through informal apprenticeships. In South Africa, expanding vocational training could enhance the skills of 3.4 million young people, one-third of those aged 15-24, who are neither formally employed nor in education or training. At the university level, Africa has the highest share of social science and humanities graduates of any world region but the lowest share of engineers. Only 2% of students study agriculture, the same as in OECD countries, although this sector is clearly the comparative advantage of many African countries (AfDB et al., 2012).

## Annex 6.A2. Assessing spatial inequality in Africa

Available evidence suggests that Africa is the second most unequal continent in the world after Latin America (Ravallion and Chen, 2012). Moveover, high inequality seems to have persisted for over 60 years and shows no visible sign of declining (Bigsten, 2014; Milanovic, 2003). A paucity of data collected in repeated waves at the household level for many countries has prevented any systematic analysis on the underlying determinants of inequality in Africa. A recent attempt at the African Development Bank to fill this data gap resulted in a significant finding that confirmed other studies: using data from Demographic and Health Surveys from 37 countries conducted in 108 waves, Shimeles and Nabassaga (forthcoming) report that close to 40% of asset inequality in Africa is mainly due to spatial factors (Table 6.A2.1).

Table 6.A2.1. **Inequality levels in 37 African countries**

| Period | Average Gini coefficient for assets | Component due to spatial inequality | Component due to inequality of opportunities | Component due to other factors |
|---|---|---|---|---|
| Before 1995 | 0.42 | 0.37 | 0.11 | 0.52 |
| 1996-2000 | 0.43 | 0.34 | 0.13 | 0.53 |
| 2001-05 | 0.38 | 0.32 | 0.13 | 0.54 |
| 2006-09 | 0.40 | 0.34 | 0.14 | 0.51 |
| 2010-13 | 0.44 | 0.39 | 0.13 | 0.47 |

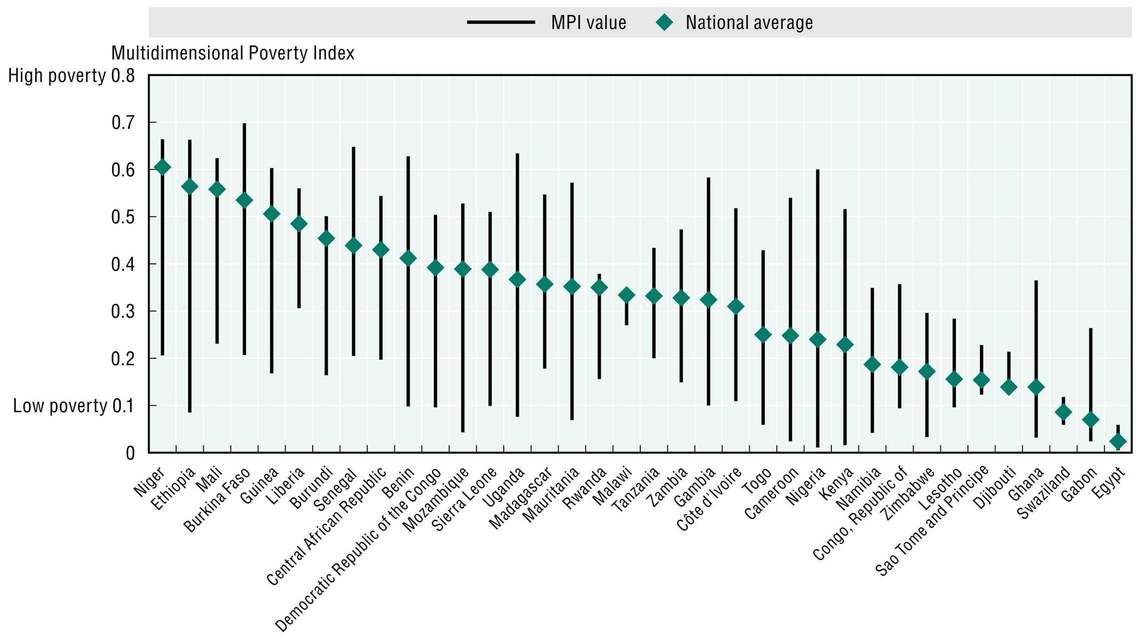
*Source*: Shimeles and Nabassaga (forthcoming).

The spatial distribution of poverty reflects the continent's regional disparities, as Figure 6.A2.1. shows. Adverse spatial features can lock some areas in underdevelopment, creating "spatial poverty traps" (Bird, Higgins and Harris, 2010). The disparities overlap with the rural-urban gap. The figure not only shows major differences between capital regions and other regions but also reveals the larger regional gap in poorer countries, such as Ethiopia, Mali and Niger. It is based on the Multidimensional Poverty Index (MPI), a composite measure of poverty headcount and poverty intensity consisting of ten indicators (e.g. electricity access, drinking water, sanitation) which estimate household hardship level (see Chapter 4).

Disparities between regions also reflect spatial disparities at national level. All 37 of Nigeria's regions have sharp MPI variations, from Lagos (0.035) to Yobé (0.635). While the 11 northern regions have an MPI above 0.4, the low-value regions with less multidimensional poverty are all in the south (between 0.050 and 0.150), where the country's large metropolitan area, diversified economic activities and oilfields are concentrated. Other countries are more regionally homogenous outside the capital region. This is the case of Mali where all regions but Bamako have MPIs between 0.44 and 0.594. Niger's regions rate similarly, except Niamey and the sparsely-populated Agadez region (0.405) where uranium is mined.

MPI data also illustrates the disparities between coastal and landlocked areas of many African countries, where the MPI corresponds to 0.23 and 0.43 respectively. In the 365 regions of 36 African countries, landlocked areas have a higher poverty headcount and intensity than the coastal areas, and the difference is statistically significant at less than 1%. The MPI says 86% of the poor (252 million people) live in landlocked areas and only 14% (41 million) in coastal areas.

Figure 6.A2.1. **Extreme and average Multidimensional Poverty Index values in 36 African countries, 2005-12**




*Note*: The Multidimensional Poverty Index ranges from 0, the lowest value, to 1, the highest. It can be decomposed by region as well as by dimension.

*Source*: Alkire, Conconi and Seth (2014).

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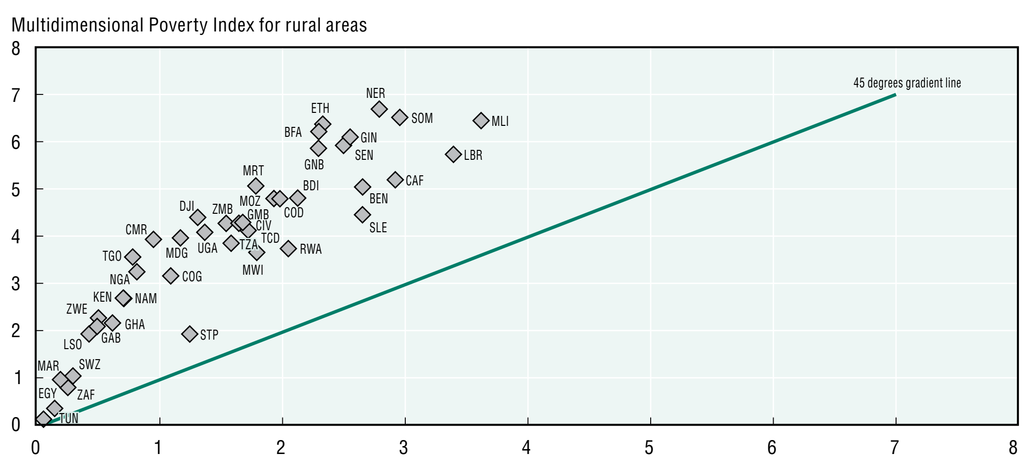
Finally, multidimensional poverty is much higher in the countryside than in urban areas, although this relationship decreases with higher levels of development. Comparable data for urban and rural poverty exist for 42 African countries: the average aggregated MPI is 0.11 in urban areas against 0.39 in rural areas, with 74% of poor people living in the countryside. Overcoming this inequality is part of structural transformation: the rural-urban gap narrows with diversification, higher productivity and better rural living standards. A few "diversified" African countries, such as Egypt, South Africa and Tunisia, have sharply reduced rural-urban disparities (Figure 6.A2.2).

Figure 6.A2.2. **Multidimensional poverty in Africa's rural vs. urban areas**




*Note*: The green line represents no rural-urban disparity in MPI values.

*Source*: Alkire, Conconi and Seth (2014).

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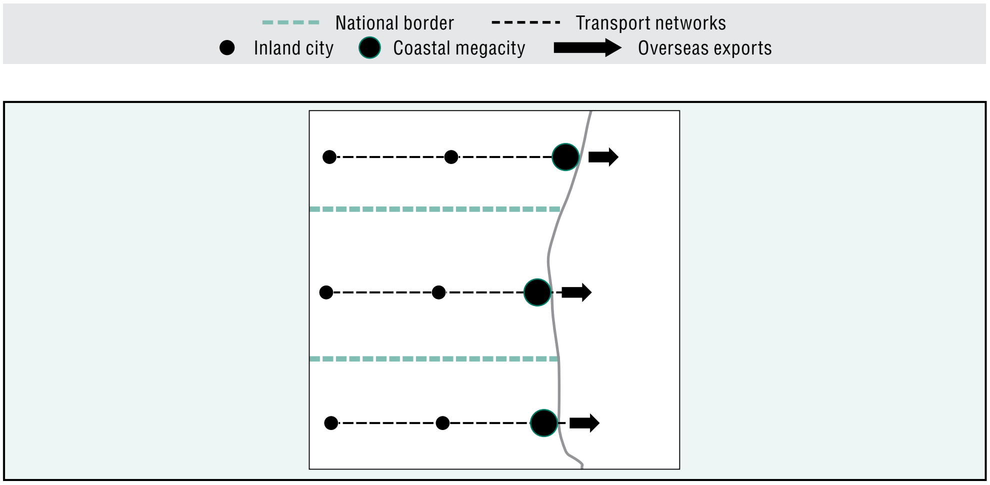
## Annex 6.A3. Developing intermediary cities can accelerate structural transformation

For many countries, in a context of regional asymmetries, accelerating structural transformation requires better connecting rural areas to urban areas. Developing intermediary cities can strengthen the links between agriculture, industrialisation and urbanisation.

### Rents have polarised spatial organisation

The colonial period strongly influenced the continent's regional configuration. Territories were largely dedicated to exploiting natural resources. Each territory built its own port to ship out commodities brought from inland by train; the port often became both the main town and a railhead. For landlocked territories, railways generally connected with the nearest colonial harbour, e.g. Ouagadougou to Abidjan or Kampala to Mombasa. The territories were oriented perpendicularly to the coast creating a "comb-shaped" structure, often dividing existing social and political entities (Figure 6.A3.1). The continent's 16 landlocked countries were thus connected to coastal regions by the "combs' teeth".

Figure 6.A3.1. **Africa's comb-shaped spatial organisation**

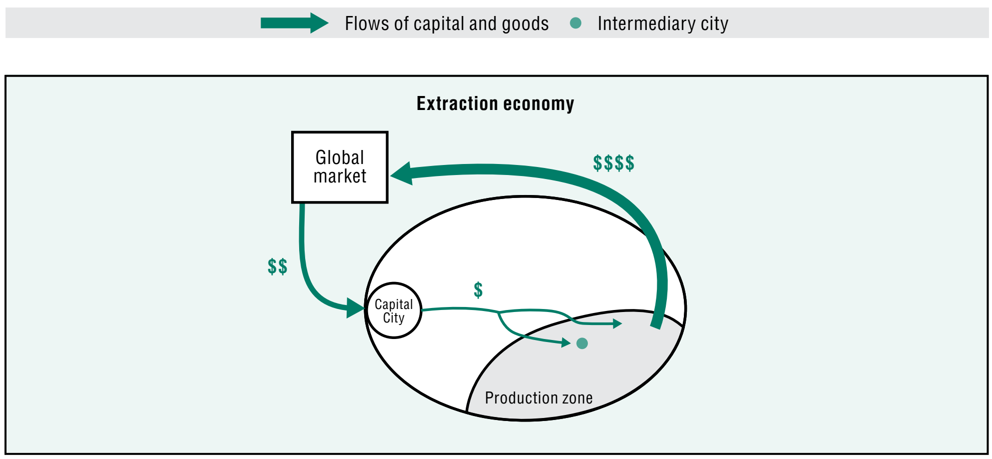



After independence, countries endeavoured to build national unity and identity by beefing up the administrative and economic functions of the capital city and expanding its infrastructure. National borders were strengthened. Some regional infrastructure was discarded: for instance, the joint railway systems shared by Mali and Senegal and by Burkina Faso and Côte d'Ivoire were divided into separate units. Education systems also were split, each new country wanting to establish its own university despite a lack of money and staff.

In many cases, the newly independent countries' strategic economic choices further fragmented the territories. Africa's integration into the world economy remained chiefly characterised by exports of unprocessed raw materials. Since extracting resources is locally based, enclaves developed, such as mining concessions and plantations.

One explanation for the slow pace of structural transformation is the persistence of rent systems that reinforced spatial polarisation. Governments have focused on capturing the rents that extracting resources generate, collecting them in the form of royalties, taxes on both exports and imports, and, according to Magrin (2013), official development assistance. This has strengthened reliance on external financing by providing an alternative to domestic resource mobilisation. Figure 6.A3.2 provides a stylised representation of the spatial consequence of this rent system: polarisation is reinforced in favour of capital cities, often the port in coastal countries, and the main business, administrative and logistical hub; regions of extraction receive few benefits; and other regions hardly benefit from redistribution.

Figure 6.A3.2. **Relationship between extractive rents and territories**



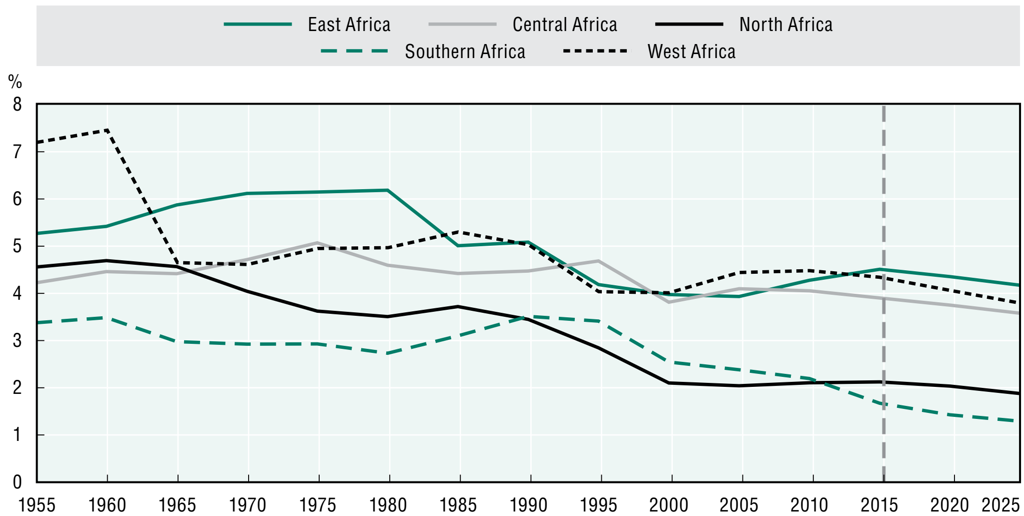

*Source:* Adapted from Magrin (2013).

## Urban growth has sharpened regional asymmetries

African cities have not sufficiently acted as a driver of structural transformation. The creation of formal employment did not keep pace with migration flows and most rural-urban migrants found jobs in the informal urban sector. African cities thus have been growing quickly and unevenly, yet urban growth is no longer soaring; it has actually slowed down sharply since the boom of the 1950s-70s. In those days, West Africa's cities grew annually up to 7.5%, but they have since decelerated to a more modest 4.3% per year between 2010 and 2015. East Africa is now growing the fastest at 4.5%, while Southern Africa's growth rate is only 1.7% (Figure 6.A3.3). The severe economic crisis of the 1980s and 1990s was a turning-point, which raises the question of urban attractiveness in a context of massive under-employment and low job creation.

Figure 6.A3.3. **Urban growth rates in Africa, 1950-2025**




*Note*: The percentages reflect the average annual rate of change of the urban population over five-year periods.
*Source*: UNDESA (2014).
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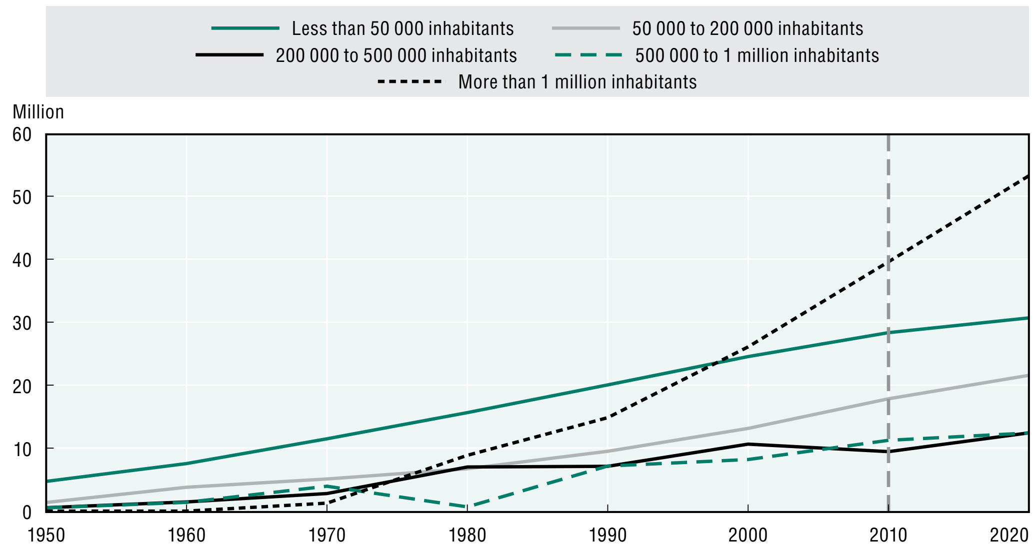
The continent's asymmetric urban systems have resulted in metropolisation and diffused local growth. In **metropolisation**, as shown by Map 4 (see at the end of Part II) urban archipelagos emerge from clusters of towns connected by road systems prefiguring future megacities (Dollfus, 1997; Veltz, 1996). These vast, multipolar areas have been arising on the coast of the Gulf of Guinea and all over Nigeria (Denis and Moriconi-Ebrard, 2009). Similar systems are developing in the Ethiopian highlands, the Nairobi-Kampala corridor, South Africa and the countries of North Africa. Some African cities are densely populated: in the built-up areas of Metropolitan Lagos, the average density is over 20 000 people per square kilometre (Lagos State Bureau of Statistics, 2005). Despite this trend, Africa still has fewer large cities than other regions of the world: the continent of 1 billion people counts about 30 cities of 1 million inhabitants, while South America has 42 for only 400 million inhabitants.

**Diffused local growth** is the second driver of urbanisation. Long-standing, large villages become rural centres and then small towns, based on their commercial, administrative or religious functions. This has happened particularly in East and West Africa where the number of towns of less than 50 000 people has grown enormously since the 1960s. In addition, improvements in infrastructure and in mobile telephony have contributed to blurring the rural-urban divide: new, short migration patterns appear – with monthly, weekly or even daily commuting – reflecting regional densities and the quality of transportation (see Maps 5 and 6 illustrating the cases of Mali and Kenya). Diffused local urban growth shows the relative stagnation of medium-sized cities; cities having between 200 000 and 1 million people seem to be missing from Africa (Figure 6 A3.4).

Figure 6.A3.4. **Urban population by sizes of cities and towns in West Africa, 1950-2020**




*Source*: AFD et al. (2009) in Imbernon (2013).
*Note*: The data covers 16 countries from West Africa.
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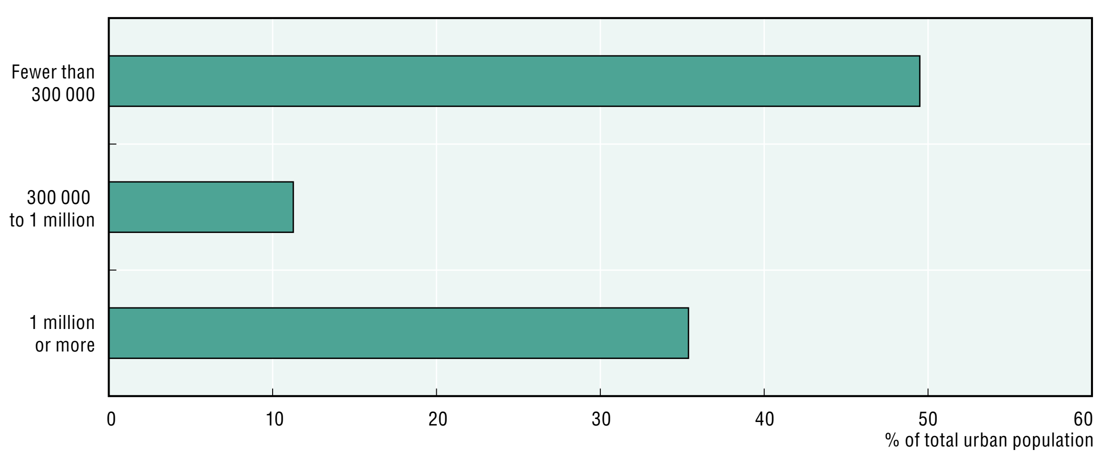
## Intermediary cities are a "missing middle"

Consolidating a system of intermediary cities would help African countries bridge their rural-urban divide and decongest megacities. Intermediary cities hold a position between primary cities and small towns; definitions vary according to population size, function and economic status. Urban agglomerations between 300 000 and 1 million inhabitants account for less than 15% of Africa's urban population (Figure 6.A3.5).

Figure 6.A3.5. **Share of Africa's urban population by size of agglomeration, 2010**




*Source*: UNDESA (2014).
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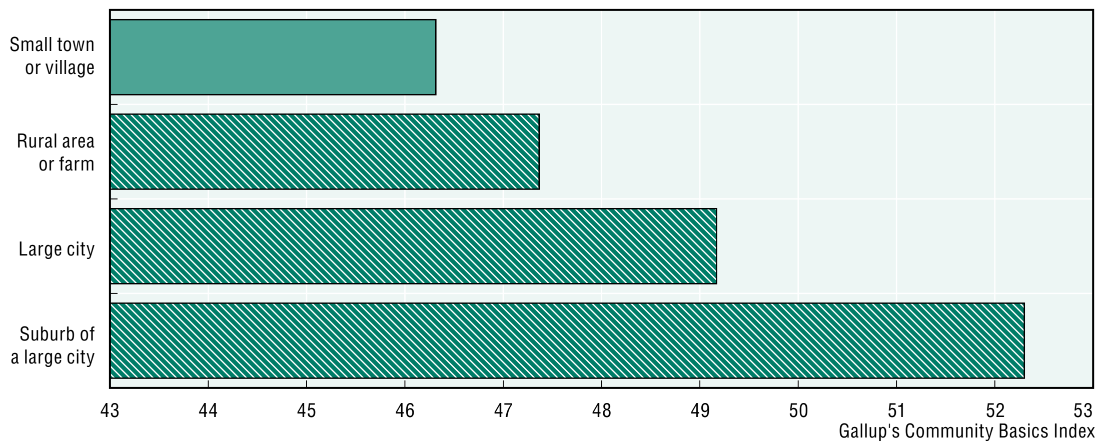
Intermediary cities are hence coined Africa's "missing middle" (Christiaensen and DeWeerdt, 2013). Intermediary cities and small towns suffer from high poverty, little investment and scant formal employment opportunities (Roberts and Hohmann, 2014). In small towns, community satisfaction with basic services such as highways, health care and education is lowest (Figure 6.A3.6). The informal sector is proportionally larger in intermediary cities than in metropolitan areas; weak capacity of municipal government also undermines the business environment.

Without adequate public goods (infrastructure, basic services, equipment) and support to entrepreneurs (facilitation, information), many intermediary cities will likely remain poorly developed. Weak secondary sectors and limited incomes translate into low local demand and low local government revenue. Urbanisation, when limited to the agglomeration of poor people without productive economic opportunities, can hardly play its part in structural change.

Figure 6.A3.6. **Satisfaction with basic community services for 42 African countries**




*Source*: Authors' calculations based on Gallup World Poll (2012).

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In their national strategies, Madagascar and Rwanda have laid plans to develop intermediary cities (Box 6.A3.1).

Box 6.A3.1. **Developing intermediary cities in Madagascar and Rwanda**

Madagascar has adopted a multi-sectoral strategy to foster regional development. The country invested in roads and water supply, as well as in vocational training, higher education, services delivery and capacity building. This has created 13 000 new formal jobs, mainly in the cities of Nosy Be and Tolanaro (Speakman and Koivisto, 2013: 97).

Rwanda is investing in intermediary cities to respond to rapid population growth. The urban population is expected to triple by 2032, from 1.7 million to 4.9 million. The government is promoting the development of six intermediary cities (Huye, Muhanga, Musanze, Nyagatare, Rubavu and Rusizi), as well as improving access to public services. Investments in four provincial industrial zones (Bugesera, Huye, Nyabihu and Rusizi) will strengthen urban-rural economic linkages and increase economic opportunities in rural areas (AEO Country Note).

## Intermediary cities provide multiple benefits

Intermediary cities have a key role to play in accelerating Africa's structural transformation:

- **They can help bridge the gap between rural and urban areas by serving as logistic points mediating the flow of goods and services** between rural hinterlands and larger cities (Haggblade, Hazell and Reardon, 2009). They open up competition in agricultural value chains that are too often oligopolistic: wholesalers and transporters make wide marketing margins at the expense of farmers, while food exporters lack appropriate storage facilities and suffer from delivery delays at ports (Rakotoarisoa, Lafrate and Paschali, 2011: 43). They can serve as markets for products from rural areas and stimulate agricultural productivity. For instance, food consumption in a West African city of 50 000 inhabitants typically reaches USD 10.35 million a year and in a city of 300 000 inhabitants USD 44.8 million (Yatta, 2006: 149). Intermediary cities can thus offset the demand for importing agricultural products (OECD, 2013: 33).

- **They can provide the economies of agglomeration necessary to develop labour-intensive industries** such as textiles and agro-processing **or services** like tourism, especially those that do not require high knowledge spill-overs (Christiaensen and De Weerdt, 2013). They can also connect a region to globalisation: Casablanca and Fez in Morocco have leveraged on their educated workforce and ICT infrastructure to become major ICT service centres. Similarly, Zanzibar City, Tanzania, has tapped into the region's cultural wealth to become an international tourist destination. Experiences from other countries show that linkages among intermediary cities can foster innovation. For example, wineries scattered around multiple smaller intermediary cities in Australia and New Zealand have actively collaborated in blending wines to produce new products of international quality.
- **Intermediary cities can leverage economies of scale to deliver public services to surrounding areas.** They can relieve megacities, which tend to generate diseconomies of agglomeration beyond an estimated threshold of 7 million inhabitants (OECD, 2006). Intermediary cities can serve as hubs providing health services and education and disseminating technology to their surrounding areas. Investing in their infrastructure reduces the incidence of people moving to primary cities for public services. A more balanced urban system prevents overstretching public services and other negative effects of over-concentration in large cities. Moreover, strengthening intermediary cities can create jobs in the non-tradable sectors of construction, infrastructure and services (e.g. education, health, security) that will expand with Africa's demographic revolution.

Intermediary cities can also efficiently alleviate poverty. In rural Kagera, Tanzania, one in two individuals who left poverty did so by transitioning from agriculture into the rural non-farm economy or intermediary cities; only one in seven exited poverty by migrating to a large city (Christiaensen and De Weerdt, 2013).

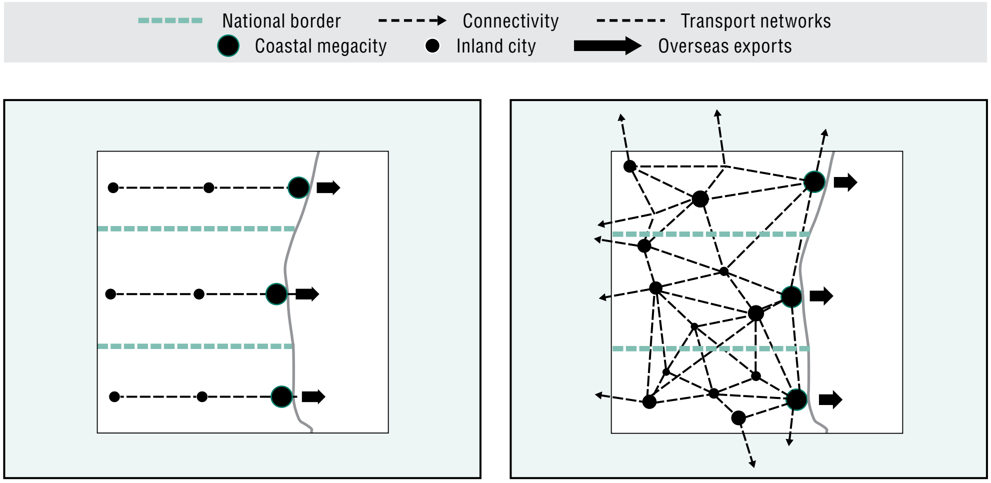
Moreover, moving to intermediary cities may entail lower migration costs than moving to more distant large cities. They offer more possibilities for circular migration and commuting for off-farm employment. Generating rural off-farm employment can reduce rural poverty by providing additional income (Owusu, Abdulai and Abdul-Rahman, 2011). It can also alleviate credit and liquidity constraints, enabling farmers to preserve their productive assets, generate stocks and stabilise their consumption (Barrett, Reardon and Webb, 2001). In India, remittances between intermediary cities and rural areas, consumption linkages, and the upward pressure on agricultural wages contributed between 13% and 25% of rural poverty reduction between 1983 and 1999 (Cali and Menon, 2013).

Developing intermediary cities would benefit endogenous development and lead to polycentric networks that value internal resources, strengthen intra-African trade and connect regions. It would help remedy the extroverted transport networks inherited from rent-based economic systems which intensify spatial exclusion. The stylised

Figure 6.A3.7 helps visualise the contrast between Africa's fragmented territories and what a polycentric network articulated around intermediary cities could look like.

Figure 6.A3.7. **Africa's fragmented territories vs. a polycentric network**




## Financing sustainable intermediary cities requires innovative solutions

Developing intermediary cities requires a systemic approach that strengthens their respective roles in the urban hierarchy. Through the process described in Chapter 8, local governments and private actors will need to identify comparative advantages and local opportunities (Table 6.A3.1). Communications and transport networks linking intermediary cities with both the rural areas and the primary cities will generate economies of scale. Central and local governments will need policies to foster trade and integrate intermediary cities into global value chains.

Table 6.A3.1. **The different urban functions of intermediary cities**

| Urban function | Description |
|---|---|
| Regional market | The intermediary city is the main location for producing and exchanging goods and services in local and regional economies. |
| Service centre | The intermediary city offers public and private services to its community and the surrounding population. |
| Regional capital | The intermediary city hosts regional or national political and administrative institutions. |
| Tourist centre | The intermediary city promotes activities linked to domestic or international tourism. |
| Communication hub | The intermediary city acts as a platform for moving people, goods and information. |
| Economic location | The intermediary city holds a strategic role in the national, regional and global economies thanks to its geographic location and development strategy (e.g. duty-free zone). |

*Source:* Adapted from Song (2013).

Intermediary cities would need to find innovative ways to cope with environmental challenges, in particular by providing essential services to the majority of the population (UN-Habitat, 2014). By devolving more taxation powers (see Chapter 8) or transferring more resources to local governments, central governments could help intermediary cities carry out the necessary infrastructure projects (Satterthwaite and Tacoli, 2003).

Investments in urban green growth can create jobs. Investing in retrofitting buildings, for example, creates jobs in construction and manufacturing without much additional cost for training. Similarly, ecological public transportation is labour intensive. Finally, the sectors of waste-to-energy and recycling can have potential for generating low-skilled or high-skilled jobs, for example in waste sorting or research and development, respectively (OECD, 2013).

Financing intermediary cities will require progressive solutions. On the one hand, efficient land-use planning will be crucial to avoid expensive re-settlement costs which currently account for up to 50% of infrastructure budgets. On the other hand, resource-sharing arrangements between cities or with businesses can lower costs, ensure better-managed services, and recover some costs of services from developers and landowners (Roberts and Hohmann, 2014: 197). Finally, local and central governments can tap several sources: central government transfers, private domestic and foreign investment, as well as remittances. In many countries, the majority of remittances go to small cities and finance their growth (Orozco, 2008; Roberts and Hohmann, 2014: 80).

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*Chapter 7*

# A critical review of regional development and spatial inclusion policies in Africa

This chapter reviews the effectiveness of various policy actions in promoting regional development and spatial inclusion. The first section looks at actions targeting specific regions and places. The next section reviews policies which have a strong territorial impact; infrastructure and decentralisation emerge as important anchors for inclusive regional development strategies. The last section stresses the difficulties for policy makers to design policies that fully address Africa's fast-changing demographic and regional realities. Traditional sectoral approaches ignore spatial dynamics as well as complementarities and trade-offs between policies. They are often based on a lack of knowledge on regional economies owing – among other things – to inadequate local statistics.

## In brief

In the past, regional development policies have been carried out in several African countries to tackle regional disparities and promote spatial inclusion. Generally, these different policies have met with little success and have been progressively brought to a halt since the 1980s. Some policy instruments continue to be applied, remain patchy and have lacked an integrated and cross-sectoral approach. In many African countries, policy instruments have been used in targeted regions and specific places. Special economic zones, economic corridors, planned cities and policies that target lagging regions have appeared across Africa. Some of these instruments have proved useful in certain conditions. However, their sum does not constitute in itself a policy for regional development.

In parallel, some sectoral national policies have had certain positive spill-over effects on territorial development. Progress in infrastructure projects, especially information and communication technology, energy, and river basins, have contributed to reducing regional fragmentation and strengthened regional ties.

Taking a step back from both these different tools and sectoral policies allows us to identify blind spots that have a negative impact on effective regional policy making. The prevalence of narrowly defined sectoral actions and inadequate statistics as well as knowledge about regions and local economies constitute crucial challenges that African policy makers will have to face.

## Certain policy instruments have helped to foster regional development in specific places, but their sum cannot in itself constitute a policy

Some African countries, especially in West Africa, developed regional policies in the past. However, these policies have had heterogeneous success for two reasons: in many cases national and local governments did not possess enough capacity to support and implement them in a sustainable way, and in other cases they designed and implemented these policies with weak or no co-ordination with other government actions. Regional policies have been generally abandoned since the 1980s in the aftermath of the debt crisis (Alvergne, 2008: 193-198). Today, some policy instruments have remained, have spread to new places or have even been influenced by successful experiences in other developing countries. However, their sum does not constitute in itself a strategy for regional development, i.e. an appropriate mix of policies, taking into account trade-offs and complementarities, and a careful policy sequencing.

Some have even argued that targeting the development of a specific geographic location is a top-down, ineffective way of spreading economic activity. However, a number of successful experiences – such as special economic zones (SEZs) in China – suggests that targeted policy instruments can be a useful component of development strategies. The track record in Africa is mixed: SEZs, economic corridors, strategies for lagging regions and cross-border initiatives may promote local development and spatial inclusion when carefully managed and tuned with the specific local context assets, maybe planned cities less so. In any case, the main weaknesses of these approaches is often that they have been led in a top-down fashion, have relied on weak institutional frameworks with limited capacity, have been weakly co-ordinated with sectoral policies with a strong territorial impact, and in some cases have actually suffered from and even contributed to favouritism. Some of these policy instruments are reviewed more in detail below.

### Special economic zones can promote regional development, but they have not created massive employment so far

SEZs are spatially delimited areas that operate under a different administrative, regulatory and fiscal environment from that of the country where they are located. They can therefore overcome investment barriers that exist in the domestic economy and accelerate industrial development and economic reforms. SEZs include export processing zones, free zones and foreign trade zones.

China's success with SEZs and its growing partnership with Africa have renewed the interest of many African countries in developing them (Chaponière, Perreau and Plane, 2013: 51-53). SEZ schemes have been introduced in Africa as far back as the 1970s, for instance in Liberia (1970), Mauritius (1971) and Senegal (1974). Today, there are about 114 economic zones in nearly 30 countries in sub-Saharan Africa: most began operating in the 1990s and 2000s (Farole, 2011: 67). Many countries have integrated SEZs into their national development plan, and some, such as South Africa, have a dedicated law for SEZs.[1]

SEZs in China have proven their potential to foster regional development. There, introducing a SEZ programme increases the level of foreign direct investments (FDIs) per capita in the zone by 112% on aggregate, whereas it diverts FDIs from adjacent zones by 33%. Moreover, concentrating investments in the SEZs speeds up technological progress and raises wages (Wang, 2013).

Many SEZs in Africa face difficulties in emulating the success of China's labour-intensive and export-oriented SEZs, though it is too early to assess them fully. Most zones typically experience a slow start of five to ten years before expanding, and they encounter numerous obstacles:

- Many SEZs face high costs of labour, input and transportation, combined with low productivity. A survey of 91 SEZs in 20 sub-Saharan countries finds they account for approximately 1 million jobs, or 0.2% of total employment (Kingombe and Te Velde, 2012). The *Zone franche* in Madagascar is a case in point: its initial macroeconomic impact was highly significant in terms of exports and employment, with a peak of 100 000 jobs in 2004 (see Chapter 3). But clothing quotas ended in 2005 and brought the experience to a halt.
- A poor national investment climate has limited foreign direct investments in SEZs (Bräutigam and Tang, 2014). Moreover, the large difference in regulations and tax regimes for export-oriented and local firms hinders linkage and industrial spill-overs. Indeed, countries like Tunisia encounter problems in creating more social benefits from their offshore sector (AfDB/OECD/UNDP, 2014: 78).
- Other objectives can deeply interfere with economic considerations and influence the design of zones. For example, in the United Republic of Tanzania, political demands influenced the government's decision to allocate one SEZ per region despite the risks of oversupplying industrial space, crowding out private investments and taking on further expense such as payments of land compensation (Farole, 2011). Moberg (2014) also highlights the risks of resource misallocation and rent-seeking in SEZs that lack strong government institutions.
- Some SEZs face bottlenecks due to a narrow economic focus on their design and a lack of co-ordination and alignment between policies, i.e. the underestimation of the intrinsic multi-dimensional nature of place-based actions. In Lesotho, where zones have generated relatively large employment opportunities, the local social infrastructure has not kept up with the mass influx of workers (Farole, 2011: 99).

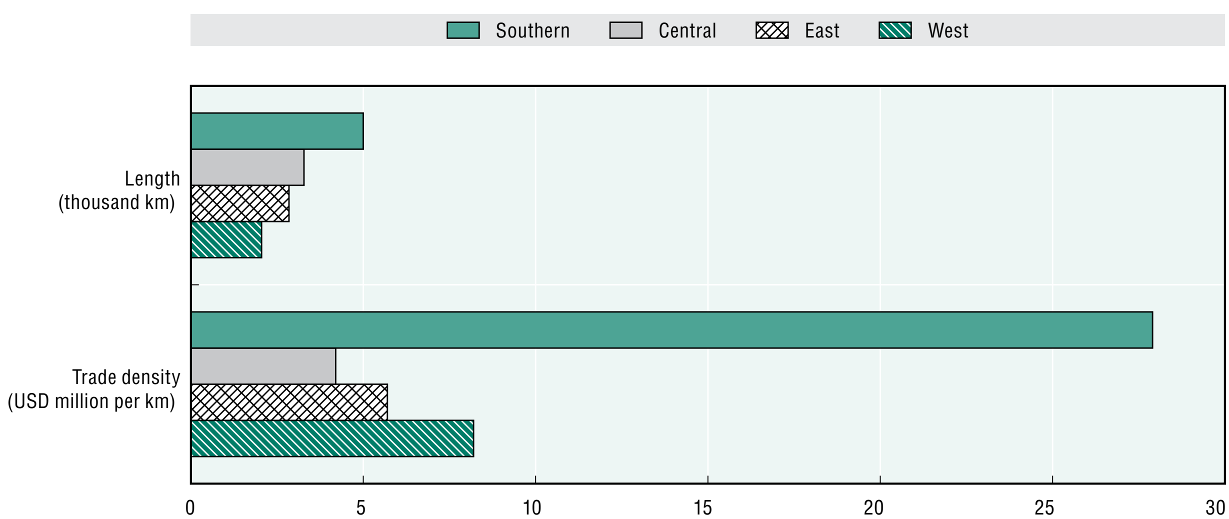
Lessons from China show that "special economic zones bring growth if they exploit advantages in natural and economic geographies" (World Bank, 2009: 254). Proximity to large urban agglomerations, coastal areas and good infrastructure therefore allow for dynamic SEZs.

## Experiences of economic corridors in Africa have been successful in some cases

Economic corridors aim to build industrial and social facilities along with soft and physical transport infrastructure to develop adjacent regions. They often do so through public-private partnerships. Economic corridors are thus a key component in tapping the potential of regions, especially where they harness the spill-over effects of investment in extractive sectors.

Several countries have identified economic corridors as a major component of their regional development strategy (AEO Expert survey, 2015). Those in Southern Africa are the most advanced in terms of both length and trade density (Figure 7.1). The Maputo Development Corridor links South Africa's Gauteng region to Mozambique's deepwater port in Maputo; launched in 1996, it improves infrastructure along 500 kilometres of road and rail and simplifies regulatory requirements for border crossings and modal switches. The more recent Trans-Kalahari Corridor provides a direct route from Walvis Bay and Windhoek in central Namibia through Botswana to Johannesburg and Pretoria. Tanzania's Southern Agricultural Growth Corridor (SAGCOT) focuses on agriculture and small-farm holders through an innovative risk-sharing mechanism using public-private partnerships. Smaller countries have leveraged on their strategic geographical position to structure their main economic activities along major corridors, such as the Mbabane-Manzini Corridor in Swaziland. Other examples include Kenya's Northern Corridor and the Abidjan-Ouagadougou Corridor.

Figure 7.1. **Length of and trade density on transport corridors in sub-Saharan Africa, 2009**




*Source*: Teravaninthorn and Rabaland (2009).
StatLink http://dx.doi.org/10.1787/888933207005

Economic corridors can cut trade costs and increase efficiency by expanding markets. Outside the corridors, traders in landlocked countries bear inventory costs that exceed 10% of the goods' value due to transport disruptions (World Bank, 2013). Reducing inland travel by one day can increase exports by 7% – equivalent to decreasing all importing-country tariffs by 1.5 percentage points (Freund and Nadia, 2010).

However, careful planning is required as corridors can create "tunnel effects", vacuuming surrounding areas and excluding regions that lack strong competitive advantages (Losch, Magrin and Imbernon, 2013). Economic corridors can wipe out local firms that could be competitive by adjusting their operations but are not fully aware of the consequences and functioning of the corridor (Lafourcade and Thisse, 2008: 28). For instance, the Maputo Development Corridor has raised concern since it opens South African industry to foreign competition without adequately preparing the affected regions. In addition, Tanzania's SAGCOT has been criticised as "externally driven" to the benefit of elites and outsiders without real involvement of stakeholders such as the Ministry of Agriculture; the corridor is likely to exclude 90% of small-farm holders (Byiers and Rampa, 2013: 15).

The following are important aspects to take into account when considering corridors for regional development:

- the number and size of the economies at both ends and along a corridor
- the level and type of demand for a corridor
- the degree of alignment of policy objectives and tools, both within and between the concerned countries and the objectives of the corridor itself
- the mechanisms to increase linkages between a corridor and local areas, for instance through feeder roads, energy connections and services provision (Byiers and Vanheukelom, 2014; Byiers and Rampa, 2013; Jourdan, 2011).

### Planned cities and poles of growth help to balance urban networks but need to be embedded in spatial inclusion policies on a broader scale

Planned cities can help balance networks of cities, promote regional centres of growth and decongest megacities. Historical examples include urban development along the American frontier by the colonial settlers in the United States or Brazil's construction of Brasilia or the planning of secondary cities in China. Nearly all African countries have conducted urban planning by promoting the development of cities within new districts. Many countries have planned their city networks to a large extent: for example, South Africa has balanced its urban network, with Cape Town as the legislative capital, Pretoria the administrative capital and Johannesburg the business centre.

Based on regional planning goals, "new cities" can be created *ex nihilo* or from a small urban agglomeration (Losch, Magrin and Imbernon, 2013). Several countries have planned secondary cities to set up new poles of regional growth, though with uneven success:

- **Togo** created a new region, Kara (the home region of the late President Gnassingbé Eyadéma), as a second pole of development to counter the extreme spatial inequality between the richer coastal south and the rest of the country. However, this centrally designed policy did not consider local specificities. For instance, large sums were invested to develop Kara's textile industry, but cotton production remained marginal (Nyassogobo, 2010: 94).
- **Angola** recently built a large housing development in Kilamba 30 kilometres outside Luanda. The purpose was to decongest the capital and meet the national commitment to build 1 million new housing units. The top-down nature of the project prevents it from taking account of actual housing demand: the units' price tags of USD 120 000 and USD 200 000 were far beyond the reach of the population. The city was a ghost town until the government agreed to provide subsidies to cut the prices by up to half (McClelland, 2013).[2]
- **Egypt** has built more than 20 new cities since 1974 to decongest the capital Cairo. New town developments accounted for 22% of investment by the Ministry of Infrastructure between 1997 and 2011 (World Bank, 2009: 224). They focused on attracting investment, unfortunately ignoring accessibility and local services. The new cities did not attract more than 1% of the population and Cairo remains congested. In March 2015, the government announced plans to create a new administrative capital within the next five to seven years (BBC, 2015).

Several countries have created new capitals, some of which now exceed 1 million inhabitants. While this approach carries potential for better regional development, it has not always been multidimensional, participative or inclusive:

- In 1958, **Mauritania** built its capital, Nouakchott, for an expected capacity of fewer than 15 000 inhabitants. It has grown more than 9% annually since 1950 and is projected to reach almost 1 million inhabitants in 2015 (UNDESA, 2014). Its high population density leads to severe congestion (Pazzanita, 2008: 369).
- In 1973, **Tanzania** transferred its capital to Dodoma, a planned city in a more central location, in order to balance regional development. However, many of the original government offices remain in Dar es Salaam, thus increasing the cost as the government is run from both cities (Mosha, 2004).
- In 1983, President Houphouët-Boigny made Yamoussoukro (his birthplace) **Côte d'Ivoire's** new capital, moving the parliament and the administration from Abidjan. The project drew criticism as Yamoussoukro hosted colossal construction projects, while the country trailed behind on human development indicators. The progressive take-off of the new capital was extremely slow.
- In 1991, **Nigeria** officially moved its capital from Lagos to Abuja. While the move proved particularly challenging, shifting the administrative functions away from Lagos ultimately enabled Nigeria to alleviate the increasing demands on public services in the already crowded coastal city (Alvergne, 2013).
- At the time of writing, **Equatorial Guinea** is building a new capital, Oyala, to create a new pole of growth on the mainland. The project is expected to create new road systems, administrative buildings, social infrastructure and major residential areas by 2020 in a new city for 200 000 inhabitants – moving about one-eighth of the country's population. Concerns have been expressed over social and environmental impacts (Sackur, 2012).

The mixed record of planned cities is largely explained by the fact that they often do not aim to increase spatial inclusion or promote regional development. In fact, planned cities have sometimes worsened spatial exclusion *de facto* or deliberately (Box 7.1).

### Box 7.1. **Regional development policies and inequalities**

While traditional sectoral policies greatly risk being captured by the vested interests and rent-seeking behaviour of the elite, regional development instruments, when poorly designed and implemented, may further induce inequalities. In some countries, the biases of urban elites may leave rural areas neglected (World Bank, 2009: 222). In others, a pro-rural bias may entice policy makers to limit urban expansion (Yatta, 2015). Sectoral policies may also favour regions that boast better infrastructure, thus contributing to the spatial exclusion of less developed regions and undermining national cohesion.[3]

Policy choices may also reflect preferences to invest public funds or channel donor aid to their regions of origin of influential policy makers (Posner, 2005: 96). Regional favouritism is widespread in many African countries (Edgerton, 2002; Meredith, 2005). It has been an important driver of regional inequality:

- Hodler and Raschky (2014) find that, in a sample of 126 countries (42 in Africa), the birth region of the current political leader emits more light at night than other subnational regions, indicating greater economic activity.
- Burgess et al. (2014) reveal that road investments in **Kenya** are disproportionately allocated to its presidents' district of birth and to regions where their ethnic group prevails. Kramon and Posner (2014) observe similar results for other distributive policies in Africa.

Box 7.1. **Regional development policies and inequalities** (cont.)

- Sommers (2005) reports that government practices and international agency actions have exacerbated **Burundi**'s unequal distribution of resources across provinces, which were inherited from the colonial era. This increase in inequality leads to visible disparities between provinces, clans and ethnic groups.
- In **Tunisia**, regional disparities aggravated by national policies were one of the factors that led to the Arab Spring (AfDB, 2012: 12).

## Spatially targeted policies can help lagging regions

Targeted policies for improving welfare in lagging areas have been criticised for making inefficient and costly investments that build "cathedrals in the desert" (World Bank, 2009: 231). However, in fragmented countries, spatially targeted actions may be one of the few policies to increase lagging areas' connection to markets, provide indispensable services, mobilise un-tapped resources for development, reinforce human capacity and strengthen the sense of belonging to the national community. In particular, countries with areas that face high levels of spatial inequality and demographic growth need actions to address lagging areas. Present targeted policies include the following:

- **Ethiopia**'s Ministry of Federal Affairs co-ordinates multi-level government efforts to strengthen peace and security by ensuring equitable development between regions. In the past two decades, resources have been provided to subnational levels of government using a grant sharing formula under right and equity considerations (PRDP, 2007).
- **Ghana** created the Savannah Accelerated Development Authority to transform its northern savannah ecological zone where 80% of the population live in poverty. The programme focuses on modernising the agricultural sector and promoting mining and tourism.
- **Mali**'s Accelerated Development Programme for the Northern Regions seeks to alleviate the country's food crisis and reconcile its conflict-ravaged region. It focuses on strengthening institutions, the rule of law and accountability to citizens.
- **Uganda** established the Peace Recovery and Development Plan to bridge the gap between the post-conflict Northern region and the rest of the country. By 2010, up to 7 900 hectares of land were given over to agriculture, while 670 kilometres of feeder roads were rehabilitated and about 360 kilometres of community access roads constructed. The government has established subnational ministries for disadvantaged areas suffering from the legacies of the war, including Bunyoro and Karamoja. A new phase of the plan will focus on the transition from recovery to sustainable development (AEO Country Note).

Dedicated strategies can help lagging regions unlock their potential, but they must progressively develop local resources and endogenous development processes, including by attracting foreign direct investment and exploiting their backward and forward linkages. Mere compensations of regional inequalities by means of temporary subsidies seem often associated with poor or negative results, engendering assistance, dependency and even corruption (Box 7.2). Improving service delivery encourages the young and educated to participate in the local economy. Better education and health systems also result in a more productive workforce, and connective local infrastructure reduces the costs of transportation and economic transactions.

Box 7.2. **Why some resource-rich regions are lagging behind**

Regions that are rich in natural resources may fail to develop owing to limited technological progress, "lock-in" in productive specialisation, declining productivity and competition of rival groups over rents. Abundant resources can intensify the "reward" for controlling such institutions (Acemoglu and Robinson, 2013).

Rents from natural resources provide leeway to develop a patronage system that strengthens extractive institutions (Robinson, Torvik and Verdier, 2006). Rents are typically transferred to elites in leading areas, such as capitals. Local patronage can thus undermine national cohesion. In Cameroon, new-found oil raised economic growth at an annual average of 9.4% from 1977 to 1986, followed by decades of economic decline (Acemoglu and Robinson, 2015). Similarly, in the DRC, the Kantaga region has been marred in poverty, political instability and wars in spite – or because – of its wealth of mineral resources such as bauxite and uranium (Wrong, 2000).

Transparency and accountability are key to combatting some aspects of the political economy of the "resource curse" (AfDB et al., 2013). Publishing information on revenues and expenditure of resource rents can enable citizens to fight corruption and rent-seeking, for example through the Extractive Industries Transparency Initiative (EITI). To channel resources back to local communities, governments can dedicate a tax to resource production for regional development. They can also encourage local production to provide jobs and create linkages with the local economy.

## Some multi-sectoral cross-border initiatives boast best practices

River basin co-operation for developing communities that share transboundary water lends itself to multi-sectoral approaches. The Senegal River Basin Development Authority (OMVS) has become an international best practice for cross-border regional integration. Since 1972, Mali, Mauritania and Senegal, and later Guinea, have managed the Senegal River together to produce and distribute energy, facilitate irrigation and improve navigation. The dam in Mali produces energy that is distributed equally among the participating countries (Sy, 2009: 182).

The International Commission of the Congo-Ubangi-Sangha Basin (CICOS) created a uniform river regime for the Congo basin in 1999 between Cameroon, the Central African Republic, the Republic of the Congo and the Democratic Republic of the Congo (DRC). CICOS promotes transportation on the inland waterways and manages the sustainable use of water in the region.

The Nile Basin Initiative has not been as successful. In 1999, Burundi, the DRC, Egypt, Eritrea, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda sought to co-ordinate economic development in the river basin to ensure sustainable water use. However, six upstream states signed an agreement in 2010 to draw more water from the Nile for irrigation and hydroelectric plants, despite disagreement from downstream countries.

Other multi-sectoral, cross-border initiatives are promising but few. For example, Nigeria pioneered cross-border strategies for local development by setting up bilateral agreements with its neighbours in 1988 to address problems together, as well as to maximise joint benefits. In 2002, Malian president Alpha Omar Konaré created the concept of *pays-frontière*, which refers to at least two countries that share borders and socio-cultural and economic links. The objective behind the concept was to build common management systems among neighbouring regions (Diarrah, 2002: 6). Box 7.3 provides examples of such cross-border initiatives.

Box 7.3. **Best practices of multi-sectoral, cross-border initiatives in West Africa**

West Africa boasts a number of successful cross-border initiatives fostering regional development, including these two.[4]

ECOWAS launched a cross-border co-operation programme for the region known as **SKBo**, where communities from different nationalities share schools, health centres and rural radio stations. SKBo covers – and is named after – the cities of Sikasso (Mali), Korhogo (Côte d'Ivoire) and Bobo Dioulasso (Burkina Faso). These are intermediary cities whose economies are mostly based on managing rural production. Today their main economic activities are large-scale cotton production, gardening, arboriculture and produce, especially cashews, citrus fruits, potatoes and mangos. To increase productivity, SKBo promotes animal traction, agricultural inputs (i.e. through a pesticides programme and a seed, fertiliser and feed programme) and coaching of farmers. Trade is at the heart of SKBo, respecting the major trade routes' traditional link to cultural and religious identities. SKBo has diversified rural production and increased profitability and trade by building on local identity and the natural characteristics of the land (AEBR, 2012).

**Regional Park W**, a natural reserve, is jointly managed by Benin, Burkina-Faso and Niger through the Protected Ecosystems in Sudano-Sahelian Africa programme (ECOPAS) since 2001 (Igue and Zinsou-Klassou, 2010: 17). The park is the last Savannah wildlife protection area in West Africa. ECOPAS aims at preserving biodiversity, offering vocational training to indigenous people and providing advice to local communities. The programme has triggered economic activity through eco and cultural tourism, creating jobs for the preservation and maintenance of the park. ECOPAS has also fostered micro-projects in the areas surrounding the park, e.g. planting indigenous trees and managing water resources (SWAC/OECD, 2005).

## Certain policies can have a strong territorial impact but cannot replace regional development policies

Regional policies do not work in isolation. They should be co-ordinated with a wide range of policies that strongly affect the development of places (regions, local areas, transborder regions, etc.) by structuring mid- and long-term development options. In fact, while sectoral policies implement standards decided nationally in place-blind ways (at least in theory), regional policies are context specific and should optimise local specific assets and improve the local quality of life by fine-tuning the overall local and national policy making.

Most countries throughout the world, as well as international organisations, divide responsibilities only by sector. Ministries of education, health, infrastructure, finance, planning, environment, agriculture and others are each in charge of their respective affairs throughout the territory. Similarly, donor administrations and their funding projects are organised by sector. While efficient in organising policies, the sectoral lens can hamper effective problem-solving and regional development:

- Sectoral policies alone do not directly connect the different dimensions of development, spaces or stakeholders they affect. In particular, they tend to overlook local knowledge, aspirations, resources and dynamics. A case in point is the difficulty of including the "informal economy" in employment strategies typically geared toward the "formal economy" (AfDB et al., 2012).
- Sectoral ministries may intervene along administrative boundaries, instead of focusing on the functional areas where socio-economic activities actually take place.

- Without close co-ordination, top-down sectoral policies may result in the duplication of projects, which consulting with local communities could prevent. Policies by one ministry may offset the actions of another ministry.[5] Inter-ministerial competition further impedes co-ordination.
- Sectoral lenses tend to limit action to a few specific tools, regardless of the complexity of problems. For instance, a study showed that out of 30 African countries having prepared a Poverty Reduction Strategy Paper (PRSP) with support from the International Monetary Fund and the World Bank, only three African countries – Djibouti, Guinea and Senegal – have urban strategies with relatively well-defined budgets. Most African countries' PRSPs are structured around the themes of governance, economic growth and infrastructure (Paulais, 2012: 75).

Promoting a regional approach and developing regional strategies is a way to "decompartmentalise" existing policies in order to tap the full potential of African regional resources and spatial dynamics (Losch, Magrin and Imbernon, 2013). The New Partnership for Africa's Development has engaged in that direction with the launch of its new Rural Futures programme which aims at reconnecting rural and local development within a regional perspective for fostering Africa's structural transformation (NEPAD, 2010).

However, given that Africa had a short season of regional policies and that initiatives such as the Rural Futures programme are at their initial stage, one may ask: did governments at least improve those sectoral policies that have strong territorial impact, preparing the ground for a more strategic action at local and regional levels? The next section addresses two of the most relevant such policies in terms of territorial impact: infrastructure and decentralisation.

## Infrastructure must be developed faster to reduce regional fragmentation

Infrastructure expansion is key to fostering regional develoment and spatial inclusion (AfDB, 2014). Development efforts have taken place in various sectors, with initiatives in the transportation sector and in information and communication technologies and energy policies.

In order to consolidate the numerous continental initiatives into one coherent scheme, the Programme for Infrastructure Development in Africa was established in 2010. It is led by the African Union Commission, the New Partnership for African Development Secretariat and the African Development Bank. Together they developed a vision and strategic framework for the three key sectors below.

The Africa Infrastructure Country Diagnostic (2011) estimates that addressing Africa's infrastructure needs will require USD 93 billion a year, and the funding gap stands at USD 31 billion a year (Foster and Briceño-Garmedia, 2010).[6] Resource-rich countries can leverage on rents to finance these projects, but many governments, especially those in fragile states, may not be able to.

### Transport networks can contribute to strengthening the connections between regions

In the transportation sector, efforts have focused on improving corridors, ports, railways and air transport. Transnational corridors have been expanded to connect the hinterland with international ports, such as the nine corridors within the Trans-African Highway project led by the United Nations Economic Commission for Africa, the African Development Bank and the African Union. Efforts have been made to reduce transit procedures, corruption and delays. The 44 countries that liberalised their air routes following the 1999 Yamoussoukro Decision have increased departure frequency by 40% compared to those governed by restrictive regimes (Abate, 2013). Overall, 60% of the 37 African countries reviewed by the World Bank's Logistic Performance Index improved their performance between 2010 and 2014.

Upgrading transport infrastructure for regional development remains a challenge. Centralised networks, where traffic connects to a few main hubs, have been established only in North and Southern Africa (Ranganathan and Foster, 2011). Operating and maintaining sub-Saharan Africa's existing transport infrastructure will require USD 9.4 billion a year, in addition to USD 8.8 billion a year in capital expenditure (Foster and Briceño-Garmendia, 2010: 7).

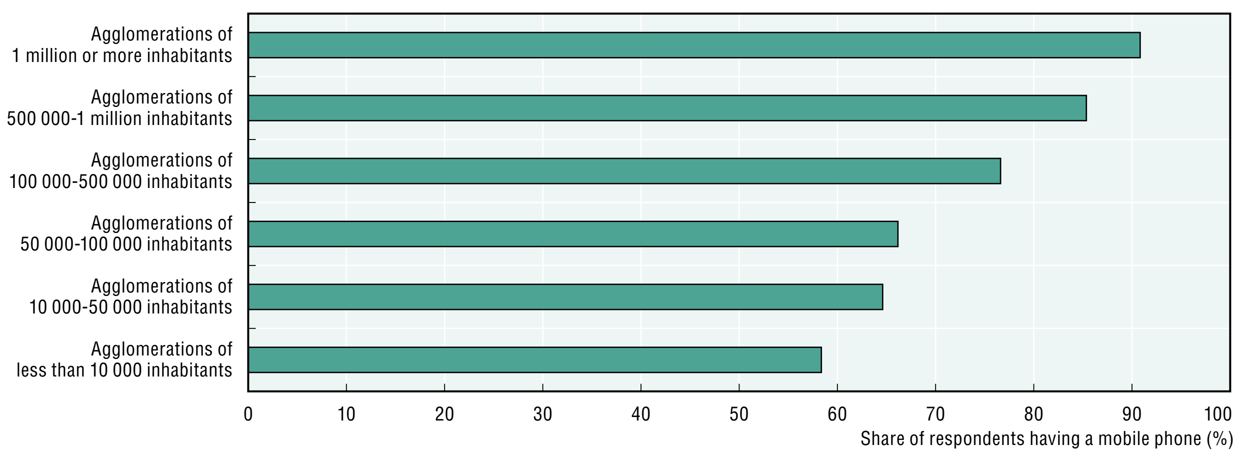
### Information technology infrastructure has developed quickly

Africa's infrastructure for information and communication technologies has progressed rapidly (AfDB et al, 2009). Governments have signed international agreements to reduce roaming charges, including Kenya, Rwanda and Uganda in January 2015.

At the regional level, expanding broadband Internet access to landlocked countries remains the biggest challenge. It requires adding cross-border connections with coastal countries.

Access to mobile phones is comparable to that in other developing regions, although there is a large disparity between Africa's large urban agglomerations and its more dispersed areas. The continent is leading globally in the use of payment by mobile phone. Results from the Gallup Poll show that access to mobile phones typically decreases in less populated areas (Figure 7.2).

Figure 7.2. **Access to mobile phones by population size of agglomerations in Africa**




*Source*: Authors' calculations based on Gallup World Poll (2013).
StatLink http://dx.doi.org/10.1787/888933207010

### Despite a number of initiatives, energy co-operation remains limited

In the energy sector, countries developed transnational infrastructure in three main ways:

- **Energy interconnection programmes** aim to pool various energy markets in order to cut costs, equalise loads and increase stability through expanded market size. They include the Western Power Corridor electric interconnection between Angola, Botswana, the DRC, Namibia and South Africa; the West African Gas Pipeline connecting Benin, Ghana, Nigeria and Togo; and the Benin-Ghana-Nigeria-Togo electricity interconnection.

- **Power pools** have emerged to make electricity more accessible to rural communities and co-ordinate the development of electric power. They are mainly in Southern and West Africa, as well as in the Common Market for Eastern and Southern Africa. COMESA, the Central Africa Power Pool and the *Comité Maghrébin de l'électricité* have set up common power grids and electric markets.
- The Economic Community of West African States (ECOWAS) and SADC have launched **capacity building and facilitation projects** for energy infrastructure. The Eastern African Power Pool and the Central African Power Pool are planning similar programmes.

Despite this progress, regional energy co-operation remains limited:

- Its **potential has been unequally tapped**. The Southern Africa Power Pool accounts for the majority of electricity trade in sub-Saharan Africa at 5.3 terawatt hours of electricity traded in 2012-13 (SAPP, 2013). South Africa exports enough energy to meet almost all of Botswana's demand and nearly half of Namibia's. Electric power trade is also growing between Côte d'Ivoire and Ghana, Kenya and Uganda, and Djibouti and Ethiopia.
- **Infrastructure for transmitting electric power remains underdeveloped** even in the Southern African power pools. In other regions, the restricted capacity to generate electricity and lack of financing prevent regional networks from expanding.
- **Lack of co-operation** among state utility companies severely hampers intra-regional electricity trade as it can affect the reliability of the supply, thus posing problems for the importing countries that depend on it (IEA, 2014: 180).
- **Political instability** threatens the development of infrastructure and necessitates better co-ordination among the energy-sharing countries to ensure supply. The West African Gas Pipeline to Benin, Ghana and Togo was closed for almost a year due to a pirate attack in 2012.

### Box 7.4. **Expanding electricity and water access to poor areas**

Many African countries have successfully implemented plans to supply electricity to poor households and regions. For example, Côte d'Ivoire increased the share of its rural population that has access to electricity from 29% in 2012 to 37% in 2013 (AEO Country Note). Some countries, including Botswana, are experimenting with renewable energy sources such as solar to provide electricity to remote areas at lower cost. Nevertheless, there are concerns that countrywide programmes should be more inclusive: the richest income quintile captures about 45% of direct energy subsidies and the bottom quintile only receives 8% (IMF, 2013). Universal programmes that provide subsidies for utility usage only apply to users that already have access and exclude the poor in areas without coverage and those that cannot afford the connection charges.

Niger's *branchements sociaux* (social connections) programme begun in 2002 is an example of an African programme targeted for the poor. The programme subsidised water connection for eligible households in poor urban areas based on housing characteristics. The programme proved a success as take-up rates met the five-year plan's objectives in only a year and a half (Tsimpo and Wodon, 2009).

Other African countries such as Mozambique and Zambia are looking to replicate Brazil's "Light for Everyone" programme (see Chapter 8). The programme has waived the cost of installing electricity for poor consumers through subsidies from private companies and has allowed the government to expand energy supply to 15 million people throughout the country.

## Political, administrative and fiscal decentralisation are evolving and hold the potential for promoting inclusive regional development

Better mobilising local resources to accelerate the structural transformation of African countries requires efficient and effective locally based policy making. The extent to which governance systems empower local stakeholders therefore matters for regional development and spatial inclusion.[7] Most experts surveyed for the AEO view decentralisation as one of the policy areas with the largest potential to foster regional development.[8] Indeed, decentralisation finds a large consensus, especially as a means to improve access to basic services (Ahmad et al., 2005). Decentralisation has different meanings: this report understands it as a process for empowering local actors, containing the rent-seeking behaviour of the elite and transferring powers and resources from the central government to lower levels.[9] Effective decentralisation comprises three parts: political, administrative and fiscal. This section shows that, in most African countries, fiscal decentralisation has not been achieved to the same extent as political decentralisation, thereby limiting the potential of local communities to mobilise their economic potential.

### Most central governments have adopted political decentralisation

**Political decentralisation** occurs mostly in the form of organising local elections and transferring responsibilities to local governments in order to hold local decision makers accountable (Elroy Africa, 2012: 18). In most countries, the number of subnational entities has grown substantially since the 1990s, and the whole territory is now organised into elected local authorities (Table 7.1). Political decentralisation has made huge progress since the 1990s. Of the few African countries that have not yet decentralised, most have plans to do so.[10]

Table 7.1. **Important decentralisation landmarks in African policy making**

| | |
|---|---|
| 1983 | Nigeria introduces elected local governments and devolves major powers. |
| 1986 | Morocco implements a series of constitutional reforms empowering subnational governments. |
| 1991 | Ethiopia institutionalises a self-rule framework at the subnational level. |
| 1995 | Uganda's constitution and later Local Government Act (1997) enshrine decentralisation. |
| 1996 | Senegal passes a decentralisation law, comprising 434 local governments. |
| 1996 | South Africa's post-apartheid constitution puts municipalities at the heart of local development. |
| 1998 | Tanzania's Local Government Reform Agenda implements "decentralisation by devolution". |
| 2000s | Benin (2002), Niger (2004) and Burundi (2005) hold their first local elections. |
| 2010 | Kenya decides in a referendum to elect districts. |
| 2012 | Liberia launches the National Policy on Decentralisation and Local Governance. |

**Administrative decentralisation** refers to the relocation of administrative functions and executive responsibilities to lower levels of governance. Only South Africa and Uganda have high levels of administrative decentralisation; out of 30 African countries, 10 have a moderate level (Elroy Africa, 2012: 19). Togo, in particular, has not transferred responsibilities from the central to the local government, despite the legal status of administrative and financial autonomy (World Bank, 2015). Still, considerable progress on administrative decentralisation has been made in Africa: most countries have established a range of subnational administrative bodies in charge of planning, supporting, monitoring and administering public action (USAID, 2010).

Box 7.5. **Decentralisation in Ethiopia**

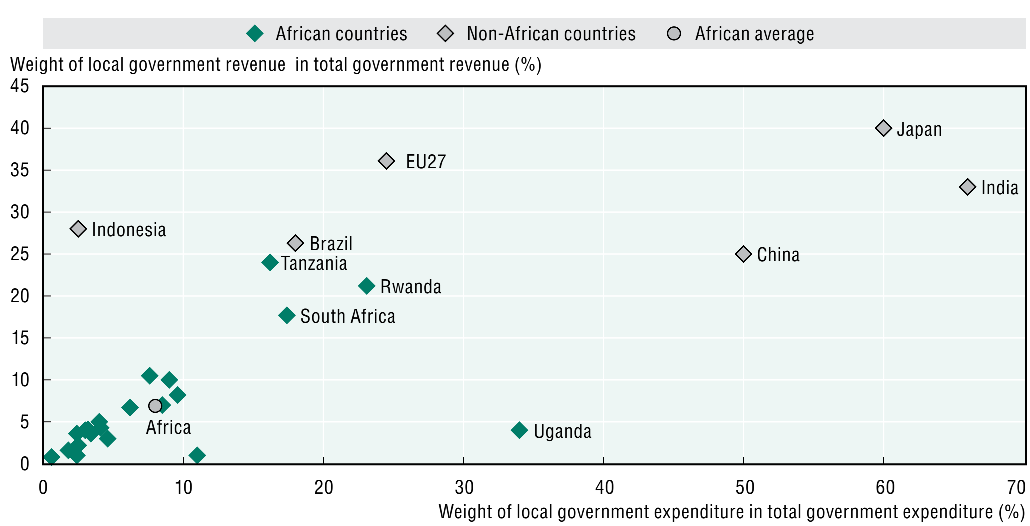
Ethiopia has successfully implemented political, administrative and fiscal decentralisation by devolving responsibilities to local governments (called *woredas*) and increasing their financial autonomy. Decentralisation has considerably improved local service delivery in education, water and health, especially in poor regions, despite the remaining capacity constraints of local governments. Collaboration with local organisations, such as parent-teacher associations, has helped adjust public services to local demand. For instance, using local languages in primary schools has improved school attendance (Garcia and Rajkumar, 2008: xv-xvi, 7-8).

Recent reforms have increased financial transparency and accountability. They have enabled the local population to hold governments accountable and monitor access to quality basic services with feedback to service providers. The joint-action plans were developed through meetings between government representatives and community members and significantly contributed to improving social indicators particularly of health, education, water and agriculture (AEO experts' survey, 2015).

## Progress towards fiscal decentralisation is slow

Fiscal decentralisation is the transfer of financial resources and revenue-generating powers to subnational governments (Elroy Africa, 2012: 18ff). Local government revenues and expenditures are far below international averages. In Africa on average, the weight of local government revenue is 7% of the total revenue of the local, regional and national governments combined, and the weight of local expenditure is 8% of total expenditure (Figure 7.3).[11] At one end of the scale, local governments in Egypt, Mozambique and Togo represent less than 2% of total government revenues (Yatta, 2015: 14). At the other end, local governments in Rwanda, South Africa and Tanzania represent more than 16%.

Figure 7.3. **Weight of local government in total government revenue and expenditure**




*Note:* Total government revenue and expenditure comprise those of all existing government levels, i.e. local, regional and national.

*Source:* UCLG (2010); Yatta (2015); Paulais (2012); IMF (2014).

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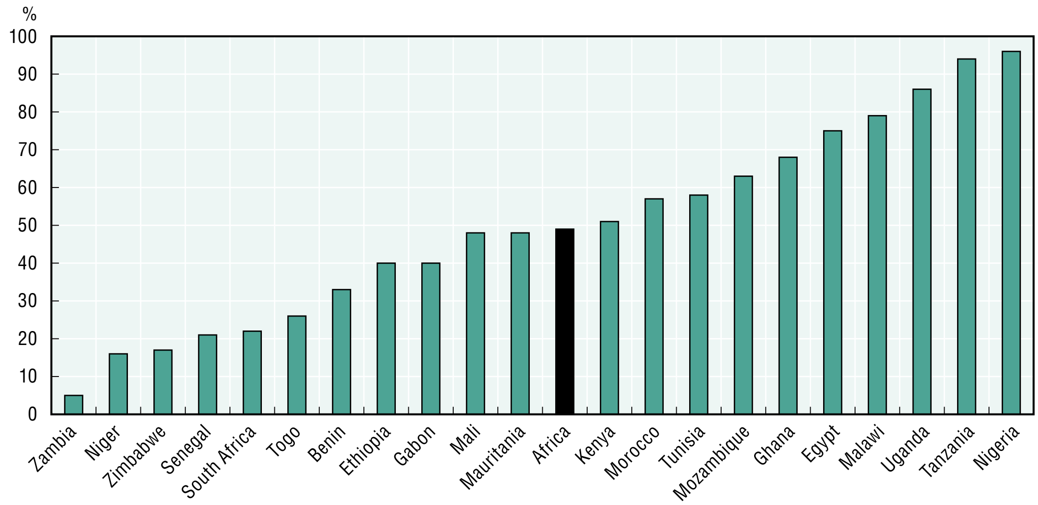
Figure 7.4. **Central government transfers as a share of local revenues in selected African countries**




*Source*: Yatta (2015); UCLG (2010).

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Limited fiscal decentralisation partly explains the dearth of investment in local economies. On average, an African mayor has roughly 1 000 times less resources than his or her European counterpart, in spite of more acute needs (Cour, 2015). Thus, local governments have little capacity to invest in local services and infrastructure, while most of the informal workforce relies heavily on local public investments to carry out their activities in public spaces, such as along roads or pavements.

In fact, most local governments depend heavily on central government transfers, which have generally been criticised for not being spatially progressive and for limiting the ability of local governments to invest efficiently (World Bank, 2009: 249; OECD, 2009). Local governments receive little from local and shared taxes, even in decentralised countries like Tanzania or Uganda and in federal countries like Nigeria (Figure 7.4). Local governments' lack of financial clout means that they do not have the capacity to optimise regional assets, secure local ownership, or implement multi-sectoral and place-based policies.

Better local governance also means more transparency. Transparent local governance boasts many advantages for regional development. They are independent from the different political systems – centralised or federal – and from the type of decentralisation that countries engage in:

- Enhancing local governance can improve co-ordination among levels of government, non-state actors and the international community, and therefore can help articulate sectoral policies (Demante and Tyminsky, 2008: 18).[12]
- Local governments often have better knowledge of local preferences and assets (Yatta, 2015: 12).[13]
- Local governance can include local civil society organisations and traditional as well as new leaders, which is essential for vibrant democratic governance and for enabling effective policy implementation in an African context (Sy, 2009). A more participatory authority structure could manage conflicts better, as it favours consensual decision making, which is likely to enhance accessibility and participation (Logan, 2011: 4; Sy, 2009). In an Afrobarometer survey of 16 countries, 46% of the respondents consider community leaders as receptive to the populations'

needs, whereas only 30% consider local government councillors receptive and 20% members of parliament. Of those surveyed, 50% perceive traditional leaders as having some or a great deal of influence in governing local communities, and 57% believe that their influence should increase (Afrobarometer, 2008).[14]

Lack of local capacity and transparency are the main challenges to decentralised governance. Corruption is a universal problem, and local officials seem particularly susceptible to it (Paulais; 2012: 40). Constituents in rural and poor urban districts lack the education and capacity necessary to access and influence district councillors (Cabral, 2011: 8; Koelbe and Siddle, 2012; Yatta, 2015: 12). In the absence of adequate accountability mechanisms, elites can use local elections to maintain their families' stronghold on power. In Sierra Leone, a variety of development outcomes are lower in places where traditional ruling families have captured resources (Acemoglu, Reed and Robinson, 2013).

Box 7.6. **The main actors of decentralisation and local and urban development in Africa**

**Africa Governance Institute (AGI)**. Developed out of discussions between the AU Commission and the UNDP Regional Bureau for Africa, it is a centre for dialogue to promote good governance in Africa. Based in Senegal, it organises meetings and publishes research findings.

**African Ministerial Council on Housing and Urban Development (AMCHUD)**. It was set up in 2005 in Durban as a consultative mechanism to promote the sustainable development of human settlements under the wing of the African Union (AU). AMCHUD gathers together African housing and urban development ministers and deals with urbanisation, access to basic local public services, spatial planning, climate-change and economic development.

**Africities**. This group organises summits attended by local actors and their international partners, including ministers of local government, local authorities and elected officials, central governments, civil society organisations, researchers and representatives from the private sector. Africities has held six summits since it was founded: in Abidjan (1998), Windhoek (2000), Yaoundé (2003), Nairobi (2006), Marrakesh (2009) and Dakar (2012). The Dakar summit on Building Africa Starting from its Territories drew some 5 000 participants.

**All Africa Ministerial Conference on Decentralisation and Local Development (AMCOD)**. It brings together African ministers of decentralisation and local development. AMCOD was set up at the second Africities Summit and has been recognised as a special technical committee of the AU since 2007. The African Day of Decentralisation and Local Development is marked in all AU member states under the auspices of AMCOD since 2011.

**Alliance for Rebuilding Governance in Africa (ARGA)**. Grown out of the 2003 Dialogues on Governance in Africa: Decentralisation and Regional Integration network, it stimulates discussions between African and non-African actors about public affairs management and governance, through exchanges, action groups and themed workshops.

**Commonwealth Local Government Forum (CLGF)**. Set up in 1995, it includes decentralisation and local government ministries and the local governments themselves from 53 English-speaking countries. It promotes decentralisation through capacity-building, peer-learning, sharing information and experience, and research on implementing decentralisation in Africa.

**Global Local Forum (GLF)**. Founded in 2008 as a think-tank to help mutual development between territories, it has 32 member-states worldwide, many of them in Africa. It aims to bring together and encourage the exchange of ideas on regional development to shape international development aid and dialogue between territories.

**International Association of Francophone Mayors (AIMF)**. Founded in 1979 as a network of local Francophone towns and their associations based on shared values, this association promotes better governance of towns and the exchange of experience, mobilises Francophone regional planning expertise, and funds development projects. Most African capitals and big towns in Francophone countries are involved.

Box 7.6. **The main actors of decentralisation and local and urban development in Africa** (cont.)

**United Cities and Local Governments in Africa (UCLGA)**. This African branch of the worldwide United Cities and Local Governments (UCLG) was founded in 2005 with the purpose of building "African unity from and driving African development through the grassroots." Every two to three years, it organises the Africities Summit.

## The prevalence of policy blind spots hinders effective development strategies and calls for new action

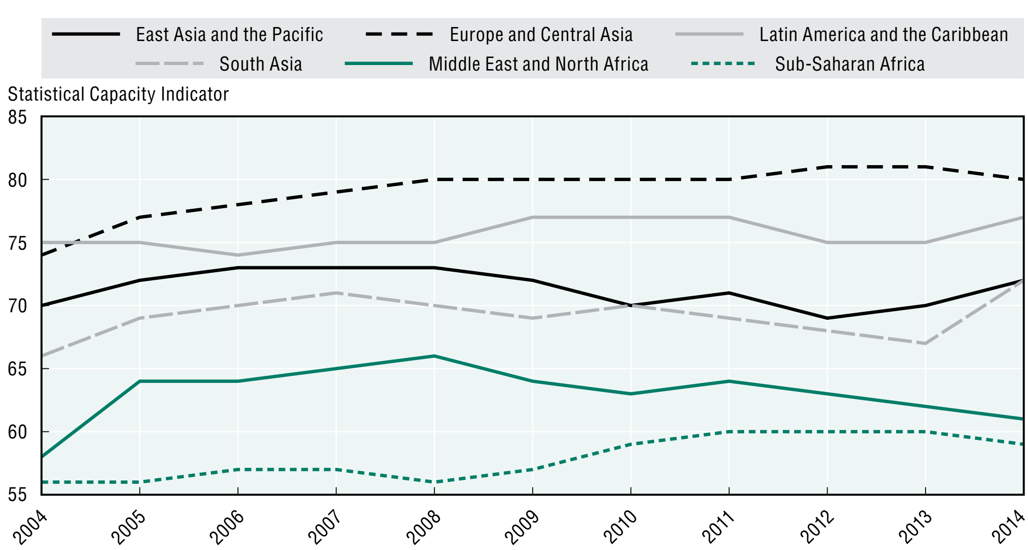
Regional policy instruments, infrastructure development and decentralisation have spurred both successes and failures in promoting regional development. They can and must be made more effective, for instance by adopting a coherent policy framework for regional policies, by co-ordinating key sectoral policies with those regional policies, and by designing more participatory strategies that take into account the multiple dimensions of local practices and development perspectives. The road towards more effective development strategies is a long one, however. It is therefore important to build and use scoreboards. Statistics and knowledge about regions are still too inadequate to enable decision makers to grasp Africa's fast-changing regional dynamics captured in Chapter 6.

### Inadequate statistics hamper policy making

#### Limitations of national and subnational statistics

Governments often lack adequate statistics and knowledge of their regional economies, and suitable government action is impossible without a "policy of large numbers" (Desrosières, 2000). In particular, sub-Saharan Africa's statistical infrastructure, although it has improved in recent years, trails behind other regions (Figure 7.5). Djibouti's, Liberia's and Togo's first censuses in three decades have, among others, prompted the call for an African "statistical renaissance" (Kiregyera, 2013).

Figure 7.5. **Statistical capacity of developing countries in certain regions, 2004-14**




*Source*: World Bank (2014).

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Despite progress, statistics often remain limited and unreliable, whether based on censuses, gross domestic product (GDP) or administrative records. Some experts continue to refer to Africa's "statistical tragedy" (Devarajan, 2013; Jerven, 2013). Delays in collecting and treating data significantly reduce reliability. Over the past 30 years, 7 countries have not conducted any population and housing census, and 19 countries have failed to take a census regularly every 10 years (UN, 2010). The mean time for completing GDP numbers in sub-Saharan Africa is about one and a half years (AGNA, 2013: 4). Other basic administrative records are missing; for example, 56% of children under five in sub-Saharan Africa do not have birth certificates (UNICEF, 2013: 15).

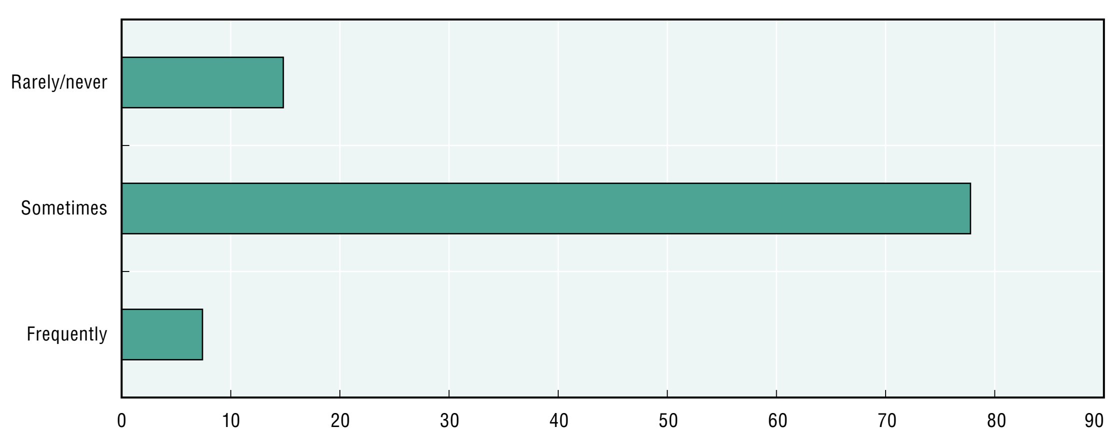
Subnational statistics are limited to a few basic variables which are insufficient to understand regional economies. To a large extent, only censuses, household surveys, agricultural surveys, and civil registration and vital statistics collect subnational data. Owing to limited budgets, low capacity and an overload of duties, most national statistical offices cannot build subnational statistics in addition to national datasets. Funding by international organisations usually gives priority to internationally comparable data, but the definitions of concepts and units of analysis are often problematic at the subnational level. For example, data on agricultural holdings do not cover individuals, particularly landless farmers. Countries often use different estimation methods, thus limiting comparability. Finally, the focus of international organisations shifts according to evolving international agendas, e.g. poverty reduction, climate change or inequality, making it difficult to keep a stable base of core indicators.[15]

**Statistical blind spots**

Statistical limitations obscure the scope of income, household and agricultural activities in rural areas. Many case studies of rural dynamics, agrarian systems and family farms exist, but statistics about rural income are rarer. Data systems mainly concern agricultural production and not agricultural household activities. Surveys by the World Bank as part of its anti-poverty Living Standards Measurement Study (LSMS) deal merely with a few countries. The surveys mostly focus on household spending rather than income and often look at urban households rather than rural ones. Only the Food and Agriculture Organization and World Bank RIGA survey looks specifically at rural income generation (Carletto et al., 2007). However, it only concerns six African countries.[16] Rural household surveys conducted in 2008 by the RuralStruc programme in North Africa and several parts of sub-Saharan Africa showed that agricultural activity was strong and diversification widespread, with a few regional exceptions. However, they also revealed the low returns of many non-farm activities (Losch, Fréguin-Gresh and White, 2012).

As a result of such limitations, national policy makers rarely use rural and urban statistics (Figure 7.6).

Figure 7.6. **Frequency of rural or urban statistics used for policy making**




*Source*: AEO experts' survey, 2015.

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Statistics may overlook entire groups within a population and sectors of the economy. Remote areas are sometimes left out due to limited budgets and are thus underrepresented in national statistics. National statistical surveys overlook the informal sector, although it usually accounts for more than three-quarters of the economy (UNECA, 2014; Kratke and Byiers, 2014).

Incomplete representation of disadvantaged groups can significantly affect their well-being. Census numbers in Nigeria, for example, guide political redistricting and budget allocations for food, education, health, housing and welfare among others (Bamgbose, 2009). Little is known about disadvantaged groups in unstable areas such as the Central African Republic, Eastern DRC, the Horn of Africa, Libya, Mali and northern Nigeria, although population growth makes the need to better understand those regions ever more pressing. This is also the case in the "uncontrolled zones" in West Africa, associated with jihadist terrorism and arms smuggling from the Libyan crisis (see Chapter 5). The threats from Boko Haram are disrupting the old regional dynamics from the interior of the continent to the coast, including the pastoral areas that are so important for several countries (Box 7.7).

Box 7.7. **What future for pastoral spaces?**

The great Saharan-Sahelian spaces shared with North Africa, from Mauritania to Somalia, are arid regions with unreliable and scattered resources suitable only for livestock transhumance. While data on the pastoral economy is limited, this sector is known to be significant in terms of GDP, tax revenue and export earnings in countries such as Ethiopia, Niger and Sudan (Hesse and MacGregor, 2006). It is also an important component of regional trade.

Unfortunately, threats to pastoral areas are numerous. Population increase, pressures to the land, and economic and political shocks endanger the way of life and knowledge of herders. Moreover many violent and extremist groups are destabilising the Sahara and the Sahel with arms trafficking.

Regional conferences held in Ndjamena and Nouakchott in 2013 emphasised the importance of pastoral areas. They promoted cattle-raising as a focus of development strategies because it ensures a regular presence in remote areas. Decentralisation was declared a priority, with the aim of fully integrating both mobile and sedentary pastoral groups into the economies, territorial governance and the public debate (SWAC/OECD/AFD, 2013).

## Filling the information gap on local economies

A number of initiatives aim to fill the gap in information on local economies. The OECD Club du Sahel and the Partnership for Municipal Development (PDM) developed the ECOLOC programme (*Relance des économies locales en Afrique de l'Ouest*) in 1997 to understand both urban and rural economies and how they evolve; ECOLOC uses a demo-economic approach and involves 22 West African towns and their hinterlands.[17] Burkina Faso took ECOLOC to a national level in 2002 through its Reviving Local Economies Programme. When the PDM restructured in 2007, becoming part of the United Cities and Local Governments of Africa organisation, similar initiatives spread to Swaziland and Tanzania. However, limited funding has restricted ECOLOC's further development, despite the need to better understand local specificities.

The *West Africa Long-Term Perspective Study* (WALTPS) was published in 1998 by the OECD Club du Sahel and co-funded by the European Commission, the World Bank and the African Development Bank (Cour and Snrech, 1998). The study's aim was to identify major lasting trends in the context of the recession that hit sub-Saharan Africa during the 1980s and following the 1989 World Bank report *Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long-Term Perspective Study*. Instead of adopting a sectoral approach (such as health, environment or industry), WALTPS focused on the region's human geography, i.e. the relationship between West Africans and their natural environment.[18]

### Regional development policies need to be integrated into development strategies

While boasting a number of outright successes, the above review shows that policies aiming to tackle regional disparities and foster spatial inclusion in Africa have encountered three main obstacles: they have suffered from institutional and capacity defects, they have been too slow at connecting regions with one another, and they have yet to empower local stakeholders in a meaningful way.

More fundamentally, the evidence gathered in this chapter also confirms the observation made in the previous one: by strictly segmenting their efforts to promote development according to economic sectors, policy makers in central governments tend to ignore fast changing regional dynamics, a problem compounded by inadequate regional statistics and knowledge. And by resorting mostly to top-down approaches, they prevent private and public agents at local level from uncovering and exploiting the economic potential of their regions. In the end, countries are ill-equipped to tackle the challenges of structural transformation as a multi-sectoral and place-based process and to tap the potential of their new demographic and spatial dynamics.

Putting people and places at the heart of structural transformation therefore requires more than dedicated policies such as those analysed above. It requires innovative development strategies that use a place-based approach to articulate those various sectoral policies and that empower local agents to tap the potential of regions. The next chapter will focus on solutions.

 

### *Notes*

1. Some examples of recent SEZs are in Angola and Mauritania. Angola is establishing several industrial SEZs such as Luanda-Bengo, the industrial-mining area of Cassingo and the agro-industrial zones of Pungo a Dongo. The government provides tax incentives for investments in the non-oil sectors, with more concessions for investments in lagging regions. In contrast with export-oriented SEZs, Angola initially focused on domestic production due to domestic market shortage (ANGOP, 2012). In January 2013, Mauritania created the Nouadhibou SEZ, an exclusive economic zone running 230 000 $km^2$ and boasting a potential of 1.5 million tons of fish per year (AEO Country Note).
2. Current examples include Gabon and Kenya. In Gabon, the 2015 *Plan Stratégique Gabon Émergent* outlines the creation of ten poles of growth based on the competitive advantages of each region. Ten industrial clusters seek to promote balanced regional development and diversify the economy into hydrocarbons, mining and forestry-wood, agriculture, and agro-industry (AEO Country Note). Kenya is investing USD 14.5 billion to develop an ICT industrial cluster in Kona. The plan shows the government's ambition to cement its place as an ICT powerhouse in the region.
3. For instance, the neglect of infrastructure development in northern Côte d'Ivoire may have in part contributed to the partition of the country between its northern and southern regions between 2002 and 2011.
4. Senegambia and the Maradi-Katsina-Kano development corridor (MKK) are also worth mentioning.
5. In South Africa, it was found that the Department of Transport's subsidies to public transportation were at odds with the Department of Housing's funding systems, which funded large-scale housing projects on cheap, remote land. Hence, disadvantaged people had to engage in long commutes from areas outside the public transit grid (OECD, 2008).
6. This includes USD 60 billion a year in capital expenditure and USD 33 billion a year in operation and maintenance. Areas of infrastructure cover ICT, irrigation, power, transport, water and sanitation.
7. Governance refers to the set of formal and informal rules that govern decision making and policy implementation. Multi-level governance specifically refers to the co-ordination between the supranational, national, meso and local levels of governance. It encompasses the different levels of public, private and non-state actors – such as civil society organisations, traditional leaders and the private sector –, as well as the different levels of government that are directly or indirectly involved in policy making.
8. Effective decentralisation should promote local governance following the subsidiarity principle: a higher level of government should not take action that is more effective if taken at a lower level. Subsidiarity ensures that decisions are taken as closely as possible to the citizen. It preserves transparency thanks to checks and balances at different levels of governance. The subsidiarity principle can guide decentralisation in all kinds of political systems, whether centralised or federal states.
9. Different degrees of decentralisation include the following:

   • Deconcentration (or administrative decentralisation) relocates the execution of administrative functions to lower levels of governance. Decision-making power remains with the central government.

   • Delegation is the transfer of certain responsibilities from the central government to lower levels of governance. Delegation involves more autonomy from the central government than deconcentration.

   • Devolution (or political decentralisation) means that devolved responsibilities are decided, implemented and financed by lower levels of government, resting largely outside the direct control of central government.
10. In January 2012, Liberia launched a National Policy on Decentralisation and Local Governance, which has not been fully implemented due to the question of the mayor's direct election (Fallah, 2014).
11. The degree of fiscal decentralisation can be measured as the share of subnational expenditure in all governments' expenditure (Charbit, 2006: 2).
12. Centrally designed programmes have known limitations, such as Mali's PRODEC education programme and PRODESS health programme and Benin's *Hydraulique, santé et éducation* programme.
13. In Benin, Guinea and Mali, decentralisation of primary health care services to locally elected health committees – and in Mozambique to local government – has contributed to improving immunisation rates and reducing infant mortality by increasing access to affordable health services (Mehrotra, 2006). A similar programme in Burkina Faso to administratively decentralise education has increased student outcome and teachers' motivation, even if their pay was lower than the traditional salary (Ngaruko, 2003: 137f).

14. The sample includes Botswana, Cabo Verde, Ghana, Kenya, Lesotho, Malawi, Mali, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.
15. The World Development Indicators, for instance, stopped displaying data on employment in agriculture, while the database has expanded from 400 indicators in 2001 to about 1 300 in 2015.
16. The Living Standards Measurement Study - Integrated Surveys on Agriculture (LSMS – ISA), launched in 2009 to investigate agricultural incomes in seven African countries, will progressively provide a useful knowledge base.
17. The programme used local social accountability matrixes, linked to national ones and backed by grassroots surveys. Spatialisation is done on three analytical levels: regional space between towns and hinterland, local rural space, and urban centres. It incorporates strategies of local actors (government, local authorities, private operators, civil society groups and donors), along with their financial, social and religious resources, as well as strategies of co-operation and co-ordination bodies (SWAC/PDM, 2001; Yatta, 2006; SWAC/OECD, 2013).
18. The main aim of the study was to highlight (a) the long-term interactions between settlement dynamics, i.e. the growth and the redistribution of the population within each country and across the region, and economic and social processes and (b) the evolution in the subregion of four interlocking factors: population, spatial settlement, market dynamics, and social and political change.

 

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*Chapter 8*

# Towards place-based, multi-sectoral development strategies in Africa

Adopting a place-based approach will help policy makers articulate sectoral policies more effectively for structural transformation. This chapter proposes a seven-step methodology to crafting development strategies, stressing four main areas of improvement: designing informed policies through better statistics; defining integrated strategic priorities through regional foresight studies; building capacity at multiple levels of government; and mobilising adequate financing for regional economic development at both local and national levels.

## In brief

Given the limited outcomes of specific regional development and spatial inclusion policies in Africa so far, new approaches are needed by all government levels, aiming at the medium to long term. Africa's mounting and diverse demographic and spatial challenges demand that people and places be at the centre of development strategies, where sectoral policies are articulated. Those place-based strategies should take a closer look at subnational and cross-border levels, where the untapped economic potential of African regions lies; and they must be designed and carried out with the participation of regional economic and social stakeholders, who are best placed to identify and activate local resources. Development strategies will necessarily be specific to each country and combine different approaches, depending on the various economic, demographic and spatial challenges. For nearly all countries though, financing regional development requires drastically increasing efforts to mobilise domestic resources at the national level and enhancing fiscal legitimacy at local levels.

## The strategic process must be redefined to promote regional development and spatial inclusion

The nature and magnitude of Africa's structural transformation challenge call for more than dedicated spatial policies: regional development strategies need rethinking. A more comprehensive approach by all government levels is needed to unlock the potential of a country's many places.

A development strategy is a public good and therefore needs public support. It "takes as its core objective development, the transformation of society" (Stiglitz, 1998). It goes beyond economics and connects policy making with **visions** of the future shared by stakeholders and constituents. It entails a process of defining **priorities** based on those visions. Unlike indicative planning, a development strategy is not aimed at making reality fit into such visions, rather at guiding thinking and longer-term investments in a context of uncertainty (ibid.).

Development strategies should thus be more than a collection of sectoral policies: this report argues that they should provide an overarching framework for balancing sectoral policies, macroeconomic policies and place-based policies.

Indeed, Chapter 7 showed that regional policies in African countries resulted in uncoordinated action, and they have tended to target specific places separately. Regional policies have mostly been designed and implemented by central governments, using central resources, sometimes in pursuit of the interests of specific groups. Therefore, they have not promoted a country's full potential because they have neglected places with less obvious economic prospects and with organised vested interests. Even if those policies were made more efficient, with more resources and capacity, they would not be comprehensive enough to remedy the consequences of inherited spatial asymmetries and accelerate the structural transformation of African economies. Cities are booming, rural areas keep growing and changing fast, and yet a large part of the potential that could provide the much needed economic and social opportunities for new generations remains locked in regions, under the radar of central governments.

This section stresses that traditional approaches to regional development in African countries ought to be revised, before proposing concrete steps towards devising region-sensitive development strategies.

## Place-based and participatory approaches can unlock the potential of regions

Opportunities for growth in African regions too often go unseen, partly because of the long-standing policy focus on external economic rents such as commodity-related export revenues or aid (see Chapter 6) and policy blind-spots (see Chapter 7). The potential for regional growth to boost national growth – by mobilising specific local assets and improving attractiveness for foreign direct investment – is thus insufficiently tapped.

Examples of successful regional development are found in countries at various stages of development (see Boxes 8.1 on China, 8.2 on OECD countries and 8.5 on Brazil). Quoting the World Bank (1997), Stiglitz (1998) points to "one measure of China's success in devising a strategy: if the separate provinces of China were treated as separate 'data' points, the 20 fastest-growing economies in the world between 1978 and 1995 would all have been Chinese". This is in stark contrast with Africa, where development remains largely concentrated in big, coastal cities (see Annex 6.A3).

### Box 8.1. **China's strategy and regional development**

China developed several strategies for regional development that have helped the country tackle its demographic transition and strengthen the links between its urban and rural areas, thus accelerating structural transformation.

China's numerous plans to promote regional development include more than the well-known special economic zones (SEZs). SEZs were trialled in the late 1970s by China's State Council in four remote southern cities. By 2008, after four successive waves of grants, 92% of China's municipalities had a special economic zone. Early projects increased productivity and local wages, while only moderately raising the cost of living and hardly affecting housing prices. However, zones developed later tended to distort location choice of foreign direct investments and resulted in smaller wage increases. China has promoted SEZs in Algeria, Egypt, Ethiopia, Mauritius, Nigeria and Zambia, with varying degrees of success (Bräutigam and Tang, 2014; see Chapter 7).

Since 1999, the Chinese national government has launched three development strategies to boost regional economies: China Western Development, the Northeast Area Revitalisation Plan and the Rise of Central China Plan. In 2008, the National Development and Reform Commission devised a "Catalogue of Encouraged Industries for Foreign Investment in Central and Western China". This catalogue gives specific industries tax-related, land-use and other incentives to invest in specific provinces, in order to make local competitive advantages more attractive and match them with a targeted industry's technological requirements. However, questions are raised regarding transparency, the business environment and the regions' capacity to attract foreign investment (Huang, Joie and Sullivan, 2010).

In 2011, China undertook its 12th Five-Year Plan to expand the market area from the coast inland. It foresees a network connecting urban areas to various regions through development corridors. The plan adopts a multi-scale approach by promoting local development within the cities, linking cities to their hinterlands and connecting the different provinces to each other (National People's Congress of China, 2011).

Based on the lessons of regional development in several countries (Box 8.2), new models are emerging that may provide guidance for remedying the pitfalls of past regional policies in African countries (Table 8.1). Top-down, subsidy-based interventions aiming to temporarily alleviate regional inequalities must give way to a broader family of policies increasing regional competitiveness and mobilising untapped resources.

Instead of assuming that all regions have the same growth path, this new approach recognises that they all have resources they can mobilise, although of different natures and on different scales, to participate in the development of the country. The aim should be to avoid building "cathedrals in the desert" with major exogenously defined investments but rather to entice private local and external actors to make the most of regional resources and attractiveness. The new paradigm of regional development thus has the following characteristics:

- a multidimensional, long-term strategy covering a wide range of factors that directly and indirectly affect the performance of local businesses and attractiveness to foreign investors
- a focus on endogenous assets, among other things as the basis to attract and mobilise exogenous investments
- an emphasis on opportunity rather than on disadvantage
- a participatory multi-level government approach, involving national, regional and local governments plus other stakeholders, with the central government playing a convener role.

Table 8.1. **Old and new paradigms of regional policy**

| | Old paradigm | New paradigm |
|---|---|---|
| **Objectives** | To compensate temporarily for disadvantages due to the location of lagging regions | To tap underutilised potential in all regions, enhancing regional competitiveness |
| **Strategies** | Sectoral approach | Integrated development projects |
| **Tools** | Subsidies and state aids | Mix of soft and hard capital (capital stock, labour market, business environment, social capital and networks) |
| **Actors** | Central government | Different levels of government |

*Source*: Based on OECD (2009a).

Box 8.2. **Stylised facts of regional development policy in OECD countries**

The OECD envisions regional development policy as a way to promote economic growth without compromising social inclusion or environmental sustainability. Since the 1990s, the OECD's territorial policy reviews have provided key lessons based on evidence from its member countries:

- Opportunities for growth exist everywhere. While large populated centres tend to have higher levels of productivity and GDP per capita, some rural regions grow faster than urban hubs (OECD, 2009b).
- Factors driving regional growth tend to reinforce one another. For instance, improving infrastructure can have positive effects on growth when combined with human capital accumulation and regional innovation (OECD, 2009b). Multi-sectoral approaches are essential to regional development.
- A well-defined framework for regional policy can reach multiple objectives, reduce policy trade-offs and identify policy complementarities. To obtain multi-sectoral policy outcomes, regional policies must *i)* consider the assets of a specific place when designing strategies, and *ii)* co-ordinate the different sectoral policies affecting that place (OECD, 2011). Regional policies may be better suited for identifying complementarities between policies, because outcomes are usually more evident at the local level. National output can be maximised by tapping underutilised potential and focusing on endogenous assets, rather than on exogenous investments and transfers (OECD, 2009b).
- Policy makers should identify the relevant place for policy interventions. Interventions should not necessarily correspond to administrative boundaries. For example, catchment regions for providing health services might not coincide with those for education. The priority should be to generate data, tools and institutions that promote vertical and horizontal co-ordination at different scales, instead of adding additional layers of government (OECD, 2014a).

The reasons for adopting a new paradigm are many. Three are particularly worth stressing. The first has to do with asymmetry in information and knowledge between different national and local actors, which raises the need for opportunities and incentives to engage different actors in multi-level government settings. The second reason is related to the nature of products that, because of Africa's asymmetric regional development (see Chapter 6), may represent untapped resources for development. Often these regional resources are specific, e.g. cultural heritage, the rural landscape and human resources, and can be "activated" when they are used and get a market value (Box 8.3). The third reason is that different public investments have complementarities and trade-offs that come with the place where they are located.

### Box 8.3. **Regional development and the process of activating "specific resources"**

**Generic resources**, such as non-qualified labour force and raw materials, are independent from the particularities of the place where they are located. For those to translate into integrated development, however, backwards and forwards linkages often need to be established with the local economy and neighbouring regions.[1] In the case of Botswana's diamond production, the country used its bargaining power as a major world producer to promote forward linkages. Together with the leading firm De Beers, the country set up a 50-50 joint venture to control diamond supply, releasing a specified quantity to local manufacturing companies for cutting and polishing. The venture contributes to creating employment by setting targets for training domestic workers. Penalties for non-performance mean that incentives for De Beers correspond with national interests (AfDB et al., 2013).

By contrast, **specific resources** stem from specific features of places and must be activated through the common strategy of local stakeholders. They depend on the local economic, social and institutional conditions where they are produced. Before resources can be activated, they must be assessed and recognised. This is a challenge because knowledge about land use in particular is limited in most African countries, and statistics are often rough estimates or based on land surveys which are limited in size (Kiregyera, 2013). One way to "activate" specific resources is to use and develop designations of origin. Examples include Algeria's dry figs from Béni Maouche and Béni Khedache in Tunisia (Table 8.2).[2] Such products can then be used to develop local assets and diversify regional economies, for instance through tourism (Campagne and Pecqueur, 2014).

Table 8.2. **Examples of specific resources activated through the participation of local stakeholders**

| Specific local resources | Country | Development outcome |
|---|---|---|
| Dry figs from Béni Maouche<br>Pepper from Ighil Ali | Algeria | Productivity increase, added value to product, income increase |
| White pepper (IGP3*) from Penja | Cameroon | Profit rate increase, income increase, product protection |
| Dry figs and weaving from Béni Khedache | Tunisia | Commercialisation and valorisation of the product, income increase |
| Fine garments | Madagascar | Massive creation of employment, industrialisation, exportation increase |
| Regional Park W's natural and cultural endowments | Benin, Burkina Faso, Niger, Nigeria | Ecotourism, cultural tourism, tree-planting using indigenous species, processing of goods made from natural resources |
| Tedla's landscape heritage | Morocco | Ecotourism, employment creation as local tour guides |

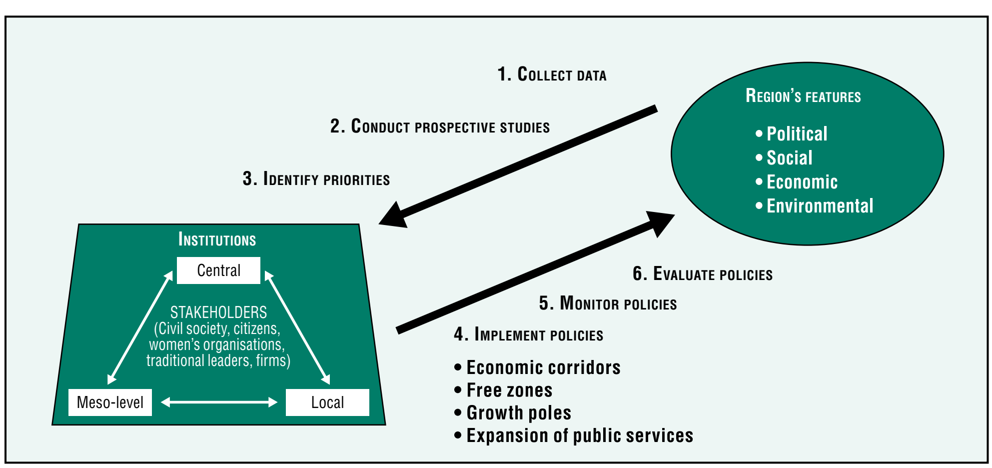
*Note*: *IGP stands for *Indications Géographiques Protégées*.
*Source*: AFD/CIRAD (2014); Campagne and Pecqueur (2014); Fukunishi and Ramiarison (2012); SWAC/OECD (2005).

## Seven main steps can guide the formulation of regional development strategies

Seven main steps should guide the formulation of regional development strategies. Based on those steps, Figure 8.1 suggests a multi-dimensional and participative method for devising a strategy for regional development and activating local assets:

- Stakeholders and traditional institutions collect reliable data, including statistics, to obtain the most knowledge possible about the region. However, a dearth of data should not prevent the process from continuing.
- Scenarios for the region's future are laid out through foresight studies and participatory processes, taking into account uncertainties related to missing data (see below). This leads to building a vision for the country's future based on local potential and opportunities.
- Based on the scenarios and the economic, demographic and spatial conditions underpinning them, stakeholders and government identify integrated priorities and spell out multi-annual policies for meeting them. The priorities are those that contribute the most to the country's long-term development strategy.
- Multiple levels of government, civil society and traditional institutions implement these policies, particularly as they participate in the scenario planning, priority setting and policy design steps. They co-ordinate their actions and use formal and informal checks and balances to ensure transparency (see Box 8.6).
- Policy implementation is monitored according to the key priorities. A pre-defined incentives framework ensures that the various levels of government responsible for implementing those policies are rewarded or penalised based on their achieving specific goals.
- Policy outcomes are evaluated to enable the various levels of government to address inefficiencies, adjust their multi-annual plans and, if outcomes are not met, reassess and redefine their vision and priorities.
- Fiscal revenues are used to support the overall strategy (not represented on the figure below).

Figure 8.1. **A strategic process for regional development**




Four aspects deserve particular attention, i.e. creating mechanisms to inform policy design and implementation, defining integrated strategic priorities through regional foresight studies, building capacity at multiple levels of government and scaling up resources for multi-level governance.

## Better data will help improve mechanisms to inform policy design and implementation

**Putting in place mechanisms for building and carrying out better-informed policies** will help policy makers understand the specificities of regions and adopt timely measures as the needs of their jurisdictions evolve. An evidence-based culture of policy making also helps set targets and track progress in public sector performance. The Post-2015 Development Agenda has emphasised the need to gather more nationally relevant data. Goal 17 in particular sets out an ambitious roadmap for Least Developed Countries and Small Island Developing States to enhance the national availability of high-quality, timely and reliable data by 2020. By 2030, developing countries aim to collect their own sustainable development statistics, including disaggregated and geo-referenced data (PARIS21, 2015). Although efforts to improve statistical capacity have been significant, designing regional development strategies requires improving the quality of subnational data further through *i)* greater co-ordination among statistical agencies and ministries,[3] *ii)* adopting cost-efficient and innovative methods for collecting and processing evidence, *iii)* sharing statistics and other information more widely among stakeholders and *iv)* improving available information on economic competitiveness and on the quality of life in different regions, and by *v)* combining official statistics with other sources of data (Box 8.4). Giving citizens access to official statistics can stimulate a democratic debate on public policy and increase accountability.[4]

### Box 8.4. **Defining functional urban areas**

"The OECD, in collaboration with the European Commission and Eurostat, has developed a methodology for defining urban areas as functional economic places in a consistent way across countries. [...] The methodology consists of three main steps:

- Identification of contiguous densely inhabited urban cores. [...P]opulation grid data at 1 km² are used to define urban cores, [which are] made up of contiguous municipalities that have more than 50% of their populations living within "high density" cells. This use of population grid data to identify urban cores compensates for the fact that traditional administrative units are unevenly sized and vary greatly within and between countries.
- Identification of interconnected urban cores that are part of the same functional area. [...] Two urban cores are considered part of the same polycentric functional urban area if more than 15% of the population of any of the cores commutes to work in the other core. In countries where commuting distances are steadily increasing, large urban areas are developing in a polycentric way, hosting highly densely inhabited cores that are physically separated but economically integrated.
- Definition of the outlying area or hinterland of the functional urban area, linked by commuting flows to the urban cores. [...] Any municipality that has at least 15% of its employed residents working in a certain urban core is considered part of the same functional urban area. [...]

This methodology has clear advantages over the use of administrative regions to identify urban areas:

- It captures a city's socio-economic area of influence. [...]
- [I]t identifies all of a country's urban systems with a population of at least 50 000, thus enabling analysis of urban areas of different sizes, including small and medium-sized urban areas.
- It enables the identification of polycentric urban areas, which better illustrates the economic and geographic organisation of urban areas and the linkages between such places.
- It allows the analysis of different patterns of urban development of the cores and surrounding municipalities ('hinterlands') of each urban area.

Box 8.4. **Defining functional urban areas** (cont.)

- It provides a sound analytical base to examine governance challenges and the economic development of functional urban areas." (OECD, 2013a)

In Africa, the Africapolis study uses "a geostatistical approach that combines demographic surveys and geographic information systems" (GIS) to identify urban areas and estimate urban growth in 16 West African countries (AFD et al., 2009). The method involves seven steps:

1) localising the population
2) "accessing satellite images or topographical maps"
3) creating polygons that represent the considered built-up areas
4) "creating buffer zones of 100 metres
5) merging blocks
6) cleaning up"
7) making statistical adjustments (AFD et al., 2009).

Among other advantages, Africapolis provides data at several geographical scales; enables methodological steps to be verified; is compatible with any Global Positioning System (GPS) and provides urbanisation data to regions that crucially need it.

*Source:* OECD, 2013a; AFD et al., 2009.

Integrating geographical information systems (IGIS) into statistics can help policy makers adopt place-based approaches more easily. In many countries, regional policy analysis has traditionally used data collected for administrative regions, that is, the regional boundaries as organised by governments. Such data can provide sound evidence on the contribution of regions to national performance as well as on the persistence of disparities within a country. Data on **administrative regions** can also help us to understand the role of subnational governments in policy planning and public service delivery.

At the same time, the places where people live, work and socialise may have little formal relationship to the administrative boundaries around them: for instance, someone may inhabit one city or region but work in another and regularly visit relatives in a third. Regions interact through a broad set of linkages – including, for example, job mobility, production systems or collaboration among firms – which often cross local and regional administrative boundaries. The analysis, therefore, should take into consideration the geography most relevant to the policy in question, whether this geography reflects the administrative boundaries of a region or instead reflects an economic or social area of influence known as the **functional region**. Functional regions are well-suited for analysing how geography plays a part in production, productivity growth, the organisation of urban labour markets, and the interactions between urban and rural areas. This notion can better guide the way national and city governments plan infrastructure, transportation, housing, schools, and space for culture and recreation. In summary, functional regions can trigger a change in the way policies are planned and implemented, better integrating them and adapting them to local needs.

Regional and local data are increasingly available from a variety of sources: surveys, geo-coded data, administrative records, big data and data produced by users. The range of techniques to integrate and analyse these different sources has also changed the supply of data at different geographical scales, with the potential for dramatically improving both the quantity and timeliness of local information. New technologies provide reliable and cost-efficient means to map local resources that local stakeholders can easily use. For example, very high spatial resolution (VHSR) satellite images, with metric or inframetric resolution, accurately map land used for agricultural and other purposes (Imbernon, Kabore and Dupuy, forthcoming). In Burkina Faso, a local project recently produced a detailed regional map with fewer than 2% errors in area estimation.[5] Likewise, using the intensity of nightlights captured from satellites can complement official measures of income or inequality (Henderson, Storeygard and Weil, 2012; Mveyange, 2015). Big data can also help understand and predict local dynamics. Mobile phone data have been used to optimise bus routes in Abidjan; they may also serve to assess the impact of policies. The post-2015 agenda touted data revolution as a fundamental pillar for improving government statistical capacity (UN, 2014).

Box 8.5. **Brazil's experiences of multi-sectoral and regional development**

Brazil boasts several examples of regional development programmes involving multiple levels of government and non-state actors that aim to improve social inclusion, reduce poverty and bring basic services to rural families.

In 1998, a **Municipal Human Development Index** (MHDI) was made widely accessible to citizens. It provides a detailed assessment of social, economic and demographic changes between the 1991, 2000 and 2010 censuses (Fundação João Pinheiro/IPEA/UNDP, 2013). The index is central to Brazil's multi-level policies of positive regional discrimination. It feeds the country's Atlas of Human Development, which monitors subnational poverty levels. In addition to civil society, various government levels use the atlas: the municipal level to define priorities; states' and central government's officials to target towns and cities eligible for regionally based benefits; and federal development programmes that bring together multi-sectoral policies in regions with low-MHDI scores.

SUDENE, the **Superintendency for the Development of the Northeast** – a regional administrative institution created in 1959 – aims to solve place-based problems of water shortages, as well as a lack of transport, communication and sanitation infrastructure. SUDENE uses a multi-sectoral approach and territorial strategy that seeks to promote a balanced and well-connected system of cities (Diniz, 2009). SUDENE has invested mainly in infrastructure, universities, agriculture and industries and has helped northeastern federated states develop spatial plans. The institution has successfully reduced regional inequalities. From stagnation in the 1950s, the region's GDP grew by an annual average of 3.5% in the 1960s and 8.7% in the 1970s (SUDENE, 2015).

The cash transfer programme ***Bolsa Família*** clusters beneficiaries in a single registry to avoid programmes' overlapping. Its decentralised approach involves all three levels of government as well as civil society. *Bolsa Família* benefits mostly rural areas and small towns. It contributes to reducing uneven income distribution throughout the country (Muller and Muller, 2014).

The federal programme ***Luz Para Todos*** (Light for Everyone, see Chapter 7) provided electricity to an additional 1 million people between 2003 and 2009, essentially by waiving customers' installation fees. This programme was an outcome of the 2000 census, which had identified at least 2 million families without access to electricity in rural areas (Camargo et al., 2008). *Luz Para Todos* has sparked the interest of several African countries, such as Angola, Cameroon, Kenya, Mozambique, Nigeria and South Africa.

South Africa is one of the most advanced countries in disseminating socio-economic information as a participatory mechanism. In 2014, Statistics South Africa published a national Multidimensional Poverty Index; the next year, the Gauteng City Region Observatory produced its own index (see Box 8.5 for a similar experience in Brazil).

The costs of improving statistics will depend on the needs and size of a country's population. In countries whose GDP per capita is below USD 2 000 in purchasing power parity, closing all remaining survey gaps would cost donors less than USD 300 million per year, a fairly small share of global aid budgets (Demombynes and Sandefur, 2014; PARIS21, 2014).

## Integrated strategic priorities can be defined through innovative approaches

The dearth of subnational statistics in most African countries cannot justify inaction. Even with limited data, foresight studies – a participatory process for building scenarios for the future and setting policy priorities – can help identify opportunities and challenges and formulate development strategies (Alvergne, 2008: 172-174). By bringing together different levels of government – national, regional and local – as well as non-state actors to map possible futures, regional foresight studies can stimulate debates on pathways to development and lead to more place-based solutions.

Many African countries plan for the long term, but few use regional foresight studies and carry out a genuine participatory process. According to the AEO 2015 experts' survey, 27 out of 37 countries have medium- to long-term strategies. The large majority (70%) span 20 years or more, but only 38% foresee alternative scenarios. Many governments update their original strategies as they evolve in the context of shorter four- to six-year development plans – usually coinciding with electoral cycles.

Most strategies set targets for political and socio-economic progress at national level without integrating multi-sectoral strategies or local specificities. For example, Morocco opts for separate long-term strategies, which focus on only one sector each (AEO experts' survey, 2015). South Africa has developed a long-term development strategy, mobilising independent experts and organising several consultations; however, the strategy is based on a single scenario, which makes it vulnerable to unforeseen events, and the initial approach was too sectoral to identify spatially integrated challenges (Giordano, 2014). At the continental level, several foresight studies have meaningfully contributed to building scenarios for Africa's future, although they usually have few implications for regional and local policies (World Bank, 1989; OECD/SWAC, 1999; UNDP and African Futures Institute, 1998; Lundsgaarde, 2011; Cilliers, Hughes and Moyer, 2011). Because their perspective is mainly continental, the methodology tends to disregard the multiple regional scales that policies affect differently. Finally, those studies are not always participatory, undermining their impact on African policy debates.

## Capacity should be built at multiple levels of government and multi-level governance improved

According to the OECD Territorial Review on Brazil, "The relationship among levels of government resulting from decentralisation is characterised by mutual dependence, since it is impossible to have a complete separation of policy responsibilities and outcomes among levels of government. It is a complex relationship, simultaneously vertical, across different levels of government, horizontal, among the same level of government, and networked. Governments must therefore bridge a series of challenges or 'gaps' between levels, both vertically and horizontally.

These gaps include notably the fiscal capacity of governments to meet obligations, information asymmetries between levels of government, gaps in administrative responsibility, with administrative borders not corresponding to functional economic and social areas at the sub-national level, gaps in policy design, when line ministries take purely vertical approaches to cross-sectoral regulation that can require co-design of implementation at the local level and often a lack of human, or infrastructure resources to deliver services and design strategies. Countries may experience these gaps to a greater or lesser degree, but given the mutual dependence that arises from decentralisation, and the network-like dynamics of multi-level governance, countries are likely to face them simultaneously.

Countries are increasingly developing and using a wide variety of mechanisms to help bridge these gaps and improve the coherence of multi-level policy making. These mechanisms may be 'binding', such as legal mechanisms, or 'soft', such as platforms for discussion, and they must be sufficiently flexible to allow for territorially specific policies. Involvement of sub-national governments in policy making takes time, but medium- to long-term benefits should outweigh the costs of co-ordination." (OECD, 2013d)

More specifically, out of 41 African countries, 10 identified co-ordination among different levels of government as one of the three major threats to spatial management policies (AEO experts' survey, 2015). Limited local ability and unclear responsibilities between various government levels have led central governments to intervene in local affairs, thus limiting local autonomy and preventing effective decentralisation. Without sufficient capacities, local governments cannot successfully translate public investment into growth (Garcilazo, Martins and Tompson, 2010). In many countries, central governments have used decentralised structures mostly to consolidate ruling parties' power through alliances with local elites (Crook, 2003; Cabral, 2011: 6; Koelbe and Siddle, 2012: 110; Paulais, 2012). Building capacity at multiple levels of government is thus essential for effective and transparent decentralisation (Rodríguez-Pose, 2008).

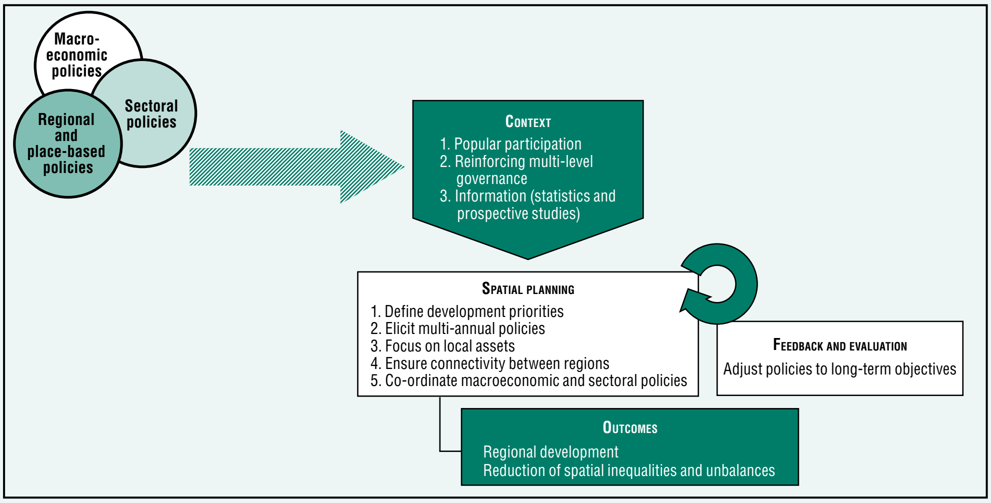
Involving multiple levels of government and increasing joint ownership can be done in different ways. For example, Rwanda's Joint Action District Forum provides a participatory process for local government and stakeholders to articulate District Development Plans, set budgets and allocate district resources. The lowest community administrative unit, *Umudugudu*, facilitates dialogue between the government and the community. District mayors commit to the activities identified in their annual District Development Plans by signing performance contracts with the president.

Box 8.6. **From place-based strategies to policies: Spatial planning in Benin**

Spatial planning can help overcome the limitations of sectoral policies (see Chapter 7). It does not imply creating new administrative structures, but increasing transparency to better manage local and regional development. Effective spatial planning involves government institutions at the supranational, central, meso and local levels, based on the subsidiarity principle, i.e. a central level of government should only assume functions that lower levels cannot perform. By taking into account a region's political, social, economic and environmental dimensions, spatial planning helps formulate strategies that, instead of superseding sectoral policies, build on linkages between them. Its participatory process encompasses all social actors such as citizens and women associations, traditional leaders, and private and non-profit companies (Matus, 1993). Citizens' participation enables policy makers to identify strategic development priorities, notably through national debate and local ownership. Spatial planning crucially depends on inputs from different stakeholders to ensure local ownership and effectiveness in activating local assets (Diop, 2010). Figure 8.2. zooms into spatial planning to illustrate how to develop a spatial plan.

Box 8.6. **From place-based strategies to policies: Spatial planning in Benin** (cont.)

Figure 8.2. **Developing a spatial plan**




Benin provides a successful example of policy co-ordination through spatial planning. While an environmental action plan was carried out between 1993 and 2002, its policies lacked an integrated approach to rural and urban areas and to infrastructure development. The country faced an anarchic peopling of both rural and urban areas as well as a concentration of the population on the coast with 38% of the population living in only 5% of the country's area. The National Policy Declaration on Regional Planning (*Déclaration de politique nationale d'aménagement du territoire au Bénin*, DEPONAT) responded to these shortcomings by setting out guidelines for spatial planning and decentralising certain responsibilities. Today, spatial planning is carried out at national and local levels. This helps reduce poverty, promote the regional management of resources, and improve infrastructure and services. DEPONAT has successfully improved the functioning of local administrations, promoted the design of communal plans, strengthened the capacity of communitarian agents and clarified the role of mayors in co-ordinating decentralised services. Areas for further improvement include a lack of resources, controversial interpretations of legal texts on decentralisation and polarised decision making at the local level (Agossou et al., 2010).

## Resources for multi-level governance must be scaled up

Meeting the challenges described in the previous sections calls for substantially scaling up the financing of local economies as well as strengthening public and private institutions. Central governments will have to provide most of the funding, which can come from more effective taxation of natural resource extraction and innovative finance mechanisms. At the local level, fiscal systems must also be bolstered across the board by using transfer mechanisms, expanding the local fiscal base and tapping capital markets.

### Central governments can mobilise a large share of the finances needed

#### Natural resources for regional development

African countries tend to tax natural resources less effectively than other regions. This is despite the fact that multinational companies do not rank tax considerations high among the concerns guiding their investment decisions (Keen and Mansour, 2009). Underexploited potential also dents revenues: a 1 million barrel increase in sub-Saharan oil production could increase public revenues by 1% of the continent's 2011 GDP, or USD 12 billion annually (IMF, 2012). Generous concessions to foreign investors averaged an annual loss of USD 38 billion between 2008 and 2010 in Africa, slightly more than the entire development assistance it received during the same period.

Illicit outflows represent an annual average of USD 60.3 billion – about 4% of the region's GDP – that could be added to what the continent could harness in revenues (see Chapter 2). Some initiatives have begun to counteract this tendency. Between 2004 and 2014, the number of countries of the Southern African Development Community offering tax incentives fell: from 9 to 7 for tax holidays, from 9 to 6 for export incentives, and from 9 to 5 for initial capital allowance (OECD, 2014a).

Last but not least, tapping the development potential of natural resources requires investing in production transformation. Several countries, such as Chile, Colombia, Peru and South Africa, are setting up mechanisms to channel revenues from natural resources towards production transformation (see Box 8.7). Communities that host natural resource-intensive activities claim rights on the use of the rents, and reaching agreement on what to finance with those rents is difficult. Creating public funds based on royalties is an option, though issues of design, management and governance are complex. Political leadership and long-term support are required for central and regional governments to learn how to manage such financing schemes (OECD, 2013b).

### Box 8.7. **International experience of reforms of royalty payments: The case of Colombia**

"Given the substantial contribution of the extractive sector to the public purse in oil and mining economies, the ability of governments to collect royalties and taxes, and to generate and manage volatile revenues, has been subject to increased public debate. When commodity prices are on the rise, as they have been for the last decade, producing countries may become more exposed to public scrutiny. Public demand tends to arise for a fair balance between the need to distribute overall public benefits, share risks and reward investors. Many producing countries have recently undergone or announced the adoption of reforms of tax/royalty regimes or revenue mechanisms in an effort to respond to evolving market conditions. [… I]n July 2012, Australia imposed a new mining rent tax, widened the base of the petroleum resource rent tax and launched a number of initiatives aimed at spreading the benefits of the mining boom throughout the economy and helping businesses adapt to the transformations under way (OECD, 2012). […] In Chile in 2011, the government approved the Fund for Regional Investment and Restructuring (FIRR). This allocates USD 100 million per year for a four-year period in the mining regions of the country, to fund development projects of regional governments and municipalities. The national government is also negotiating a new fund to be directed to mining municipalities and regions (Fondenor)."

Colombia is a case in point. "The national government radically reformed the allocation of royalty payments in 2011. The new policy framework involved a constitutional reform and a set of laws and regulations. The former National Royalties Fund was replaced by the General System of Royalties (SGR) that now collects and manages the overall royalty payments. Since 2012, the SGR allocates revenues across six main funds:

- The SGR allocates 10% of the biannual revenue to the Territorial Pension Savings Fund (FONPET), managed by the Ministry of Finance, which covers pensions for sub-national public employees.
- Up to 30% is allocated to the sub-national Savings and Stabilisation Fund (managed by the Central Bank of Colombia). In 2012, this fund absorbed 25% of the overall revenues. In the next few years, this percentage will rise consistently by half of the percentage rate of increase in expected royalty revenues.
- The SGR allocates 10% of revenues to the science, technology and innovation (STI) Fund. This fund aims to promote regional STI by supporting projects that contribute to the production, use and appropriation of knowledge, including projects related to biotechnology and information technologies. It is managed by Colciencias (the Department of Science, Technology and Innovation of Colombia). Regional universities are involved in the selection process. STI funds are allocated to departments proportionally with the Regional Compensation Fund (RCF) and Regional Development Fund (RDF) (see below).

Box 8.7. **International experience of reforms of royalty payments: The case of Colombia** (cont.)

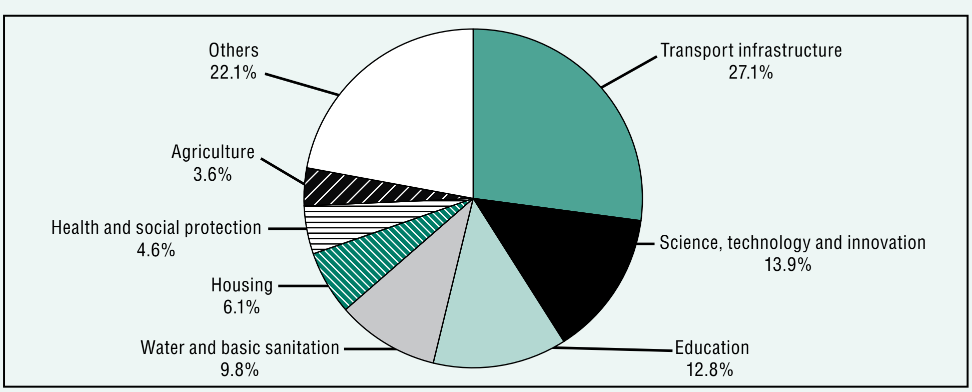
- Direct royalty payments are reserved for resource-based departments and municipalities (including those involved in the logistics of natural resources). This fund totalled 25% of the royalty revenues in 2012. The share was set to be reduced progressively to 17.5% in 2013, 12.5% in 2014 and then 10% from 2015 until 2020. The difference between 2012 and 2014 will be allocated to the RCF and RDF.
- The RCF, once fully operational, will receive 24% of the royalties after 2015 and will invest in local infrastructure and economic development projects in the poorest regions and municipalities. It will allocate revenues to departments and municipalities based on poverty rates and on an index of non-satisfied basic needs.[6] The RCF allocates 60% to departments and 40% to municipalities (75% to the poorest municipalities in the country and 25% to the smallest municipalities in Colombia). The fund will last for 30 years, after which its resources will be transferred to the RDF.
- The RDF will receive 16% of the royalty revenues after 2015. Its objective is to promote regional competitiveness, as well as social, economic, institutional and environmental development, by financing investment projects with an impact on large territories. A formula guides the allocation of funds, with a weighting of 60% of the distribution formula to demography and 40% to poverty rates. This fund will operate indefinitely.

The reform introduced two main innovations. First and foremost, all departments and the vast majority of municipalities in Colombia now have access to royalty revenues, regardless of their specialisation in extractive activities. Secondly, funds are not earmarked to sub-national levels. […] The departments and selected municipalities have the possibility of deciding how to invest the additional resources on the basis of their needs, strategic priorities and programming documents."

The SGR was introduced in September 2013. Within four months, it "generated a total investment of USD 5.2 billion. Sub-national governments invested royalty revenues in four main areas: […] road connectivity, including primary and secondary road networks" (approximately 27%); research and development (14%); delivery of education in the regions (13%); and water purification (10%) (Figure 8.3). "[… I]nvesting to improve road connectivity and human capital is also a way to promote competitiveness in the extractive sectors."

Figure 8.3. **Shares of natural resource royalty payments by sector**

Investments projects approved between 2012 and September 2013




*Source:* National Planning Department of Colombia (2013).

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"The SGR is exclusively used to support capital investment", e.g. build or maintain infrastructure such as schools or hospitals. "Sub-national governments cannot use the additional revenues generated by royalties to finance operating costs" such as wages of doctors, nurses and teachers. "This requires negotiation, and a formal agreement, between the sub-national authorities and the ministry" that will cover operating costs.

*Source*: OECD (2014b).

**Innovative finance for regional development**

Many African countries can use innovative financial mechanisms, for instance through funds from emerging countries, remittances or diaspora bonds. Chapter 2 deals with further examples of Africa's progress in finding new funding mechanisms.

**Funding from emerging countries**. "Shifting wealth" holds promises for new mechanisms and sources for financing local investments (OECD, 2010). South Africa has become the leading investor on the continent (see Chapter 2). China invested about USD 11.7 billion between 2009 and 2014 in 129 greenfield projects in Africa, creating approximately 48 000 jobs (fDi Markets, 2014). China's investments targeted infrastructure to meet the demands for energy and natural resources, often through loans backed by supplies of raw materials. Chinese provincial governments also have the capacity and resources to directly co-operate with African local governments through 73 decentralised aid agreements in 28 countries (Lévy, Gaborit and Rotteleur, 2008).

**Sovereign wealth funds (SWFs)** may also contribute more to financing Africa's long-term investment needs. SWFs, with combined assets of over USD 5 trillion (Hurst, 2014), can meet half of Africa's infrastructure gap over the 2010-20 decade by investing only 1% of their assets (Turkish, 2011). Their long-term liability allows for investing in illiquid and long-maturity assets that other institutional investors, such as private sectors funds, cannot afford. Furthermore, as SWFs are not financially leveraged by debt, they impose fewer withdrawal constraints. Consequently, they can help reduce the volatility of investment flows (Lensink and Morrissey, 2006). The 2008 financial crisis has led SWFs to diversify their portfolios into private investments, especially in industry and infrastructure. It is now up to African countries to create attractive investment environments and to maximise the benefits for local economies (Paulais, 2012). African governments will need to work with SWFs and development partners to tap this opportunity.

**Funding from remittances**. In 2014, remittances from African migrants represented about USD 61.8 billion (see Chapter 2). Policies can encourage receiving households either to save larger shares of their remittance income in the formal financial sector or to invest it in productive capital (OECD, 2014c). Remittances may be used to turn sovereign external loans into securities and to improve countries' credit ratings (Ketkar and Ratha, 2001). Remittances have two possible end uses: non-productive activities or productive investments (Paulais, 2012). Evidence from households in five African countries shows that remittances have increased and are used to buy agricultural equipment, build houses, start businesses, purchase land and improve farms (Plaza and Ratha, 2011).

**Diaspora bonds**. The savings of sub-Saharan African emigrants are estimated at about USD 28 billion per year (Ratha, Mohapatra and Plaza, 2008). Currently, the majority of these funds are invested outside Africa, but by issuing targeted bonds, governments could collect some of the savings (Paulais, 2012: 183). Ethiopia was the first country to issue diaspora bonds of this nature, but Cabo Verde, Ghana and Kenya are planning to follow the initiative (AfDB, 2013). Estimates show that by issuing diaspora bonds, sub-Saharan Africa might raise about USD 5-10 billion per year (Mohapatra, Ratha and Silval, 2011).

## Local government finance remains critical for regional development

Regional development requires strong local fiscal systems and transparent governance to finance local economies and the necessary infrastructure. Bolstering the fiscal legitimacy of local governments is necessary to improve the local fiscal capacity: taxpayers are more likely to comply with paying taxes and to accept new forms of taxation if they consider the taxes to be legitimate (AfDB/OECD/ECA, 2010).[7] Local governments have three main ways of raising funds: regional budget transfers, local taxes and debt instruments.

### Regional budget transfers from the central government

Regional budget transfers commonly serve for balancing regional development. Out of 22 African countries, 10 use transfers as one of the main tools of their regional strategy (AEO experts' survey, 2015). Transfers from central governments serve as fiscal equalisation instruments to supplement subnational budgets, especially in regions with low revenues. Ethiopia, for example, has successfully distributed central resources towards its poorest regions (Khan et al., 2014: 41). In South Africa, the "Equitable Share" mechanism serves to redistribute resources across regions to reduce inequalities.

To be effective, transfers must be transparent and predictable. They can act as an insurance mechanism, absorbing local governments' income volatility: less generous in times of high fiscal revenue and more generous in times of low fiscal revenue. In Uganda, unconditional transfers are based on the amount of the previous year; they are corrected for inflation and take into account the cost of new responsibilities transferred to the local governments as well as changes in the cost of existing responsibilities (Yatta, 2015: 12).

By contrast, delayed payments and uncertainty impede local governments' planning capacity. This has been the experience notably in Burkina Faso and South Africa (Yatta, 2015: 16; Koelbe and Siddle, 2012: 149). Out of 41 countries, 24% of country experts surveyed perceived transfers as an opportunity for regional development, but 32% considered them as a threat (AEO experts' survey, 2015). In 38 African countries, transfers are deemed inexistent, unreliable or irregular (UCLG Africa, 2013). Inadequate fiscal capacity is one explanation: in most African countries, the central government's overall tax rate is 8% on average, compared with 40-50% in OECD countries, and 25% in Latin America (Yatta, 2006: 229).

#### Box 8.8. **Bringing finance to the local level**

Taking a local-level approach to development requires filling gaps in local systems, especially in terms of financing. Indeed, fiscal decentralisation is important but not sufficient to address the funding gap at the local level:

- National resources are frequently too low to cover the needs on the ground.
- Donors' funds are not a sustainable source of financing.
- Local authorities do not have sufficient legal and technical capacities to mobilise their own funds.

Therefore, local economic development calls for a strategy involving the private sector and the domestic financial sector as actors in financing local development.

Domestic capital mobilisation can help increase financial resources for local development. Innovative methods for finance can reduce risk at the local level and attract further resources. Through fiscal decentralisation and by mobilising their own revenues, local authorities can provide more public goods and services such as bridges, roads, health centres and schools. Public-private partnerships can help meet other investment needs, especially those with a revenue-generating capacity including irrigation systems, food storage facilities and markets. International agencies can bring additional funding and technical expertise to develop innovative financial instruments at the local level.

*Source:* UNCDF.

In addition, transfers earmarked for specific activities can be disconnected from local needs (Cabral, 2011; Koelbe and Siddle, 2012: 185). Such grants can also encourage local governments to spend more and reduce their tax efforts, thus damaging their fiscal legitimacy (Blöchliger and Petzold, 2009). They risk increasing deficits and debt at different government levels.

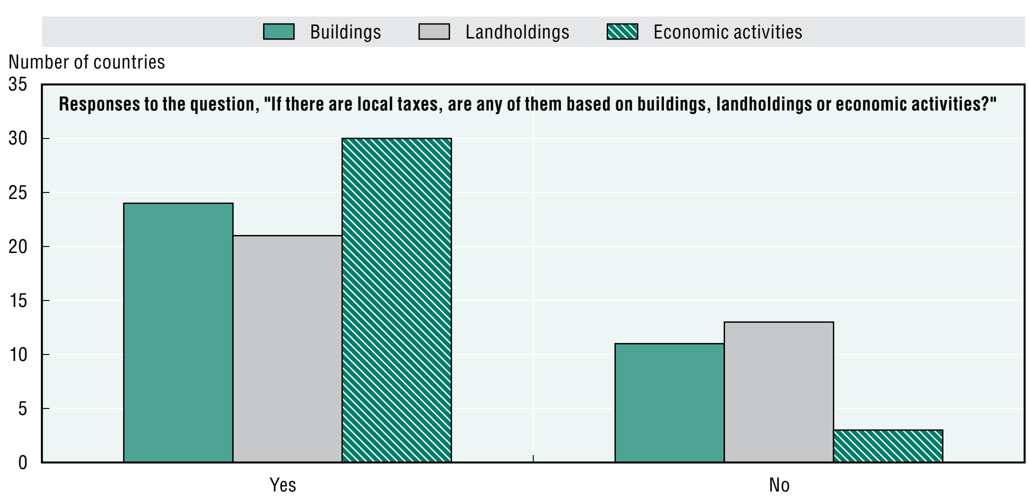
Governments can put mechanisms in place to limit the adverse effects of transfers, such as reduced accountability or inefficiency. Cameroon, Senegal and South Africa regularly evaluate the costs of services transferred to the local governments. Namibia evaluated local governments' performances, revealing the lower cost of public services provision if delivered locally (Yatta, 2015: 7; 13). The United Republic of Tanzania and Uganda have introduced similar performance-based grants (Elroy Africa, 2012: 20). Consequently, local governments should clearly define their expenditure objectives *ex ante* and then be evaluated *ex post* in regards to achieving objectives.

### Local taxes

Strengthening local fiscal capacities is indispensable for all African countries. Most of them mobilise far fewer local resources than those in other regions of the world (AfDB/OECD/ECA, 2010). At least five do not levy any local tax (AEO experts' survey, 2015). Local tax collection is estimated to be of the order of 1% of national income in African countries with a high concentration in large urban areas (AfDB/OECD/ECA, 2010: 114). Introducing property taxes could increase local resources for a more progressive tax system, without burdening employment in the informal and formal sectors.

Many subnational governments do not use property taxes efficiently. Property taxes generally contribute more to local government revenues in Africa's English-speaking countries than in its French-speaking ones (Yatta, 2006: 231). But there are wide discrepancies: Burkina Faso does not levy property taxes; in Côte d'Ivoire, property taxes represent almost a third of subnational government revenue; in Mali, property tax revenues go directly to the central government. Many countries do not levy any local taxes on buildings and landholdings, or even on economic activities (Figure 8.4).

Figure 8.4. **Local taxes on economic activities and property in Africa**




*Source:* AEO experts' survey, 2015.

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Subnational governments can better mobilise property taxes to increase their budgets. This will be facilitated by an urban population likely to increase beyond 700 million by 2030 (UNDESA, 2014; see Chapter 6). Property taxes are more stable, more difficult to evade and less exposed to business cycles than taxes on local economic activity such as income tax or licences (Blöchliger and Petzold, 2009). Also, they can fund local public services in the areas where they are levied (Yatta, 2006: 246). Although politically contested, property-related taxes potentially represent a valuable income source for local governments (Blöchliger and Petzold, 2009). Cabo Verde and South Africa have successfully decentralised urban property tax collection (AfDB/OECD/ECA, 2010: 118). Property taxes can be important for countries with high levels of informal employment and tax evasion (Durand-Lasserve, 1994: 15). Those countries in particular should improve registers and records of property ownership (Épargne Sans Frontières, 2010).

Understanding the sizeable informal sector is crucial for establishing an equitable and effective tax system. In 12 coastal and Sahelian cities in West Africa, the informal sector accounts for 40-80% of local GDP and 70-90% of local employment; it contributes more to local government revenues than the formal sector (Yatta, 2006: 173, 175, 248; Chen et al., 2005). However, the cost of collecting taxes is typically high, while potential fiscal revenues are limited (Joshi, Prichard and Heady, 2012: 9). Each tax administration must therefore conduct a careful cost-benefit analysis to decide how far they can go in their efforts to upgrade informal businesses (AfDB/OECD/ECA, 2010). Several tax options exist for the informal sector including indirect taxation, e.g. value-added taxes, withholding taxes, import and export duties, and presumptive taxation (OECD, 2010: 97; Joshi, Prichard and Heady, 2012: 12). The right tax mix largely depends on the context and may vary by country and area.

**Local debt instruments: A limited alternative**

With a better local tax base, local governments could join financial markets, provided they respect national guidance for macroeconomic stability. In Cabo Verde, most locally generated income stems from property taxes, whereas transfers from the central government represent 28% of the municipal budget on average. In addition, local governments are able to borrow from commercial banks. However, borrowing is limited to avoid over-indebtedness. Credits are mostly limited to five years and have relatively costly interest rates of 13-14%. To reduce risks, the central government has to approve every loan. Cabo Verde's average municipal budget is relatively high: in 2007, it represented EUR 276 per inhabitant, against EUR 7 in Senegal (Paulais, 2012: 321).

Federal states in Nigeria are allowed to borrow on domestic capital markets with the permission of the central government. Lagos State generates 60% of its own resources (Paulais, 2012: 351). Through the emission of bonds and public-private partnerships, Lagos has managed to mobilise additional resources and improve local infrastructure since 2008.

Nonetheless, local governments that rely on high growth perspectives can make the bond-emission model less useful for other regions. Johannesburg gained access to capital markets by emitting bonds, but the Development Bank of Southern Africa, a key partner of local governments, faces difficulties in financing smaller cities because of the high risk of default. In Tunisia, specialised finance institutions have led to over-indebtedness of local governments (UCLG, 2010: 53).

 

Box 8.9. **Place-based policies and donors**

Embedding place-based policies in development co-operation can increase aid effectiveness by strengthening local capacities, reducing sectoral biases, addressing local needs and improving the co-ordination of aid delivery. Donors play a crucial role in building local capacities in poor countries but must avoid crowding out local resources. In some cases, they may finance up to 90% of the decentralisation process (Demante and Tyminsky, 2008). In Mali, donors financed 68% of the 2009 budget of the Diema rural community, while their own resources represented 25% and central government transfers 7% (Épargne sans Frontières, 2010). Involving regional financial institutions and building local capacity to raise resources can help diversify local revenues.

Donors mainly working with central governments and sectoral ministries sometimes overlook the actual needs of local populations (Yatta, 2009). In Uganda, a decentralised country, donors unintentionally reinforced the power of various sectoral ministries; as a result, they reduced the role of the Ministry of Local Government as well as that of local governments (Smoke and Winters, 2011).

Donors' efforts to improve co-ordination will make decentralised co-operation more effective. For example, while some bilateral donors devolve decision-making power to local levels, multilateral lending agencies largely work with ministries of finance to control financial flows from central to local governments (Dickovick, 2013: 8).

### *Notes*

1. Lumwana, Zambia, offers the case of a rural setting that was turned into a modern town after a new copper mine was opened, creating more than 4 000 jobs within the mine itself and another 8 000 in supporting activities (AEO Country Note).
2. There are many other success stories: Japan's One Village One Product programme has promoted more than 300 local specialty products that recorded over USD 1.3 billion in sales in 2001 (UNIDO, 2008: 9). Launched in 1979, it used a participatory approach involving local residents and stakeholders to activate otherwise untapped resources.
3. Regional and local statistics offices are often solicited for data without receiving feedback or knowing about the work of their peers in other regions. Some statistics are collected by several uncoordinated agencies. For example, in the Democratic Republic of the Congo, five offices in addition to the National Statistics Office collect trade statistics, each counting a slightly different group of goods. Discrepancies in the numbers reported by different agencies create confusion for users (Pole Institute, 2007).
4. Statistics visualisation tools can help non-technical actors to use data, and new technologies can help countries share information at lower cost (AEO experts' survey, 2015).
5. Alternatively, a registry of agricultural plots with differential GPS and aerial photos can accurately measure cultivated areas. However, pilot projects carried out in Central America have proven expensive and raised concerns of corruption (Ostrom, 2001). In addition, the fiscal and administrative complexities of these projects may not sit well with entangled traditional and legal land systems in Africa. Finally, mapping land use by remote sensing has not been able to distinguish crops and natural spaces for official use (Jaffrain, 2013).
6. This index uses a group of indicators including critically overcrowded housing, housing with inadequate services, households with high economic dependence and households with school-age children not attending school (DANE, 2011).
7. For instance, tax compliance increased in Malawi after the Revenue Authority began rewarding businesses with tax compliance certificates in 2004. Local banks started to unilaterally use those certificates in their rating of businesses' credit worthiness. As a result, domestic revenue increased from 9% of GDP in 1998 to 14.7% in 2005 (AfDB/OECD/ECA, 2010).

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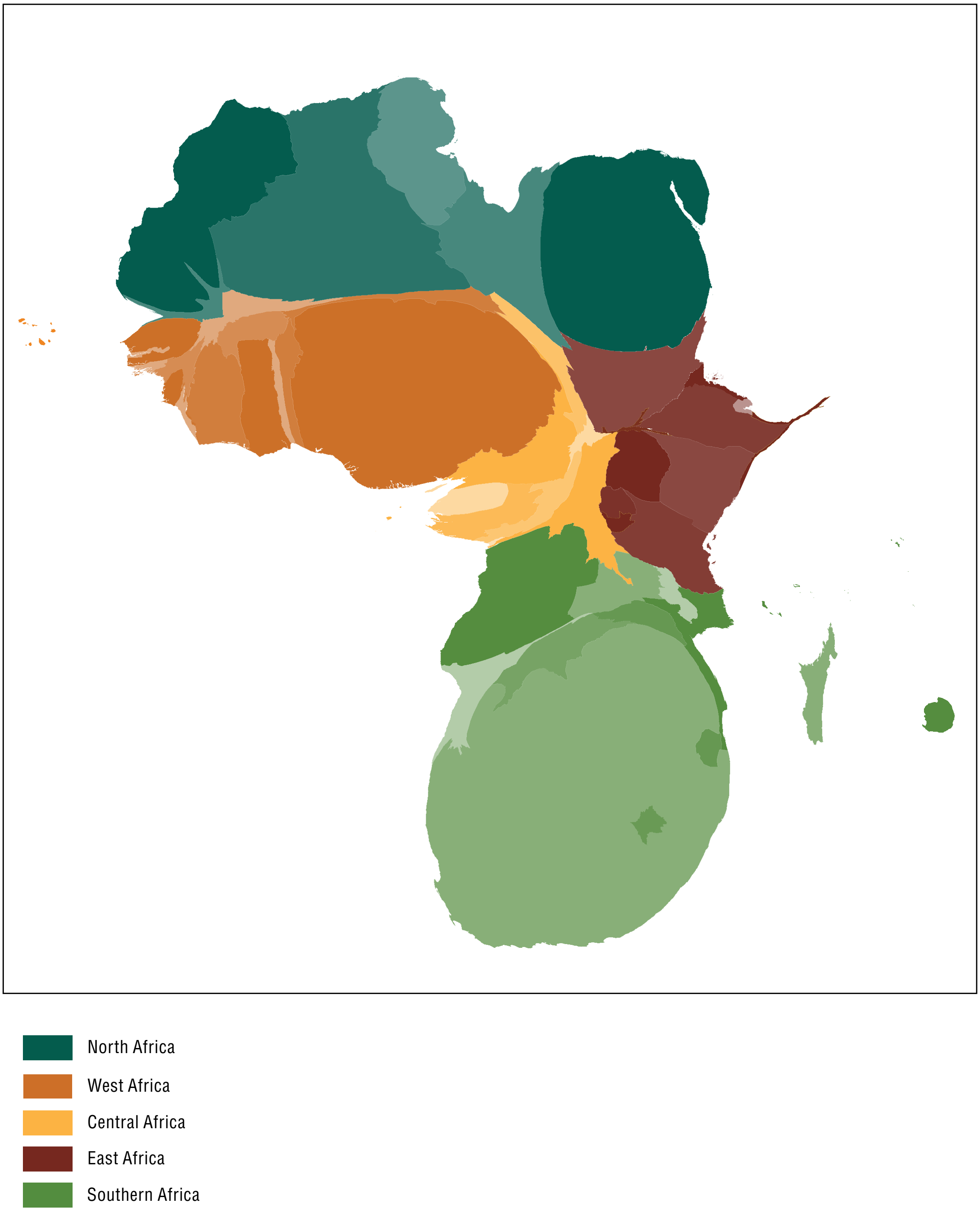
# Maps

Map 1. **African countries weighted by gross domestic product (average 2009-13)**




*Source*: Losch (2013); World Bank (2014); CIRAD Cartography Unit.

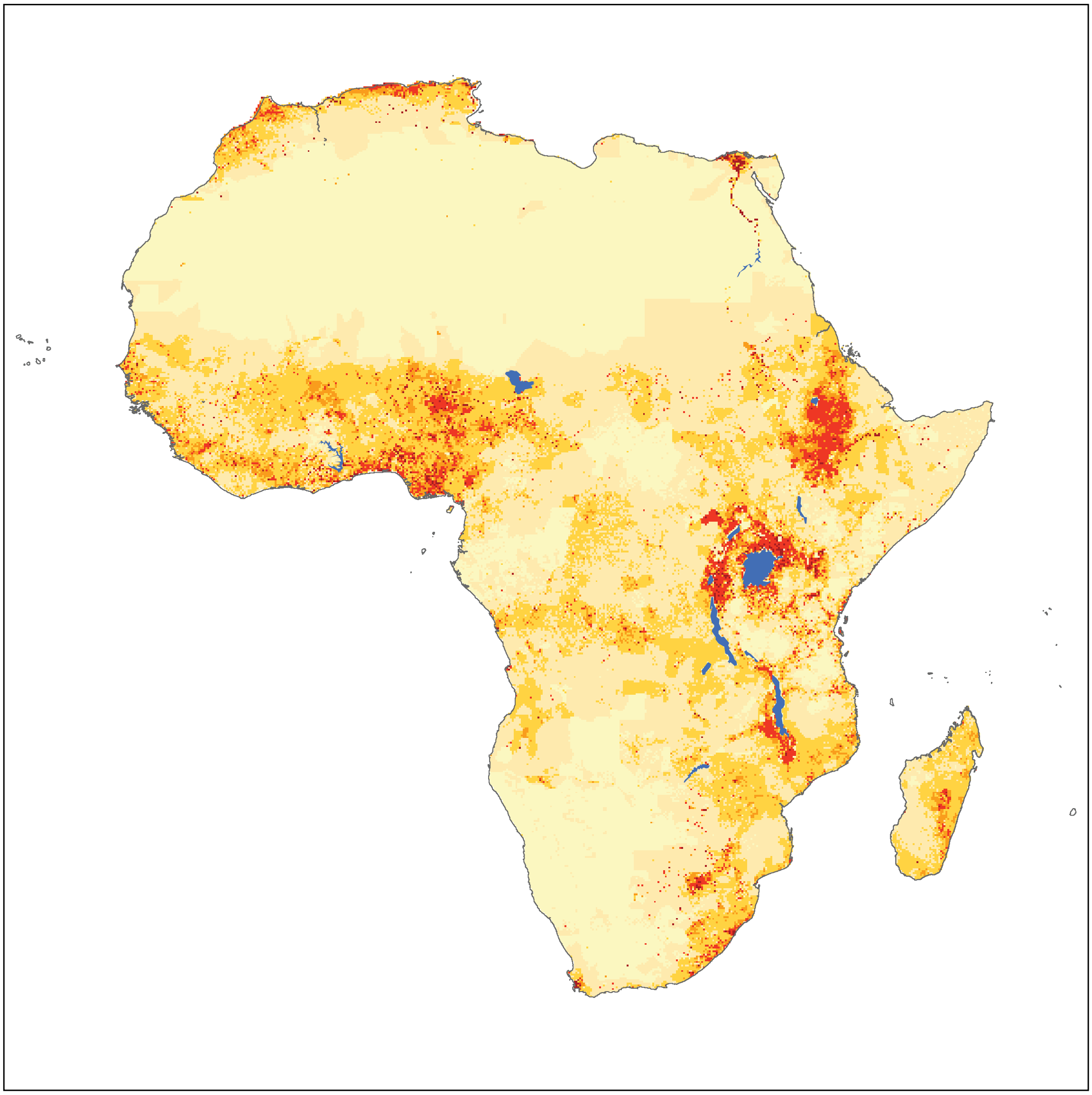
 

Map 2. **African countries weighted by population, 2010**

- North Africa
- West Africa
- Central Africa
- East Africa
- Southern Africa

*Source*: Losch (2013); UNDESA (2012). CIRAD Cartography Unit.

Map 3. **Population density in Africa, 2010**

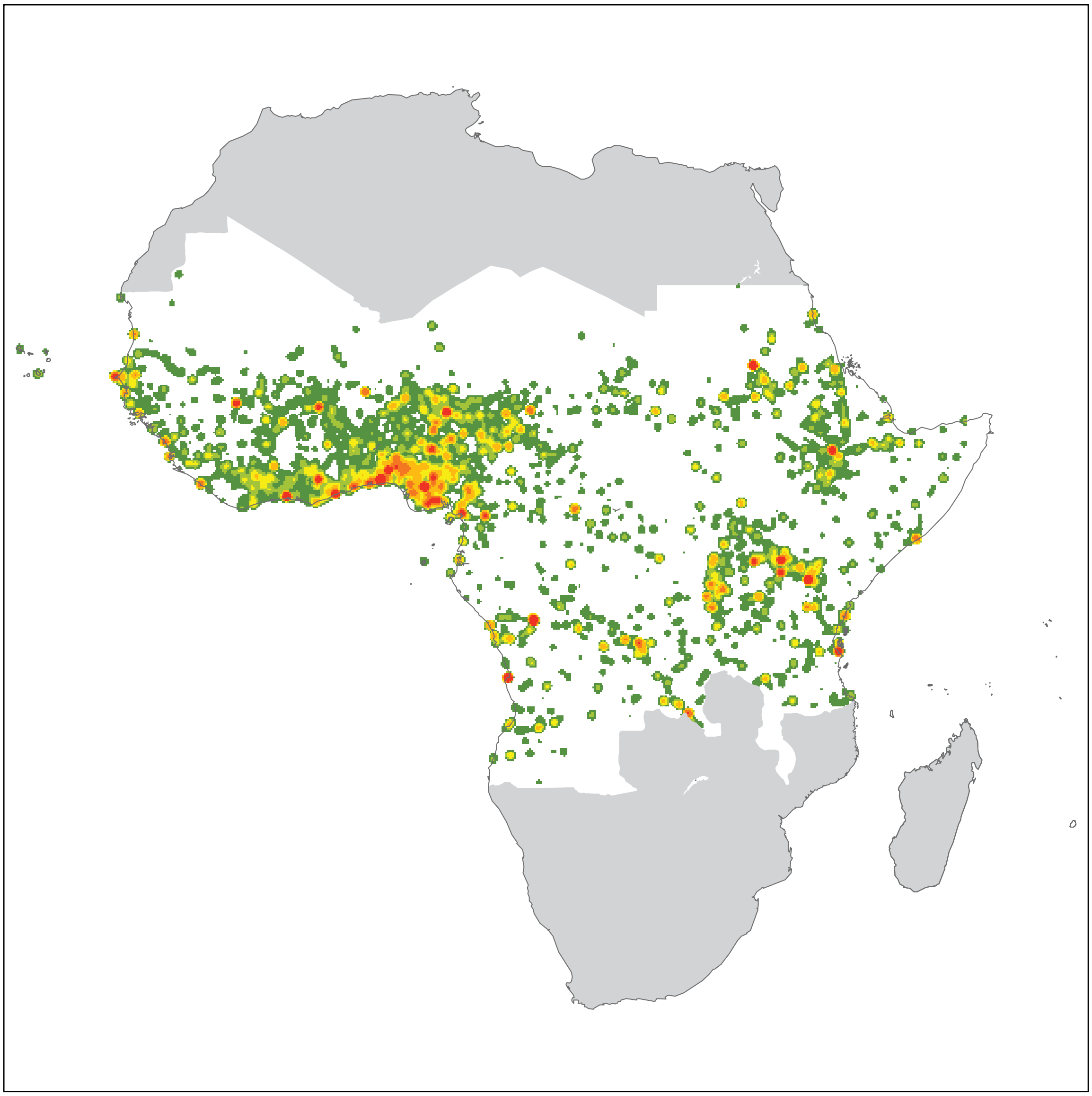


No. people/km$^2$

- <1
- 1-10
- 10-50
- 50-100
- 100-500
- >500

*Source*: WorldPop (2015); Losch, Magrin and Imbernon (2013).

Map 4. **Urban population centres in Africa, 2010**

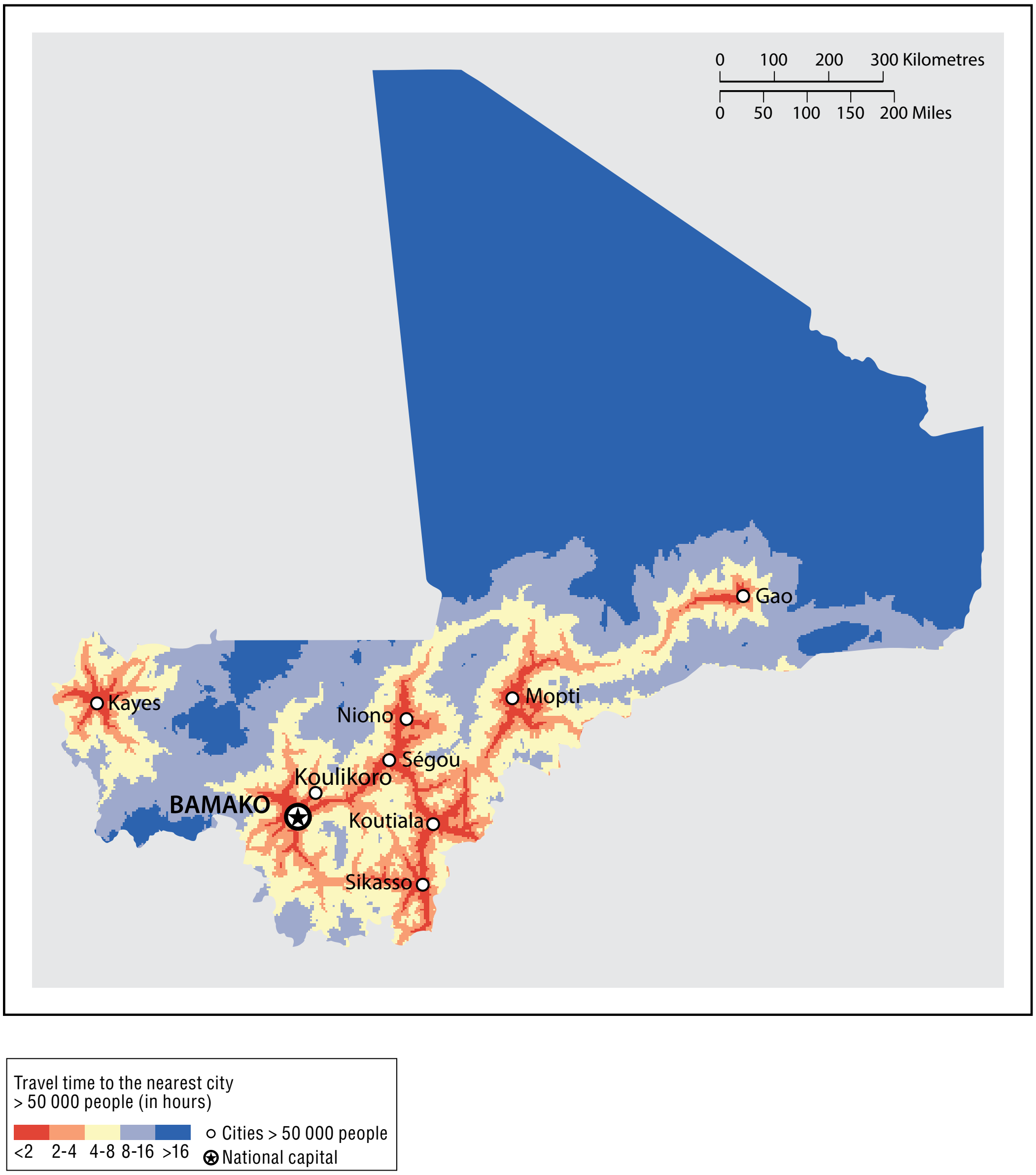


Size of towns within a 50 km radius

- Analysis underway
- < 50 000 people
- < 50 000 - 250 000 people
- 250 000 - 500 000 people
- 500 000 - 1 000 000 people
- 1 000 000 - 2 500 000 people
- 2 500 000 - 5 000 000 people
- > 5 000 000 people

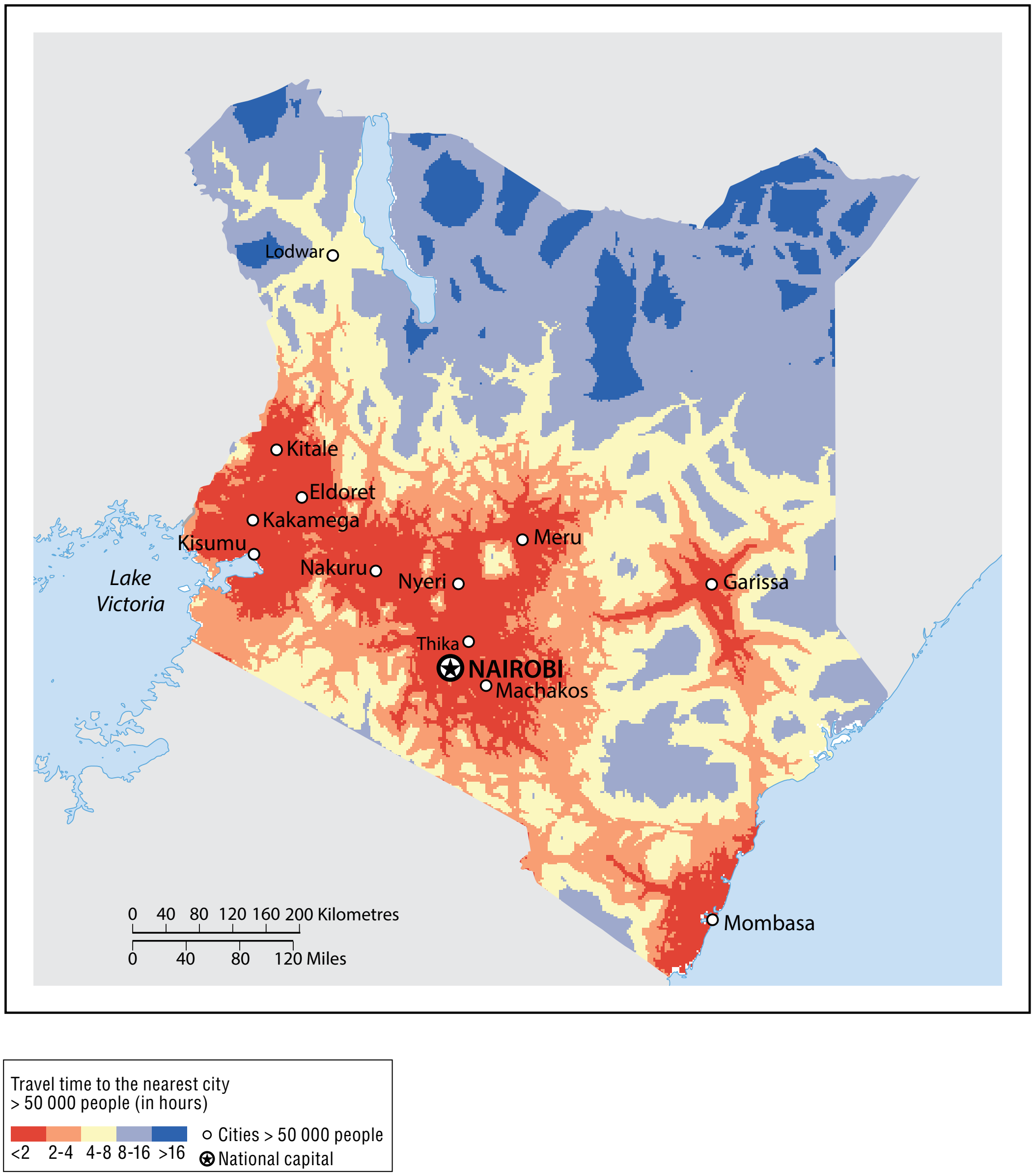
*Source*: E-geopolis (2012); Losch, Magrin and Imbernon (2013).

Map 5. **Accessibility to cities of more than 50 000 people in Mali**




*Source*: Losch, Fréguin-Gresh and White (2012).

Map 6. **Accessibility to cities of more than 50 000 people in Kenya**




*Source*: Losch, Fréguin-Gresh and White (2012).

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# PART III

# Country notes

# ALGERIA

- **The economy expanded by 4% in 2014, driven mainly by the recovering oil and gas sector, with further growth of 3.9% forecast in 2015 and 4.0% in 2016.**
- **To cope with the drop in oil prices since June 2014, the government has taken various steps, including the possible funding of public investments by local banks.**
- **Faced with major disparities in spatial distribution, the biggest country in Africa (2.38 million km²) has a spatial inclusion policy that includes a development strategy and measures to strengthen local government.**

Economic growth accelerated in 2014 (to 4%, up from 2.8% in 2013 and 3.3% in 2012) due to recovery of the oil and gas sector, whose value added grew by 0.5%, the first increase in eight years. Excluding oil and gas, however, GDP growth slowed to an estimated 5.5% (compared with 7.1% in 2013). Unemployment reached 10.6% (up from 9.8%), including high rates among women (17.1%) and the 16-24 age-group (25.2%).

Inflation slowed to 3% after price rises in the last half of 2012 led the Bank of Algeria to intervene in 2013 to mop up excess liquidity. This and government efforts to solve consumer staple distribution problems and increase supply seem to have worked and were continued in 2014.

The country's external position remained solid, albeit with some signs of weakness, such as the ongoing slippage in the current account, which showed a deficit (4% of GDP) for the first time in 15 years. The external financial situation remained firm, with exchange reserves estimated at USD 185 billion at the end of 2014, equivalent to 32 months of goods and non-factor services (GNFS), and helped by only a small external debt of USD 4 billion in 2014 (1.9% of GDP).

The dramatic fall in oil prices (down 44% between June and December) dominated 2014 and had immediate effects on the economy, which depends on the sector for 98% of exports, 58% of government revenue and 28% of GDP. If this situation continues into 2015, the country's macroeconomic balance will be affected. The government may focus its policy on the debate over the sustainability of public finances and the viability of long-term funding for major infrastructure projects, as well as on the urgent need to diversify the economy.

The government's 2015-19 five-year plan incorporates measures to cope with cheaper oil prices without affecting the social and investment projects. These include a freeze on hiring government workers (except in education and healthcare) in 2015, postponing major non-priority investment projects (railways, tram networks), using banks to fund those projects in the five-year plan that are outside the equipment budget, and reintroducing import licences to rationalise and reduce imports without undermining foreign-trade liberalisation.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 2.8 | 4.0 | 3.9 | 4.0 |
| Real GDP per capita growth | 0.9 | 2.1 | 2.1 | 2.4 |
| CPI inflation | 3.3 | 3.0 | 4.0 | 4.0 |
| Budget balance % GDP | -1.5 | -7.0 | -9.5 | -8.2 |
| Current account % GDP | 0.4 | -4.0 | -7.7 | -8.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# ANGOLA

- **Angola's economy will suffer from significantly lower oil prices, with GDP growth expected to decelerate to 3.8% in 2015 and 4.2% in 2016, down from the 4.5% registered in 2014.**
- **Structural reforms are imperative to enhance efficiency in the allocation of resources and create the conditions for a faster rate of economic growth and equitable development in the future.**
- **Improved management of income from non-renewable resources is needed to enhance spatial inclusion and create savings for future generations.**

The Angolan economy was hard hit by the sharp decline in international oil prices, as well as a temporary reduction in oil output due to unscheduled maintenance of oil fields, and prolonged drought. Nonetheless, sound macroeconomic policies helped to ensure an economic growth rate of 4.5% in 2014, down from 6.8% in 2013. Angola will suffer from significantly lower oil prices over the 2015/16 horizon. Lower oil prices are expected to lead to sizeable cuts in public spending and a consequent deceleration of GDP growth to 3.8% in 2015. But growth is expected to rebound to 4.2% by 2016.

Growth and equitable development are constrained by the adverse business environment, inadequate governance and transparency in the management of public resources, weak quality and maintenance of physical infrastructure, limited quality of human resources, weak agriculture growth, inefficient public service delivery to the poor, and difficulties in managing income from non-renewables to create savings for future generations. Social pressures are increasing due to the high unemployment rate (26%), particularly among youth; significant poverty, affecting 36.6% of the population; and high income inequality, with a Gini coefficient of 55.3. In this context, structural reforms are imperative to accelerate economic diversification, reduce dependency on natural resources, increase productivity, improve the allocation of resources and create the conditions for a faster rate of economic growth and equitable development.

Large and persistent regional inequalities were exacerbated by more than 27 years of war, which triggered an unprecedented migration from rural to urban areas. The Public Investment Programme has helped improve regional allocation of public resources, but more efforts are required to improve the quality and availability of economic and social infrastructure. Cognisant of the spatial conflicts that may arise from the economic isolation of regions and populations, largely induced by war, the government approved a mix of tax breaks, accelerated provision of physical infrastructure in special economic zones and the development of industrial poles as part of the National Industrialisation Programme, 2013-2017. Access to credit for small and medium-sized enterprises is being eased and economic corridors to reduce regional asymmetries are being developed. Meanwhile, fiscal decentralisation remains limited, with 80% of public resources administered at the central level. The population census of May 2014 is expected to be used in the design of a comprehensive National Population Policy that will help anticipate the consequences of population growth and the subsequent pressure on natural resources.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 6.8 | 4.5 | 3.8 | 4.2 |
| Real GDP per capita growth | 3.7 | 1.4 | 0.7 | 1.1 |
| CPI inflation | 8.8 | 7.4 | 8.0 | 8.7 |
| Budget balance % GDP | 0.3 | -2.2 | -10.6 | -7.7 |
| Current account % GDP | 5.8 | 2.7 | -5.9 | -2.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# BENIN

- **Growth in 2014, estimated at 5.5%, was driven by the agricultural and services sectors and by the country's dynamic construction industry.**
- **Based on the implementation of the structural-investments programme, growth is projected at 5.6% in 2015 and 6.0% in 2016, but will depend on how the political and social environment evolves.**
- **Reducing regional disparities remains a challenge in Benin and will require implementing a spatial-inclusion policy and promoting regional business clusters.**

Economic growth in 2014 was an estimated 5.5%, versus 5.6% in 2013. It was driven by agriculture and services, which together accounted for more than 85% of GDP. Construction was stimulated by investment in transport and tourism. Inflation was negative, owing in particular to greater food crops in the 2013/14 season and to the decline in the price of oil since June 2014. In a context of high population growth, economic growth has not been sufficient to reduce poverty and inequalities.

The economic outlook for 2015 and 2016 will be shaped by the government's determination to achieve the Millennium Development Goals and its implementation of a structural-investments programme (*Programme d'investissements structurants* – PIS). Growth, projected at 5.6% in 2015 and 6.0% in 2016, will require stepping up the reforms designed to improve the business climate and public-expenditure channels, public procurement in particular. The reforms aim to mobilise the resources announced when the PIS was presented at the round table held in Paris in June 2014, then to execute the investment plans. Political and social developments will also be key factors, as elections will be held in 2015 and 2016. It will therefore be important to strengthen dialogue amongst the country's political figures to reach a consensus and to hold elections in compliance with the country's constitutional provisions.

Reducing regional disparities is a challenge for Benin. Balanced and sustainable development of the national space is one of the five priority areas of the ongoing strategy for growth and poverty reduction (*Stratégie de croissance pour la réduction de la pauvreté* – SCRP). A key PIS objective is to reduce the isolation of production areas, agricultural ones in particular. To achieve their spatial-inclusion policy, the authorities must do more to promote regional business clusters in the rural areas, improve how the pace of urbanisation is managed and curb population growth.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.6 | 5.5 | 5.6 | 6.0 |
| Real GDP per capita growth | 3.0 | 2.9 | 3.0 | 3.4 |
| CPI inflation | 1.0 | -0.5 | 1.7 | 1.7 |
| Budget balance % GDP | -1.9 | -1.1 | -1.5 | -1.8 |
| Current account balance % GDP | -14.5 | -15.2 | -15.1 | -15.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# BOTSWANA

- **Botswana's GDP growth slowed down in 2014, reflecting modest overall growth in non-mining activities.**
- **The fiscal position is projected to remain strong on account of higher mineral revenue and the government's commitment to fiscal discipline.**
- **Botswana's growth prospects look promising, but downside risks emanating from a decline in global mineral prices, particularly for diamonds, remain elevated.**

Botswana's economy has recovered from the global economic crisis. Real GDP registered robust growth in 2013, underpinned by buoyant activity in the mining sector, particularly diamond production, in spite of bottlenecks in the power and water sectors. According to our estimates, the economy, however, slowed down in 2014, reflecting modest overall growth in non-mining activities, mainly the water and electricity sector which contracted sharply.

Botswana's growth prospects look broadly favourable. Real GDP growth is projected to moderate slightly during 2015-16. Growth will primarily be driven by the non-mining sectors including trade and tourism, as well as financial and government services. Medium-term growth prospects also depend crucially on the expansion in diamond cutting and polishing activities and the commissioning of a steel manufacturing plant and a horticultural processing plant in 2015. However, the uncertain external environment, particularly the potential slowdown in emerging markets, exposes Botswana's narrow export base to significant downside risks.

After a fiscal deficit in the aftermath of the global economic crisis, a budget surplus is projected in the 2015/16 financial year, for the fourth consecutive year. This positive fiscal outturn is the result of higher mineral revenue and efforts by the government to rebalance some spending priorities, including reigning in unproductive elements of current expenditure.

Inflationary pressures continued to ease in 2014. On an annual basis, inflation was much lower in 2014 than in the previous year. Key factors that have helped to drive down inflation include the general slowdown in the costs of food and transport. Inflation is expected to remain within the Bank of Botswana's objective range of 3-6% in the medium term.

Elections are held every five years in Botswana. In the last elections held in October 2014, Botswana Democratic Party President Ian Khama was re-elected the country's president for a second and last five-year term after his party maintained its majority in Parliament winning 37 out of the 57 elected seats. The prudent macroeconomic management and political stability are expected to continue during his tenure.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.9 | 5.2 | 4.5 | 4.3 |
| Real GDP per capita growth | 5.0 | 4.3 | 3.6 | 3.4 |
| CPI inflation | 5.8 | 4.4 | 4.3 | 4.2 |
| Budget balance % GDP | 0.7 | 5.2 | 3.2 | 3.8 |
| Current account % GDP | 10.4 | 7.9 | 7.1 | 7.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# BURKINA FASO

- **Despite the political crisis, lower gold and cotton prices and the Ebola epidemic, strong economic growth is expected in 2015 (5.5%) and 2016 (7%).**
- **With a high rate of poverty, the government's main challenge in managing public finances is still to use the country's mining revenue to create more inclusive growth.**
- **The government is counting on creating regional growth centres to improve land development, currently focused on the capital.**

In 2014, the political crisis, along with lower gold and cotton prices and the Ebola epidemic in West Africa (which led to the cancellation of many international events), had a significant effect on Burkina Faso's economy. Growth still reached 5.0% (6.6% in 2013) and the outlook for 2015 is positive (5.5%), mainly due to continued infrastructure investment. Thanks to a good 2014 harvest and lower oil prices, which could reduce the cost of imports, inflation should remain within the 3% limit set by the West African Economic and Monetary Union (WAEMU) in 2015.

The economy is vulnerable to changes in gold, cotton and oil prices, to an unpredictable climate and to the direction of political transition in 2015. The high level of poverty in a young population and regional disparities are still major concerns. Despite good progress in education, the fight against HIV/AIDS and better access to clean water, not all the Millennium Development Goals (MDG) will be reached in 2015.

The country has gradually developed a structure where the capital, Ouagadougou, has most of the modern economic infrastructure, while the countryside, where 77.3% of the population live, has little. The main development challenge is to implement a policy of growth centres based on the potential of each region, and provide the regions that have strong economic potential with modern infrastructure, such as roads, energy, water and information technology, that will attract private investment.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 6.6 | 5.0 | 5.5 | 7.0 |
| Real GDP per capita growth | 3.8 | 2.2 | 2.7 | 4.2 |
| CPI inflation | 0.5 | 0.9 | 1.5 | 1.7 |
| Budget balance % GDP | -4.4 | -3.7 | -4.0 | -3.8 |
| Current account balance % GDP | -10.4 | -10.7 | -8.7 | -9.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# BURUNDI

- **Estimated at 4.7% in 2014, GDP growth should rise to 5% in 2016, thanks to the implementation of infrastructure projects in the energy and mining sectors.**
- **Institutional weakness in tax administration still hampers the deployment of internal resources, despite significant structural reforms undertaken by the government.**
- **There has been substantial progress in the elimination of regional disparities, but spatial inclusion remains a major issue for the country because of land issues and related conflicts.**

Since 2010, Burundi has recorded average annual growth of 4% despite difficult international conditions. These have been characterised by rising world prices for fuel and food, leading to significant inflationary pressure. In 2014, real GDP growth was estimated at 4.7% compared to 4.5% in 2013, due mainly to agriculture through an upturn in coffee production and a dynamic construction sector implementing large-scale infrastructure projects (fibre optic, roads, etc.). Thanks to the tightening of monetary policy and falling international petrol prices in the second half of the year, inflation fell year on year from 9.0% in 2013 to 6.7% in 2014. Prudent management of monetary policy stabilised the Burundian franc against the US dollar for the whole of 2014. With regard to the budget, Burundi makes poor use of internal resources (12.4% of GDP in 2014 compared to 13.1% in 2013 and 14.2% in 2011) and external aid fell from 5% of GDP in 2010 to 2% of GDP at the end of 2013. The budgetary balance fell from 0.4% of GDP in 2013 to -1.2% of GDP in 2014. Externally, the current account deficit, including transfers, worsened from 8.3% of GDP in 2013 to 9.5% of GDP in 2014.

The implementation of the second generation strategic framework for growth and poverty reduction, adopted in February 2012, brought significant progress in human development. With regard to investment, major energy, transport and telecommunications projects were started and new programmes were submitted to the country's technical and financial partners for 2015-16. However, spatial inclusion is a major concern, because of the associated problems with property rights. As well as the shortage of land, excessive subdivision and land degradation, Burundi is faced with many land governance problems. Demand for land is exacerbated by the return to the country of hundreds of thousands of refugees whose land has been occupied. In such a situation, rising numbers of land disputes, which alone account for 80% of court cases, is a potential source of socio-economic instability.

As the 2015 elections approach, political tensions are the main short-term risk that might lead to violence and hamper the attainment of the growth goals set by the authorities. Moreover, delays in implementing public finance management reform and shrinking political space might both act to discourage donors.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.5 | 4.7 | 4.7 | 5.0 |
| Real GDP per capita growth | 1.3 | 1.6 | 1.6 | 1.9 |
| CPI inflation | 9.0 | 6.7 | 4.9 | 5.7 |
| Budget balance % GDP | 0.4 | -1.2 | -0.4 | -0.4 |
| Current account balance % GDP | -8.3 | -9.5 | -4.5 | -6.1 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# CABO VERDE

- **With real GDP growth of 2% recorded in 2014, the economic recovery remains subdued due to weaknesses in the global and domestic economies, but tourism, tourism-related foreign investment and construction remain engines of growth for the Cabo Verdean economy.**
- **Cabo Verde's fiscal situation has improved slightly in a context of the phase-out of a public investment programme in a pre-electoral year, but it is still vulnerable.**
- **Although Cabo Verde has made economic progress in recent years, there are pockets of spatial exclusion as evidenced by strong emigration from underdeveloped islands.**

Exposed to a difficult external environment, economic growth in the Cabo Verdean economy decelerated from 4.0% in 2011 to 0.7% in 2013. In the latter year, the country was particularly affected by a decline in remittances and Foreign Direct Investment (FDI) from Europe, as well as in Official Development Assistance (ODA). In 2014, GDP growth modestly picked up to 2.0%, led by the construction sector, whereas tourism had a negative contribution. Economic growth is expected to improve in 2015/16 to above 3%. This will be driven by good performance in the tourism sector, resumption of private credit growth, product diversification into areas like agriculture and fisheries, an increase in productivity and a modest economic recovery in the euro area.

The government has been winding down its ambitious Public Investment Programme (PIP) to ensure debt sustainability. During the last few years, the combination of weaker revenue performance and higher capital expenditure has driven up public debt to 107% of GDP at end-2014 – a rise of 50 percentage points since 2008. Even though debt financing has been highly concessional, there are risks to debt sustainability if progress on fiscal consolidation stalls. In the face of the country's reduced capacity to borrow, it has become critical to bolster domestic revenue mobilisation in order to ensure macroeconomic stability. A broad set of reforms has already been implemented to streamline and rationalise tax policies in line with international best practices, and efforts are underway to increase the efficiency of tax administration. As monetary conditions have eased and Non-Performing Loans (NPL) are gradually being resolved, banks are in a better position to increase credit to the private sector.

Cabo Verde's nearly half a million people are concentrated on the two islands of São Vicente and Sal and Praia, the capital city, where economic opportunities are more favourable. People have migrated from underdeveloped islands, particularly Brava and São Nicolau, where pockets of spatial exclusion persist. The rising demographic pressure induced by migration has accordingly imposed a burden on infrastructure and environmental conditions, with attendant social and economic problems, including crime. Addressing these challenges requires concerted efforts at all levels of government. Cabo Verde's development strategy therefore represents a national vision aimed at fostering more equitable development on the different islands, especially those with widespread poverty and spatial exclusion. To this end, the authorities have devised policies and strategies and undertaken investments programmes to mitigate against these problems. The related measures are yielding results, as is shown by the increase in the share of population with access to basic water and sanitation and the reduction in rates of the poverty headcount.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 0.7 | 2.0 | 3.1 | 3.6 |
| Real GDP per capita growth | -0.2 | 1.1 | 2.1 | 2.7 |
| CPI inflation | 1.5 | -0.4 | 2.2 | 2.4 |
| Budget balance % GDP | -9.0 | -8.0 | -7.1 | -6.2 |
| Current account % GDP | -3.5 | -9.0 | -8.6 | -7.9 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# CAMEROON

- **Despite the security and humanitarian crisis in the region, Cameroonian growth remains strong at above 5%.**
- **However, falling oil prices and rising security spending will weigh heavily on the fiscal accounts.**
- **Decentralisation and inclusion could be used as leverage to restructure the economy and translate the growth into social improvements.**

Growth remained strong in 2014 at 5.3%, but remained below the 6% average growth target set in the 2010-20 Growth and Employment Strategy Paper (2010-20 GESP), which aims to incorporate Cameroon into the group of emerging countries by 2035. Cameroon's economy has been resilient in the face of security and humanitarian crises at the northern borders with Nigeria and the eastern borders with the Central African Republic (CAR) and despite stagnant economies in the OECD countries and a slowdown in growth among the emerging economies. Cameroon's growth was driven by the secondary sector and a larger supply of energy and agricultural goods. According to projections, growth is set to remain strong in 2015 (5.4%) and 2016 (5.5%) thanks to a diversification policy aimed at developing value chains in agriculture and developing the construction sector and the supply of energy.

In addition to pursuing a moderately expansionary fiscal policy, the authorities have sought to mobilise tax revenue and improve the returns on public expenditure. They have significantly reduced poorly targeted subsidies on petroleum products and made improvements to projects. The 2013-15 budget aims to maintain the existing line of fiscal policy in 2015. However, the drop in oil prices during the second half of 2014 and the additional security and humanitarian expenses resulting from the Nigeria and CAR crises forced the government to introduce proactive fiscal consolidation measures to prevent the deficit from widening.

The 2010-20 GESP provides a framework for territorial development in Cameroon, but translating it into a proactive spatial inclusion policy is taking a long time. Underlying tensions and a sense of exclusion in some regional communities have been heightened by the demographic upheaval brought about by the arrival of refugees from neighbouring countries. In addition, although major infrastructure projects are beneficial in terms of regional planning and development, they place great pressure on arable land and lead to transfers in the ownership of productive capital in rural areas. These shifts greatly threaten Cameroon's long-standing peace and social cohesion. The areas most concerned are those around the Lom Pangar and Memve'ele dams, the deep-water port in Kribi and the Mbalam iron mines in the East region.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.5 | 5.3 | 5.4 | 5.5 |
| Real GDP per capita growth | 3.0 | 2.8 | 2.9 | 3.0 |
| CPI inflation | 2.1 | 2.2 | 2.4 | 2.2 |
| Budget balance % GDP | -4.1 | -5.2 | -6.4 | -5.8 |
| Current account balance % GDP | -3.8 | -4.2 | -4.3 | -4.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# CENTRAL AFRICAN REPUBLIC

- **The timid economic recovery in 2014 should continue in 2015 and 2016 thanks to an improvement in security and the holding of presidential and parliamentary elections in 2015.**
- **The mobilisation of the international community that followed the election of Catherine Samba-Panza as interim head of state in January 2014 resulted in the deployment of United Nations security forces and the resumption of external financial support.**
- **Despite relative improvement in Bangui and elsewhere, social and humanitarian conditions remain affected by persistent insecurity and the large numbers of displaced people.**

After the fall in production recorded in 2013, economic activity in the Central African Republic (CAR) picked up slightly in 2014. The agricultural sector, which is the chief contributor to gross domestic product (GDP), nonetheless continues to lose ground, in particular because of the lingering insecurity and the slow return of displaced persons. The progressive return to a degree of security of the main road corridor from Bangui to Douala, which carries most of the country's external trade, has facilitated commercial and transport activities. Economic growth should strengthen in 2015 and 2016 because of the improved security situation and the holding of presidential and legislative elections.

The installation of new transitional authorities – particularly the election of Catherine Samba-Panza as head of state – the appointment of a new prime minister and the formation of a government characterised 2014 from January onwards. These developments were favourably received and strengthened the mobilisation of the international community to stabilise the country and lend backing to the continuing transition process. Notwithstanding these positive developments, the degree of insecurity remains worrying, while social and humanitarian conditions are still difficult. The latest estimates by the United Nations suggest that more than 28% of the population are affected by food insecurity and 33% require humanitarian assistance. Although a government commanding wider support was formed in August 2014, with a prime minister from the Muslim community, a large number of communal and political tensions persist. A new electoral calendar for presidential and legislative elections was, accordingly, drawn up for June and July 2015. The resumption of external financial support, especially in the form of budgetary aid, enabled the transition authorities to ensure payment of wages and salaries. After a period marked by systematic recourse to exceptional measures in the execution of public spending and by disorder in the financial administration, a progressive normalisation of the management of public finances is underway.

The CAR is landlocked and has one of Africa's least dense populations. These difficult factors apart, the country also has to face up to a lack of infrastructure that creates spatial and geographical exclusion among the population and worsens poverty in the countryside. In an attempt to remedy this state of affairs the country has adopted a "growth pole" (*Pôle de développement*, or PDD) strategy which takes into account the demographic, economic and security characteristics of the country's different regions.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | -36.0 | 1.0 | 5.4 | 4.0 |
| Real GDP per capita growth | -38.0 | -1.0 | 3.4 | 2.1 |
| CPI inflation | 6.6 | 11.2 | 4.1 | 3.9 |
| Budget balance % GDP | -6.3 | -3.2 | -3.8 | -3.7 |
| Current account balance % GDP | -3.0 | -5.2 | -8.2 | -6.4 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# CHAD

- **After a slowdown in 2013, growth picked up in 2014 (7.2%), and this trend could continue in 2015 thanks to the start of production at new oil fields.**
- **Chad is highly exposed to oil price fluctuations, so it needs to step up its budgetary consolidation efforts; its main social challenges, meanwhile, are linked to security crises and preparation of the electoral process.**
- **Implementation of spatial inclusion and structural transformation policies is essential, if Chad wishes to achieve economic emergence by 2030, in order to better develop its natural resources and meet many socioeconomic challenges.**

Economic growth in Chad stood at 7.2% in 2014, according to estimates, and could reach 9% in 2015 due to the start of production at new oil fields. However, the current adverse conditions in the international oil market could squeeze oil revenue, which would mainly affect the non-oil sector due to falling public investment and shrinking domestic demand. The rate of inflation, estimated at 2.9% in 2014, complies with the community standard of 3% set in the convergence pact of the Central African Economic and Monetary Community.

The satisfactory results obtained in the implementation of the monetary agreement signed with the International Monetary Fund in July 2013 allowed Chad to enter into a programme of reforms supported by an Extended Credit Facility, approved on 1 August 2014. Its proper application, notably through the pursuit of budgetary consolidation efforts and the national development plan (*Plan national de développement*), should allow the country to reach the completion point of the Heavily Indebted Poor Countries initiative during the first semester of 2015.

Given the heavy dependence of the Chadian economy on oil, and with the country also facing the impact of the climate challenge, increasing its resilience in an unstable national and regional economic environment is a necessity. Undertaking actions aimed at achieving greater structural transformation and better spatial inclusion could contribute to building resilience through their positive effects on the country's socioeconomic development and social cohesion.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.9 | 7.2 | 9.0 | 5.0 |
| Real GDP per capita growth | 0.9 | 4.2 | 6.1 | 2.1 |
| CPI inflation | 0.2 | 2.9 | 3.3 | 3.5 |
| Budget balance % GDP | -2.7 | -5.6 | -5.2 | -4.1 |
| Current account balance % GDP | -9.9 | -9.3 | -10.0 | -9.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# COMOROS

- **The serious energy crisis in the Comoros which has been going on for several years is handicapping economic activity and resulting in continued moderate growth.**
- **The rise in the wages and salary bill and the funding of the legislative, municipal and council elections exacerbated budgetary tensions but the external position remains comfortable with more than 5.6 months' cover of imports thanks to remittances from emigrants.**
- **The Comoros is a small, densely populated archipelago of four islands (although Mayotte has remained under French administration) facing substantial spatial, economic and demographic disparities resulting in significant migrations, which in turn create serious political and social tensions.**

Despite average growth of around 3% since 2011, the economy has not managed to achieve structural transformation. This, however, is vital to reduce poverty and deal with unemployment among the young, particularly graduates, which was more than 50% in 2014. The composition by sector of gross national product (GNP) in 2014 was dominated by the farming, forestry and fisheries sector (34.5%) followed by the trade sector, including hotels and restaurants (28.9%), and the public sector (13.1%). The production sector (water, electricity, building and manufacturing) accounted for only 11.0% of GDP. The main engines of growth were the agricultural (4.2%), construction (5.2%), trade and hotels (4.9%), public administration (8.2%) sectors and other services (8.3%).

The relatively stable political situation and the resumption of major external funding favoured growth (multilateral and in particular Arab bilateral). Even so, in 2014 the country saw arrears accumulate: both internal (salaries, payments to suppliers etc.) and external, resulting in the deterioration of the main budgetary balances. The overall cash basis current account surplus accordingly fell from 18.2% in 2013 to -0.6% in 2014. The trend should be reversed with a positive balance of 1.5% in 2015.

The state budget was affected by a rise in current expenditure in 2014, particularly in wages and salaries which grew by 10% compared with 2013. Furthermore the energy crisis led large businesses to turn to power generators, which increased their production costs and reduced their taxable turnover. This explains the government's difficulties in mobilising internal resources as well as its cashflow problems.

Structural reforms are slow, especially in the key energy and telecommunications sectors, in spite of the commitment of the authorities, mainly because of the country's weak institutional capacities. The country is therefore struggling to lay the foundations for sustainable economic growth that will create jobs. The energy crisis that began in 2010 continues, seriously hindering economic activity. It particularly affects the trade in imported food products, which provides the greater part of tax income. The resulting state cashflow crisis has led the government to make significant cuts in subsidies to the public electricity and water utility (Mamwe) which is no longer in a position to guarantee the means of production and the purchase of fuel. As a result the supply of electricity has been reduced to a few hours a day in the capital and much less in the other regions of the Comoros.

All economic activity is affected, especially the sectors in which vulnerable people, particularly women are concentrated: processing of agricultural products, processing of and trade in marine products, arts and crafts. Growth has remained at 3.5% thanks to an internal demand sustained by external resources. Foreign aid pays for investment, and remittances from emigrants fund household consumption. Internal production that creates jobs makes only a slight contribution to growth.

 

The unemployment rate, put at 14% in 2003, keeps rising. It reached 24% in 2012 particularly affecting the 15-24 age group (52%). Confronted with this disturbing state of affairs the government has reacted by implementing the Strategy for Accelerated Growth and Sustainable Development (*Stratégie de croissance accélérée et de développement durable* [SCA2D]) 2015-19, designed to promote growth and create jobs. Its aims, however, can only be realised if a sustainable solution to the energy crisis can be found in the very short term.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.5 | 3.5 | 3.6 | 3.6 |
| Real GDP per capita growth | 1.1 | 1.2 | 1.3 | 1.4 |
| CPI inflation | 1.6 | 1.6 | 2.5 | 2.6 |
| Budget balance % GDP | 18.2 | -0.6 | 1.5 | 1.6 |
| Current account balance % GDP | -5.7 | -7.8 | -6.9 | -8.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# CONGO

- **After a downturn in 2013, growth rebounded to 6.0% in 2014 and should reach 6.8% in 2015, but the continuing drop in oil prices could weaken the country's economic prospects.**
- **The pace and quality of economic growth were not sufficient to significantly reduce poverty and enable achievement of the Millennium Development Goals.**
- **The country's centralised geoeconomic structure results in weak spatial inclusion, despite advances due to recent investments in infrastructure.**

Growth reached 6.0% in 2014, compared with 3.3% in 2013, driven by the rebound in oil production (60% of gross domestic product [GDP]) and the strong performances in the non-oil sector, supported by continued public investment. Inflation declined from 4.6% in 2013 to 3.0% in 2014 as a result of falling food prices; it should remain within the bounds of the regional convergence threshold of 3% in 2015-16. Reflecting the continuation of the government's expansionary budgetary policy and the drop in oil prices, the basic non-oil primary fiscal deficit widened from 61.2% of non-oil GDP in 2013 to 74.5% in 2014, while the current account deficit of the balance of payments widened from 4.7% of GDP in 2013 to 6.3% in 2014. Growth should reach 6.8% in 2015 and 7.3% in 2016, supported by the continuation of the public investment programme, the start of mining production and the dynamism of the service and agriculture sectors. However, the current drop in oil prices could sharply weaken the country's prospects.

The pace and quality of growth were not sufficient to significantly reduce poverty, which declined from 50.7% in 2005 to 46.5% in 2011, well above the 35% target for 2015 set in the Millennium Development Goals (MDGs). Achieving the other MDGs will be difficult, and geographic inequalities remain substantial. It is urgent to accelerate economic diversification, in particular through improvements in the efficiency of public investment and the deepening of reforms aimed at improving the private-sector environment to create growth that will foster spatial inclusion and poverty reduction.

The country's geoeconomic structure and the growth profile it generates have led to imbalanced regional development. The concentration of economic activities and investment in Brazzaville and Pointe-Noire has led to significant geographic imbalances, in particular between urban and rural areas. The incidence of poverty is 74.8% in rural areas, compared with 32.3% in urban areas, according to the 2011 Congolese household survey (*Enquête Congolaise auprès des ménages*, ECOM). In order to promote spatial inclusion, the government launched an accelerated municipalisation programme ten years ago that eased the isolation of the *départements* and reduced regional inequalities. Within the framework of its 2012-16 national development plan (PND), the government is implementing public policies focusing on regional development and spatial planning. However, improvements in the quality and targeting of public policies on spatial planning will be necessary to achieve greater spatial inclusion.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.3 | 6.0 | 6.8 | 7.3 |
| Real GDP per capita growth | 0.8 | 3.5 | 4.4 | 4.9 |
| CPI inflation | 4.6 | 3.0 | 3.4 | 2.4 |
| Budget balance % GDP | 8.3 | -5.4 | -7.0 | -2.3 |
| Current account balance % GDP | -4.7 | -6.3 | -8.2 | -5.9 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# CONGO, DEM. REP.

- **The economy did fairly well overall in 2014, with sustained growth of 8.9%, controlled inflation (1.2%) and a virtually-stable exchange rate (slipping 0.1%).**
- **Growth should continue in the short and medium term, with favourable external conditions, steady reduction of the infrastructure deficit and expanding investment due to continuing government reforms.**
- **Despite these macroeconomic performances, the country still has very high poverty, large development disparities among provinces and weak spatial inclusion due to slow decentralisation and delayed completion of infrastructure projects.**

Economic growth of nearly 9% in 2014 was driven by the extractive and manufacturing industries, agriculture, commerce and construction, and benefited from fairly good external demand and quite high raw material prices. The business climate also improved and the infrastructure deficit was reduced. Growth should remain strong in 2015 and 2016 if the domestic political and security situation stays calm and if external conditions remain good. It will be boosted mainly by the extractive and agro-food industries that attract most large-scale investment.

The private sector is still small but its rate of investment has been growing steadily for the past five years. Its prospects have increased with abolition of some taxes, simplified procedures for setting up businesses and importing goods, upgrading of infrastructure and membership of the Organisation for the Harmonisation of Business Law in Africa.

Despite higher world prices for food and oil products in the first half of the year, the macroeconomic situation remained under control in 2014 and inflation was a low 1.2% (compared with an expected 3.7%). The exchange rate of the Congolese franc (CDF) against the US dollar (USD) slipped only 0.1%. These results were due to a cautious macroeconomic policy and a revival of export revenue.

The DRC has made progress towards the 2015 Millennium Goals (MDG) but not enough, with economic performances having a limited effect on overall living conditions. Few jobs are available, especially for young people. Population growth prevents an effective fight against hunger and the government has taken steps to speed up progress towards the first MDG, to eliminate hunger. It has also pledged to support small farmers and build agro-industrial parks. Education and health care indicators progressed but the quality and quantity of these services need to be improved further.

The political debate was dominated by amendment of the national constitution and the elections timetable proposed by the Independent National Electoral Commission. Significant advances were made in restoring security thanks to army operations backed by the UN peace and stabilisation mission, MONUSCO.

The country, geographically isolated by being almost landlocked and having poor infrastructure, has sharp social and economic inequalities among provinces and between urban and rural areas. The government has sought since 2007 to reduce them through decentralisation but this has been quite slow. An infrastructure-building programme has also been launched to develop the country's economic potential by creating better links among regions, although a proper overall land-use plan has not yet been drafted.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 8.5 | 8.9 | 9.0 | 8.2 |
| Real GDP per capita growth | 6.0 | 6.4 | 6.6 | 5.7 |
| CPI inflation | 0.8 | 1.2 | 1.8 | 4.7 |
| Budget balance % GDP | -1.7 | -3.7 | -3.9 | -4.6 |
| Current account balance % GDP | -10.2 | -8.4 | -4.1 | -4.4 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# CÔTE D'IVOIRE

- **The economic recovery that began in 2012 was confirmed in 2014 by an estimated 8.3% growth rate and growth is expected to remain robust in 2015 and 2016.**
- **One of the biggest challenges to making this growth inclusive is to strengthen the role of local authorities in launching projects that have a structuring impact and speed up public access to modern services that will enable more productivity and efficiency.**
- **Better mobilisation of internal and external funding of development and social and political stability is needed for Côte d'Ivoire to achieve its goal of becoming an emerging nation by 2020.**

The economy continued its robust two-year growth in 2014 at an estimated 8.3%, with similar expansion expected in 2015 and 2016, driven by internal and external demand. Public and private infrastructure investment and household consumption accounted for most internal demand, while external demand boosted commodity exports thanks to higher world prices. Growth was also due to efforts under the national development plan (*Plan national de développement*) to improve the business climate and speed up structural reform. The country thus became more attractive, especially for foreign direct investment.

As part of a programme conducted with the International Monetary Fund, the budgetary situation became much healthier in 2014 thanks to better tax collection and control of spending, which was lower than expected. The combined effect of these two improvements lowered the budget deficit (including grants) slightly to 2.2% of gross domestic product (GDP) from 2.3% in 2013. The significant efforts made towards greater transparency and honesty in public finance management need to be sustained.

The much better political situation is still held back by insufficient dialogue amongst the political forces. After some hesitation, the opposition parties finally joined the independent electoral commission (*Commission électorale indépendante* – CEI). The government took other steps to calm the political climate: releasing pro-Gbagbo prisoners, allowing the return of high-level political refugees and unfreezing their bank accounts. The justice system, whether national or international, is still seen as biased by part of the population.

The challenge of spatial inclusion will be to sustain growth in the long run and increase its impact in rural areas and city suburbs. More jobs are being created but still not enough for the large number of jobless young people. Women, long the main victims of conflict, have enormous needs for reviving their activities. This involves strengthening local government and their managerial ability to launch projects that have a structuring impact and to speed up local access to good public services. The country's regions have many obvious advantages, including a denser road network than in most African countries and several kinds of farmland and climate that enable the development of a range of agro-industrial and food products in big demand worldwide.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 8.7 | 8.3 | 7.9 | 8.5 |
| Real GDP per capita growth | 6.3 | 6.5 | 5.6 | 6.2 |
| CPI inflation | 2.6 | 0.6 | 2.5 | 2.1 |
| Budget balance % GDP | -2.3 | -2.2 | -3.4 | -3.9 |
| Current account % GDP | -1.6 | -3.1 | -1.9 | -2.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# DJIBOUTI

- **With a growth rate of 5.9% in 2014, the economy continued the acceleration observed in 2013 and is expected to maintain this rhythm in 2015.**
- **The fiscal deficit started to decline in 2014 and is expected to further decline in 2015/16 but the country's level of debt remains critical.**
- **The economy of Djibouti lacks diversification, and although growth has been steady since 2006, it has not made possible a significant reduction of poverty.**

With a growth rate of 5.9% in 2014 the country's economy continued the acceleration witnessed in 2013 (5%). This momentum is expected to be maintained in the years ahead, supported by the pursuit of a huge investment programme, notably in infrastructure. The investment programme, which aims to transform the country into a regional platform of commercial, logistical and financial services, reflects a radical change of direction for the national economy. The growth rate is expected to reach 6% in 2015. The huge investment programme that is supporting this growth is driven by increased port activity and foreign direct investment (FDI). Most of the port activity concerns the transit of merchandise to and from Ethiopia. The flow of FDI into the country is concentrated on infrastructure for ports, roads, buildings and hotels. In 2013, FDI accounted for 18.6% of gross domestic product (GDP), a record level.

The country is advancing only slowly in terms of economic and financial governance. Public finances recorded a deficit of 3.1% of GDP in 2013, compared to 1.1% in 2011 and 2.7% in 2012. The deficit remained high in 2014 at 2.6% of GDP. Djibouti's external position remains fragile because of deficits in its trade balance and current accounts. The country's trade balance is structurally loss-making and the trade deficit continued to widen in 2014. The level of debt remains critical and puts Djibouti at high risk of over-indebtedness.

The economy remains weakly diversified, with a predominant informal sector. The economy is mainly concentrated on transport activities and connected services that are served by the country's geostrategic position on the Gulf of Aden, at the intersection of strategic maritime trade corridors for the transport of goods and oil. The concentration of economic activities and jobs in the city of Djibouti, notably around the port and foreign military bases, has encouraged a considerable flow of inhabitants to the capital, accelerated by unemployment and drought. Today, nearly 80% of the population is concentrated in the country's towns, with more than 60% in the city of Djibouti, the capital. The pace of urbanisation has been very swift and all the issues of economic and social development are now concentrated in the urban fabric. The authorities have realised that, for about 20 years, development and its sustainability have depended upon the efforts made to correct imbalances between the capital and regional towns.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.0 | 5.9 | 6.0 | 6.2 |
| Real GDP per capita growth | 3.5 | 4.4 | 4.5 | 4.7 |
| CPI inflation | 2.4 | 3.6 | 3.0 | 3.2 |
| Budget balance % GDP | -3.1 | -2.6 | -0.5 | -0.1 |
| Current account balance % GDP | -23.8 | -19.6 | -15.5 | -16.1 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# EGYPT

- **The economic outlook for 2015 is cautiously optimistic, with the GDP growth rate projected at 3.8% in 2014/15 in the wake of important ongoing reforms and anticipation of parliamentary elections, which is the final stage of the political roadmap.**
- **The successful outcome of the March Egypt Economic Development Conference secured over USD 60 billion worth of investments, loan agreements and grants and reinforced the government's commitment to continue the structural reforms and promote inclusive growth and restore back investor confidence.**
- **Economic activity, policy making and development programmes are concentrated in Cairo and a few major cities, which perpetuates spatial disparities.**

The economic outlook since the July 2014 Presidential election looks optimistic. GDP growth in the fourth quarter of the 2013/14 Fiscal Year (FY) was 3.7% compared to 1.5% a year earlier. GDP is expected to grow by 3.8% in FY 2014/15 and 4.3% the following year, compared to 2.2% in 2013/14. This continuing growth will be reinforced by prospects of political stability, initiation of the Suez Canal expansion and improved business sentiment resulting from major reforms. Yet economic recovery remains fragile due to: *i)* high inflation rate estimated at 10.1% in FY 2013/14; *ii)* a budget balance still projected to show a deficit of 11% of GDP in FY 2014/15; *iii)* the country's high outstanding public debt to GDP ratio, up to 97% in June 2014 from 94% a year earlier; and *iv)* a rising unemployment rate reaching 13.3% in 2013 from 9% in June 2010. The economic recovery will depend on continued reform efforts. The parliamentary elections have been delayed but the government is committed to complete this last step of the political roadmap.

Growth is being driven by the manufacturing sector, despite energy shortages and changes to the energy-subsidy scheme. The key development challenges facing the government will be: reducing high inflation, bringing down youth unemployment, improving energy management, dealing with a structural fiscal deficit and resolving other public debt issues that have not been successfully tackled despite an increase of the fiscal revenue from a widened tax base and subsidy reforms. Meanwhile, it is imperative to ensure that subsidy reforms do not hurt the lower-income segments of the population but are better targeted to ensure greater social justice.

Challenges at the macroeconomic level are also likely to affect spatial inclusion. Economic and social development is highly concentrated in Cairo and Alexandria, as well as in the Canal governorates (Ismailia, Port Said and Suez), which are the main business and residential hubs. Rural Upper Egypt, however, is deprived. The government is taking steps to integrate remote areas like the Sinai Peninsula, while promoting investment and poverty alleviation in the Nile Delta and Upper Egypt through projects such as the development of the Golden Triangle in Upper Egypt. Internal migration is low in Egypt and is directed towards the Canal governorates and Cairo. The former are likely to remain attractive for internal migration; however, with the implementation of the Suez Canal Area Development Project, there are likely to be poles of growth around the expansion of existing ports and new industrial zones. In addition to the existing organic clusters mainly in Lower Egypt, the government is aiming at creating new non-organic clusters following the Smart Village model in Cairo.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 2.1 | 2.2 | 3.8 | 4.3 |
| Real GDP per capita growth | 0.5 | 0.6 | 2.2 | 2.8 |
| CPI inflation | 6.9 | 10.1 | 10.4 | 10.1 |
| Budget balance % GDP | -13.7 | -12.8 | -11.0 | -8.5 |
| Current account % GDP | -2.4 | -0.8 | -3.4 | -4.3 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# EQUATORIAL GUINEA

- **In 2014, Equatorial Guinea failed to recover from the 2013 recession caused by cheaper oil prices and lower oil and gas production.**
- **To maintain its budgetary balance, the country had to draw on the reserves it had stowed away in offshore banks and in the Bank of Central African States (BEAC).**
- **Equatorial Guinea's spatial-development policy is geared towards exploiting the economic complementarities of a dispersed territory.**

Several of Equatorial Guinea's gas and oil fields matured in 2013, and the subsequent decline in production, on which the country was highly dependent, pushed the economy into recession. Although new fields opened, they did not fully offset the fall in the value of crude-oil production in a context of declining international prices. Growth was therefore once again negative (estimated at -2.1%) in 2014. Although non-oil and gas activities play a secondary role in the economy, they were somewhat vibrant, especially in the construction sector. Without reliable data it is difficult to make accurate growth projections for 2015 and 2016. In 2015, gross domestic product (GDP) is projected to contract drastically, due to the ongoing drop in gas and oil production and the squeeze on public investment in infrastructure. GDP growth could fall to -8.7% in 2015 before bouncing back to a positive 1.9% in 2016.

The Emerging Equatorial Guinea Forum held in Malabo in February 2014 attracted nearly 300 foreign investors and was testament to the authorities' determination to diversify the economy. In 2008, the authorities launched a national economic and social development plan, the *Plan Nacional de Desarrollo Económico y Social* (PNDES), which aimed to diversify the country's sources of growth by 2020. During the first phase of the plan (2008-12), road, port and airport infrastructure were created, the electricity supply network was improved and public housing and buildings were built, chiefly financed by oil and gas revenue. As scheduled by the PNDES, the authorities began to pull back public investment in 2013, but commitments to developments in progress for the five years to come have remained considerable. Given the fall in oil revenue since 2013, the authorities had to draw on the available external resources they had garnered in the form of official reserves with the BEAC and deposits in offshore or domestic banks. The continued decline in oil production and international prices are expected to force the government to continue to draw on their reserves at the risk of depleting them.

In order to diversify the foundations of its economy and to exploit the country's potentialities, Equatorial Guinea is implementing an ambitious spatial-development policy. The current projects aim to develop growth hubs throughout the country, connected by major roads. Development of the major city areas, in particular Oyala on the mainland, will provide access to good-quality housing, water, electricity and public services such as healthcare and education.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | -4.8 | -2.1 | -8.7 | 1.9 |
| Real GDP per capita growth | -7.6 | -4.9 | -11.4 | -0.8 |
| CPI inflation | 3.2 | 3.6 | 3.9 | 3.4 |
| Budget balance % GDP | -4.5 | -7.2 | -7.9 | -8.1 |
| Current account % GDP | -8.1 | -9.9 | -8.4 | -7.7 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# ERITREA

- **Economic growth is projected at 2.1% in 2015, up from 1.3% in 2013 and 2.0% in 2014, reflecting improved economic activity and increased investment in the mining sector.**
- **Continued improvements in public financial management, progress towards implementation of the Drought Resilience and Sustainable Livelihoods Programme (DRSLP) and enhanced skills development have created favourable medium-term prospects.**
- **Eritrea has made an effort to promote growth, but this has been narrowly based on a sectorial strategy and is now being threatened by increasing social and territorial disparities.**

Eritrea is aiming at creating a modern, private sector-led economy (Macro Policy 1994; National Indicative Development Plan 2014-2018). Attaining this objective is, however, compromised by an inadequately enabling investment and business environment, United Nations sanctions, and overall weak macroeconomic conditions. Real GDP growth is projected to increase from 2.0% in 2014 to 2.1% in 2015, double the rate recorded in 2013, because of increasing investments in the mining sector. Over the medium term, the government sees further prospects in improved trade with Middle-Eastern and Asian countries, additional mining activities, the growth of the food sector and the development of the tourist industry. The current GDP composition is: services (59.9%), non-manufacturing (17.3%), agriculture, hunting, forestry and fisheries (16.9%) and industry (5.9%).

The budget deficit increased to 10.7% of GDP in 2014, up from 10.3% in 2013, but will fall back again to 10.3% in 2015 and 9.9% in 2016 as a result of increasing revenue from mining projects, access to more grant resources, and the government's continued implementation of strict fiscal rules and consolidation strategies. Inflation declined slightly in 2014 because of food-supply shocks, high foreign exchange demand, and high commodities prices on the international market. Lower international food prices and weaker oil prices in 2015 and 2016 should contain inflation at an annual average of about 12% for the period 2015-16.

Exports are forecast to grow in 2014-15, due to mineral production at the Asmara project, but the current account balance is forecast to deteriorate from 0.2% of GDP in 2014 to -1.2% and -1.5% in 2015 and 2016 respectively, partly due to decreases in both remittances and the "development and recovery tax" (a 2% tax levied on the Eritrean diaspora). Based on IMF Article IV 2009, Eritrea is a pre-decision point highly indebted poor country (HIPC) and is therefore eligible or potentially eligible for HIPC Initiative multilateral debt relief (MDR). However, no discussions on an IMF-supported programme have been initiated, although the government is engaged with the IMF's capacity-building institute through the East African Regional Technical Assistance Centre (E-Afritac), located in Tanzania, and has also agreed to participate in the African Development Bank's Transition Support Facility.

The medium-term outlook could present some risks because of the size of the fiscal and current account deficits coupled with high inflation. Improved management of these conditions and enhanced control of the exchange rate regime and public debt could attract more private investment. Thus, medium-term economic prospects will be influenced by: *i)* tensions over the border with Ethiopia, which are a basis for high security infrastructure expenditure; *ii)* relations and co-operation with the international community; *iii)* implementation of the regional programme on drought resilience and sustainable livelihoods under the Intergovernmental Authority on Development (IGAD), plus capacity building under the African Development Bank's new Transition Support Facility; *iv)* increasing investments in the mining sector, and *v)* continued engagement with Middle-Eastern and Asian countries.

 

## Macroeconomic indicators

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 1.3 | 2.0 | 2.1 | 2.0 |
| Real GDP per capita growth | -1.9 | -0.6 | -0.4 | -0.3 |
| CPI inflation | 12.3 | 11.6 | 12.1 | 12.3 |
| Budget balance % GDP | -10.3 | -10.7 | -10.3 | -9.9 |
| Current account % GDP | 0.3 | 0.2 | -1.2 | -1.5 |

*Source*: IMF. WEO 2014.

# ETHIOPIA

- **In 2013/14, Ethiopia's economy grew by 10.3%, making the country one of Africa's top performing economies and this strong growth is expected to continue in 2015 and 2016.**
- **Owing to a co-ordinated prudent fiscal and monetary policy stance, inflation has been contained to single digits since 2013.**
- **Federalism and devolution of power to the regions are paving the way to overcoming geographic and socio-economic barriers to inclusive growth and structural transformation.**

The International Monetary Fund (IMF) ranks Ethiopia as among the five fastest growing economies in the world. After a decade of continuous expansion (during which real GDP growth averaged 10.8% per annum), in 2013/14 the economy grew for its 11th consecutive year posting 10.3% growth. Over the 12 months from July 2013 (the country's fiscal year runs from July-July), all of the economy's main sectors performed well. Agriculture (which represents 40.2% of GDP) grew by 5.4%, industry (14% of GDP) expanded by 21.2% and services (46.2% of GDP) rose by 11.9%. This positive growth should continue for the coming two years, although constraints on private sector development could slow its momentum.

Supported by a slowdown in global commodity prices, the Government of Ethiopia succeeded in containing annual consumer price inflation to 7.1% in December 2014 (down from 39.2% in 2011) by pursuing a tight monetary policy and using base money as its nominal anchor. Fiscal policy focuses on strengthening domestic resource mobilisation and reducing domestic borrowing with the goal of maintaining macroeconomic stability. A strong fiscal stance, particularly through measures to improve tax administration and enforcement, contained the fiscal deficit to 2.6% of GDP in 2013/14, although this was up from 1.9% of GDP the previous year.

Merchandise exports expanded in value by 5.6% in 2013/14, to reach USD 3.25 billion, although their GDP share decreased from 6.5% to 5.9% year on year. Imports, mainly from Europe and Asia, rose from USD 11.5 billion in 2012/13 to USD 13.7 billion in 2013/14, causing the trade deficit to deteriorate (from USD 8.4 billion to USD 10.5 billion). The effect on the overall balance of payments however remains contained, with the deficit down to USD 91.5 million in 2013/14 from minus USD 6.5 million the previous year, mainly due to a good performance in other accounts (non-factor services, private transfers and a surplus in the capital account).

Although debt as a proportion of GDP rose from 21.6% in 2012/13 to 24.3% at the close of 2013/14, the country presents a low risk of debt distress. The country faces a challenge to rebuild its foreign exchange reserves however, as these have fallen to less than two months' import cover.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 9.8 | 10.3 | 8.5 | 8.7 |
| Real GDP per capita growth | 7.2 | 7.8 | 6.0 | 6.2 |
| CPI inflation | 13.5 | 8.1 | 9.0 | 9.0 |
| Budget balance % GDP | -1.9 | -2.6 | -1.4 | -0.9 |
| Current account % GDP | -6.0 | -8.6 | -5.9 | -7.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# GABON

- **The economy grew 5.1% in 2014 but lower oil prices will reduce tax revenue in 2015.**
- **Treasury problems have led to a major build-up of domestic payment arrears since 2013 that is now being resolved, while unprecedented strikes have affected the civil service and the oil and gas sector.**
- **The country's strategic plan for an emerging Gabon (PSGE) aims for an economic relaunch by 2025 by creating ten development centres to use the comparative advantages of the various national spaces.**

The economy expanded by 5.1% in 2014, slightly less than the previous year (5.6%) and below projections of 6.7% made at the start of the year. Prospects remain good, with growth projections of 4.6% in 2015 and 4.7% in 2016. However, unpredictable oil prices and output make these uncertain, especially with unrest expected in the run-up to presidential elections in 2016.

The effect of lower oil prices and output on public finances once again underlined the country's vulnerability to external shocks. The drop in oil revenue meant the budget had to be cut by 11.4%. These cuts have hit small and medium-sized enterprises through delayed payments from their main customer, the government. Inflation was higher in 2014 (about 6%), twice the limit set by the Central African Economic and Monetary Community (CEMAC).

Repeated strikes by civil servants and by the main oil and gas sector trade union caused disruption in 2014. The government presented a new human investment strategy at the beginning of the year in an effort to ease social pressures. Despite being an upper-middle-income country, Gabon still has quite low social indicators and will not achieve most of the 2015 Millennium Development Goals.

The government's ambitious spatial development scheme, "Strategic Plan Emerging Gabon" (*Plan stratégique Gabon émergent*, PSGE), is based on setting up ten "clusters" of economic activity around the country to make best use of national potential as a way of diversifying the economy, and will require major investment in infrastructure and social services.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.6 | 5.1 | 4.6 | 4.7 |
| Real GDP per capita growth | 3.2 | 2.8 | 2.3 | 2.4 |
| CPI inflation | 0.5 | 6.0 | 3.0 | 2.9 |
| Budget balance % GDP | -3.2 | -6.6 | -13.2 | -11.8 |
| Current account balance % GDP | 12.1 | 6.7 | -8.1 | -4.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# GAMBIA

- **Economic growth contracted from 4.3% in 2013 to an estimated -0.7% in 2014 due to the effects of Ebola on tourism-related activities, the delayed rains experienced in 2014 and continued macroeconomic policy challenges.**
- **The fiscal balance continued to deteriorate in 2014 while international reserves were under pressure from the massive injection of liquidity on account of the country's net domestic borrowing.**
- **Local and physical development policies are central in the Gambia's development agenda but are not fully implemented, resulting in poor service delivery and a significant rural-urban imbalance.**

Following the 2011 drought-induced contraction of the Gambia's gross domestic product (GDP), the country's economy recovered moderately in 2012 and in 2013. GDP growth in 2014 is estimated to have contracted to about -0.7%, compared to earlier estimated GDP growth of 7%. The principal factors behind the poor growth outturn are the decline in tourism earnings and reduced agricultural outputs due to delayed rains in 2014. The Ebola epidemic in the sub-region has had an adverse effect on tourism and related sectors, with hotel cancellation rates reaching 60% for the 2014/15 winter season. Delayed and erratic rainfall in 2014 is expected to lead to a significant decline in crop production.

Macroeconomic policy slippages as evident in continued large fiscal deficits and heavy debt burden (estimated at 8.7% and 100% of GDP, respectively, in 2014) continue to pose major challenges. In particular, interest payments consume about 22.5% of government revenues (including 81% devoted to domestic debt). The net domestic borrowing (NDB) rate is expected to reach 12% of GDP at the end of 2014 against the less than 2.5% projected at the beginning of the year. As of end-2014, the main targets stipulated in the IMF Extended Credit Facility (ECF) were off track. The IMF has confirmed its willingness to grant a Rapid Credit Facility (RCF) and provide emergency financial assistance to respond to the country's external shocks (Ebola and the drought) provided that the authorities implement a series of policy measures including in particular restructuring the energy sector.

With 173.6 persons per km², the Gambia is one of the most densely populated countries in Africa, which exerts extreme pressure on the country's limited productive land and prevents social services from being adequately provided. Owing to a rapid population growth, a high urbanisation rate and divergent growth in income and wealth, spatial inequality remains a critical issue in the Gambia. Despite the development of legal frameworks to counter it, there is a large urban-rural gap in income and wealth. In addition, unplanned rapid urbanisation is taking place, resulting in significant environmental degradation. The major reasons for the relatively weak outcome of decentralisation and local development include inconsistent policies related to local-government responsibilities and autonomy, and poor implementation of decentralisation and local-government policies, in particular of the 2004 Local Government Finance and Audit Act.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.3 | -0.7 | 4.2 | 5.2 |
| Real GDP per capita growth | 1.2 | -3.9 | 1.1 | 2.1 |
| CPI inflation | 5.2 | 6.1 | 5.3 | 5.3 |
| Budget balance % GDP | -8.6 | -8.7 | -3.5 | -1.4 |
| Current account % GDP | -10.9 | -12.7 | -12.4 | -10.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# GHANA

- **Although Ghana registered relatively commendable economic growth in 2014, the economy faced major challenges in the form of a sharp currency depreciation, deepening energy crisis, deteriorating macroeconomic imbalance, and rising inflation and interest rates.**
- **Over the medium term, the economy is projected to recover, bolstered mainly by higher oil and gas production, combined with increased private sector and public infrastructure investments, as well as an improved macroeconomic framework and political stability.**
- **Ghana's accelerated economic growth over the past decade has helped the country achieve the MDG goal of halving poverty, although there is evidence of growing disparities in spatial development and income inequality across regions, especially in the three northern regions. Progress in the achievement of other MDGs remains mixed, with the 2015 targets likely to be missed.**

Ghana's economy is expected to slow down for the fourth consecutive year to an estimated 3.9% growth rate in 2015, owing to a severe energy crisis, unsustainable domestic and external debt burdens, and deteriorated macroeconomic and financial imbalances. Provisional gross domestic product (GDP) figures issued by Ghana Statistical Services (GSS) further suggest that the economy expanded by 4.2% in 2014, less than the growth of 7.3% recorded in 2013. The drivers of growth continue to be the service sectors, which constitute 50.2% of the economy, followed by industry and agriculture at 28.4% and 19.9% respectively. In 2016 the economy is expected to recover, registering a growth of around 6%, bolstered by an increase in oil and gas production, private sector investment, improved public infrastructure and the country's political stability. Nonetheless, the prevailing low international oil prices could slow the pace of economic growth in the future.

High growth rates over recent years have been accompanied by the build-up of macroeconomic imbalances. In 2014 current account and fiscal deficits widened to 9.2% and 10.4% of GDP respectively, and the rate of inflation averaged 17.0%. By the end of December 2014, foreign reserves were at 3.2 months of import cover, thanks to inflows from the Eurobond of USD 1 billion and a cocoa syndicate loan of USD 1.7 billion. The domestic currency, the cedi (GHS) depreciated by over 30% in nominal terms over the first nine months of the year compared to a depreciation of 4.1% during the corresponding period in 2013. The continued growth in the budget deficit resulted in public debt increasing from 55.8% of GDP in December 2013 to 67.1% of GDP by the end of December 2014. To address the increasingly unsustainable fiscal and current account imbalances, the Ghanaian authorities started negotiations for a stabilisation programme with the International Monetary Fund (IMF) that was expected to begin in early 2015.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 7.3 | 4.2 | 3.9 | 5.9 |
| Real GDP per capita growth | 5.2 | 2.1 | 1.9 | 3.9 |
| CPI inflation | 11.7 | 17.0 | 8.3 | 8.7 |
| Budget balance % GDP | -9.5 | -10.4 | -9.5 | -9.9 |
| Current account % GDP | -11.9 | -9.2 | -12.7 | -17.3 |

*Source:* Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# GUINEA

- **Economic growth in 2014, estimated at 0.6% versus an initial 4.5% target, was weaker than projected because of the Ebola epidemic.**
- **Political tensions have endured despite the new parliament set up in January 2014, marking the end of the transition period.**
- **Ebola increased the social cost of the country's macroeconomic stabilisation, harmed the living conditions of the most vulnerable people and further reduced the country's likelihood of achieving the Millennium Development Goals.**

Growth in Guinea's gross domestic product (GDP) shrank from 2.3% in 2013 to a miserly 0.6% in 2014 due to the consequences of the Ebola epidemic, delays in the implementation of structural reforms and electricity shortages. Assuming that the epidemic is brought under control in the first six months of 2015, growth should reach 0.9% in 2015 and 4.3% in 2016 thanks to increased public investment, increased mining and a better electricity supply.

Executing the reforms designated under the programme supported by the International Monetary Fund (IMF) Extended Credit Facility (ECF) has continued successfully. Delays in implementing certain structural measures of the programme are explained by the political tensions of 2013, limited institutional, human and co-ordination capacities, and the need to conduct more thorough consultations with the stakeholders of certain fields.

Inflation continued to move back, down to 8.6% in 2014 from 11.9% in 2013. If the Ebola epidemic is checked soon, the situation should stabilise in 2015 and 2016, with a budget deficit, that is once again sustainable, international reserves amounting to more than three months of imports and a steady exchange rate. Nonetheless, poverty remains alarming and is due to the country's weak economic growth, governance problems, insufficient infrastructure and basic services, and a weak private sector thwarted by a business climate that has improved, but is still not very attractive.

Guinea, whose population is estimated at less than 11 million, comprises four agriculturally and ecologically distinct natural areas. Maritime Guinea and Forest Guinea have agricultural potential and most of the structuring mining projects (bauxite, alumina and iron). In Maritime Guinea, the Conakry area is the most developed, with a poverty rate of 27.4%, versus 55.2% nationally.

In the rural areas, the population density is very low. Most resources are concentrated in urban areas. A weakly linked communications network prevents the country from changing structurally. The concentration of people in the regions with a strong potential are sources of tensions and/or conflicts (land-property conflicts, tensions between farmers and stockbreeders) in a difficult social and political environment. Decentralisation has not yet given way to a real transfer of resources and competences to local authorities. Constraints to implementing spatial-development policies should lead to revising the national regional-planning scheme (*Schéma national d'aménagement du territoire*, Snat).

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 2.3 | 0.6 | 0.9 | 4.3 |
| Real GDP per capita growth | -0.2 | -1.9 | -1.6 | 1.8 |
| CPI inflation | 11.9 | 8.6 | 7.0 | 6.6 |
| Budget balance % GDP | -2.1 | -4.2 | -2.8 | -4.1 |
| Current account % GDP | -22.0 | -26.2 | -23.5 | -28.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# GUINEA-BISSAU

- **With a growth rate estimated at 2.6% in 2014 (0.9% in 2013) and projected to be 3.9% in 2015, the economic upturn is continuing but remains heavily dependent on the socio-political climate, the performance of the cashew-nut sector and the absence of contagion by the Ebola virus from neighbouring countries.**
- **Social and political normalisation allowed technical and financial partners to return and improved tax income, although the state's ability to broaden its tax base, to manage its wage bill and to improve tax collection will remain determining factors in economic recovery over the medium term.**
- **The social and human situation is worsening and social provision fails to meet needs because of the weakness of public resources.**

After a period of transition, marked by a slowing of the economy, the return to constitutional order led to growth estimated at 2.6% in 2014, against 0.9% in 2013 and -1.5% in 2012. Supported by the return to political normalisation and the re-engagement of technical and financial partners, growth was also driven by cashew-nut exports, in contrast to 2013. However, this upturn in growth remains fragile because of the many structural problems, deficiencies in infrastructure and human resources and weak economic governance.

Growth could reach 3.9% in 2015 and 3.7% in 2016, depending on the socio-political climate, the outcome of the push for food production, the promotion of cashew-nut farming, as well as improvements in economic and fiscal governance. With one of the lowest tax burdens in the West African Economic and Monetary Union (WAEMU) zone and a high income-to-payroll ratio, the state's ability to manage its fiscal resources and payroll will be crucial. Food security is still threatened by the unpredictability of the harvest; rice production is predicted to meet only three months' needs in 2015. Moreover, the spread of the Ebola virus to Guinea-Bissau from neighbouring Guinea is a real threat that could halt development, with both economic and human consequences.

The fiscal situation has been helped by the return of technical and financial partners – who had withdrawn after the coup d'état – and the installation of a constitutional government. The resurrection of the fisheries agreements with the European Union and the disbursement of the first tranche of budgetary support in December 2014 improved the fiscal situation and had a positive impact on growth. The primary balance in 2014 should be around -2.0% of GDP, while inflation is expected to rise against a background of increasing demand, reaching 2.6% in 2015 and 2.4% in 2016.

The social situation remains precarious and the country has one of the lowest human development indicators. Health-care provision falls short of needs because of the state's lack of funds and educational performance is below the regional average. In addition, many fiscal problems over the last few years have left a backlog of late payments and multiple strikes affected the 2013/14 school year.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 0.9 | 2.6 | 3.9 | 3.7 |
| Real GDP per capita growth | -1.5 | 0.2 | 1.6 | 1.3 |
| CPI inflation | 0.8 | 0.6 | 2.6 | 2.4 |
| Budget balance % GDP | -1.4 | -2.1 | -3.9 | -3.4 |
| Current account % GDP | -4.1 | -0.5 | -0.8 | -1.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# KENYA

- **GDP growth amounted to 6.9% and 5.7% in 2012 and 2013, respectively, while the 2014 estimate and the 2015 projection show economic expansion of 5.3% and 6.5%, respectively.**
- **In 2013 and 2014, the economy experienced a stable macroeconomic environment with single-digit inflation, whereas the political scene was dominated in 2014 by calls to amend the constitution.**
- **Reforms have been introduced in Kenya since 1990 to address critical differences in access to economic, political and social services, culminating in the introduction of 47 county governments in 2010.**

GDP growth remained robust in 2013 at 5.7% based on rebased statistics, and stood at 4.4%, 5.8% and 5.5% in the first three quarters of 2014 compared with 6.4%, 7.2% and 6.2% in comparable quarters of 2013. According to the central bank's economic monthly review of November 2014, growth was mainly supported by expansion in construction, manufacturing, finance and insurance, information, communications and technology, and wholesale and retail trade. The economy slowed in the third quarter of 2014, partly due to a sharp drop in tourism following terrorist attacks in the country. Overall GDP growth is expected to amount to 6.5% and 6.3% in 2015 and 2016, respectively. Consumer price index (CPI) inflation is expected to remain in the single digits, at around 5%, during the same period.

The short to medium-term positive growth projections are based on assumptions of increased rainfall for enhanced agricultural production, a stable macroeconomic environment, continued low international oil prices, stability of the Kenya shilling, improvement in the security situation for a positive influence on the tourism sector; and reforms in the areas of governance and justice.

Political activity in 2014 centred mostly on the call by both the opposition party, Coalition for Reforms and Democracy (CORD), and county governments – the latter mainly seeking amendments of the constitution – to raise national government financial transfers to county governments from 15% to 45%, as well as on the trials at the International Criminal Court (ICC) of the President of the Republic of Kenya, his deputy and a journalist. In December 2014, the trial of the president was dismissed because of insufficient evidence. The trial of his deputy and the journalist are continuing in 2015.

Spatial inclusion has remained a challenge in Kenya since independence because of major differences in access to economic, political and social services, leading to political and ethnic conflicts with serious cases of fighting and displacement of persons in 1992, 1997 and 2007-08. The 2010 constitution attempted to address these differences by introducing 47 county governments and putting political, economic and social structures in place aimed at introducing equity in resource distribution. The national government is to allocate at least 15% of the latest audited accounts to the annual budgets of the county governments. The constitution also addresses marginalisation through affirmative action programmes and policies designed to redress any historical disadvantages.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.7 | 5.3 | 6.5 | 6.3 |
| Real GDP per capita growth | 3.0 | 2.6 | 3.9 | 3.7 |
| CPI inflation | 7.9 | 7.0 | 5.5 | 5.3 |
| Budget balance % GDP | -5.6 | -8.0 | -8.8 | -8.3 |
| Current account % GDP | -2.9 | -7.5 | -7.9 | -11.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# LESOTHO

- **The economy registered growth of 4.3% in 2014 and average growth of 4.9% is expected in the two following years.**
- **The economy remains highly open and undiversified in both products and markets making it more susceptible to external shocks.**
- **With higher rates of poverty, unemployment and inequality in rural relative to urban areas, spatial inclusion for the rural areas remains a critical challenge which requires urgent attention.**

Lesotho's economy is projected to attain modest growth averaging 4.9% over the medium term (2015-16), in spite of the constraining factors related to subdued growth in mining and quarrying and the effects of delayed renewal of the United States' African Growth and Opportunity Act (AGOA) which expires in 2015, on the manufacturing of textiles and clothing. The temporary halt in production activities of the Mothae and Liqhobong diamond mining companies will continue to impede the mining sector. Nonetheless, in spite of these constraints and the unstable political and security situation which dominated the second half of 2014, the economy remained resilient in 2014. Growth was estimated at 4.3% supported by recovery in diamond production, modest performance in particular crops in the agricultural sector, electricity and water, wholesale trade, real estate and building, transport and communications, and financial intermediation.

The economy continues to face numerous challenges. These include a lower degree of diversification, low domestic savings leading to over-dependence on foreign capital inflows, high unemployment, widening inequality and poverty, as well as spatial exclusion. Added to this is the burden of HIV/AIDS, particularly on the young generation. Together with high inequality (Gini Index of 0.52) these have implications on social spending to protect the vulnerable population. An accommodative fiscal policy was pursued in 2014 supported by improved Southern African Customs Union (SACU) receipts which boosted the gross reserve in months of import cover. The high level of gross international reserves ensured the sustainability of the peg of the loti against the rand, and enabled some level of liquidity. The slow implementation of the foreign financed capital expenditure component in the budget remains an area where improvements are urgently needed. Low absorption of capital funds poses a risk to projected growth.

Slow implementation of Southern African Development Community (SADC) protocols on free movement of goods, services, labour and capital is a cause for concern. Promoting free movements is critical for regional economic integration as well as for spatial inclusion of Lesotho in regional growth. Poverty in Lesotho has a strong spatial dimension, as the rural areas are home to the majority of the poor and this divide is translated into various poverty indicators such as the national poverty, extreme poverty and dollar/day poverty rates. Income distribution in Lesotho remains skewed towards the urban areas, which calls for urgent policies to redress this. Another area of spatial tension is unemployment and inequality. About 75.7% of the unemployed live in rural areas. Unemployment is also high among the youth. The majority of rural workers are employed in private household activities, largely agriculture while in urban areas, manufacturing and services sectors tend to be the main employers. Decline in agriculture over time and concentration of key activities in urban areas have encouraged rural to urban migration with the attendant negative socio-economic effects.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.7 | 4.3 | 4.7 | 5.1 |
| Real GDP per capita growth | 4.6 | 3.2 | 3.7 | 4.1 |
| CPI inflation | 5.3 | 6.6 | 6.0 | 5.5 |
| Budget balance % GDP | 4.8 | 1.0 | 2.3 | 1.5 |
| Current account % GDP | -7.9 | -3.4 | -2.1 | -5.1 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# LIBERIA

- **The Ebola outbreak and its spill-over effects have slowed growth in 2014 to an estimated 1.8%; although commercial gold production, manufacturing and a gradual resumption in construction are expected to support real GDP growth of 3.8% in 2015, household incomes may be slower to recover.**
- **Short-term government priorities are focusing on supporting Ebola-affected households, increasing incomes and employment, and resuming health services and education, for which fundamental reform will be critical to develop a healthy and skilled workforce.**
- **Improving the business-enabling environment will be vital to employment generation, especially in the context of reduced international demand for Liberia's commodity exports and the additional stigma from the Ebola crisis.**

The Ebola outbreak has had a severe impact on Liberia's economic and social progress. More than 4 000 Liberians have died in the health crisis. Although the disease is progressively being contained in early 2015, the spill-over effects on economic growth, investment and access to social services have reduced growth in 2014 to around 1.8% and will have an adverse impact over the medium term. The impact has been highest on the poor, who have faced a reduction in already precariously low incomes. While mining and rubber exports have continued during the crisis, the services sector, which employs around 45% of Liberians, faced a sharp decline. Agriculture is estimated to have a slightly below average harvest, with reductions in areas hardest hit with Ebola and due to flooding in the southeast region.

The government has clear priorities to contain the health crisis and mitigate its short-term consequences on affected households through cash transfers, cash-for-work programmes and food aid. It is also working on re-opening health services and schools. Building a healthy and skilled workforce for the future is critical and calls for immediate reform in the health and education sectors, although the government must take care to balance needed investment in the health sector with support to other sectors. To enable a return to inclusive growth beyond the immediate recovery, improving the business environment to encourage entrepreneurs and investment, including in agriculture, will be key, especially in light of reduced demand for Liberia's exports and the additional stigma of the crisis reducing potential investment. As such, the resumption of road and energy infrastructure projects, as well as accompanying governance improvements to ensure sustainability, will help address binding constraints to growth.

Improving service provision to rural areas will support the long-term growth and stability of Liberia. While Monrovia has been the centre of economic activity for decades, increasing the welfare of households in rural areas will be key to developing sustainable growth in the country. Deconcentration of health services and education will be important factors in this. However, moving towards decentralisation will take many years, due to weak infrastructure, low local capacity and the high financial costs.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 8.7 | 1.8 | 3.8 | 6.4 |
| Real GDP per capita growth | 6.2 | -0.6 | 1.4 | 4.0 |
| CPI inflation | 7.6 | 9.9 | 7.4 | 7.0 |
| Budget balance % GDP | -1.6 | -1.1 | -6.7 | -9.0 |
| Current account % GDP | -43.5 | -36.5 | -44.8 | -35.8 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# LIBYA

- **Oil production fell during the first half of 2014 and GDP declined by 19.8%, but production levels began to recover during the third quarter of 2014, so GDP is expected to rebound by 14.5% in 2015, if agreement is achieved to open some of the major oil terminals.**
- **Political and economic governance have collapsed, with the presence of two rival parliaments and continued control of oil resources by warring militias.**
- **Spatial disparities were at the heart of the instabilities that have surfaced since 2011 and an inclusive spatial strategy will be an important determinant of any democratic transition.**

During the first half of 2014, mounting protests at major oilfields and export terminals led to a decline in production levels to as low as 155 000 barrels per day (bpd) by May 2014. Since hydrocarbons sales constitute over 95% of national revenues – and this decline in production is well below the country's long-term average of 1.6 million bpd – there is considerable pressure to negotiate with the militias controlling the main oil terminals. After an agreement to open some of the major terminals, official production started to recover from the third quarter of 2014, reaching 800 000 bpd in October 2014. However, fighting has closed the two largest ports, Es Sider and Ras Lanuf, while the western ports of Zawiya and Mellitah have also halted oil exports.

Fiscal sustainability continues to be in disarray because control over the major source of revenue has fallen out of official control. The combination of lower petroleum exports and the dramatic fall in the price of oil resulted in revenues down by 63% in 2014 (from a budget of 57 billion Libyan dinars (LYD) in 2013 to LYD 20.9 billion in 2014). The Central Bank of Libya (CBL) announced a budget deficit of LYD 25.1 billion (USD 20.9 billion) for 2014, around 49.1% of GDP. The 2015 budget deficit would decrease to 29.6% of GDP and financing the fiscal gap will be difficult as oil exports are not expected to recover any time soon. The instability in the governance structure, precariousness in the management of oil revenues and the growing division between the government and the CBL, meant that the 2014 budget was never approved. The CBL has been allocating essential expenditure to cover only the yearly public-sector salaries (LYD 23 billion) and subsidies (LYD 14.5 billion). All other ministerial expenditures are suspended until a legitimate government is formed.

Economic prospects depend on the political and security situations; the expected recovery in oil production could once again be derailed if they do not improve. The election of the House of Representatives (HoR) in June 2014, to replace the General National Congress (GNC) formed after the overthrow of the Qaddafi regime, has further deepened the country's political divisions, with the various regional and tribal militias aligning themselves more closely with one or another parliament. With neither the militias nor the two governments having full coercive power, a security vacuum has emerged, undermining any form of economic activity and, in turn, highlighting the dire need for a broad-based process of political reconciliation.

The issue of spatial inclusion is at the heart of the volatile transition that Libya has experienced since the 2011 revolution. In fact, spatial exclusion, at various socio-economic levels, has undermined any form of national solidarity required for a move towards post-revolution democratic governance. The legacy of colonialism was the creation of an ethnically, tribally and socio-politically heterogeneous country, over which the Qaddafi regime had maintained control through force instead of a strategy of inclusion. Post-2011 Libya has therefore witnessed the rise of geographical, tribal and ethnic tensions. A resolution to such disparities and a process of national dialogue would be key elements of a successful political and economic transition.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | -13.6 | -19.8 | 14.5 | 6.3 |
| Real GDP per capita growth | -14.3 | -20.7 | 13.5 | 5.1 |
| CPI inflation | 2.6 | 2.6 | 2.7 | 2.9 |
| Budget balance % GDP | -6.2 | -49.1 | -29.6 | -14.8 |
| Current account % GDP | 13.6 | -23.3 | -17.5 | -6.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# MADAGASCAR

- **Madagascar's growth was only 3% in 2014 but should pick up in 2015 and 2016 as governance and business climate reforms take effect, alongside buoyant extractive industries, agriculture and tourism.**
- **The political situation has stabilised after presidential and legislative elections, and a national development plan has been launched.**
- **Tensions due to spatial disparities are a challenge for government policies on regional development, land use and decentralisation.**

A political and social crisis since 2009 meant that 2014 was a decisive year for Madagascar, with a new president elected, a fresh parliament installed and a new government sworn in, thus enabling the country to rejoin the international community.

This progress has not yet been matched by improvements to the economic and social performance. Growth remained sluggish in 2014 (3%, slightly up from 2.4% in 2013) due to little improvement in governance, energy shortages and delayed foreign funding, combined with a lack of domestic funding and private investment because of a worsening business climate.

Growth was driven (as in 2013) mainly by the extractive industries, agro-industry, banks, transport, livestock and fisheries. Inflation was 6%, mainly due to energy prices and imported goods. The budget deficit (commitment basis) was an estimated 2% of gross domestic product (GDP), down from 4% in 2013. The current account deficit shrank to 2.3% of GDP (from 5.4% in 2013) thanks to healthy exports and steady imports. Growth is expected to be only slightly higher (at 4%) in 2015 given the electoral context, governance constraints, energy shortages, and floods damaging crops and basic infrastructure. It may reach 5.1% in 2016, helping to reduce poverty and unemployment, due to governance reforms, a better business climate and robust performances by the extractive industries, agro-industry, banking, transport, tourism, construction, livestock and fisheries.

Sluggish growth in the crisis years, poor governance, a flagging workforce and social services have all worsened the plight of most citizens. Extreme poverty above 53% and regional inequalities are acute, challenging efforts to build stability and achieve national reconciliation. The programme to reduce poverty and relaunch development – through general government policy, the national development plan (PND), progress towards the Sustainable Development Goals (SDG) and talks on the post-2015 agenda – will help the new authorities to meet these challenges and put the country on a broader and more sustainable development path.

Madagascar's economic geography includes both an urban-rural divide and regional disparities, which mean unequal economic opportunities, economic infrastructure and access to basic social services, with the subsequent risk of spatial tension between urban areas and the rest of the country. Government policies focusing on regional development, land use and decentralisation have been adopted or are being drafted. Their implementation should gradually reduce such risks.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 2.4 | 3.0 | 4.0 | 5.1 |
| Real GDP per capita growth | -0.4 | 0.2 | 1.2 | 2.3 |
| CPI inflation | 5.8 | 6.0 | 7.1 | 5.2 |
| Budget balance % GDP | -4.0 | -2.0 | -2.1 | -2.9 |
| Current account % GDP | -5.4 | -2.3 | -3.7 | -3.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# MALAWI

- **In 2014 Malawi's real GDP growth was estimated at 5.7%, mainly driven by agriculture.**
- **Monetary policy was tightened in 2014 with the aim of bringing down the persistently high inflation rate to a single digit by the end of 2015 but development partners continued to withhold general budgetary support, causing significant fiscal stress given the country's heavy reliance on donor budget financing.**
- **The spatial dimensions of poverty in Malawi are reflected in rural-urban variations in the incidence of poverty and access to economic opportunities, underscoring the importance of policies with territorial focus.**

In 2014, Malawi's economy continued on the path to recovery in the aftermath of the economic crisis of 2012, which saw a contraction in real gross domestic product (GDP) growth to 2.1%. Real GDP growth in 2014 is estimated to have been 5.7%, driven largely by agriculture, but with significant contributions from manufacturing, wholesale and retail trade, and services. Growth in 2015 is projected to slow to 5.5% following the late arrival of rains and the severe floods experienced in January 2015, which damaged crops and infrastructure. Growth momentum is expected to resume in 2016, with projected growth of 5.7%, assuming improved investor confidence, favourable weather conditions, higher agricultural exports, lower inflation and moderate interest rates.

Inflation in 2014 remained in double digits (24.1%) as the kwacha (MWK) continued to depreciate, especially during the lean tobacco season and in the absence of donor budgetary support. Monetary policy remained tight in 2014, reflecting the need to curb inflation. Inflationary pressures are, however, expected to ease in 2015 with the fall in global oil prices and the kwacha's stabilisation. Fiscal conditions in 2013/14 (July to June) deteriorated, largely because of the withdrawal of budgetary support by development partners. The fiscal deficit widened to 4.3% in 2013/14 from 0.2% in 2012/13, resulting in higher than programmed domestic financing, exerting pressure on interest rates. It is crucial for the government to sustain fiscal consolidation efforts to bring down inflation quickly and reduce interest rates.

On 20 May 2014, Malawi held tripartite elections (presidential, parliamentary and local). The presidential elections were hotly contested with Arthur Peter Mutharika, leader of one of the main opposition parties, the Democratic Progressive Party (DPP), emerging victorious by a narrow margin. The DPP-led government has committed itself to continuing with sound macroeconomic reforms, reforming the public sector and strengthening the PFM system in the wake of the so-called Cashgate corruption scandal. The government has developed a public financial management (PFM) reform action plan to improve financial controls and accountability in the PFM environment.

The spatial dimensions of poverty and development in Malawi are manifested in regional and rural-urban variations in the incidence of poverty, access to services, pattern of resource endowment and economic opportunities. While the Malawi Growth and Development Strategy II (MGDS II) makes no explicit reference to spatial planning, it seeks to redistribute wealth to all citizens by using rural growth centres to serve as socio-economic hubs, thereby reducing rural-urban migration.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 6.1 | 5.7 | 5.5 | 5.7 |
| Real GDP per capita growth | 3.3 | 2.9 | 2.7 | 2.9 |
| CPI inflation | 27.7 | 24.1 | 14.9 | 10.1 |
| Budget balance % GDP | -0.2 | -4.3 | -3.7 | -3.4 |
| Current account % GDP | -18.4 | -19.2 | -17.8 | -17.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# MALI

- **The economic recovery that began in 2013 produced 5.8% growth in 2014 (up from 1.7%), with 5.4% expected in 2015 if a peace agreement is signed in Algiers.**
- **Despite government and international efforts, the 2012 political and security crisis increased the poverty rate from 41.7% in 2011 to 42.7% in 2012.**
- **Spatial inclusion has become a national priority, to rebuild the state, restore security and revive the economy.**

The economy remained firm in 2014 and GDP growth increased to an estimated 5.8% after recovery began the previous year with an expansion of 1.7%. This was mainly due to the primary sector (up 9.4%), where good harvests boosted agriculture by 13%. The services sector (+4.8%) also contributed, with a revival of activity in transport and telecommunications (+7.4%) and commerce (+3%). But the secondary sector did poorly (+1.8% compared with +5.5% in 2013), despite growth in agro-food (12.2%), energy (10%) and construction (5%) because of the general economic revival. The current account deficit (including grants) worsened in 2014 to 6.2% of GDP, from 1.8% in 2013. It is expected to improve over 2015 and 2016 due to cheaper imports as a result of lower oil product prices. Terms of trade improved because of the drop in oil prices.

Medium-term macroeconomic prospects are good and the economy should advance with GDP growth of 5.4% in 2015 and 5.1% in 2016, once again driven by agriculture and the services sector, as well as by the large-scale return of technical and financial partners. The revival is expected especially in construction and services, where growth of 5.6% and 7% is predicted for 2015. The deficit in current operations (including grants) should decrease slightly to 5.5% of GDP in 2015 and be funded by foreign direct investment in the gold and telecommunications sectors and by foreign loans. But these predictions could be upset by unpredictable prices for Mali's two main exports, gold and cotton, and the fragile security situation.

Mali is on the way to achieving the 2015 Millennium Development Goals (MDG) in universal primary education, combating HIV/AIDS and access to clean water. But progress in recent years has been undermined by the security situation and political instability, so probably not all the MDGs will be reached.

The humanitarian situation is still very shaky in the north of the country. Attacks continue on army positions and the UN peacekeeping forces (MINUSMA) and fighting persists even between different armed groups. This has produced serious food shortages and malnutrition, requiring urgent food aid for some 1.7 million people (including 260 000 with emergency needs). Refugees and displaced people returning home face difficult conditions. A USD 481 million strategic response plan was drafted by the humanitarian community in 2014.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 1.7 | 5.8 | 5.4 | 5.1 |
| Real GDP per capita growth | -1.3 | 2.8 | 2.4 | 1.9 |
| CPI inflation | -0.6 | 0.9 | 2.1 | 2.7 |
| Budget balance % GDP | -6.9 | -5.6 | -5.1 | -5.1 |
| Current account % GDP | -1.8 | -6.2 | -5.5 | -3.7 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# MAURITANIA

- **Despite poor international conditions, notably a sharp drop in the price of iron – the country's main export – the economy grew an estimated 6.4% in 2014, the third year running that it has been above 5%.**
- **The short and medium-term outlook remains good, thanks to satisfactory macroeconomic policies, structural reforms, increased public investment and plans for greater production capacity in the extractive sector.**
- **Encouragement of inclusive growth includes reducing spatial and other inequalities, a priority for better territorial governance.**

The economy remained healthy in 2014, growing an estimated 6.4% – higher than 5% for the third year running – and driven by a revival in fisheries and a robust mining sector, which compensated for lower oil production and manufacturing. With suitable policies and structural progress, the economy held up against falling iron and gold prices and insufficient rainfall. The short and medium-term outlook remains good, thanks to a planned increase in the production capacity of the extractive sector and continuing structural reforms.

Economic gains were strengthened in 2014, and inflation remained under control at 3.5%. The overall budget situation continued to be viable despite some widening of the deficit in the basic balance (to 2.4% of GDP) and in the overall balance (to 3.4%). The current deficit improved to 24.7% of GDP from 24.8% in 2013. Currency reserves fell slightly due to lower exchange rates and were estimated at the equivalent of 4.7 months of imports (excluding the extractive sector) compared with 6.5 months in 2013. The year saw the start of a structural transformation of the economy, with a gradual diversification of the productive base and the continuing expansion of the services sector.

The 2015 budget focused on continuing public investment, strengthening the macroeconomic balance and implementing priority structural reforms. This should produce a better macroeconomic situation, with inflation held at 4.6%, smaller basic and overall budget deficits and a comfortable level of exchange reserves.

Mauritania has made progress in reducing poverty by strengthening the social safety net and investing in key projects to fill the infrastructure gap, but much remains to be done. Progress towards the 2015 Millennium Development Goals has been mixed.

Despite the positive change in the economic situation, challenges remain in achieving more inclusive growth, with special attention required for inequalities, notably the spatial disparities resulting from the country's large size (1 030 000 km$^2$) and strong demographic growth (an annual 6.44%) in the capital, Nouakchott, which has just over one-fourth (958 500) of the total population. The region of the capital is by far the most populated, compared with the sparsest, Inchri, which has only 19 600 inhabitants. This underlines the importance of a land-use and territorial-rebalancing policy as a crucial means to reduce regional disparities.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.7 | 6.4 | 5.6 | 6.8 |
| Real GDP per capita growth | 3.2 | 4.0 | 3.2 | 4.4 |
| CPI inflation | 4.1 | 3.5 | 4.6 | 4.5 |
| Budget balance % GDP | -1.1 | -3.4 | -2.8 | -1.7 |
| Current account % GDP | -24.8 | -24.7 | -7.6 | -23.0 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# MAURITIUS

- **The Mauritian economy maintained real growth of 3.2% in 2014, the same as that achieved in 2013, and growth is forecast to strengthen to 3.5% in 2015 and 3.6% in 2016 on the back of increased domestic investment and stronger external demand.**
- **Mauritius maintained its position as the most competitive economy in sub-Saharan Africa and witnessed a smooth political transition following parliamentary elections in December 2014.**
- **The country's relatively small geographic size and high population density means that government and non-state actors in Mauritius are in close collaboration to ensure sustainable spatial development plans for the island-economy.**

Real GDP growth in 2014 was lower than expected at 3.2%, well under the 4% projected in the 2014 National Budget. Economic growth in 2013-14 was driven by the information and communications technology (ICT) sector and by the financial and insurance sector, which grew by 6.8% and 5.4%, respectively. These gains were partially offset by the poor performance of the construction sector, which contracted by 9.4%. The government's fiscal stance in 2014 remained expansionary, with the budget deficit increasing to 3.6% of GDP, compared with 3.5% recorded at the end of 2013. The Bank of Mauritius (BoM) maintained the key repo rate (KRR) at 4.65% throughout 2014. Year-on-year headline CPI peaked at 4.5% in March 2014, against the backdrop of public sector wage increases and higher food prices, and then slowed to 3.2% by September 2014, on the back of falling energy prices. Export growth contributed 4.4% to GDP, up from 3.5% in 2013. Mauritius' current-account deficit stood at 8.2% in 2014, mostly driven by a drop in net income from service exports.

The Government of Mauritius (GoM) has drawn up an economic "blue-print" offering a strategic vision for a more diversified and resilient economy and an action plan to achieve High Income Country status by 2025. The "blue-print" plan calls for economic growth of 8-9% per annum and an upward growth trajectory in ICT, the seafood and marine industry, as well as the financial, business and biomedical services sectors. The implementation of the Maurice Il Durable Program and Action Plan – which provides the framework for "green growth" and sustainable development of the island – and that of the "Blue" Economy, which involves harnessing the oceanic resources to strengthen Mauritius' competiveness through innovation in areas such as deep-sea water exploitation, bio-pharmacy and renewable energy, could contribute to a 1% rise in the GDP within the next two years. While inflation is expected to remain subdued in the short-to-medium term, at less than 4%, the structural deficit of the current account remains a major concern. To further counter the current account deficit, policies should be adopted to encourage national savings and foster competitiveness that will help build human capital and infrastructure.

Mauritius has a very high population density with some 618 people per square km. This situation has resulted in great pressure on the limited land resources. To address the problems resulting from acute urbanisation, the government produced a framework for spatial planning in Mauritius which is contained in the National Development Strategy (NDS). The NDS provides the basis for land use planning. It sets out the guidelines for sector development and local plans and policies for the nine administrative districts, based on international spatial planning practices.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.2 | 3.2 | 3.5 | 3.6 |
| Real GDP per capita growth | 2.8 | 2.8 | 3.2 | 3.3 |
| CPI inflation | 3.5 | 3.2 | 3.1 | 3.5 |
| Budget balance % GDP | -3.5 | -3.6 | -3.3 | -3.6 |
| Current account % GDP | -8.9 | -8.2 | -5.9 | -7.1 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# MOROCCO

- **The economy has strong prospects for economic growth and measures to strengthen the macroeconomic base have reduced the budget and current account deficits.**
- **The government continued improving the business climate and adopted a 2014-20 industrial strategy to support structural change and boost the country's position in global value chains.**
- **Morocco has made great efforts to meet social challenges and regionalisation has speeded up to improve living conditions, but regional and spatial disparities are still considerable.**

The government maintained its policy of improving the business climate and encouraging private investment in 2014 so as to support economic transformation. These efforts gave Morocco a ranking of 71st out of 189 countries in the World Bank report *Doing Business 2015*. A new industrial strategy (for 2014-20) was launched to drive structural change and strengthen the country's position in global value chains.

The government pledged to continue making Morocco a regional hub to take advantage of free-trade agreements that boosted its trade with sub-Saharan Africa by 13% in 2014.

Ongoing efforts to strengthen the macroeconomic base through structural reforms and sectoral strategies helped expand the economy by 2.7% in 2014 despite a poor harvest and low external demand. Internal and external balances improved, with the budget deficit shrinking to 4.9% of GDP and the current account deficit to 6% of GDP, and exchange reserves improved to the equivalent of five months and nine days of imports. Growth prospects for 2015 and 2016 are a healthy 4.5% and 5%, with further reduction of the budget deficit. But the trade balance remains structurally in deficit (19.8% of GDP in 2014).

The government continued its great efforts to meet social challenges and took several measures in 2014 aimed at improving living conditions and social and spatial cohesion. Decentralisation is set to continue in 2015, notably with municipal and regional elections that will speed up application of the advanced regionalisation project and provisions in the 2011 national constitution.

This has all produced significant results in poverty reduction and access to education and health care. Poverty shrank nationwide from 15.3% to 6.2% between 2001 and 2011 but the drop hid sharp spatial and gender disparities. The Gini coefficient reflected growing income disparity, rising from 39.5 to 40.9 between 1999 and 2007; poverty remained chiefly rural (14.4% compared with 4.8% in urban areas) and unemployment was especially high in cities (36%, with only 8.4% in the countryside) and among 15-24 year-olds (20.1%) in 2014.

To meet the challenge of persistent vulnerability and inequality, Morocco should continue essential reforms and speed up implementation of those already begun. The growth analysis by the African Development Bank, the government and the Millennium Challenge Corporation stresses reforms in justice, taxation, land law and education.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.7 | 2.7 | 4.5 | 5.0 |
| Real GDP per capita growth | 3.2 | 1.3 | 3.1 | 3.7 |
| CPI inflation | 1.9 | 0.9 | 1.2 | 1.4 |
| Budget balance % GDP | -5.5 | -4.9 | -4.2 | -3.8 |
| Current account % GDP | -7.3 | -6.0 | -6.1 | -5.6 |

*Source:* Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# MOZAMBIQUE

- **In 2014 real GDP grew by 7.6% and growth is expected to remain strong, at 7.5% and 8.1% in 2015 and 2016, respectively, boosted by the construction, transportation and communications sectors.**
- **The legislative and presidential elections of 2014 confirmed Frelimo in power. However Renamo is yet to endorse the election outcome although their MPs have assumed their seats. The implementation of the September 2014 peace agreement will be critical to ensure future political inclusion, internal peace and security.**
- **Large projects and infrastructure development related to mining in the centre and north of the country offer a unique opportunity to increase spatial inclusion, further decentralisation, and expand regional integration following the successful Maputo Corridor model.**

In 2014, Mozambique's economy continued to perform strongly with real Gross Domestic Product (GDP) growth of 7.6% and the outlook remains positive. Sustained growth is expected at 7.5% in 2015 and 8.1% in 2016. As in previous years, the main drivers of growth will continue to be public expenditure and Foreign Direct Investment (FDI). The main sectors benefiting are construction, services to enterprises, transport and communications, the financial sector and extractive industries. In the short term, the main challenge is to remain attractive in terms of FDI, while ensuring fiscal and debt sustainability. Consecutive high fiscal deficits, reaching 10.0% of GDP in 2014, have pushed public debt to 56.8% of GDP. A progressive fiscal consolidation for 2015 and 2016 is expected, accommodating also for a decrease in donor budgetary funding.

In spite of lower-than-expected coal production, the extractive sector is an important economic driver. The government completely revised the legal and fiscal framework for the mining and hydrocarbons sector, aimed at increasing revenues and enlarging domestic participation in the sector. A concession contract for a local Liquefied Natural Gas (LNG) plant was negotiated, although the current depression on international oil markets could delay the final investment decision and implementation. Even so, a fifth international tender was launched for the exploration of new oil and gas fields, opening up new prospects for further hydrocarbon discoveries. The lingering low intensity armed conflict between the government and Renamo (*Resistência Nacional Moçambicana*) ended in a peace agreement in August 2014, paving the way for the peaceful legislative and presidential elections of October. Frelimo (*Frente de Libertação de Moçambique*) won and its candidate Filipe Nyusi is the new president.

Mozambique has structured its development strategy along Regional Spatial Development Initiatives Programmes (RSDIP) and Growth Poles (GP). These seek to amplify the impact of limited financial resources by optimising infrastructure investments in key areas or along geographic corridors. Typically anchored on large public projects, the RSDIP and GP approaches aim to foster spill over growth by attracting small and medium-sized enterprises up and downstream of large-scale investment projects. The Maputo Development Corridor, which provides a model for RSDIP and GP strategies, is among the most well-developed corridors in sub-Saharan Africa and it has been highly successful in generating local economic development. Mozambique has two growth poles and five main development corridors.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 7.4 | 7.6 | 7.5 | 8.1 |
| Real GDP per capita growth | 4.9 | 5.1 | 5.1 | 5.7 |
| CPI inflation | 4.2 | 2.4 | 5.1 | 5.6 |
| Budget balance % GDP | -2.9 | -10.0 | -7.4 | -6.7 |
| Current account % GDP | -37.2 | -39.2 | -45.7 | -46.8 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# NAMIBIA

- **2014 growth accelerated to 5.3% and should remain strong in coming years as new mines start production and exports grow.**
- **Political stability and prudent fiscal management have made Namibia attractive for investment but it must boost quality of education and training to improve skills and enhance competitiveness.**
- **Namibia must deepen reforms to get better value from agriculture and extend non-mineral diversification to create jobs and reinforce spatial inclusion.**

Namibia held off the global economic slowdown, posting growth rates above 5% since 2010. Recovery remains on course despite the winding down of official fiscal stimulus measures. Gross domestic product (GDP) growth accelerated to 5.3% in 2014 from 5.1% in 2013 with robust construction activity and high consumer demand. Growth is expected to improve to 5.6% in 2015 and 6.4% in 2016 as external demand improves and new mines start production and exporting. Tight monetary policy has kept consumer price index (CPI) inflation within the target range of 3% to 6%. The Bank of Namibia in August 2014 implemented a second increase in the repo rate by 25 basis points to 6% to stabilise rising inflation caused by escalating food and transport prices. Consequently, the CPI inflation rate moderated from 6.1% in June to 4.7% in December.

Political stability and prudent fiscal management have helped anchor Namibia's high growth rates and poverty reduction efforts. With strong ties to South Africa, the region's second biggest economy, Namibia has stronger competitiveness and investment attraction than average sub-Saharan countries. However to accelerate convergence with high income countries in line with its current National Development Plan, the authorities need to address remaining structural bottlenecks. Work on a new Public Procurement and Public Finance Management law must be speeded up to reinforce economic governance and public sector management. Namibia also needs better regulatory capacity for public-private partnerships to help public sector investment programmes. Fiscal consolidation, including rationalising public sector wages, should continue to achieve efficiency gains and help attain a more sustainable current account balance. Efforts to enhance education and training quality must be stepped up and anti-corruption efforts redoubled to recapture public confidence and strengthen the country's strong governance record.

Namibia has made progress reducing geographical income disparities despite its largely arid climate, extremely low population density and a dual economy where a highly productive capital intensive mining sector operates alongside an agriculture sector that is of low productivity but a major employer. Thanks to the government's Vision 2030 and national development plans, Namibia has seen a 40% reduction in poverty between 1993/94 and 2009/10 with the biggest improvement in rural areas. Accelerated implementation of the Decentralisation Enabling Act of 2000 and deeper structural reforms to intensify value addition in agriculture and broaden non-mineral diversification will be key in consolidating progress made in promoting spatial inclusion in Namibia.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.1 | 5.3 | 5.6 | 6.4 |
| Real GDP per capita growth | 3.2 | 3.4 | 3.7 | 4.6 |
| CPI inflation | 6.0 | 5.3 | 4.1 | 5.0 |
| Budget balance % GDP | -1.1 | 5.0 | 6.2 | 4.8 |
| Current account % GDP | -5.1 | -4.0 | -1.7 | -1.4 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# NIGER

- **Relying mainly on agriculture, real GDP growth rose from 4.1% in 2013 to 7.1% in 2014, and could reach 6.0% in 2015.**
- **Though the promotion of the private sector is still hindered by significant constraints, the government has taken steps to speed up the implementation of its medium-term development plan and encourage mining.**
- **The national land-use policy and the decentralisation policy address the problem of spatial inclusion, even though their impact is limited by challenges related to demographics, the transfer of resources and weak institutional capacities.**

Things looked brighter for Niger's economy in 2014, with growth at 7.1%. This performance, following 4.1% growth in 2013, was driven mainly by agriculture, which enjoyed favourable weather, as well as by the construction sector and the transport and communications sector, both of which were buoyant. Despite security challenges, growth is expected to reach 6.0% in 2015 and 6.5% in 2016.

To consolidate its gains and speed up economic and social progress, the government and its technical and financial partners developed a programme to improve performance in the implementation of the Economic and Social Development Plan (*Programme d'amélioration de la performance pour la mise en œuvre du Plan de développement économique et social*, or PAPMO-PDES). The programme aims to tackle the constraints hampering achievement of the aims of the 2012-15 Economic and Social Development Plan. The implementation of the 3N (Nigeriens Nourish Nigeriens) initiative continues to strengthen agricultural output. In the mining sector, development efforts are continuing with the complete implementation of the provisions of the 2006 legislation on mining, which raises the country's tax revenue, especially Value Added Tax. With regard to the business environment, Niger marked time in implementing reforms in 2014, which does not help to make the private sector more dynamic or encourage the necessary diversification of the economy to boost inclusive growth.

Niger is very much a landlocked country, with two-thirds of its land mass desert. The population is concentrated in a narrow strip in the south, where its main activities are farming and herding. The population is doubling every 18 years, with a high birth rate entrenched in the culture. This is a real challenge for food security, education, healthcare, family planning, employment and social protection. The government has therefore made spatial inclusion one of its aims in its national development policy, the main tool of which is the creation of local development bodies. However, the policy's impact is limited by challenges related to demographics and the transfer of resources, as well as by a relatively weak institutional capacity and regional bodies that are ill-equipped to bring about sustainable local growth.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.1 | 7.1 | 6.0 | 6.5 |
| Real GDP per capita growth | 0.3 | 3.2 | 2.1 | 2.6 |
| CPI inflation | 1.1 | 0.5 | 1.3 | 1.0 |
| Budget balance % GDP | -2.3 | -5.7 | -7.8 | -3.2 |
| Current account % GDP | -16.6 | -20.3 | -22.8 | -19.7 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# NIGERIA

- **Robust growth of around 7% for the past decade is threatened by macroeconomic challenges, particularly exchange-rate volatility and falling global oil prices that impact public-sector spending.**
- **The main opposition party, the All Progressive's Congress, has won the most competitive presidential elections in Nigeria's history which were relatively peaceful in spite of the insurgency in the north east.**
- **Major rural-urban and regional tensions are due to varying natural-resource endowments, unequal access to political power, insufficient federal services and uneven shares of national wealth.**

The economy has enjoyed sustained economic growth for a decade, with annual real GDP increasing by around 7%; it was 6.3% in 2014. The non-oil sector has been the main driver of growth, with services contributing about 57%, while manufacturing and agriculture, respectively contributed about 9% and 21%. The economy is thus diversifying and is becoming more services-oriented, in particular through retail and wholesale trade, real estate, information and communication.

The 2015 outlook is for moderate growth of 5%, due to vulnerability to slow global economic recovery, oil-price volatility and global financial developments. The low oil price will lead to a sharp decline in fiscal revenues. However, the overall impact on non-oil sector GDP will be relatively muted. The sector is, thus, expected to remain the main driver of growth over the medium term and, in the light of the recent macroeconomic challenges, the government has adopted an adjustment strategy that hinges on tightening government spending and shoring up non-oil revenues to compensate for dwindling oil revenues.

Addressing security issues remains a key challenge. Insurgency in the north-east and other parts of the country has negative implications for investment; it also may hamper the fight against poverty as well as increase crime. An increased number of both internally displaced persons and refugees in neighbouring Cameroon and Niger have created a grave humanitarian situation. However, the current regional coalition force against Boko Haram appears to be making headway in subduing the insurgency.

Overcoming geographical and socio-economic barriers is central to achieving inclusive growth and sustainable development. Addressing rural-urban differences to ensure more balanced development through job creation and societal transformation will be critical for Nigeria's future. This will need to be done within all the six geopolitical zones, in addition to addressing inequalities across these zones. Though there have been several policy initiatives aimed at territorial development in Nigeria, limited success has been achieved in addressing the fundamental causes of unevenness. The problem often lies with a structure of governance that gives room for developmental policy implementation at the federal, state and local levels of governance but not at the regional level.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.4 | 6.3 | 5.0 | 6.0 |
| Real GDP per capita growth | 2.6 | 3.5 | 2.2 | 3.3 |
| CPI inflation | 8.6 | 8.1 | 8.3 | 7.6 |
| Budget balance % GDP | 1.1 | 0.1 | -4.5 | -3.9 |
| Current account % GDP | 3.9 | 2.6 | -3.7 | -3.0 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# RWANDA

- **Real GDP growth increased from 4.7% in 2013 to 7.0% in 2014, exceeding the programmed 6.0% and is projected to rise to 7.5% in both 2015 and 2016.**
- **Twenty years after the Rwandan Genocide, the country has become a development success story and unity and reconciliation have been consolidated, strengthening good governance in the medium term.**
- **Efforts to promote spatial inclusion are bearing fruit, with the share of rural households living in integrated and economically viable planned settlements increasing from 37.5% in 2012 to 53.0% in 2013/14.**

Real GDP grew by 7.0% in 2014, higher than the initially projected 6.0% and the 4.7% recorded in 2013. Growth in industry slowed as a result of a downturn in mining, manufacturing and construction. Public and private investments and a recovery in agriculture and services are expected to continue driving growth in the short and medium term. A public investment programme in transport and energy infrastructure has been prioritised to ease transport and energy bottlenecks and bolster economic growth.

Headline inflation is projected to converge around the central bank's medium-term 5% target in 2015 and 2016. Lower food and fuel prices are expected to continue contributing to the subdued inflationary pressures. The demand for capital, intermediate goods and fuel products to support the public investment programme is expected to remain strong in the short to medium term. Current account deficits are projected to persist in the near term as export earnings accounted for only 25% of imports in both 2013 and 2014.

Rwanda is predominantly rural, with 83.0% of the 10.5 million Rwandans living in rural areas. Nationally, 26.9% of household output is sold, but over 70.0% of the population is still engaged in subsistence farming. The Economic Development and Poverty Reduction Strategy 2 (EDPRS 2) 2013-18 calls for expanding targeted economic zones and transforming Rwanda's logistics system to strategically grow and promote exports. Other measures include the Kivu-Belt Tourism Master Plan. Progress has been made promoting spatial inclusion, with the share of rural households living in integrated and economically viable planned settlements increasing from 37.5% in 2012 to 53.0% in 2013/14.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.7 | 7.0 | 7.5 | 7.5 |
| Real GDP per capita growth | 2.0 | 4.3 | 4.8 | 4.9 |
| CPI inflation | 4.2 | 2.0 | 3.8 | 5.0 |
| Budget balance % GDP | -5.2 | -4.3 | -5.2 | -3.6 |
| Current account % GDP | -7.1 | -11.8 | -11.1 | -8.9 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# SAO TOME AND PRINCIPE

- **Real GDP growth increased to 4.9% in 2014, up from 4.0% in 2013, driven by improved agricultural production and services, and the trend is expected to continue into 2015 with growth projected to reach 5.1%.**
- **The country, which has strong governance based on the rule of law, held a free and transparent legislative election on 12 October 2014, offering a promising environment for political stability and enhanced investor confidence.**
- **As a small island country, Sao Tome and Principe faces spatial inclusion challenges due to rising sea levels caused by climate change and the lack of a national strategy to address territorial inequalities.**

Sao Tome and Príncipe achieved growth in real GDP of 4.9% in 2014, up from 4.0% in 2013, anchored by strict policy measures under the 2012-2015 Extended Credit Facility agreement with the IMF, and driven by expansion in services and agriculture. The fixed exchange rate regime pegging the dobra to the euro continues to guide the country's monetary policy. As a result, consumer price inflation fell to 6.3% in 2014 from 8.1% in 2013. In 2015, the economy is expected to grow by 5.1% and inflation to further decline to 5.2%, supported by the exchange rate agreement.

The government has implemented structural economic reforms that have helped to improve its macroeconomic indicators and to provide a more conducive environment for private investors. The reforms include the abolition of minimum capital requirements for business entities to obtain a commercial license, and the launch of a "taxpayer inclusion project" to strengthen the revenue administration. Additional measures include the approval of a new law on money laundering and terrorism financing. In January 2014, the authorities approved a budget of USD 159 million for 2014, anchored on four key principles: *i)* promoting institutional sustainability and political stability; *ii)* revitalising the primary and tertiary sectors of the economy; *iii)* improving the business environment; and *iv)* infrastructure development. About 93% of capital expenditure was to be financed through external aid consisting of grants (47.6% of the external aid) and loans (52.4%). Enactment of the 2015 budget was delayed, with discussion at the parliament scheduled for March 2015.

The legislative framework for ensuring spatial inclusion is not very well developed in Sao Tome and Principe. In 1977, two years after independence from Portugal, the government initiated fundamental reforms and privatised land from Portuguese-owned plantations. The reforms aimed to reduce disparities between urban and rural areas, but the agricultural sector has faced major difficulties due to lack of investment and skilled labour. At the same time, the decentralisation of decision-making authority, which aims to transfer greater autonomy to local and regional government agencies, has yet to prove effective. Rural areas are still confronted with various inclusiveness challenges, among them access to sanitation, clean water, schools and hospitals. Meanwhile, challenges linked to climate change are increasing, with agriculture affected by rising temperatures and a simultaneous decline in rainfall, while the country as a whole is threatened by rising sea levels and the erosion of coastal areas.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.0 | 4.9 | 5.1 | 5.4 |
| Real GDP per capita growth | 1.4 | 2.4 | 2.7 | 3.0 |
| CPI inflation | 8.1 | 6.3 | 5.2 | 4.4 |
| Budget balance % GDP | -11.3 | -9.4 | -7.2 | -8.0 |
| Current account % GDP | -18.3 | -17.0 | -10.7 | -12.9 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# SENEGAL

- **Estimated at 4.5% in 2014, compared with 3.5% in 2013, growth is projected to be 4.6% in 2015 and 5.0% in 2016.**
- **The first set of PSE flagship projects and reforms was launched in 2014, and their effective implementation will be indispensable in meeting PSE goals.**
- **Decentralisation Act III has been adopted to organise Senegal into territories that are viable, competitive and conducive to sustainable development, but its success will depend on improving the capacities of local actors.**

Though initially projected at 4.9%, growth in 2014 has been revised downwards at 4.5% because of the expected negative impacts of the Ebola virus outbreak on the tourism sector (0.2 percentage points of gross domestic product [GDP]) and of delayed rainfall on the agriculture sector (0.2 percentage points of GDP). It was, however, stronger than in 2013 (3.5%) and is projected at 4.6% in 2015, driven by a revival of the primary sector and the vitality of activities in the secondary and tertiary sectors. Associated with the execution of the "emerging Senegal plan" (*Plan Sénégal émergent* – PSE), this dynamism should continue and growth is projected at 5.0% in 2016.

The first set of 14 of the 27 flagship projects and 5 of the 17 major reforms of the PSE were launched in 2014. The PSE seeks to turn Senegal into an emerging economy by 2035. For its first implementation period (2014-18), the PSE is organised around three focuses: structural transformation of the economy and growth; human capital, social protection and sustainable development; and governance, institutions, peace and security. It aims to achieve 7% growth on average during this period. This new development strategy should find expression in basic structural reforms designed to raise the potential for growth and to stimulate creativity and private initiative. The primary goal is to meet the population's high aspirations to see an improvement in their well-being.

To achieve PSE goals, the authorities will have to ensure sustained implementation of its flagship reforms, in particular those related to energy, land tenure, logistics and infrastructure, information and communications technology, and the business environment. Execution of the PSE could however be delayed and be vulnerable to adverse weather. Moreover, opening the economy has made the country sensitive to the fluctuations of international markets and to economic changes in Europe. Senegal is also vulnerable to the security situation in Mali and a possible spread of the Ebola epidemic.

The authorities have decided to set a long-term strategy for a more balanced and harmonious territorial development. They are developing a national spatial-development plan, the *Plan national d'aménagement et de développement territorial* (PNADT 2015-35), a revision of the 1997 plan. Its goal is to make territories viable, competitive and conducive to sustainable development. In parallel, on 28 December 2013 the government adopted Decentralisation Act III, a general code for local communities. A fast and effective execution of the PNADT and the decentralisation reform will be critical to achieving the country's territorial development goals.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.5 | 4.5 | 4.6 | 5.0 |
| Real GDP per capita growth | 0.6 | 1.6 | 1.7 | 2.2 |
| CPI inflation | 0.7 | -0.4 | 2.0 | 0.0 |
| Budget balance % GDP | -5.5 | -5.1 | -4.5 | -4.6 |
| Current account % GDP | -10.8 | -9.3 | -8.8 | -8.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# SEYCHELLES

- **The Seychelles economy suffered a downturn in 2014 because of the poor performance of the tourism and manufacturing sectors and growth is projected to remain moderate in 2015/16.**
- **Increased public investment, improving conditions in the financial market and the private sector should continue to support the current economic and social reform agenda.**
- **Issues of spatial exclusion are not prevalent in Seychelles, given its small population which largely inhabits the main island of Mahe.**

In 2014, the Seychelles economy is estimated to have grown by 3.8%, down from 6.6% in 2013. Tourism, the main driver of growth, was adversely affected by weak demand in countries of origin, notably Europe. Manufacturing production also slowed, and plant modernisation was undertaken in the main beverage sector. On the demand side, private consumption remained strong, partly driven by an increase in consumer credit. Growth is projected to remain moderate at between 3.5-4% in 2015 and 2016. Financial services and information and communications technology (ICT) are expected to continue to grow and provide opportunities for economic diversification. To keep at bay inflationary pressures that had increased in the first half of 2014 the government tightened monetary policy during the latter half of 2014. Inflation accordingly remained contained and within the target of less than 4% per annum.

The government approved a medium-term national development strategy (NDS, 2015-2019) in November which has four key areas: governance, economic development, social development and the environment.

Being a small middle-income island country, Seychelles does not have spatial exclusion issues similar to those of other African countries. Around 90% of the 90 000 inhabitants live on Mahe, one of the three main islands. However, with its limited land space and high population density, the country has a delicate balance to observe in addressing land use, conservation and economic development. The country has begun to design policies and plans to address these issues holistically.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 6.6 | 3.8 | 3.7 | 3.6 |
| Real GDP per capita growth | 6.1 | 3.3 | 3.2 | 3.1 |
| CPI inflation | 4.5 | 3.5 | 3.5 | 3.0 |
| Budget balance % GDP | 0.9 | 1.0 | 0.9 | 0.0 |
| Current account % GDP | -15.2 | -12.3 | -11.8 | -10.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# SIERRA LEONE

- **Prior to the Ebola (EVD) outbreak of May 2014, considerable progress had been made since the end of the civil conflict but the economic outlook in the medium term is now unfavourable.**
- **Economic growth is expected to slow to 6.0% in 2014 as an effect of Ebola (against an 11.3% projection) and it is projected to go as low as -2.5% in 2015 before reaching 2.8% in 2016.**
- **The rural/urban population breakdown was 61.6% rural to 38.4% urban in 2010 with Freetown accounting for 40% of the urban population and regional development forming part of the country's Agenda for Prosperity (A4P).**

Prior to the Ebola outbreak which started in May 2014, the authorities in Sierra Leone had made considerable progress since the end of the civil conflict. The outlook for the economy in the medium term, however, is unfavourable following the current EVD crisis. Preliminary analysis shows that economic growth has slowed down to 6.0% in 2014 compared to the original projection of 11.3%. GDP growth is projected to go as low as -2.5% in 2015 and the economy is projected to recover slightly reaching 2.8% in 2016. Inflation is revised upwards from 8.8% to 10% for 2014 and is projected at 9.4% and 8.3% for 2015 and 2016, respectively. The EVD crisis poses a great threat to macroeconomic stability, human development and poverty reduction.

Infrastructure deficiencies pose a serious threat to private-sector development although some progress had been made in improving the business environment prior to the outbreak of EVD. Public debt levels (domestic and external) remain sustainable but historically, public finances have been stressed as total revenue has consistently been lower than total spending. This has attendant implications on monetary policy and the external position, which had been improving prior to the EVD outbreak. Regarding regional integration, challenges remain in the free movement of people and capital across the Economic Community of West African States (ECOWAS) countries but the situation had been improving in recent years until the advent of the emergency restrictions imposed in the wake of the EVD outbreak. Likewise, governance, gender, environment, and social indicators had been improving prior to the outbreak. Considerable effort needs to be exerted by government and development partners in implementing the emerging Post-Ebola Recovery Plan.

The spatial nexus in Sierra Leone is essentially rural/urban. The urban population has the lion's share of services, assets and earned income and is likely to bequeath more to successor generations compared to the rural population. In 2010 the rural population was estimated to account for 62% of the overall population while urban was 38%. Freetown accounts for roughly 40% of the urban dwellers. There is no dedicated strategy for spatial inclusion in Sierra Leone but the essential elements of it are subsumed in the country's medium-term plan, the Agenda for Prosperity (A4P 2013-2018).

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 20.1 | 6.0 | -2.5 | 2.8 |
| Real GDP per capita growth | 18.2 | 4.1 | -4.3 | 1.1 |
| CPI inflation | 9.8 | 10.0 | 9.4 | 8.3 |
| Budget balance % GDP | -2.4 | -1.2 | -3.2 | -3.5 |
| Current account % GDP | -37.3 | -35.6 | -33.0 | -40.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# SOMALIA

- **The base of the economy is narrow because the majority of the population is nomadic and highly dependent on livestock and livestock exports for livelihoods.**
- **A lack of internal revenue and weak public financial management are serious constraints on the national budget, leaving the country almost totally dependent on foreign assistance.**
- **The African Union (AU) Mission in Somalia and the Somali National Army have lately recovered many areas from Al-Shabaab control, and capacity development is ongoing but insecurity in most parts of the country, weak institutional capacity, and political instability remain the main obstacles to reconstruction and development.**

The socio-economic indicators of Somalia remain very low. Somalia continues to be highly dependent on livestock production and exports with most exports going to Saudi Arabia. This reflects the country's narrow economic base and consequent high vulnerability to external shocks. Somalia's narrow economic base remains a binding constraint on the federal government's capacity to generate sufficient revenues to support reconstruction and development in an unstable macroeconomic environment.

A new income tax law has been prepared and submitted to parliament for approval. The new income tax legislation is part of a broader Revenue Mobilization Strategy aimed at increasing fiscal sustainability by raising adequate resources for financing fiscal recurrent expenditures. The strategy will initially focus on in-land revenue with new or restored taxes and increasing citizen awareness, accountability and legitimacy through improved tax administration. Security concerns and political instability still have a significant impact on economic development and the provision of social services.

The country has its third prime minister in two years. On the security front, government security forces and a strengthened AU Mission in Somalia (AMISOM) have registered significant progress. Donor co-ordination remains a significant challenge in Somalia due to the government's weak institutional capacity, the diverse roles of various regional entities (Federal Government, Puntland and Somaliland) in managing aid, and the challenging security environment, which has forced donors to mainly operate from the Kenyan capital, Nairobi. In order to manage donor aid, the main active donors in Somalia have been co-ordinating their work programmes under the Somalia Development Partners Forum (DPF), whose membership includes the UN agencies, the multilateral development banks (MDBs), about 30 bilateral African and non-African representatives, and the NGO Consortium. The African Development Bank is playing a lead role in supporting the international reengagement of Somalia, particularly in the Arrears Clearance/ Debt Relief process with the World Bank and IMF. The Bank will also continue its lead role in the areas of public financial management, notably through its representation and involvement in the Financial Governance Committee (FGC) established in 2014 and comprising government and donor representatives to deliberate on contracts, concession and recovery of national assets overseas.

# SOUTH AFRICA

- **Annual growth in GDP fell to 1.5% in 2014, but is expected to rebound to 2.0% in 2015, as the large rand depreciation may stimulate an export-led recovery and the global economy gradually improves.**
- **The macroeconomic policy framework is expected to remain unchanged, as the governing African National Congress (ANC) won 62% of the vote in the country's fifth national elections held in May 2014.**
- **South Africa has designed significant policies of spatial development at the local, regional and national levels, including development corridors, improvements in service delivery and decentralisation policies; but implementation has been slow and unequal across regions.**

In 2014 South Africa's growth continued to slow down, recording only 1.5%, the weakest performance since the global financial crisis. The nation's economy was affected by its most protracted industrial action since the end of apartheid and significantly weak demand from trading partners. Various infrastructure gaps, notably inadequate energy supply, weak domestic demand, and anaemic investment rates also acted as a drag on growth. Nevertheless, projections based on improvements in the global economy, the successful completion of major government projects (including the Medupi power station), and new investment plans, suggest that growth could rebound to 2.0% in 2015. As one of the BRICS (Brazil, Russia, India, China and South Africa) the country is well integrated into the global economy.

The strong labour unrest marked a crack in the tripartite alliance between the ANC, the South African Communist Party (SACP) and the Congress of South Africa Trade Unions (COSATU). COSATU lost its biggest affiliate union, the National Union of Metalworkers of South Africa (NUMSA), as well as its leadership position in the platinum sector to the Association of Miners and Construction Union (AMCU), a new union.

Unemployment continues to pose significant challenges: it has reached 24.3%, and youth unemployment 49% at the end of 2014. The service sector has grown in contrast with the manufacturing sector, despite the government's industrialisation plans to combat unemployment. Skills shortages continue to act as a constraint on growth. The outlook for growth is better for financial services and for the agriculture, forestry and fisheries sectors. The National Development Plan, which aims to eliminate poverty and reduce inequality by 2030, focuses on creating jobs and improving education.

The South African Reserve Bank has confirmed its commitment to price and financial stability, and inflation targeting remains a key monetary policy anchor in South Africa. The depreciation of the rand (ZAR) exchange rate led the Reserve Bank (SARB) twice to increase the base rate, which since July 2014 has been at 5.75%. Rises in interest rates affected investment levels, which are structurally low. South Africa's fiscal position improved with the deficit falling to 3.4% of gross domestic product (GDP), thanks to increased tax revenues, which helped offset increasing government expenditure. High wage demands by public sector unions in 2015 could pose a fiscal risk. The new administration announced a number of measures to consolidate the budget and reduce the growth of expenditure to a real rate of 1.3% over the next two years, mainly by freezing government personnel expenditure and reducing non-essential spending.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 2.2 | 1.5 | 2.0 | 2.5 |
| Real GDP per capita growth | 1.5 | 0.8 | 1.4 | 1.9 |
| CPI inflation | 5.7 | 6.1 | 4.9 | 5.3 |
| Budget balance % GDP | -3.9 | -3.4 | -3.6 | -3.9 |
| Current account % GDP | -5.8 | -5.8 | -5.4 | -5.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations, using data available as of Q1, 2015.

 

# SOUTH SUDAN

- **South Sudan's GDP grew by 30.7% in 2014 but 2015 is likely to see negative growth as the ongoing conflict and declines in national oil production and global oil prices devastate the economy.**
- **The outlook for economic growth largely depends on a recovery in global oil prices and a comprehensive resolution of civil conflict rather than a mere cessation of hostilities.**
- **South Sudan could face a widening financing gap this fiscal year and long-term economic troubles due to its political crisis and declines in national oil production and global oil prices.**

Although rich in natural resources, the economy is centred on oil production and subsistence agriculture: almost all intermediate and consumer goods are imported. In the past year, oil production accounted for 99% of exports, 95% of government revenue and about one-half of GDP. Prior to the outbreak of conflict on 15 December 2013, South Sudan had positive development prospects. The country was expected to achieve an average growth rate of 30.7% of GDP in 2014 after a sharp decline of -26.7% in 2013. The current economic growth outlook is largely dependent on peace prospects and international oil prices. It is estimated that GDP will contract by -7.5% in 2015 as the recent conflict and the falling international oil price continue to cast a shadow over economic prospects. The GDP growth is projected to continue to benefit from oil production, but oil production has fallen by 20% and might further decrease.

The government is faced with challenges that complicate fiscal management. Oil revenue inflows, accounting for over 95% of government revenues, are volatile and unpredictable. The situation has put more pressure on foreign reserves. Non-oil revenue is not expected to significantly increase in the short term.

South Sudan has enormous opportunities for spatial inclusion. While the impact of ongoing conflict and international oil prices cannot be underestimated, opportunities to develop value chains that create jobs and improve household incomes exist. Notable among them include Gum Acacia (also known as Gum Africa or Gum Arabic), shea nuts and significant herds of cattle. Gum Acacia, for example, is estimated to be available in significant amounts in seven of the ten states, occupying 46% of the land area. The benefits of developing such value chains extend to creating community interdependences and therefore peaceful coexistence.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | -26.7 | 30.7 | -7.5 | 15.5 |
| Real GDP per capita growth | -30.8 | 26.9 | -11.0 | 7.2 |
| CPI inflation | 22.7 | -5.6 | 11.2 | 5.0 |
| Budget balance % GDP | -12.8 | -3.7 | -5.9 | -5.3 |
| Current account % GDP | 4.0 | -2.5 | 0.9 | 2.8 |

*Source:* Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# SUDAN

- **Driven by agriculture and the extractive industries, GDP growth (3.4% in 2014) is projected at 3.1% in 2015 and 3.7% in 2016, with inflation anticipated to remain high (21.8% in 2015).**
- **National dialogue between government and opposition should lead to political reform, while implementing the Interim Poverty Reduction Strategy Paper should support inclusive growth and improve MDG achievement prospects.**
- **Geographic concentration has hindered business clustering and employment in lagging states, and specific spatial planning is needed to concentrate resources in urban agglomerations and stimulate employment in agriculture.**

Growth of Sudan's gross domestic product (GDP) has been estimated at 3.4% in 2014 and is projected at 3.1% and 3.7% in 2015 and 2016, respectively. GDP should be driven by rain-fed agriculture, minerals and oil-transit fees. Domestic services grew by 3.1% and accounted for 45.6% of GDP in 2014. Services, however, typically provide low-productivity jobs. Inflation in Sudan, the highest in Africa and averaging 36.9% in 2013-14, is due to exchange-rate devaluations, unsterilised gold purchases and supply disruptions owing to civil conflicts. Although it is projected to drop to 21.8% in 2015 on the back of a tight policy stance, build-ups of inflationary pressures will increase the already high rates of poverty and unemployment. In the short and medium term, growth will be sustained by the revitalisation of agriculture and increased production of mineral and non-mineral exports, in addition to restraining inflation.

A new IMF Staff-Monitored Program (SMP) and a five-year programme of economic reform (FYPER, 2015-19) were adopted in 2014, aimed at enhancing macroeconomic stability and sustaining inclusive growth. Policy makers must nonetheless face challenges stemming from the structural weaknesses of the economy and limited market penetration. The slow growth of credit to the private sector due to low financial intermediation and the crowding-out effects of fiscal operations have further restrained the formalisation of business and job creation. Refusal, since 2014, of foreign correspondent banks to process transfers to and from Sudan in order to avoid violating US sanctions has tightened the foreign-exchange market and raised the costs of imported inputs. In this respect, effective outreach is needed to remove the US sanctions. Additionally, Sudan's heavy external debt and volatile internal and external political environments could effectively weaken progress towards meeting the Millennium Development Goals (MDGs).

Urbanisation in Sudan has been propelled since the 1990s by worsening conditions in the rural areas and protracted civil conflicts. This has led to the development of slums and camps for the internally displaced, housing shortages in many cities and the proliferation of informality. Absence of a strategy for co-ordinating land use within the national development planning process has contributed to excessive urban growth lacking in structural transformation and specialisation. A specific spatial strategy is needed to focus on maximising the benefits of existing urban assets in order to spread entrepreneurial opportunity, while reviving the rural economy in order to reduce the potential risks and backlash related to economic clustering.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.6 | 3.4 | 3.1 | 3.7 |
| Real GDP per capita growth | 1.6 | 1.3 | 0.9 | 1.4 |
| CPI inflation | 36.1 | 37.7 | 21.8 | 21.3 |
| Budget balance % GDP | -2.3 | -0.9 | -1.1 | -0.8 |
| Current account % GDP | -8.7 | -8.4 | -6.8 | -6.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# SWAZILAND

- **Economic growth is estimated to have slowed down in 2014 to 2.5% and inflationary pressures increased, with prospects in 2015 and 2016 remaining lacklustre as performance of the export sector could decline if access to preferential trading agreements is lost.**
- **On the political front, relative calm continues to prevail after the September 2013 elections, but the country's ranking in participation and human rights remains low.**
- **There are remarkable divergences in the availability of social and economic amenities among the urban and rural areas, underscoring the need for the government to ensure that opportunities to promote inclusive growth are put in place for the benefit of all Swazis.**

Economic performance in Swaziland, as indicated by real gross domestic product (GDP) growth, slowed half of a percentage point from 3.0% in 2013 to 2.5% in 2014. The much-needed recovery from the 2011 fiscal crisis has not materialised. Slack prospects in South Africa and persistent local structural constraints are hindering economic recovery. The secondary sector was the most adversely affected, particularly the predominant manufacturing sub-sector. The decline in growth in the secondary sector was somewhat counteracted by growth in the primary sector. Agriculture is estimated to have improved by 4.0%, reflecting enhanced productivity accruing from key interventions. Although growth in the tertiary sector slowed down, an increase in investment in government capital programmes tempered the outcome. Short-term prospects remain subdued with economic growth expected to remain low at around 2.5% per annum through to 2016. Growth prospects are predicated on the export sector, in particular the extension of the African Growth and Opportunity Act (AGOA) and the ratification of the Economic Partnership Agreement (EPA) with the European Union (EU) signed in August 2014.

Despite Swaziland's classification as a low middle-income country, economic issues that are mainly associated with low-income countries – such as a weak business climate and low foreign direct investment (FDI) inflows – prevail. The high rate of HIV/AIDS and an uneven distribution of resources remain major social concerns. The Gini co-efficient of 0.51 is one of the highest in the world, indicating wide disparities in household income. The incidence of poverty is also high, with 63% of the population living below the poverty line. Other challenges include a high unemployment rate of 17.8%, and a low Human Development Index (HDI) ranking with a score of 0.53 mainly due to the high HIV/AIDS prevalence. While Swaziland has made some improvements in the past three decades in the fight against the pandemic, the HIV prevalence of 26% among 15-49-year-olds is the highest in the world. This has contributed to plummeting life expectancy to 40.9 years as well as high numbers of orphaned and vulnerable children.

Swaziland is small and sparsely populated, except in certain pockets in the regions of Manzini and Hhohho, the economic and commercial zones. The country has non-discriminatory and friendly policies for foreigners and a small foreign population of less than 2%, but high unemployment, especially among youth, is slowly generating resentment, particularly towards foreign small-business owners. Though the government is addressing youth unemployment through empowerment programmes such as implementing a Youth Enterprise Fund and introducing entrepreneurship education in the secondary school curriculum, these measures are nascent and not yet implemented ubiquitously or evenly across all regions of the nation. Government efforts in education led to enrolment parity across all regions and should be replicated in other sectors as well, as there are divergences in the availability of social and economic services among the regions. The government should continue investments in all regions and initiate opportunities in marginalised regions, like Shelsilweni, to promote inclusive and sustainable growth for the benefit of all Swazis.

### Macroeconomic indicators

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 3.0 | 2.5 | 2.6 | 2.4 |
| Real GDP per capita growth | 1.5 | 1.0 | 1.2 | 1.0 |
| CPI inflation | 5.6 | 5.7 | 5.4 | 5.4 |
| Budget balance % GDP | 0.9 | -0.3 | -0.6 | -1.3 |
| Current account % GDP | 5.3 | 2.4 | 1.7 | -0.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# TANZANIA

- **The United Republic of Tanzania's economy grew by 7.3% in 2013, driven by continued strong performance in most sectors and supported by public investment in infrastructure, with growth projected to remain above 7% in the medium term.**
- **The draft new constitution proposed by the Constituent Assembly in October 2014 preserves the existing two-government union structure, with a Union government for the mainland and Zanzibar and a separate government of Zanzibar.**
- **Spatial exclusion is high in Tanzania, mainly due to regional disparities, but inclusion could be increased by boosting agricultural productivity, supported by rural infrastructure investments and improved connectivity between rural and urban areas.**

The Tanzanian economy has continued to perform strongly, recording growth of 7.3% in 2013, up from 6.9% in 2012, driven by information and communications, construction, manufacturing and other services. Medium-term prospects are favourable, with growth projected to remain above 7%, supported by public investments in infrastructure, particularly in the transport and energy sectors. Agriculture remains the mainstay of the economy, employing the majority of the workforce, but the sector is plagued by infrastructure gaps and low productivity. Despite Tanzania's impressive macroeconomic achievements, growth is not sufficiently broad based, and poverty levels remain high. A recent household budget survey indicates that 28.2% of Tanzanians are poor, and poverty remains more prevalent in rural than in urban areas.

Inflation has stabilised at single digits over the past year, declining to an annual average of 6.8% in 2014 due to prudent monetary policy, a favourable food situation and declining fuel prices. Export performance remains strong, driven by gold and tourism/travel receipts. But the import bill has grown, mainly due to imports of capital and intermediate goods, particularly oil, keeping the current account deficit wide at around 11% of GDP. The foreign reserves position has remained healthy, with 4.1 months of import cover.

Tanzania has continued to maintain a healthy fiscal position, keeping the deficit at sustainable levels and managing expenditure growth in line with the broad objective of sustaining macroeconomic stability. In the medium term, the fiscal deficit is projected to be maintained at around 5-6% of GDP, while expenditures and government net lending are projected at around 25% of GDP, in line with targets of the Policy Support Instrument programme. Financing uncertainties emerged in the first half of fiscal year 2014/15 due to delayed disbursements of budget support funds by development partners, partly resulting in the frontloading of government domestic borrowing to finance development projects.

Spatial inclusion remains problematic in Tanzania, mainly due to regional disparities. The poorer regions are predominantly rural and their economies are much less diversified. Agriculture is the main economic sector in these areas, with low productivity and low-paying employment. As a result, per capita incomes in these regions are less than half that of Dar-es-Salaam, the wealthiest area. And the poverty rate is eight times higher than in Dar-es-Salaam. To increase spatial inclusion, Tanzania needs to boost earning opportunities for the rural population, mainly through improved productivity in agriculture supported by rural infrastructure investments, particularly rural roads, and improved overall connectivity between rural and urban areas.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 7.3 | 7.2 | 7.4 | 7.2 |
| Real GDP per capita growth | 4.3 | 4.1 | 4.4 | 4.3 |
| CPI inflation | 7.9 | 6.8 | 5.1 | 5.6 |
| Budget balance % GDP | -6.9 | -3.8 | -6.2 | -5.3 |
| Current account % GDP | -10.0 | -11.0 | -9.0 | -8.1 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# TOGO

- **Growth, driven by agriculture and the development of transport infrastructure, was an estimated 5.5% in 2014 and is projected to reach 5.7% in 2015.**
- **The inland revenue introduced the payment of taxes through banks in 2014 to facilitate business and tackle corruption.**
- **Government decentralisation by 2016 is essential to reduce regional inequalities and disparities.**

GDP grew by an estimated 5.5% in 2014, and is projected to grow by 5.7% in 2015 and 5.9% in 2016, thanks to investment in economic infrastructure and agricultural reforms. The new Scantogo-Mines industrial complex will begin large-scale limestone mining in 2015 to produce clinker and cement locally. With a production capacity of 5 000 tonnes of clinker a day, the project will put an end to the sector's poor performance (-9.8% in 2014), with production increasing by 69.4% in 2015 and a further 46.3% in 2016. Nevertheless, overall and potential growth of more than 5% in the short and medium term could be hampered by overshadowing of the issues in the 2015 presidential elections by debate on whether the number of terms of office should be limited.

The World Bank report, *Doing Business 2015*, lists Togo as one of the 10 world economies that have most improved their business environment, having moved 15 places up the business-environments ranking to 149th in the world. The tax office (*Office togolais des recettes*) has introduced several reforms in its operations, including the obligation for officials to declare their assets; the possibility for taxpayers to lodge complaints using a Freephone number or by e-mail; and the obligation to pay tax through banks. The state is omnipresent throughout the electricity value chain, with state-owned enterprises enjoying heavily subsidised prices. These (XOF 148 [CFA Franc BCEAO]/kWh) are below cost but still too high to attract private investment. Since independence, Togo has never published a budget review law. Bills were proposed for 2007, 2010, 2011, 2012 and 2013, but have not yet been debated in parliament due to a shortage of the skills required for this kind of government control exercise. On 31 December 2013, Togo had 92 microfinance institutions (MFIs) with outstanding loans of XOF 117 billion. Some 43% of the Togolese population are MFI beneficiaries, compared with 16% for all countries in the West African Economic and Monetary Union (WAEMU).

The proportion of each region's population living in urban areas increases with proximity to the Maritime region, where the capital of Lomé is located. The Savanes region has a 5% urban population, the Kara region 8%, the Centrale region 7%, the Plateaux region 12% and the Maritime region 68%. The vast majority of people living in poverty reside in rural areas (78.9%). In 2014, the Maritime region, which covers only 11% of the country, collected 98% of tax revenue, employed 82% of doctors and consumed 86% of the country's electricity. Togo is the only WAEMU country that has not yet decentralised. Decentralisation will begin in earnest in 2016 and will be decisive in meeting the challenges of spatial inclusion.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 5.4 | 5.5 | 5.7 | 5.9 |
| Real GDP per capita growth | 2.9 | 3.0 | 3.2 | 3.5 |
| CPI inflation | 1.8 | 0.9 | 1.7 | 2.7 |
| Budget balance % GDP | -4.5 | -4.9 | -3.1 | -2.9 |
| Current account % GDP | -8.8 | -5.9 | -6.3 | -6.6 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# TUNISIA

- **The economy is growing slowly – an expected 2.4% in 2014 (2.3% the previous year) – amid international uncertainty, notably economic problems and weak growth in the euro zone, Tunisia's main trade partner.**
- **Four years of political transition ended in 2014 with elections held and a new constitution approved. Vigilance was heightened to restore security throughout the country. Structural reforms and new investment are needed to help economic transformation and pull the country out of the crisis.**
- **Regional disparities continue to grow, despite policies implemented since independence, so a medium- and long-term general strategy is needed.**

Economic growth is expected to be 2.4% in 2014 (2.3% in 2013). The government had assumed 4% growth when drafting the 2014 budget, but the forecast was lowered to 2.8% in March 2014, two months after the inauguration of new prime minister Mehdi Jomâa. This was because of difficulties in the first half of the year, especially serious problems in the phosphates and oil and natural gas sectors. Phosphates output was up 20% in 2014 (to 3.79 million tonnes) but below the 5 million tonne target set by the Gafsa phosphates company (CPG). Oil production fell from 70 000 to 58 000 barrels a day. Non-manufacturing industrial output and productivity were still hampered by technical problems, outdated machinery and strikes and demonstrations. Difficulties in the mining and oil and gas sectors since 2011 have knocked a government-estimated 1% off the country's annual GDP. As a result, growth in 2014 was largely driven by services, manufacturing and agriculture.

Some economic indicators improved. According to estimates, the budget deficit remained under control thanks to better tax collection and control of spending, and inflation continued to slow. Average overall unemployment fell slightly (0.1 percentage points) to 15.2% in 2014, including a 0.5 point drop among graduate jobseekers, albeit to a still alarming 31.4% (due to sluggish growth, a poor business climate and the labour supply not matching the needs of business). Government debt (external and domestic) has been rising steadily since 2011 due to the government's fiscal stimulus policy, and is expected to rise to 53% of GDP in 2015, from 51.7% in 2014.

Several factors could fuel a rise in growth to an estimated 3.0% in 2015 and 4.1% in 2016. The more peaceful political and social climate following the general election and the new government in February 2015 help to reassure investors, but the 17 March 2015 attack at the Bardo National Museum in Tunis could harm investor confidence. Lower oil prices (an average of USD 65 a barrel for crude oil) should hold in 2015, helping to reduce the national energy shortfall, which was TND 3.6 billion (Tunisian dinars) in 2014, and to stabilise the economy by cutting the trade, current account and budget deficits. The drop in oil prices should also help to make Tunisia more competitive and improve the situation in the euro zone, which has already been helped by the fall of the euro against the US dollar. Exports and foreign direct investment in particular should be boosted by these favourable conditions created by measures to support demand and by the European Central Bank's helpful quantitative-easing monetary policy.

Continued budgetary discipline begun in 2014 should curb the budget deficit in 2015 and 2016 through strict control of spending, thus raising new revenue that could revive public investment and benefit the private sector through this virtuous circle. The government could also use the favourable conditions created by lower oil prices to step up reform of energy subsidies and thus obtain more budgetary leeway. The clear parliamentary majority should enable approval of structural reforms delayed by the 2011-14 transition, including financial sector reforms and laws on competition, bankruptcy and public-private partnerships (PPPs). A smaller energy shortfall (26.7% of the trade deficit in 2014) should help reduce the trade deficit and improve the current account balance. Inflation should also ease in 2015 and 2016.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 2.3 | 2.4 | 3.0 | 4.1 |
| Real GDP per capita growth | 1.2 | 1.4 | 1.9 | 3.1 |
| CPI inflation | 6.1 | 5.5 | 5.0 | 4.4 |
| Budget balance % GDP | -4.6 | -4.7 | -4.5 | -4.2 |
| Current account % GDP | -8.4 | -7.9 | -6.0 | -5.5 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

 

# UGANDA

- **In 2014 Uganda saw the consolidation of macroeconomic stability and a gradual recovery of economic activity, with real GDP growth projected to reach 5.9% in FY 2014/15 from 4.5% growth in FY 2013/14.**
- **This recovery in economic activity is mainly supported by public investment on infrastructure, recovery in private domestic consumption and investment demand, and a rebound in agriculture.**
- **Uganda remains on track to achieve the Millennium Development Goal poverty reduction target as absolute poverty rates continue to drop, from 24.5% in FY 2009/10 to 19.7% in FY 2012/13 (with corresponding improvements in child nutrition and declining infant mortality) and overall life expectancy advances to 59, three years higher than in 2009.**

In 2014, Uganda saw the consolidation of macroeconomic stability and a gradual recovery of economic activity. Real GDP growth in FY 2013/14 reached 4.5% (July 2013 through to June 2014), which was significantly weaker than expected (5.7%), mainly due to under-execution of externally financed public investment and depressed exports as demand from trading partners stalled. Nevertheless, Uganda's economy recovered as compared to the previous year. Growth prospects are expected to improve, with GDP growth projection for FY 2014/15 at 5.9% owing to the government's resolve to improve the fiscal space through domestic revenue mobilisation efforts, scaled-up public investment and a recovery in private demand as households and corporations start accessing bank credit.

The recent Poverty Status Report paints a mixed human development outlook. On the one hand, the Uganda National Household Survey (UNHS 2012/13) estimates that poverty levels declined by 4.8 percentage points to 19.7% (6.7 million persons) from 24.5% reported in 2009/10 (7.5 million persons lived in absolute poverty). On the other hand, there is stagnation or reversals in progress for other areas including universal primary education, and health, in particular HIV. Development progress across regions also varies, with the North and Northeast lagging behind the rest of the country. Uganda's Human Development Index is currently 0.484 and ranked 164 out of 187 countries (HDR 2014).

Although poverty has generally declined, rural areas continue to have the highest concentration of national poverty compared to urban areas.

Development in Uganda has continuously been skewed towards the Central and Western regions while the rest of the country lags behind. Poverty levels are lowest in the Central region, estimated at 5%, compared to 9% in the Western, 25% in the Eastern and 44% in the Northern regions (UNHS, 2012/13). Regional economic disparities arise mostly from unevenly distributed socio-economic infrastructure such as road networks, good access to markets, health and educational facilities and private sector investments. The rural-urban divide has also been expanding mainly for similar reasons. A key development intervention by the government to address regional disparities has been the 2007 Peace, Recovery and Development Plan (PRDP). Although the regions still lag behind, implementation of this plan has produced some positive strides, especially in infrastructure development, which can support the region's transition in the future from recovery to sustainable human development.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.7 | 5.9 | 6.3 | 6.5 |
| Real GDP per capita growth | 1.4 | 2.6 | 3.0 | 3.3 |
| CPI inflation | 5.0 | 5.4 | 5.9 | 5.4 |
| Budget balance % GDP | -2.6 | -4.9 | -5.8 | -5.0 |
| Current account % GDP | -7.5 | -5.2 | -7.1 | -7.7 |

*Source*: Data from domestic authorities; estimates (e) and prediction (p) based on authors' calculations.

# ZAMBIA

- **Zambia's economy remains strong with growth expected to increase above 6% in 2015/16 after a decline in GDP growth from 6.7% in 2013 to 5.7% due mainly to waning copper production. Inflation is expected to fall below 7.0% by 2017.**
- **Governance and democratic processes continue to gather strength, with the recent presidential by-elections reinforcing Zambia's status as a peaceful and stable country.**
- **Poverty, at over 60%, remains significant despite strong economic performance along the main transport corridors and reduced poverty in the large urban agglomerations.**

Zambia's economy performed relatively well within the region despite the decline in the growth rate. This decline was largely a result of lower production in the mining sector compared to the year before as well as slower growth in manufacturing and public services. Agriculture, on the other hand, put in a strong performance growing at over 6% as a result of a bumper maize harvest. Economic performance is expected to remain strong in the medium term driven by large investments in infrastructure and a growing public administration and defence.

Diversifying the economy away from dependence on copper and the creation of decent jobs remain the overarching policy goals of the government. Improving accountability and strengthening the fight against corruption also remain firmly on the government's agenda. In 2014 there was some fiscal consolidation with the deficit falling by about one percentage point compared to 2013. This is expected to continue in the medium term with slower expenditure growth and improved fiscal and cash management. Productivity in the private sector needs to increase in order to improve competitiveness given the pressure for higher wages. The government has indicated that it will do more to expand skills and education while also accelerating interventions in health, water and sanitation in the coming year.

Economic development in Zambia has historically followed the rail lines that connect the Copperbelt in the north with Livingstone in the south through the capital city, Lusaka. More recently the main transport corridors have also provided an impetus for growth in the country. These corridors have benefited both Central and Eastern Province where there has been an influx of investments, creating a basis for further development. Spatial inclusion is addressed through the revised Sixth National Development Plan while an added benefit of industrial policy is the creation of multi-facility economic zones aimed at creating opportunities in the main urban agglomerations and attracting foreign investments.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 6.7 | 5.7 | 6.5 | 6.6 |
| Real GDP per capita growth | 3.5 | 2.5 | 3.3 | 3.3 |
| CPI inflation | 7.0 | 7.9 | 7.6 | 7.6 |
| Budget balance % GDP | -6.7 | -5.5 | -5.1 | -4.9 |
| Current account % GDP | 0.7 | 0.0 | 0.6 | 0.3 |

*Source*: Data from domestic authorities; estimates (e) and prediction (p) based on authors' calculations.

 

# ZIMBABWE

- **Economic growth slowed to around 3% in 2014, and only a marginal improvement is expected for 2015 and 2016, with persistent de-industrialisation and a growing informal economy.**
- **There is a need to continue implementation of structural reforms to improve the business environment, achieve a sustainable current account balance, reform public enterprises and make growth more inclusive.**
- **Various initiatives have been taken to improve spatial inclusion, but progress has been limited by slow implementation of the related policies and strategies.**

The period 2009-12 was marked by an economic rebound following the introduction of the multiple currency system, with the economy growing at an average rate of 11.0% per annum. However, GDP growth decelerated sharply from 10.6% in 2012 to 4.5% in 2013 and an estimated 3.1% in 2014. Real GDP is projected to marginally improve to 3.2% in 2015. This projected marginal improvement will be on the back of planned investments in agriculture, mining, communications and other infrastructure projects, including in the water and energy sectors.

Against the background of weak domestic demand, tight liquidity conditions and the appreciation of the US dollar against the South African rand, inflation was slightly negative in 2014, and it is projected to remain low in 2015. Industrial capacity utilisation continues to decline, and is estimated at 36.3% owing to underproduction and lack of competitiveness. The real exchange rate overvaluation relative to the South African rand has caused a loss in external competitiveness, as it has made imports cheaper than domestically produced goods and exports more expensive. As a result of increasing demand for imports and dwindling exports, the external sector position is under severe pressure, with an estimated current account deficit of around 23.1% in 2014. The country is at high risk of debt distress, with an unsustainable external debt estimated at USD 8.4 billion at the end of 2014. On 29 October 2014, the government approved a debt resolution strategy, with the main objective of expediting the reengagement process with creditors. The government plans to hold a high-level international debt resolution forum in 2015 with the assistance of the African Development Bank (AfDB).

The economic recovery in recent years has been underpinned by the mining and agriculture sectors, which accounted for 93.5% of export revenues between 2009 and 2013. Mining, which made up 65.2% of export earnings over the same period, is a typical enclave sector, with weak linkages to the rest of the economy. It is also capital intensive, with limited employment creation opportunities. The manufacturing sector saw a drop in activity between 2011 and 2014: at least 4 610 companies closed down, resulting in a loss of 55 443 jobs (2015 Budget Statement). On top of this, more than 80.0% of workers are employed in the informal sector.

**Macroeconomic indicators**

| | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---|---|---|---|---|
| Real GDP growth | 4.5 | 3.1 | 3.2 | 3.3 |
| Real GDP per capita growth | 1.4 | 0.0 | 0.2 | 0.5 |
| CPI inflation | 1.6 | -0.1 | 0.6 | 1.5 |
| Budget balance % GDP | -2.4 | -2.4 | -1.3 | -1.1 |
| Current account % GDP | -25.4 | -23.1 | -17.8 | -17.2 |

*Source*: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

# Statistical annex

## Methodology

The aggregate figure for Africa, when reported, does not include countries whose data are unavailable.

***Table 4. Public finances, 2013-16 (percentage of GDP)***

Where indicated, the figures are reported on a fiscal-year basis. Figures for Egypt, Ethiopia, Kenya, Liberia, Malawi, United Republic of Tanzania, and Uganda are from July to June in the reference year. For Botswana, Lesotho, Namibia, and Swaziland, fiscal year 2014 is from April 2015 to March 2015.

***Table 7. Exports, 2013***

The table is based on exports disaggregated at six-digit level (following the Harmonised System, rev. 2).

***Table 8. Diversification and competitiveness***

The diversification indicator measures the extent to which exports are diversified. It is constructed as the inverse of a Herfindahl index, using disaggregated exports at four digits (following the Harmonised System, rev. 2). A higher index indicates more export diversification. The competitiveness indicator has two aspects: the sectoral effect and the global competitivity effect. In order to compute both competitiveness indicators, we decompose the growth of exports into three components: the growth rate of total international trade over the reference period (2009-13) (not reported); the contribution to a country's export growth of the dynamics of the sectoral markets where the country sells its products, assuming that its sectoral market shares are constant (a weighted average of the differences between the sectoral export growth rates – measured at the world level – and total international trade growth, the weights being the shares of the corresponding products in the country's total exports); the competitiveness effect, or the balance (export growth minus world growth and sector effect), measuring the contribution of changes in sectoral market shares to a country's export growth.

***Table 10. Foreign direct investment, 2008-13***

The UNCTAD Inward Potential Index is based on 12 economic and structural variables measured by their respective scores on a range of 0-1 (raw data are available at www.unctad.org/wir). It is the unweighted average of scores of the following: GDP per capita, the rate of growth of GDP, the share of exports in GDP, telecom infrastructure (the average number of telephone lines per 1 000 inhabitants and number of mobile phones per 1 000 inhabitants), commercial energy use per capita, share of R&D expenditures in gross national income, share of tertiary students in the population, country risk, exports of natural resources as a percentage of the world total, imports of parts and components of electronics and automobiles as a percentage of the world total, and inward FDI stock as a percentage of the world total.

***Table 11. Aid flows, 2008-13***

The DAC countries are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, the European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Netherlands, United Kingdom, and United States.

*Table 13. Demographic indicators*

Infant mortality rate: the number of child deaths under the age of one per live birth per year.

Total fertility rate: the average number of children per woman.

Mortality under age five: the probability that a newborn infant will die before the age of five.

*Table 14. Poverty and income distribution indicators*

National poverty line: the poverty line corresponding to the value of consumption necessary to satisfy minimum subsistence needs. It is set at two-thirds of average consumption.

International poverty line: the absolute poverty line corresponding to a level of income or consumption of USD 1.25 or USD 2 a day.

Gini index: the index measuring the intensity of inequality in income or consumption expenditure distribution. Perfect equality leads to a Gini index of zero and maximum inequality to a Gini index of 100.

Share of consumption: share of total consumption for a decile of the population ranked by level of consumption.

*Table 15. Access to services*

Sanitation coverage is the percentage of the population with access to improved sanitation technologies (connection to a public sewer, connection to a septic system, pour-flush latrine, simple pit latrine or ventilated improved pit latrine). Water supply coverage is the percentage of the population with access to improved water supply (household connection, public standpipe, borehole, protected dug well and protected spring or rainwater collection).

*Table 16. Basic health indicators*

Life expectancy at birth is the average number of years a newborn infant would live under the hypothesis that, during his or her life, the conditions of mortality remain the same as observed at birth. Life expectancy at birth with AIDS is the estimated average number of years a newborn infant would live under the hypothesis that, during his or her life, the conditions of mortality remain the same as observed at birth, and that in particular, the current effect of AIDS on mortality are taken into account. Life expectancy at birth in the no-AIDS scenario is the estimated number of years a newborn infant would live under the hypothesis that he/she does not contract AIDS during his/her life.

Undernourishment prevalence is the proportion of the population that is suffering insufficient food intake to meet dietary energy requirements continuously. Food availability is the available nutritious food for human consumption expressed in kilo-calories per person per day (note that the recommended daily caloric intake for an active healthy life is 2 100 calories).

Public share of total health expenditure is calculated by defining public health expenditure as current and capital outlays of government, compulsory social security schemes, extra-budgetary funds dedicated to health services delivery or financing, and grants and loans provided by international agencies, other national authorities and commercial banks. Private share of total health expenditure is calculated by defining private expenditure as private insurance schemes and prepaid medical care plans, services delivered or financed by enterprises, outlays by non-governmental organisations and non-profit institutions serving mainly households, out-of-pocket payments, and other privately funded schemes not elsewhere classified, including investment outlays.

 

*Table 17. Major diseases*

Healthy life expectancy at birth: the average equivalent number of years in full health a newborn infant would live under the hypothesis that, during its life, the conditions of mortality and ill-health remain the same as observed at its birth.

People living with HIV/AIDS: estimated whether or not the people have developed symptoms of AIDS. HIV/AIDS adult prevalence is the estimate of the adult population (age 15-49) living with HIV/AIDS.

Malaria: cases of malaria reported from the different local case detection and reporting systems. These figures should be considered with caution because of the diversity of sources and probable underestimation.

Measles incidence: the number of new cases of measles reported during the reference year.

DTP3: Third dose of diphtheria, tetanus toxoids and pertussis vaccine.

*Table 19. School enrolment*

Gross enrolment ratio: population enrolled in a specific level of education, regardless of age, expressed as a percentage of the official school-age pupils enrolled in that level. Net enrolment ratio: official school-age population enrolled in a specific level of education expressed as a percentage of the total population enrolled in that level.

*Table 20. Employment and remittances*

Participation rate: measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work. It provides an indication of the relative size of the supply of labour available to engage in the production of goods and services.

Total unemployment: proportion of the labour force that does not have a job and is actively looking for work.

Inactivity rate: percentage of the population that is neither working nor seeking work (that is, not in the labour force).

*Table 21. Corruption Perceptions Index*

The Corruption Perceptions Index (CPI) is a composite indicator based on surveys of business people and assessments of country analysts. A background paper presenting the methodology and validity of the CPI is available on the Transparency International website: http://www.transparency.org/cpi2014/results.

*Tables 22 to 24. Political indicators*

The political indicators presented in Tables 22 to 24 and discussed in Chapter 5 of this report measure public protests, public violence and political hardening in African countries. The indicators have been assembled on the basis of a detailed monitoring of daily press briefs verified by the AFP, Reuters and *Marchés Tropicaux et Méditerranéens* news agencies, aiming to take into account the daily events and decisions that make up the reality of political life and government attitudes in African countries.

The methodology was first proposed by Dessus et al. (1998).[1] All three indicators are composites combining 4-value variables (with a scale of 0 to 3: 0: non-occurrence, 1: occurrence but weak intensity, 2: medium intensity and 3: strong intensity) and/or binary variables with values 0 and 1, with 0 being the non-occurrence of the event and 1 its occurrence. The detailed contents of each indicator are listed below.

These indices have been assembled since 1996 for 30 African countries,[2] and have progressively covered all 54 countries of the continent. The calculations are based on news verified by the press agencies, thereby capturing much more news than via one single newspaper. AFP's and Reuters' daily press briefs have been the source for the indicators since 2006. Before that, *Marchés Tropicaux et Méditerranéens* (MTM) served as the source for the indicators. This change in the source introduced a break in the series. Comparing both sources for 52 countries in two consecutive years (2006 and 2007), we found that the number of reported relevant events was higher in AFP, which reports daily, than in the weekly reporting by MTM. A slight upward adjustment of past data to ensure comparability has been done, using country-specific coefficients estimated for each time series. The indicators presented in the tables have been adjusted accordingly for the years 1996-2005 (the average coefficients were 1.10 for public protests, 1.04 for public violence and 1.46 for political hardening).

In AEO reports prior to 2010 the public protest and public violence indicators were combined in a civil tensions indicator. This series has been split up into its components in the reports starting from 2011 onwards to allow for a separate analysis of these two time series. The indicators for 2014 can also be found on the AEO website: www.africaneconomicoutlook.org.

Further improvements to the methodology have been implemented since 2010. The motivations behind public protests and civil violence across the entire content have been collected and analysed since 2006, allowing for a better understanding of the public demands and aspirations as well as governance issues (see Chapter 5). A backward projection is now underway to expand the series.

**Weighting methods**

We assign an appropriate weight to each variable of the composite index for the "Political hardening" indicator. First, we take into account the intensity level of each variable. By construction, a "dead" victim gets attributed a higher weight than an "injured" victim: intensity value 1 corresponds to between 1 and 9 dead victims, compared to between 1 and 49 injured victims. Second, a principal component analysis was performed to assign each variable the following weights: each intensity value of police violence is multiplied by 0.261 (if dead), 0.423 (if injured) and 0.402 (if arrested). For dichotomous variables, the weights are: state of emergency (0.631), additional resources for the police (0.603), extrajudicial prosecution (0.583), prohibition of strikes (0.383), prohibition of the press (0.292), hardening of the political climate (0.253) and closure of schools (0.092).

***Table 22. Public protest***

- Strikes
  - 0 = non-occurrence
  - 1 = 1 strike or 1-1 000 strikers
  - 2 = 2 strikes or 1 001-5 000 strikers
  - 3 = 3 strikes or 5 001 or more strikers
- Demonstrations
  - 0 = non-occurrence
  - 1 = 1 demonstration or 1-4 999 protesters
  - 2 = 2 demonstrations or 5 000-9 999 protesters
  - 3 = 3 demonstrations or 10 000 or more protesters

 

*Table 23. Public violence*

- Unrest and violence: number of dead and injured
  0 = none
  1 = 1-9 dead or 1-49 injured
  2 = 10-99 dead or 50-499 injured
  3 = 100 or more dead or 500 or more injured

*Table 24. Political hardening*

- State of emergency (0 or 1)
- Arrests and incarcerations of opponents (protesters, journalists, opposition actors) or for other political reasons
  0 = non-occurrence
  1 = between 1 and 10 (not included)
  2 = between 10 and 100 (not included)
  3 = 100 or more
- Additional means for police repression, judicial harassment, death threats, propaganda or censorship (0 or 1)
- Toughening of the political environment, e.g. dissolution of political parties, new law against democracy, expulsions, dismissals, curfew (0 or 1)
- Violence perpetuated by the police: number of dead and injured
  0 = none
  1 = 1-9 dead or 1-49 injured
  2 = 10-99 dead or 50-499 injured
  3 = 100 or more dead or 500 or more injured
- Extrajudicial prosecutions and executions (0 or 1)
- Bans on strikes and demonstrations (0 or 1)
- Bans on press or public debates (0 or 1)
- Closing of schools for political reasons (0 or 1)

*Table 25. Demographic projections*

The demographic trends are projected using the medium variant.

Activity ratio: the ratio between working age population (15-64 years old) and dependent age population (less than 15 or at least 65 years old). It is the inverse of the dependent ratio.

Yearly cohort of new labour entrants: the size of population entering working age (15 years old) each year. It is computed as one tenth of the population aged 15-24.

The active population comprises all persons of either sex who furnish the supply of labour for the production of goods and services during a given period.

## Notes

1. Dessus, S., D. Lafay and C. Morrisson (1998), “A Politico-economic Model for Stabilisation in Africa”, *Journal of African Economies*.
2. The following countries are included in this sample: Algeria, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Chad, Côte d’Ivoire, Egypt, Equatorial Guinea, Ethiopia, Gabon, Ghana, Kenya, Libya, Malawi, Mali, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

## Table 1. Basic indicators, 2014

| | Population (thousands) | Land area (thousands of km²) | Population density (pop. / km²) | GDP based on PPP valuation (USD million) | GDP per capita (PPP valuation, USD) | Annual real GDP growth (average over 2006-14) |
|---|---|---|---|---|---|---|
| Algeria | 39 929 | 2 382 | 17 | 551 720 | 13 818 | 2.8 |
| Angola | 22 137 | 1 247 | 18 | 175 540 | 7 930 | 7.0 |
| Benin | 10 600 | 115 | 92 | 19 847 | 1 872 | 4.3 |
| Botswana | 2 039 | 582 | 4 | 33 622 | 16 493 | 4.8 |
| Burkina Faso | 17 420 | 274 | 64 | 30 081 | 1 727 | 6.1 |
| Burundi | 10 483 | 28 | 377 | 8 396 | 801 | 4.4 |
| Cabo Verde | 504 | 4 | 125 | 3 286 | 6 525 | 3.7 |
| Cameroon | 22 819 | 475 | 48 | 67 225 | 2 946 | 3.8 |
| Central African Republic | 4 709 | 623 | 8 | 2 861 | 607 | -1.3 |
| Chad | 13 211 | 1 284 | 10 | 29 851 | 2 260 | 4.7 |
| Comoros | 752 | 2 | 404 | 1 211 | 1 609 | 2.2 |
| Congo | 4 559 | 342 | 13 | 28 090 | 6 162 | 4.8 |
| Congo, Dem. Rep. | 69 360 | 2 345 | 30 | 55 731 | 804 | 6.6 |
| Côte d'Ivoire | 20 805 | 322 | 65 | 71 952 | 3 458 | 3.7 |
| Djibouti | 886 | 23 | 38 | 2 858 | 3 225 | 4.9 |
| Egypt* | 83 387 | 1 001 | 83 | 945 388 | 11 337 | 4.3 |
| Equatorial Guinea | 778 | 28 | 28 | 25 331 | 32 557 | 2.1 |
| Eritrea | 6 536 | 118 | 56 | 7 855 | 1 202 | 1.8 |
| Ethiopia | 96 506 | 1 104 | 87 | 139 434 | 1 445 | 10.6 |
| Gabon | 1 711 | 268 | 6 | 34 280 | 20 032 | 4.3 |
| Gambia | 1 909 | 11 | 169 | 3 362 | 1 761 | 3.3 |
| Ghana | 26 442 | 239 | 111 | 109 392 | 4 137 | 7.0 |
| Guinea | 12 044 | 246 | 49 | 15 312 | 1 271 | 2.4 |
| Guinea-Bissau | 1 746 | 36 | 48 | 2 502 | 1 433 | 3.0 |
| Kenya | 45 546 | 580 | 78 | 134 711 | 2 958 | 6.5 |
| Lesotho | 2 098 | 30 | 69 | 5 589 | 2 665 | 4.9 |
| Liberia | 4 397 | 111 | 39 | 3 771 | 858 | 7.4 |
| Libya | 6 253 | 1 760 | 4 | 103 267 | 16 514 | 3.2 |
| Madagascar | 23 572 | 587 | 40 | 33 642 | 1 427 | 2.8 |
| Malawi | 16 829 | 118 | 142 | 13 755 | 817 | 6.3 |
| Mali | 15 768 | 1 240 | 13 | 27 101 | 1 719 | 3.9 |
| Mauritania | 3 984 | 1 031 | 4 | 12 856 | 3 226 | 4.7 |
| Mauritius | 1 249 | 2 | 612 | 23 422 | 18 751 | 4.0 |
| Morocco | 33 493 | 447 | 75 | 254 362 | 7 595 | 4.4 |

Table 1. **Basic indicators, 2014** (cont.)

| | Population (thousands) | Land area (thousands of km²) | Population density (pop. / km²) | GDP based on PPP valuation (USD million) | GDP per capita (PPP valuation, USD) | Annual real GDP growth (average over 2006-14) |
|---|---|---|---|---|---|---|
| Mozambique | 26 473 | 799 | 33 | 29 757 | 1 124 | 7.3 |
| Namibia | 2 348 | 824 | 3 | 23 592 | 10 048 | 4.7 |
| Niger | 18 535 | 1 267 | 15 | 17 666 | 953 | 5.6 |
| Nigeria | 178 517 | 924 | 193 | 1057 831 | 5 926 | 6.3 |
| Rwanda | 12 100 | 26 | 459 | 18 704 | 1 546 | 7.6 |
| Sao Tome and Principe | 198 | 1 | 206 | 612 | 3 093 | 5.6 |
| Senegal | 14 548 | 197 | 74 | 33 678 | 2 315 | 3.4 |
| Seychelles | 93 | 0.460 | 203 | 2 304 | 24 694 | 5.2 |
| Sierra Leone | 6 205 | 72 | 86 | 12 893 | 2 078 | 8.1 |
| Somalia | 10 806 | 638 | 17 | ... | ... | ... |
| South Africa | 53 140 | 1 219 | 44 | 683 147 | 12 856 | 2.8 |
| South Sudan | 11 739 | 644 | 18 | 23 306 | 1 985 | ... |
| Sudan | 38 764 | 1 879 | 21 | 159 510 | 4 115 | 4.1 |
| Swaziland | 1 268 | 17 | 73 | 8 672 | 6 841 | 2.1 |
| Tanzania | 50 757 | 947 | 54 | 92 532 | 1 823 | 6.9 |
| Togo | 6 993 | 57 | 123 | 10 182 | 1 456 | 4.2 |
| Tunisia | 11 117 | 164 | 68 | 125 149 | 11 258 | 3.2 |
| Uganda | 38 845 | 242 | 161 | 66 650 | 1 716 | 6.3 |
| Zambia | 15 021 | 753 | 20 | 61 786 | 4 113 | 7.8 |
| Zimbabwe | 14 599 | 391 | 37 | 26 877 | 1 841 | 2.4 |
| **AFRICA** | **1 136 526** | **30 066** | **38** | **5 432 451** | **4 826** | **4.8** |

*Note:* * For Egypt, fiscal year July (n-1)/June (n).
*Sources:* United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects, The 2012 Revision.*
AfDB Statistics Department, various domestic authorities and AfDB estimates.

## Table 2. Real GDP growth rates, 2006-16

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1.7 | 3.4 | 2.4 | 1.6 | 3.6 | 2.8 | 3.3 | 2.8 | 4.0 | 3.9 | 4.0 |
| Angola | 11.5 | 14.0 | 11.2 | 2.4 | 3.4 | 3.9 | 5.2 | 6.8 | 4.5 | 3.8 | 4.2 |
| Benin | 3.8 | 4.6 | 5.0 | 2.7 | 2.6 | 3.3 | 5.4 | 5.6 | 5.5 | 5.6 | 6.0 |
| Botswana | 8.0 | 8.7 | 3.9 | -7.8 | 8.6 | 6.2 | 4.3 | 5.9 | 5.2 | 4.5 | 4.3 |
| Burkina Faso | 6.3 | 4.1 | 5.8 | 2.9 | 8.4 | 6.6 | 9.0 | 6.6 | 5.0 | 5.5 | 7.0 |
| Burundi | 5.4 | 3.4 | 4.9 | 3.8 | 5.1 | 4.2 | 4.0 | 4.5 | 4.7 | 4.7 | 5.0 |
| Cabo Verde | 9.1 | 9.2 | 6.7 | -1.3 | 1.5 | 4.0 | 1.2 | 0.7 | 2.0 | 3.1 | 3.6 |
| Cameroon | 3.2 | 3.3 | 2.9 | 1.9 | 3.3 | 4.1 | 4.6 | 5.5 | 5.3 | 5.4 | 5.5 |
| Central African Republic | 4.8 | 4.6 | 2.1 | 1.7 | 3.0 | 3.3 | 4.1 | -36.0 | 1.0 | 5.4 | 4.0 |
| Chad | 0.6 | 3.1 | 2.5 | 2.8 | 13.6 | 0.1 | 8.9 | 3.9 | 7.2 | 9.0 | 5.0 |
| Comoros | 2.6 | 0.8 | 0.6 | 1.1 | 2.2 | 2.5 | 3.0 | 3.5 | 3.5 | 3.6 | 3.6 |
| Congo | 6.2 | -1.6 | 5.9 | 7.5 | 8.7 | 3.4 | 3.8 | 3.3 | 6.0 | 6.8 | 7.3 |
| Congo, Dem. Rep. | 5.6 | 6.3 | 6.2 | 2.8 | 7.2 | 6.9 | 7.2 | 8.5 | 8.9 | 9.0 | 8.2 |
| Côte d'Ivoire | 0.7 | 1.6 | 2.3 | 3.8 | 2.4 | -4.7 | 9.8 | 8.7 | 8.3 | 7.9 | 8.5 |
| Djibouti | 4.8 | 5.1 | 5.8 | 5.0 | 3.5 | 4.5 | 4.8 | 5.0 | 5.9 | 6.0 | 6.2 |
| Egypt* | 6.8 | 7.1 | 7.2 | 4.9 | 4.8 | 1.8 | 2.2 | 2.1 | 2.2 | 3.8 | 4.3 |
| Equatorial Guinea | 1.3 | 13.1 | 12.3 | -8.1 | -1.3 | 5.0 | 3.2 | -4.8 | -2.1 | -8.7 | 1.9 |
| Eritrea | -1.0 | 1.4 | -9.8 | 3.9 | 2.2 | 8.7 | 7.0 | 1.3 | 2.0 | 2.1 | 2.0 |
| Ethiopia | 11.5 | 11.8 | 11.2 | 10.0 | 10.6 | 11.4 | 8.7 | 9.8 | 10.3 | 8.5 | 8.7 |
| Gabon | 1.2 | 4.8 | 5.3 | -2.7 | 6.9 | 7.0 | 5.3 | 5.6 | 5.1 | 4.6 | 4.7 |
| Gambia | 1.1 | 3.6 | 5.7 | 6.4 | 6.5 | -4.3 | 5.3 | 4.3 | -0.7 | 4.2 | 5.2 |
| Ghana | 6.1 | 6.5 | 8.4 | 4.0 | 3.4 | 14.0 | 9.3 | 7.3 | 4.2 | 3.9 | 5.9 |
| Guinea | 2.5 | 1.8 | 4.9 | -0.3 | 1.9 | 3.9 | 3.8 | 2.3 | 0.6 | 0.9 | 4.3 |
| Guinea-Bissau | 2.3 | 3.2 | 3.2 | 3.3 | 4.4 | 9.0 | -2.2 | 0.9 | 2.6 | 3.9 | 3.7 |
| Kenya | 6.7 | 7.1 | 7.4 | 6.0 | 7.0 | 6.4 | 6.9 | 5.7 | 5.3 | 6.5 | 6.3 |
| Lesotho | 4.1 | 4.9 | 5.1 | 4.5 | 5.6 | 4.3 | 6.0 | 5.7 | 4.3 | 4.7 | 5.1 |
| Liberia | 9.1 | 13.0 | 6.2 | 5.4 | 6.3 | 7.9 | 8.3 | 8.7 | 1.8 | 3.8 | 6.4 |
| Libya | 6.5 | 6.4 | 2.7 | -0.8 | 5.0 | -62.1 | 104.5 | -13.6 | -19.8 | 14.5 | 6.3 |
| Madagascar | 5.4 | 6.5 | 7.2 | -3.5 | 0.1 | 1.5 | 2.5 | 2.4 | 3.0 | 4.0 | 5.1 |
| Malawi | 7.7 | 5.5 | 8.6 | 7.6 | 9.5 | 3.8 | 2.1 | 6.1 | 5.7 | 5.5 | 5.7 |
| Mali | 5.3 | 4.3 | 5.0 | 4.5 | 5.8 | 2.7 | 0.0 | 1.7 | 5.8 | 5.4 | 5.1 |
| Mauritania | 11.4 | 1.0 | 3.5 | -1.2 | 4.7 | 3.6 | 7.0 | 5.7 | 6.4 | 5.6 | 6.8 |
| Mauritius | 3.9 | 5.4 | 5.5 | 3.1 | 4.2 | 3.9 | 3.2 | 3.2 | 3.2 | 3.5 | 3.6 |
| Morocco | 7.8 | 2.7 | 5.6 | 4.8 | 3.6 | 5.0 | 2.7 | 4.7 | 2.7 | 4.5 | 5.0 |

Table 2. **Real GDP growth rates, 2006-16** (cont.)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mozambique | 8.7 | 7.3 | 6.8 | 6.5 | 7.1 | 7.4 | 7.1 | 7.4 | 7.6 | 7.5 | 8.1 |
| Namibia | 7.1 | 5.4 | 2.6 | 0.3 | 6.0 | 5.1 | 5.2 | 5.1 | 5.3 | 5.6 | 6.4 |
| Niger | 5.8 | 3.1 | 9.6 | -0.7 | 8.4 | 2.3 | 11.1 | 4.1 | 7.1 | 6.0 | 6.5 |
| Nigeria | 6.0 | 6.4 | 6.0 | 7.0 | 10.6 | 4.9 | 4.3 | 5.4 | 6.3 | 5.0 | 6.0 |
| Rwanda | 9.2 | 7.6 | 11.2 | 6.2 | 6.3 | 7.5 | 8.8 | 4.7 | 7.0 | 7.5 | 7.5 |
| Sao Tome and Principe | 12.6 | 2.0 | 9.1 | 4.0 | 4.5 | 4.9 | 4.0 | 4.0 | 4.9 | 5.1 | 5.4 |
| Senegal | 2.5 | 4.9 | 3.7 | 2.4 | 4.2 | 1.7 | 3.4 | 3.5 | 4.5 | 4.6 | 5.0 |
| Seychelles | 9.4 | 10.4 | -2.1 | -1.1 | 5.9 | 7.9 | 6.0 | 6.6 | 3.8 | 3.7 | 3.6 |
| Sierra Leone | 4.2 | 8.0 | 5.2 | 3.2 | 5.3 | 6.0 | 15.2 | 20.1 | 6.0 | -2.5 | 2.8 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| South Africa | 5.6 | 5.4 | 3.2 | -1.5 | 3.0 | 3.2 | 2.2 | 2.2 | 1.5 | 2.0 | 2.5 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | -26.7 | 30.7 | -7.5 | 15.5 |
| Sudan | 7.7 | 5.8 | 3.8 | 4.5 | 6.5 | 0.9 | 0.5 | 3.6 | 3.4 | 3.1 | 3.7 |
| Swaziland | 3.3 | 3.5 | 2.4 | 1.3 | 1.9 | -0.6 | 1.9 | 3.0 | 2.5 | 2.6 | 2.4 |
| Tanzania | 6.7 | 7.1 | 7.4 | 6.0 | 7.0 | 6.4 | 6.9 | 7.3 | 7.2 | 7.4 | 7.2 |
| Togo | 3.9 | 2.1 | 2.4 | 3.4 | 4.0 | 4.8 | 5.8 | 5.4 | 5.5 | 5.7 | 5.9 |
| Tunisia | 5.7 | 6.3 | 4.5 | 3.1 | 2.6 | -1.9 | 3.9 | 2.3 | 2.4 | 3.0 | 4.1 |
| Uganda | 7.0 | 8.1 | 10.4 | 4.1 | 6.2 | 6.4 | 3.6 | 4.7 | 5.9 | 6.3 | 6.5 |
| Zambia | 7.9 | 8.4 | 7.8 | 9.2 | 10.3 | 7.6 | 6.3 | 6.7 | 5.7 | 6.5 | 6.6 |
| Zimbabwe | -3.5 | -3.7 | -17.7 | 5.3 | 11.4 | 11.9 | 10.6 | 4.5 | 3.1 | 3.2 | 3.3 |
| **AFRICA** | **5.8** | **6.0** | **5.4** | **3.4** | **5.7** | **2.8** | **6.7** | **3.5** | **3.9** | **4.5** | **5.0** |

*Note*: * For Egypt, fiscal year July (n-1)/June (n).
*Sources*: AfDB Statistics Department, various domestic authorities and AfDB (e) estimates and (p) projections.

Table 3. **Demand composition and growth rate, 2013-16**

| | 2013 | | | | | | 2014 (e) | | | | 2015 (p) | | | | 2016 (p) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Final consumption | | Gross capital formation | | External sector | | Total final consump-tion | Gross capital formation total | Exports | Imports | Total final consump-tion | Gross capital formation total | Exports | Imports | Total final consump-tion | Gross capital formation total | Exports | Imports |
| | Private | Public | Private | Public | Exports | Imports | | | | | | | | | | | | |
| | % of GDP | | | | | | Real percentage growth | | | | Real percentage growth | | | | Real percentage growth | | | |
| Algeria | 34.8 | 19.0 | 14.7 | 28.6 | 33.4 | 30.5 | 10.0 | 8.0 | -4.9 | 11.4 | 10.7 | 8.0 | -4.7 | 14.0 | 6.8 | 6.0 | -2.3 | 6.8 |
| Angola | 29.6 | 26.1 | 4.4 | 19.3 | 48.6 | 28.0 | 2.3 | 4.1 | 5.6 | 2.3 | -2.4 | -6.5 | 17.5 | 3.9 | 1.1 | 3.0 | 6.4 | 2.2 |
| Benin | 76.6 | 11.3 | 18.6 | 8.7 | 18.3 | 33.5 | 7.8 | 4.7 | 1.4 | 7.7 | 7.9 | 5.5 | 2.0 | 8.8 | 7.7 | 6.2 | 3.3 | 8.8 |
| Botswana | 50.2 | 20.5 | 25.0 | 9.0 | 55.2 | 59.9 | 0.1 | 1.7 | 7.9 | -0.6 | 2.4 | 4.6 | 5.2 | 2.7 | 0.3 | 4.6 | 6.7 | 2.2 |
| Burkina Faso | 58.0 | 20.1 | 17.7 | 11.5 | 24.7 | 32.0 | 6.9 | -4.9 | 5.0 | -0.3 | 4.4 | 4.7 | 6.9 | 3.1 | 6.7 | 9.7 | 6.4 | 8.6 |
| Burundi | 79.7 | 15.2 | 14.2 | 16.5 | 8.4 | 34.0 | 5.8 | 8.0 | 0.8 | 9.2 | 6.3 | 5.1 | 3.0 | 8.4 | 7.0 | 5.1 | 2.6 | 8.9 |
| Cabo Verde | 65.1 | 18.0 | 15.9 | 12.6 | 36.7 | 48.3 | 3.9 | -0.9 | 0.6 | 2.2 | -0.5 | -3.1 | 7.6 | -3.1 | 3.3 | -2.7 | 7.1 | 2.3 |
| Cameroon | 77.1 | 11.6 | 17.2 | 2.3 | 27.1 | 35.3 | 5.8 | 8.0 | 2.7 | 6.0 | 4.6 | 7.6 | 5.8 | 4.9 | 5.6 | 9.1 | 3.2 | 6.2 |
| Central African Republic | 92.8 | 10.1 | 7.0 | 1.7 | 14.3 | 25.9 | 3.9 | 22.0 | -25.9 | 5.5 | 3.3 | 12.6 | 13.2 | 3.7 | 2.2 | 10.2 | 10.6 | 2.8 |
| Chad | 57.0 | 13.8 | 19.2 | 18.1 | 36.3 | 44.4 | 7.5 | 12.5 | 4.0 | 9.6 | 11.8 | 20.0 | -3.7 | 13.8 | 2.5 | 2.0 | 12.8 | 2.8 |
| Comoros | 104.2 | 15.6 | 10.5 | 9.8 | 15.0 | 55.1 | 4.4 | 12.6 | 3.1 | 8.1 | 2.5 | 1.6 | 2.6 | 0.6 | 4.9 | 3.9 | 2.4 | 5.8 |
| Congo | 27.6 | 14.4 | 32.0 | 21.6 | 76.2 | 71.8 | -3.4 | 20.6 | 4.3 | 10.0 | 8.0 | 3.1 | 11.7 | 7.9 | 8.9 | 3.7 | 9.1 | 6.6 |
| Congo, Dem. Rep. | 77.7 | 7.2 | 14.9 | 6.4 | 36.5 | 42.7 | 7.4 | 13.4 | 7.8 | 7.7 | 4.5 | 15.3 | 10.7 | 6.7 | 9.9 | 15.2 | 4.9 | 11.5 |
| Côte d'Ivoire | 71.8 | 8.4 | 10.9 | 6.1 | 41.6 | 38.8 | 10.8 | 12.6 | 3.7 | 10.1 | 10.3 | 5.5 | 3.5 | 7.4 | 13.8 | 6.9 | 0.8 | 11.0 |
| Djibouti | 77.5 | 23.7 | 13.5 | 15.1 | 32.9 | 62.7 | 3.7 | 14.7 | 2.7 | 5.0 | 6.9 | 10.9 | 1.0 | 7.0 | 6.7 | 9.1 | 2.3 | 6.4 |
| Egypt* | 80.9 | 11.7 | 8.3 | 5.8 | 18.1 | 24.8 | 0.8 | 7.9 | 2.1 | 1.7 | 3.1 | 10.6 | 2.1 | 5.4 | 4.7 | 8.6 | 2.9 | 7.5 |
| Equatorial Guinea | 8.0 | 5.1 | 15.9 | 21.0 | 91.8 | 41.8 | 18.9 | 4.6 | -1.1 | 4.7 | 47.6 | 0.0 | -4.6 | 8.1 | -4.4 | 0.0 | 5.4 | 1.5 |
| Ethiopia | 72.5 | 8.3 | 9.1 | 26.7 | 12.5 | 29.1 | 10.4 | 14.6 | 1.4 | 12.4 | 12.0 | 7.1 | 0.7 | 12.7 | 11.8 | 4.8 | 2.6 | 10.6 |
| Gabon | 37.8 | 8.3 | 19.4 | 9.7 | 55.1 | 30.3 | 10.9 | 9.0 | -3.0 | 6.2 | 6.8 | 5.1 | 3.0 | 6.4 | 4.3 | 3.4 | 4.2 | 2.5 |
| Gambia | 91.5 | 9.8 | 10.9 | 7.0 | 33.3 | 52.5 | -0.2 | 2.4 | 0.0 | 1.9 | 3.9 | 5.3 | 2.8 | 3.4 | 3.1 | 15.1 | 4.0 | 4.2 |
| Ghana | 71.4 | 16.4 | 20.3 | 4.8 | 33.4 | 46.3 | 3.8 | 5.7 | 1.3 | 2.8 | 7.5 | 6.6 | 0.5 | 12.1 | 9.8 | 10.4 | 5.2 | 16.8 |
| Guinea | 91.7 | 11.1 | 13.8 | 5.4 | 25.0 | 47.0 | -3.3 | 9.3 | -0.4 | -1.1 | -4.6 | 1.7 | 7.4 | -2.8 | 7.1 | 0.1 | -4.6 | 1.4 |
| Guinea-Bissau | 93.7 | 9.0 | 2.3 | 2.3 | 14.4 | 21.7 | 2.9 | -0.7 | 1.0 | 2.2 | 1.3 | 3.2 | 6.7 | -5.2 | 4.5 | 3.2 | 1.8 | 6.1 |
| Kenya | 81.2 | 14.3 | 15.6 | 4.6 | 18.0 | 33.7 | 2.0 | 3.7 | 17.4 | 4.1 | 11.2 | 1.5 | -0.2 | 9.5 | 10.4 | 1.5 | -0.7 | 8.9 |
| Lesotho | 92.7 | 34.4 | 18.5 | 13.9 | 39.6 | 99.1 | -2.0 | 5.3 | 4.6 | -4.6 | 4.5 | 5.3 | 0.3 | 3.4 | 3.3 | 5.4 | 2.8 | 1.8 |
| Liberia | 49.7 | 23.5 | 50.2 | 7.0 | 28.8 | 59.2 | -2.7 | 4.9 | 7.9 | -3.6 | 7.6 | 4.9 | 6.1 | 19.3 | 12.5 | 4.9 | 7.7 | 32.3 |
| Libya | 19.7 | 41.9 | 12.6 | 8.6 | 62.9 | 45.7 | -16.1 | 12.5 | -30.5 | -12.0 | -15.5 | -23.0 | 56.3 | -3.6 | 3.4 | 18.0 | 16.4 | 23.5 |
| Madagascar | 88.5 | 8.6 | 12.9 | 2.9 | 30.1 | 43.0 | 3.9 | 3.9 | 0.6 | 3.1 | 10.8 | -6.7 | 2.3 | 9.7 | 14.1 | 1.8 | 3.4 | 18.2 |
| Malawi | 87.9 | 14.6 | 5.9 | 9.5 | 21.0 | 38.9 | 4.7 | 5.0 | 12.6 | 3.8 | 6.1 | 3.6 | 3.1 | 6.1 | 6.4 | 6.6 | 2.7 | 7.9 |
| Mali | 65.5 | 17.5 | 11.8 | 8.8 | 27.5 | 31.1 | 9.3 | 6.0 | 2.0 | 12.6 | 8.0 | 3.2 | -0.8 | 6.8 | 5.8 | 7.8 | 2.6 | 7.3 |

Table 3. **Demand composition and growth rate, 2013-16** (cont.)

| | 2013 | | | | | | 2014 (e) | | | | 2015 (p) | | | | 2016 (p) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Final consumption | | Gross capital formation | | External sector | | | | | | | | | | | | | |
| | Private | Public | Private | Public | Exports | Imports | Total final consump-tion | Gross capital formation total | Exports | Imports | Total final consump-tion | Gross capital formation total | Exports | Imports | Total final consump-tion | Gross capital formation total | Exports | Imports |
| | % of GDP | | | | | | Real percentage growth | | | | Real percentage growth | | | | Real percentage growth | | | |
| Mauritania | 103.2 | 20.3 | 0.2 | 0.1 | 55.7 | 79.5 | -2.0 | 8.6 | 1.3 | -9.0 | 7.5 | 10.7 | 1.0 | 6.3 | 7.4 | 10.7 | 2.2 | 5.9 |
| Mauritius | 73.8 | 14.4 | 19.0 | 5.0 | 54.3 | 66.5 | 3.1 | 3.8 | 1.8 | 2.1 | 4.3 | 7.3 | 2.0 | 4.4 | 3.3 | 6.4 | 3.7 | 4.2 |
| Morocco | 60.1 | 19.0 | 30.2 | 4.0 | 33.6 | 46.9 | 3.9 | 6.0 | 0.9 | 5.7 | 10.7 | 6.0 | -0.3 | 12.9 | 6.6 | 6.0 | 2.5 | 6.8 |
| Mozambique | 69.7 | 20.4 | 13.8 | 6.2 | 30.2 | 40.3 | 3.9 | 14.5 | 11.5 | 7.0 | 15.6 | 13.3 | -0.3 | 19.3 | 8.3 | 9.2 | 9.3 | 10.0 |
| Namibia | 66.0 | 27.6 | 16.4 | 8.1 | 43.0 | 61.1 | 4.6 | -4.5 | 4.9 | -0.4 | 4.0 | 5.6 | 6.4 | 3.6 | 5.3 | 51.1 | 1.9 | 19.3 |
| Niger | 70.0 | 13.6 | 20.3 | 14.2 | 23.3 | 41.4 | 11.3 | -2.6 | 5.7 | 7.1 | 7.1 | 8.5 | 3.5 | 8.7 | 8.0 | 7.3 | 3.9 | 8.8 |
| Nigeria | 72.2 | 8.1 | 9.4 | 5.3 | 18.0 | 13.0 | 4.6 | 3.4 | 12.8 | 1.4 | 6.3 | 7.6 | -4.3 | 4.5 | 4.8 | 4.6 | 12.6 | 4.9 |
| Rwanda | 74.4 | 14.2 | 11.5 | 15.0 | 15.6 | 30.7 | 7.9 | 2.6 | 6.1 | 4.7 | 11.1 | 6.4 | 1.9 | 13.1 | 9.3 | 7.6 | 2.4 | 9.9 |
| Sao Tome and Principe | 92.8 | 13.8 | 19.9 | 13.3 | 10.4 | 50.2 | 4.9 | 5.4 | 3.9 | 5.1 | 4.1 | 7.5 | 5.6 | 5.6 | 4.7 | 10.0 | 3.0 | 7.7 |
| Senegal | 78.4 | 15.5 | 20.8 | 6.4 | 28.0 | 49.1 | 4.2 | 5.3 | 1.9 | 2.7 | 4.1 | 5.3 | 2.3 | 2.6 | 5.6 | 5.3 | 2.0 | 4.6 |
| Seychelles | 44.6 | 28.2 | 28.5 | 9.1 | 78.2 | 88.6 | 2.5 | 2.8 | 5.7 | 3.5 | 7.5 | 9.2 | 5.0 | 11.8 | 2.9 | 9.1 | 5.4 | 7.0 |
| Sierra Leone | 79.7 | 8.7 | 7.1 | 5.6 | 44.7 | 45.8 | 8.9 | -1.4 | 4.9 | 6.9 | -13.9 | 11.7 | 2.4 | -10.7 | -4.5 | 11.8 | 5.2 | -2.0 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| South Africa | 60.6 | 21.5 | 13.1 | 7.0 | 31.0 | 33.2 | 1.5 | 0.5 | 0.1 | -0.2 | 3.0 | 3.7 | 0.5 | 4.5 | 2.8 | 4.0 | 2.1 | 3.9 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Sudan | 79.1 | 7.5 | 15.4 | 4.6 | 9.5 | 16.1 | 0.9 | 6.1 | 7.3 | -3.0 | 2.7 | 5.8 | 0.4 | 3.8 | 2.0 | 5.3 | 3.6 | -1.8 |
| Swaziland | 77.8 | 20.9 | 5.0 | 4.6 | 55.7 | 64.0 | 1.1 | 14.2 | 0.7 | 0.7 | 8.6 | 7.5 | 1.6 | 12.6 | 2.8 | 7.6 | 2.0 | 3.8 |
| Tanzania | 68.0 | 16.2 | 20.7 | 8.2 | 17.7 | 30.8 | 7.9 | 9.2 | 3.5 | 8.7 | 13.9 | 9.2 | 0.9 | 21.7 | 9.2 | 9.2 | 3.4 | 11.9 |
| Togo | 81.9 | 15.1 | 15.4 | 8.6 | 46.0 | 67.0 | 4.5 | 5.8 | 6.7 | 5.0 | 5.8 | 4.0 | 3.5 | 3.6 | 7.7 | 4.8 | 4.4 | 7.0 |
| Tunisia | 69.0 | 18.8 | 13.5 | 8.3 | 46.9 | 56.5 | 2.9 | 5.0 | -0.1 | 2.3 | 4.3 | 6.2 | 1.8 | 5.9 | 4.4 | 6.2 | 3.7 | 5.4 |
| Uganda | 72.4 | 8.2 | 23.7 | 5.3 | 20.3 | 29.9 | 6.3 | 11.2 | 5.0 | 11.2 | 6.9 | 11.7 | 4.8 | 12.0 | 4.1 | 11.8 | 7.0 | 6.6 |
| Zambia | 50.0 | 12.5 | 35.1 | 3.5 | 41.7 | 42.8 | 3.0 | 8.8 | 3.8 | 2.5 | 7.2 | 6.0 | 3.0 | 3.4 | 6.8 | 9.1 | 3.6 | 6.1 |
| Zimbabwe | 101.3 | 15.7 | 11.4 | 1.6 | 29.4 | 59.4 | 5.0 | 1.0 | 2.0 | 6.0 | 5.7 | 2.3 | 1.7 | 7.3 | 4.7 | 1.3 | 3.0 | 5.5 |

*Note:* * For Egypt, fiscal year July (n-1)/June (n).
*Sources:* AfDB Statistics Department, various domestic authorities and AfDB (e) estimates and (p) projections.

## Table 4. Public finances, 2013-16 (percentage of GDP)

| | 2013 | | | 2014 (e) | | | 2015 (p) | | | 2016 (p) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total revenue and grants | Total expenditure and net lending | Overall balance | Total revenue and grants | Total expenditure and net lending | Overall balance | Total revenue and grants | Total expenditure and net lending | Overall balance | Total revenue and grants | Total expenditure and net lending | Overall balance |
| Algeria | 35.9 | 37.4 | -1.5 | 33.5 | 40.6 | -7.0 | 31.1 | 40.6 | -9.5 | 30.7 | 38.9 | -8.2 |
| Angola | 35.2 | 34.9 | 0.3 | 33.5 | 35.7 | -2.2 | 28.5 | 39.1 | -10.6 | 29.7 | 37.4 | -7.7 |
| Benin | 21.3 | 23.2 | -1.9 | 21.6 | 22.7 | -1.1 | 21.9 | 23.4 | -1.5 | 21.7 | 23.5 | -1.8 |
| Botswana** | 33.6 | 32.8 | 0.7 | 35.1 | 29.9 | 5.2 | 34.2 | 31.0 | 3.2 | 33.9 | 30.1 | 3.8 |
| Burkina Faso | 21.6 | 26.0 | -4.4 | 19.9 | 23.6 | -3.7 | 18.7 | 22.7 | -4.0 | 20.3 | 24.1 | -3.8 |
| Burundi | 30.8 | 30.4 | 0.4 | 28.9 | 30.1 | -1.2 | 28.0 | 28.4 | -0.4 | 28.3 | 28.7 | -0.4 |
| Cabo Verde | 24.9 | 33.9 | -9.0 | 26.1 | 34.1 | -8.0 | 25.2 | 32.4 | -7.1 | 25.3 | 31.6 | -6.2 |
| Cameroon | 18.0 | 22.0 | -4.1 | 17.7 | 22.8 | -5.2 | 17.1 | 23.5 | -6.4 | 16.8 | 22.6 | -5.8 |
| Central African Rep. | 8.4 | 14.7 | -6.3 | 18.8 | 22.0 | -3.2 | 15.5 | 19.2 | -3.8 | 14.7 | 18.4 | -3.7 |
| Chad | 20.4 | 23.1 | -2.7 | 18.7 | 24.3 | -5.6 | 17.6 | 22.8 | -5.2 | 18.2 | 22.3 | -4.1 |
| Comoros | 43.7 | 25.5 | 18.2 | 25.6 | 26.2 | -0.6 | 26.2 | 24.7 | 1.5 | 26.6 | 25.0 | 1.6 |
| Congo | 45.8 | 37.5 | 8.3 | 38.4 | 43.8 | -5.4 | 34.3 | 41.3 | -7.0 | 35.7 | 38.0 | -2.3 |
| Congo, Dem. Rep. | 17.4 | 19.2 | -1.7 | 16.4 | 20.0 | -3.7 | 16.2 | 20.1 | -3.9 | 16.4 | 21.0 | -4.6 |
| Côte d'Ivoire | 19.8 | 22.1 | -2.3 | 19.6 | 21.8 | -2.2 | 19.6 | 23.0 | -3.4 | 19.4 | 23.3 | -3.9 |
| Djibouti | 35.0 | 38.1 | -3.1 | 33.4 | 35.9 | -2.6 | 32.7 | 33.1 | -0.5 | 32.1 | 32.3 | -0.1 |
| Egypt* | 20.0 | 33.7 | -13.7 | 22.7 | 35.4 | -12.8 | 21.2 | 32.2 | -11.0 | 20.8 | 29.3 | -8.5 |
| Equatorial Guinea | 23.9 | 28.4 | -4.5 | 23.3 | 30.4 | -7.2 | 21.7 | 29.6 | -7.9 | 21.7 | 29.8 | -8.1 |
| Eritrea | 18.3 | 28.6 | -10.3 | 18.6 | 29.4 | -10.7 | 18.7 | 28.9 | -10.3 | 18.7 | 28.6 | -9.9 |
| Ethiopia* | 15.9 | 17.8 | -1.9 | 15.1 | 17.7 | -2.6 | 15.4 | 16.8 | -1.4 | 15.0 | 15.9 | -0.9 |
| Gabon | 26.8 | 29.9 | -3.2 | 25.1 | 31.8 | -6.6 | 22.7 | 35.9 | -13.2 | 22.7 | 34.5 | -11.8 |
| Gambia | 18.7 | 27.3 | -8.6 | 22.2 | 30.9 | -8.7 | 25.8 | 29.3 | -3.5 | 23.7 | 25.2 | -1.4 |
| Ghana | 16.8 | 26.3 | -9.5 | 18.2 | 28.5 | -10.4 | 19.4 | 29.0 | -9.5 | 20.5 | 30.5 | -9.9 |
| Guinea | 24.3 | 26.3 | -2.1 | 24.8 | 29.0 | -4.2 | 22.8 | 25.6 | -2.8 | 21.5 | 25.6 | -4.1 |
| Guinea-Bissau | 10.5 | 11.9 | -1.4 | 19.5 | 21.7 | -2.1 | 15.8 | 19.8 | -3.9 | 16.3 | 19.6 | -3.4 |
| Kenya* | 20.4 | 26.0 | -5.6 | 21.6 | 29.6 | -8.0 | 22.5 | 31.3 | -8.8 | 22.2 | 30.5 | -8.3 |
| Lesotho** | 58.7 | 53.9 | 4.8 | 55.4 | 54.4 | 1.0 | 52.5 | 50.2 | 2.3 | 50.8 | 49.2 | 1.5 |
| Liberia* | 28.9 | 30.5 | -1.6 | 29.2 | 30.2 | -1.1 | 26.0 | 32.7 | -6.7 | 23.0 | 32.0 | -9.0 |
| Libya | 58.7 | 64.9 | -6.2 | 45.1 | 94.2 | -49.1 | 54.3 | 83.9 | -29.6 | 50.8 | 65.7 | -14.8 |
| Madagascar | 10.9 | 14.9 | -4.0 | 12.4 | 14.4 | -2.0 | 13.5 | 15.6 | -2.1 | 14.4 | 17.3 | -2.9 |
| Malawi* | 30.5 | 30.7 | -0.2 | 36.9 | 41.2 | -4.3 | 36.2 | 39.9 | -3.7 | 36.7 | 40.1 | -3.4 |
| Mali | 18.6 | 25.5 | -6.9 | 21.7 | 27.3 | -5.6 | 19.9 | 25.0 | -5.1 | 19.8 | 25.0 | -5.1 |
| Mauritania | 32.8 | 33.9 | -1.1 | 31.0 | 34.4 | -3.4 | 30.0 | 32.8 | -2.8 | 28.7 | 30.4 | -1.7 |

Table 4. **Public finances, 2013-16 (percentage of GDP)** (cont.)

| | 2013 | | | 2014 (e) | | | 2015 (p) | | | 2016 (p) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total revenue and grants | Total expenditure and net lending | Overall balance | Total revenue and grants | Total expenditure and net lending | Overall balance | Total revenue and grants | Total expenditure and net lending | Overall balance | Total revenue and grants | Total expenditure and net lending | Overall balance |
| Mauritius | 21.4 | 24.9 | -3.5 | 21.3 | 24.9 | -3.6 | 20.8 | 24.1 | -3.3 | 20.7 | 24.3 | -3.6 |
| Morocco | 26.6 | 32.1 | -5.5 | 27.3 | 32.3 | -4.9 | 26.1 | 30.3 | -4.2 | 25.8 | 29.5 | -3.8 |
| Mozambique | 32.2 | 35.0 | -2.9 | 31.4 | 41.4 | -10.0 | 29.0 | 36.4 | -7.4 | 29.0 | 35.7 | -6.7 |
| Namibia** | 34.6 | 35.7 | -1.1 | 37.9 | 32.9 | 5.0 | 36.6 | 30.4 | 6.2 | 35.1 | 30.3 | 4.8 |
| Niger | 22.6 | 24.9 | -2.3 | 24.7 | 30.4 | -5.7 | 23.4 | 31.2 | -7.8 | 22.9 | 26.1 | -3.2 |
| Nigeria | 16.3 | 15.2 | 1.1 | 14.9 | 14.8 | 0.1 | 10.5 | 15.0 | -4.5 | 10.5 | 14.4 | -3.9 |
| Rwanda | 23.5 | 28.5 | -5.2 | 26.0 | 30.0 | -4.3 | 25.1 | 30.2 | -5.2 | 23.6 | 27.1 | -3.6 |
| Sao Tome and Principe | 26.0 | 37.3 | -11.3 | 26.3 | 35.7 | -9.4 | 25.1 | 32.3 | -7.2 | 22.9 | 30.9 | -8.0 |
| Senegal | 22.2 | 27.7 | -5.5 | 21.7 | 26.8 | -5.1 | 21.2 | 25.7 | -4.5 | 21.5 | 26.1 | -4.6 |
| Seychelles | 34.2 | 33.2 | 0.9 | 33.5 | 32.5 | 1.0 | 29.8 | 29.0 | 0.9 | 29.2 | 29.2 | 0.0 |
| Sierra Leone | 13.3 | 15.7 | -2.4 | 13.0 | 14.2 | -1.2 | 13.9 | 17.1 | -3.2 | 14.1 | 17.6 | -3.5 |
| Somalia | ... | ... | ... | .. | ... | .. | ... | ... | ... | ... | ... | ... |
| South Africa | 29.2 | 33.0 | -3.9 | 28.1 | 31.5 | -3.4 | 28.1 | 31.7 | -3.6 | 28.1 | 32.1 | -3.9 |
| South Sudan | ... | ... | -12.8 | ... | ... | -3.7 | ... | ... | -5.9 | ... | ... | -5.3 |
| Sudan | 9.9 | 12.2 | -2.3 | 9.6 | 10.5 | -0.9 | 9.2 | 10.2 | -1.1 | 9.0 | 9.8 | -0.8 |
| Swaziland** | 33.5 | 32.6 | 0.9 | 33.0 | 33.4 | -0.3 | 34.5 | 35.1 | -0.6 | 30.7 | 32.0 | -1.3 |
| Tanzania* | 20.8 | 27.7 | -6.9 | 20.7 | 24.5 | -3.8 | 20.7 | 26.9 | -6.2 | 21.4 | 26.7 | -5.3 |
| Togo | 25.3 | 29.7 | -4.5 | 25.1 | 30.0 | -4.9 | 25.4 | 28.5 | -3.1 | 25.3 | 28.2 | -2.9 |
| Tunisia | 26.5 | 31.2 | -4.6 | 26.8 | 31.5 | -4.7 | 26.7 | 31.2 | -4.5 | 26.5 | 30.7 | -4.2 |
| Uganda* | 15.9 | 18.5 | -2.6 | 15.4 | 20.3 | -4.9 | 11.7 | 17.5 | -5.8 | 12.0 | 17.0 | -5.0 |
| Zambia | 18.4 | 25.1 | -6.7 | 17.2 | 22.7 | -5.5 | 16.8 | 21.9 | -5.1 | 16.7 | 21.6 | -4.9 |
| Zimbabwe | 27.7 | 30.2 | -2.4 | 28.1 | 30.5 | -2.4 | 27.9 | 29.1 | -1.3 | 28.2 | 29.3 | -1.1 |
| **AFRICA** | **24.6** | **28.1** | **-3.5** | **23.1** | **28.1** | **-5.0** | **21.2** | **27.5** | **-6.3** | **21.1** | **26.4** | **-5.3** |

*Note*: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).
*Sources*: AfDB Statistics Department, various domestic authorities; IMF country reports and AfDB estimates.

## Table 5. Monetary indicators, 2013-16

| | Inflation (%) | | | | Exchange rate (LCU / USD) | | | Broad money (LCU billion) 2014 | | | Reserves, excluding gold, (USD million) 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2012 | 2013 | 2014 | Level | % of GDP | Growth 2013/2014 | Stock at year-end | Eq. months of imports |
| Algeria | 3.3 | 3.0 | 4.0 | 4.0 | 77.6 | 79.4 | 78.4 | 13626.5 | 77.5 | 14.1 | 183788.2 | 31.9 |
| Angola | 8.8 | 7.4 | 8.0 | 8.7 | 95.5 | 96.5 | 97.6 | 5366.7 | 37.3 | 21.1 | 27289.2 | 7.8 |
| Benin | 1.0 | -0.5 | 1.7 | 1.7 | 510.2 | 493.9 | 493.3 | 2362.1 | 54.8 | 17.1 | 894.2 | 3.5 |
| Botswana | 5.8 | 4.4 | 4.3 | 4.2 | 7.6 | 8.4 | 9.0 | 64.9 | 54.0 | 15.5 | 8697.6 | 13.8 |
| Burkina Faso | 0.5 | 0.9 | 1.5 | 1.7 | 510.2 | 493.9 | 493.8 | 2201.5 | 35.3 | 14.4 | 388.3 | 1.3 |
| Burundi | 9.0 | 6.7 | 4.9 | 5.7 | 1575.0 | 1539.1 | 1516.7 | 943.9 | 22.0 | 13.2 | 316.0 | 4.8 |
| Cabo Verde | 1.5 | -0.4 | 2.2 | 2.4 | 85.8 | 83.1 | 83.0 | 144.2 | 86.0 | 4.8 | 510.9 | 7.2 |
| Cameroon | 2.1 | 2.2 | 2.4 | 2.2 | 510.5 | 494.0 | 493.9 | 3611.8 | 22.9 | 6.0 | 3380.7 | 3.2 |
| Central African Republic | 6.6 | 11.2 | 4.1 | 3.9 | 510.5 | 494.0 | 493.9 | 226.9 | 26.9 | 3.1 | 164.6 | 3.3 |
| Chad | 0.2 | 2.9 | 3.3 | 3.5 | 510.5 | 494.0 | 493.9 | 932.8 | 13.7 | 9.5 | 1155.7 | 1.9 |
| Comoros | 1.6 | 1.6 | 2.5 | 2.6 | 382.6 | 370.5 | 370.3 | 96.3 | 36.7 | 7.2 | 170.1 | 5.1 |
| Congo | 4.6 | 3.0 | 3.4 | 2.4 | 510.5 | 494.0 | 493.4 | 2559.0 | 35.3 | 10.4 | 5549.6 | 6.4 |
| Congo, Dem. Rep. | 0.8 | 1.2 | 1.8 | 4.7 | 919.8 | 919.8 | 925.3 | 3654.4 | 11.5 | 12.3 | 1557.0 | 1.5 |
| Côte d'Ivoire | 2.6 | 0.6 | 2.5 | 2.1 | 510.2 | 493.9 | 493.8 | 2596.9 | 15.5 | 13.0 | 4268.2 | 4.2 |
| Djibouti | 2.4 | 3.6 | 3.0 | 3.2 | 177.7 | 177.7 | 177.7 | 244.4 | 84.7 | 10.9 | 376.4 | 5.3 |
| Egypt* | 6.9 | 10.1 | 10.4 | 10.1 | 6.1 | 6.9 | 7.1 | 1517.4 | 78.1 | 17.1 | 12636.1 | 2.6 |
| Equatorial Guinea | 3.2 | 3.6 | 3.9 | 3.4 | 512.4 | 500.7 | 496.0 | 1975.2 | 23.7 | 9.0 | 4397.0 | 3.5 |
| Eritrea | 12.3 | 11.6 | 12.1 | 12.3 | 15.4 | 15.4 | 15.4 | 69.4 | 145.3 | 14.2 | 114.8 | 1.3 |
| Ethiopia | 13.5 | 8.1 | 9.0 | 9.0 | 17.7 | 18.6 | 19.7 | 293.2 | 27.6 | 25.1 | ... | ... |
| Gabon | 0.5 | 6.0 | 3.0 | 2.9 | 510.5 | 494.0 | 493.4 | 2472.9 | 24.8 | 9.4 | 2351.6 | 3.0 |
| Gambia | 5.2 | 6.1 | 5.3 | 5.3 | 31.1 | 33.4 | 32.5 | 21.1 | 58.0 | 15.0 | 159.3 | 4.1 |
| Ghana | 11.7 | 17.0 | 8.3 | 8.7 | 1.8 | 2.0 | 2.6 | 35.4 | 41.4 | 31.2 | 4253.1 | 3.1 |
| Guinea | 11.9 | 8.6 | 7.0 | 6.6 | 6986.1 | 6995.9 | 7004.6 | 14384.7 | 28.1 | 10.1 | 293.4 | 1.3 |
| Guinea-Bissau | 0.8 | 0.6 | 2.6 | 2.4 | 510.2 | 493.9 | 493.8 | 206.9 | 36.7 | 10.7 | 298.9 | 15.5 |
| Kenya | 7.9 | 7.0 | 5.5 | 5.3 | 84.5 | 86.1 | 87.8 | 2376.2 | 37.3 | 19.0 | 7910.6 | 5.2 |
| Lesotho | 5.3 | 6.6 | 6.0 | 5.5 | 8.2 | 9.7 | 10.9 | 9.9 | 47.1 | 14.5 | 1118.3 | 7.8 |
| Liberia | 7.6 | 9.9 | 7.4 | 7.0 | 1.0 | 1.0 | 1.0 | 0.6 | 28.7 | -13.2 | 543.0 | 6.3 |
| Libya | 2.6 | 2.6 | 2.7 | 2.9 | 1.3 | 1.3 | 1.3 | 73.0 | 140.6 | 4.0 | 93485.2 | 39.7 |
| Madagascar | 5.8 | 6.0 | 7.1 | 5.2 | 2199.1 | 2218.3 | 2268.0 | 5894.4 | 23.8 | 140.3 | 773.8 | 2.5 |
| Malawi | 27.7 | 24.1 | 14.9 | 10.1 | 253.1 | 370.2 | 405.7 | 626.6 | 25.9 | 20.0 | 371.2 | 2.4 |
| Mali | -0.6 | 0.9 | 2.1 | 2.7 | 510.2 | 493.9 | 493.8 | 2025.4 | 34.7 | 9.8 | 716.9 | 2.4 |

Table 5. **Monetary indicators, 2013-16** (cont.)

| | Inflation (%) | | | | Exchange rate (LCU / USD) | | | Broad money (LCU billion) 2014 | | | Reserves, excluding gold, (USD million) 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2012 | 2013 | 2014 | Level | % of GDP | Growth 2013/2014 | Stock at year-end | Eq. months of imports |
| Mauritania | 4.1 | 3.5 | 4.6 | 4.5 | 296.6 | 302.1 | 306.0 | 527.8 | 31.6 | 12.4 | 831.4 | 1.7 |
| Mauritius | 3.5 | 3.2 | 3.1 | 3.5 | 30.1 | 30.7 | 30.6 | 390.2 | 89.8 | 6.7 | 3627.6 | 5.5 |
| Morocco | 1.9 | 0.9 | 1.2 | 1.4 | 8.6 | 8.4 | 8.3 | 1066.3 | 110.6 | 4.5 | 19590.6 | 5.2 |
| Mozambique | 4.2 | 2.4 | 5.1 | 5.6 | 29067.6 | 28373.0 | 30104.1 | 191.4 | 0.0 | 19.0 | 3018.9 | 5.9 |
| Namibia | 6.0 | 5.3 | 4.1 | 5.0 | 8.2 | 9.7 | 10.8 | 81.6 | 64.3 | 10.5 | 1208.7 | 2.2 |
| Niger | 1.1 | 0.5 | 1.3 | 1.0 | 512.4 | 500.7 | 496.0 | 1000.5 | 25.9 | 13.4 | 1191.4 | 4.6 |
| Nigeria | 8.6 | 8.1 | 8.3 | 7.6 | 157.5 | 157.3 | 165.2 | 16162.9 | 17.8 | 3.5 | 46442.2 | 4.4 |
| Rwanda | 4.2 | 2.0 | 3.8 | 5.0 | 614.3 | 646.6 | 679.0 | 1161.1 | 24.1 | 12.9 | 933.7 | 5.6 |
| Sao Tome and Principe | 8.1 | 6.3 | 5.2 | 4.4 | 19068.4 | 18450.0 | 18447.7 | 2369.5 | 37.2 | 10.7 | 63.9 | 5.8 |
| Senegal | 0.7 | -0.4 | 2.0 | 0.0 | 510.2 | 493.9 | 493.8 | 3366.7 | 47.0 | 7.7 | 2012.0 | 3.9 |
| Seychelles | 4.5 | 3.5 | 3.5 | 3.0 | 13.7 | 12.1 | 12.3 | 10.5 | 59.0 | 12.4 | 464.7 | 6.1 |
| Sierra Leone | 9.8 | 10.0 | 9.4 | 8.3 | 4344.0 | 4332.5 | 4434.1 | 4900.2 | 19.4 | 17.8 | 571.6 | 3.0 |
| Somalia | ... | ... | ... | ... | .... | .... | .... | … | … | … | … | … |
| South Africa | 5.7 | 6.1 | 4.9 | 5.3 | 8.2 | 9.7 | 10.8 | 2714.3 | 75.3 | 7.8 | 44471.5 | 5.1 |
| South Sudan | 22.7 | -5.6 | 11.2 | 5.0 | ... | ... | ... | 7.0 | … | 8.3 | 416.8 | … |
| Sudan | 36.1 | 37.7 | 21.8 | 21.3 | 3.6 | 4.8 | 5.7 | 79.1 | 16.1 | 19.1 | 181.5 | 0.2 |
| Swaziland | 5.6 | 5.7 | 5.4 | 5.4 | 8.2 | 9.7 | 10.4 | 12.5 | 31.7 | 11.2 | 690.8 | 4.1 |
| Tanzania | 7.9 | 6.8 | 5.1 | 5.6 | 1571.7 | 1597.6 | 1642.0 | 18812.2 | 23.3 | 16.8 | 4310.3 | 4.3 |
| Togo | 1.8 | 0.9 | 1.7 | 2.7 | 510.5 | 494.0 | 493.9 | 1062.8 | 51.5 | 8.7 | 444.4 | 2.0 |
| Tunisia | 6.1 | 5.5 | 5.0 | 4.4 | 1.6 | 1.6 | 1.7 | 60.1 | 77.4 | 10.2 | 7246.2 | 3.9 |
| Uganda | 5.0 | 5.4 | 5.9 | 5.4 | 2504.6 | 2586.9 | 2557.1 | 14767.3 | 22.1 | 11.3 | 3240.4 | 5.4 |
| Zambia | 7.0 | 7.9 | 7.6 | 7.6 | 5.1 | 5.4 | 6.2 | 37.0 | 19.7 | 19.1 | 2683.8 | 2.9 |
| Zimbabwe | 1.6 | -0.1 | 0.6 | 1.5 | … | … | … | 4.0 | 38.0 | 3.3 | 603.8 | 1.4 |
| **AFRICA** | **7.0** | **7.2** | **6.8** | **6.7** | ... | ... | ... | ... | ... | ... | ... | ... |

*Note*: * For Egypt, fiscal year July (n-1)/June (n).
*Sources*: AfDB Statistics Department, various domestic authorities; International Financial Statistics and AfDB estimates.

Table 6. **Balance of payments indicators, 2013-16**

| | Trade balance (USD million) | | | | Current account balance (USD million) | | | | Current account balance (as % of GDP) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
| Algeria | 9 309 | -3 832 | -20 658 | -25 210 | 794 | -8 881 | -17 508 | -20 531 | 0.4 | -4.0 | -7.7 | -8.2 |
| Angola | 41 903 | 39 561 | 24 641 | 32 495 | 8 348 | 3 916 | -7 780 | -3 217 | 5.8 | 2.7 | -5.9 | -2.2 |
| Benin | -1 527 | -1 671 | -1 744 | -1 878 | -1 203 | -1 332 | -1 366 | -1 506 | -14.5 | -15.2 | -15.1 | -15.2 |
| Botswana | 241 | 401 | 575 | 744 | 1 535 | 1 059 | 996 | 1 139 | 10.4 | 7.9 | 7.1 | 7.6 |
| Burkina Faso | - 666 | - 703 | - 258 | - 406 | -1 346 | -1 349 | -1 050 | -1 256 | -10.4 | -10.7 | -8.7 | -9.6 |
| Burundi | - 590 | - 585 | - 560 | - 636 | - 223 | - 270 | - 148 | - 225 | -8.3 | -9.5 | -4.5 | -6.1 |
| Cabo Verde | - 627 | - 707 | - 538 | - 560 | - 63 | - 182 | - 156 | - 152 | -3.5 | -9.0 | -8.6 | -7.9 |
| Cameroon | - 197 | - 381 | - 398 | - 528 | -1 128 | -1 339 | -1 234 | -1 399 | -3.8 | -4.2 | -4.3 | -4.5 |
| Central African Republic | - 112 | - 155 | - 116 | - 105 | - 46 | - 88 | - 129 | - 109 | -3.0 | -5.2 | -8.2 | -6.4 |
| Chad | 785 | 231 | 485 | 716 | -1 269 | -1 277 | -1 411 | -1 384 | -9.9 | -9.3 | -10.0 | -9.2 |
| Comoros | - 207 | - 216 | - 185 | - 203 | - 37 | - 55 | - 43 | - 57 | -5.7 | -7.8 | -6.9 | -8.5 |
| Congo | 4 655 | 4 232 | 3 688 | 4 151 | - 646 | - 930 | -1 137 | - 886 | -4.7 | -6.3 | -8.2 | -5.9 |
| Congo, Dem. Rep. | - 49 | - 21 | 1 882 | 1 501 | -3 035 | -2 887 | -1 584 | -1 964 | -10.2 | -8.4 | -4.1 | -4.4 |
| Côte d'Ivoire | 3 813 | 3 382 | 3 486 | 3 597 | - 486 | -1 042 | - 607 | - 878 | -1.6 | -3.1 | -1.9 | -2.5 |
| Djibouti | - 600 | - 636 | - 614 | - 677 | - 346 | - 318 | - 280 | - 320 | -23.8 | -19.6 | -15.5 | -16.1 |
| Egypt* | -30 695 | -32 102 | -34 155 | -37 156 | -6 190 | -2 169 | -10 378 | -15 265 | -2.4 | -0.8 | -3.4 | -4.3 |
| Equatorial Guinea | 10 674 | 9 767 | 8 263 | 8 482 | -1 359 | -1 671 | -1 342 | -1 265 | -8.1 | -9.9 | -8.4 | -7.7 |
| Eritrea | - 188 | - 192 | - 252 | - 252 | 12 | 6 | - 52 | - 73 | 0.3 | 0.2 | -1.2 | -1.5 |
| Ethiopia | -8 287 | -10 316 | -11 776 | -13 759 | -2 813 | -4 652 | -3 731 | -5 324 | -6.0 | -8.6 | -5.9 | -7.2 |
| Gabon | 6 671 | 5 534 | 2 887 | 3 589 | 2 334 | 1 351 | -1 436 | - 900 | 12.1 | 6.7 | -8.1 | -4.6 |
| Gambia | - 244 | - 257 | - 240 | - 183 | - 141 | - 119 | - 144 | - 112 | -10.9 | -12.7 | -12.4 | -10.5 |
| Ghana | -4 079 | -3 610 | -5 506 | -7 568 | -5 796 | -3 069 | -4 773 | -6 961 | -11.9 | -9.2 | -12.7 | -17.3 |
| Guinea | -1 050 | -1 229 | -1 031 | -1 323 | -1 408 | -1 914 | -1 770 | -2 350 | -22.0 | -26.2 | -23.5 | -28.2 |
| Guinea-Bissau | - 40 | - 25 | - 2 | - 6 | - 48 | - 6 | - 8 | - 13 | -4.1 | -0.5 | -0.8 | -1.2 |
| Kenya | -7 053 | -10 225 | -9 138 | -11 241 | -1 597 | -5 462 | -6 530 | -10 427 | -2.9 | -7.5 | -7.9 | -11.2 |
| Lesotho | -1 116 | - 871 | - 849 | - 900 | - 179 | - 66 | - 47 | - 117 | -7.9 | -3.4 | -2.1 | -5.1 |
| Liberia | - 331 | - 345 | - 513 | - 394 | - 842 | - 749 | -1 008 | - 886 | -43.5 | -36.5 | -44.8 | -35.8 |
| Libya | 19 966 | 1 408 | 2 619 | 5 881 | 9 972 | -9 562 | -6 390 | -3 302 | 13.6 | -23.3 | -17.5 | -6.6 |
| Madagascar | - 818 | - 813 | - 920 | -1 087 | - 571 | - 250 | - 483 | - 536 | -5.4 | -2.3 | -3.7 | -3.6 |
| Malawi | - 276 | -1 634 | -1 812 | -2 631 | | -1 420 | -1 225 | -2 021 | -18.4 | -19.2 | -17.8 | -17.6 |
| Mali | - 290 | - 764 | - 604 | - 835 | - 202 | - 736 | - 605 | - 431 | -1.8 | -6.2 | -5.5 | -3.7 |
| Mauritania | - 393 | - 607 | - 665 | - 799 | -1 152 | - 717 | -1 223 | - 946 | -24.8 | -24.7 | -7.6 | -23.0 |
| Mauritius | -2 267 | -2 535 | -2 224 | -2 549 | -1 067 | -1 164 | - 872 | -1 118 | -8.9 | -8.2 | -5.9 | -7.1 |

Table 6. **Balance of payments indicators, 2013-16** (cont.)

| | Trade balance (USD million) | | | | Current account balance (USD million) | | | | Current account balance (as % of GDP) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
| Morocco | -20 356 | -18 897 | -17 121 | -18 835 | -7 863 | -6 962 | -7 628 | -7 418 | -7.3 | -6.0 | -6.1 | -5.6 |
| Mozambique | -4 464 | -4 857 | -6 380 | -6 678 | -6 167 | -6 479 | -8 680 | -10 027 | -37.2 | -39.2 | -45.7 | -46.8 |
| Namibia | -1 964 | -1 639 | -1 297 | -2 387 | - 629 | - 467 | - 216 | - 212 | -5.1 | -4.0 | -1.7 | -1.4 |
| Niger | - 482 | - 489 | - 469 | - 566 | -1 212 | -1 583 | -1 859 | -1 740 | -16.6 | -20.3 | -22.8 | -19.7 |
| Nigeria | 43 411 | 40 381 | 8 409 | 16 702 | 19 984 | 14 295 | -21 257 | -19 587 | 3.9 | 2.6 | -3.7 | -3.0 |
| Rwanda | -1 148 | -1 247 | -1 251 | -1 143 | - 537 | - 833 | - 895 | - 788 | -7.1 | -11.8 | -11.1 | -8.9 |
| Sao Tome and Principe | -5 495 | -4 959 | -3 690 | -3 984 | - 57 | - 59 | - 40 | - 52 | -18.3 | -17.0 | -10.7 | -12.9 |
| Senegal | - 63 | - 65 | - 56 | - 67 | -1 598 | -1 356 | -1 199 | -1 223 | -10.8 | -9.3 | -8.8 | -8.6 |
| Seychelles | - 426 | - 402 | - 383 | - 371 | - 215 | - 179 | - 199 | - 190 | -15.2 | -12.3 | -11.8 | -10.6 |
| Sierra Leone | - 954 | -1 041 | - 706 | - 676 | -1 830 | -2 025 | -1 668 | -2 068 | -37.3 | -35.6 | -33.0 | -40.6 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| South Africa | -7 078 | -9 669 | -8 230 | -10 917 | -21 100 | -19 288 | -18 743 | -19 355 | -5.8 | -5.8 | -5.4 | -5.2 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | ... | 4.0 | -2.5 | 0.9 | 2.8 |
| Sudan | -3 938 | -4 115 | -3 888 | -3 573 | -5 831 | -7 263 | -6 454 | -6 722 | -8.7 | -8.4 | -6.8 | -6.5 |
| Swaziland | 255 | 224 | 313 | 278 | 201 | 93 | 73 | - 20 | 5.3 | 2.4 | 1.7 | -0.5 |
| Tanzania | -3 556 | -3 539 | -2 920 | -3 706 | -4 458 | -5 424 | -5 069 | -5 078 | -10.0 | -11.0 | -9.0 | -8.1 |
| Togo | - 946 | - 831 | - 680 | - 762 | - 367 | - 248 | - 254 | - 288 | -8.8 | -5.9 | -6.3 | -6.6 |
| Tunisia | -5 931 | -6 151 | -6 302 | -7 242 | -3 879 | -3 626 | -2 857 | -2 838 | -8.4 | -7.9 | -6.0 | -5.5 |
| Uganda | -2 145 | -2 099 | -1 957 | -2 025 | -1 920 | -1 372 | -2 107 | -2 306 | -7.5 | -5.2 | -7.1 | -7.7 |
| Zambia | 1 451 | 1 943 | 2 140 | 1 949 | 198 | | 182 | 116 | 0.7 | 0.0 | 0.6 | 0.3 |
| Zimbabwe | -3 115 | -2 506 | -2 189 | -2 479 | -3 429 | -2 441 | -2 177 | -2 216 | -25.4 | -23.1 | -17.8 | -17.2 |
| **AFRICA** | **11 037** | **-31 170** | **-47 122** | **-49 843** | **-50 919** | **-92 564** | **-156 449** | **-166 731** | **-2.2** | **-3.7** | **-6.1** | **-5.8** |

*Note*: * For Egypt, fiscal year July (n-1)/June (n).
*Sources*: AfDB Statistics Department; IMF WEO October 2014.

## Table 7. **Exports, 2013**

Three main exports, with their share in total exports*

| | Product I | Product II | Product III | No. of products accounting for more than 75% of exports |
|---|---|---|---|---|
| Algeria | Petroleum oils & oils obt. from bituminous minerals, crude (44.2%) | Natural gas, in gaseous state (19.9%) | Light oils and preparations (9.0%) | 4 |
| Angola | Petroleum oils and oils obtained from bituminous minerals, crude (94.0%) | | | 1 |
| Benin | Cotton, not carded or combed (22.0%) | Cashew nuts, in shell (15.5%) | Oil seeds & oleaginous fruits (11.0%) | 7 |
| Botswana | Diamonds non-industrial unworked or simply sawn, cleaved or bruted (76.0%) | Diamonds, non-industrial other than unworked./ simply sawn/cleaved/bruted (6.5%) | Nickel mattes (6.8%) | 1 |
| Burkina Faso | Cotton, not carded or combed (65.4%) | Sesamum seeds (8.3%) | Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (5.0%) | 3 |
| Burundi | Coffee, not roasted, not decaffeinated (48.9%) | Tea, black (fermented) & partly fermented tea, whether or not flavoured (13.4%) | Niobium, tantalum, vanadium ores & concentrates (12.9%) | 3 |
| Cabo Verde | Vessels, lifeboats other than rowing boats (41.3%) | Yellowfin tunas (Thunnus albacares) (9.9%) | Fish, whole/in pieces (8.6%) | 6 |
| Cameroon | Petroleum oils & oils obt. from bituminous minerals, crude (43.2%) | Cocoa beans, whole/broken, raw/roasted (8.9%) | Wood sawn/chipped lengthwise, sliced/peeled, whether or not planed (7.1%) | 6 |
| Central African Republic | Tropical wood in the rough, whether or not stripped of bark/sapwood, roughly squared (32.9%) | Cotton, not carded/combed (16.8%) | Diamonds, unsorted (14.5%) | 4 |
| Chad | Petroleum oils & oils obt. from bituminous minerals, crude (96.1%) | | | 1 |
| Comoros | Cloves (whole fruit, cloves & stems) (51.0%) | Vanilla (12.9%) | Vessels and other floating structures (11.1%) | 3 |
| Congo | Petroleum oils & oils obt. from bituminous minerals, crude (83.5%) | Cathodes and sections of cathodes (5.7%) | Petroleum oils & oils obt. from bituminous mins. (excl. crude) & preps (4.4%) | 1 |
| Congo, Dem. Rep. | Cathodes and sections of cathodes (39.3%) | Copper ores and concentrates. (22.6%) | Petroleum oils & oils obt. from bituminous minerals, crude (16.2%) | 3 |
| Côte d'Ivoire | Cocoa beans, whole/broken, raw/roasted (31.1%) | Petroleum oils & oils obt. from bituminous minerals, crude (10.3%) | Cocoa paste, not defatted (7.2%) | 11 |
| Djibouti | Wood charcoal (incl. shell/nut charcoal), whether or not agglomerated (22.9%) | Live sheep (10.6%) | Live goats (10.6%) | 13 |
| Egypt | Petroleum oils & oils obt. from bituminous minerals, crude (24.5%) | Natural gas, (7.1%) | | 80 |
| Equatorial Guinea | Petroleum oils & oils obt. from bituminous minerals, crude (66.5%) | Natural gas (19.3%) | | 2 |
| Eritrea | Gold (incl. gold plated with platinum), in unwrought forms (55.7%) | Copper ores (26.3%) | Silver (including silver plated with gold or platinum), unwrought (4.7%) | 2 |
| Ethiopia | Coffee, not roasted, not decaffeinated (31.5%) | Sesame seeds (19.5%) | Cut flowers & flower buds (11.5%) | 7 |
| Gabon | Petroleum oils & oils obt. from bituminous minerals, crude (73.8%) | Manganese ores and concentrates (8.5%) | Vessels (5.3%) | 2 |
| Gambia | Wood, in the rough, whether/not stripped of bark/ sapwood/roughly squared (47.2%) | Uncut weft pile fabrics of man-made fibres (25.9%) | Titanium ores & concentrates (7.2%) | 3 |

Table 7. **Exports, 2013** (cont.)

Three main exports, with their share in total exports*

| | Product I | Product II | Product III | No. of products accounting for more than 75% of exports |
|---|---|---|---|---|
| Ghana | Petroleum oils & oils obt. from bituminous minerals, crude (37.1%) | Cocoa beans, whole/broken, raw/roasted (18.7%) | Floating/submersible drilling/production platforms (6.0%) | 7 |
| Guinea | Aluminium (43.1%) | Petroleum oils & oils obt. from bituminous minerals, crude (34.8%) | | 2 |
| Guinea-Bissau | Cashew nuts, in shell (66.5%) | Frozen fish (9.6%) | Pacific salmon (4.3%) | 2 |
| Kenya | Black tea (fermented) and other partly fermented tea (16.8%) | Cut flowers & flower buds (11.8%) | Petroleum oils & oils obt. from bituminous minerals, crude (10.4%) | 49 |
| Lesotho | Diamonds, non-industrial, simply sawn/cleaved/bruted (32.2%) | Men's/boys' trousers, bib & brace overalls, breeches & shorts (12.3%) | Synthetic fibres (7.3%) | 13 |
| Liberia | Iron ores & concentrates, non-agglomerated (32.8%) | Tankers (21.0%) | Technically specified natural rubber (TSNR) (12.6%) | 5 |
| Libya | Petroleum oils & oils obt. from bituminous minerals, crude (81.9%) | Petroleum oils & oils obt. from bituminous mins. (excl. crude) (6.6%) | Natural gas, in gaseous state (5.9%) | 1 |
| Madagascar | Nickel (18.5%) | Vanilla (6.8%) | Shrimps & prawns (5.2%) | 26 |
| Malawi | Tobacco, partly/wholly stemmed/stripped (54.5%) | Tea, black (fermented) & partly fermented tea, whether or not flavoured (8.1%) | Cane sugar, raw, in solid form (7.6%) | 5 |
| Mali | Cotton, not carded/combed (59.7%) | Mineral/chem. fertilisers cont. the 3 fertilising elements nitrogen, ... (12.4%) | Sesame seeds, whether or not broken (5.4%) | 3 |
| Mauritania | Iron ores & concentrates (excl. roasted iron pyrites), non-agglomerated (50.8%) | Copper ores and concentrates. (14.2%) | Petroleum oils & oils obt. from bituminous minerals, crude (10.1%) | 3 |
| Mauritius | Tunas, skipjack & bonito (15.2%) | Cane/beet sugar & chemically pure sucrose (11.9%) | Men's/boys' shirts (excl. knitted or crocheted), of cotton (6.8%) | 36 |
| Morocco | Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (8.3%) | Phosphoric acid & polyphosphoric acids (6.3%) | Ammonium dihydrogenorthophosphate (4,1%) | 62 |
| Mozambique | Aluminium, not alloyed, unwrought (26.7%) | Light oils and preparations (13.4%) | Bituminous coal, whether or not pulverised but not agglomerated (7.3%) | 10 |
| Namibia | Diamonds non-industrial unworked or simply sawn, cleaved or bruted (20.2%) | Fish fillets (7.8%) | Zinc, not alloyed, unwrought (6.1%) | 19 |
| Niger | Cigarettes cont. tobacco (73.4%) | Petroleum oils & oils obt. from bituminous mins. (excl. crude) (15.5%) | Light oils and preparations (5.7%) | 2 |
| Nigeria | Petroleum oils & oils obt. from bituminous minerals, crude (83.4%) | Natural gas (10.6%) | | 1 |
| Rwanda | Niobium/tantalum/vanadium (43.0%) | Tin ores and concentrates (16.5%) | Coffee, not roasted, not decaffeinated (15.1%) | 4 |
| Sao Tome and Principe | Cocoa beans, whole/broken, raw/roasted (80.1%) | | | 1 |
| Senegal | Fish frozen (excl. fillets/oth. fish meat /livers & roes) (12.5%) | Phosphoric acid & polyphosphoric acids (8%) | | 31 |
| Seychelles | Tunas, skipjack & bonito (56.7%) | Yellowfin tunas (8.4%) | Bigeye tunas (8.2%) | 4 |

Table 7. **Exports, 2013** (cont.)

Three main exports, with their share in total exports*

| | Product I | Product II | Product III | No. of products accounting for more than 75% of exports |
|---|---|---|---|---|
| Sierra Leone | Iron ores & concs. (excl. roasted iron pyrites), non-agglomerated (72.5%) | Diamonds non-industrial unworked or simply sawn, cleaved or bruted (8.7%) | Titanium ores and concentrates. (7.0%) | 2 |
| Somalia | Live sheep (31.6%) | Live goats (27.2%) | Live bovine animals other than pure-bred breeding animals (12.0%) | 4 |
| South Africa | Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (16.6%) | Iron ores & concentrates (excl. roasted iron pyrites), non-agglomerated (9.9%) | Platinum, unwrought/in powder form (8.2%) | 35 |
| South Sudan | Petroleum oils & oils obt. from bituminous minerals, crude (99.7%) | | | 1 |
| Sudan | Petroleum oils & oils obt. from bituminous minerals, crude (63.9%) | Live sheep (9.8%) | Sesame seeds, whether or not broken (9.3%) | 3 |
| Swaziland | Mixtures of odoriferous subs. & mixts. (incl. alcoholic solutions) (25.7%) | Cane sugar, raw, in solid form, not cont. added flavouring/colouring matter ... (16.9%) | Other chemicals products & preparations of the chemical/allied industries (10.5%) | 20 |
| Tanzania | Tobacco, partly/wholly stemmed/stripped (9.9%) | Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (7.7%) | Coffee, not roasted, not decaffeinated (5.3%) | 28 |
| Togo | Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (12.5%) | Light petroleum oils & preps (10.6%) | Electrical energy (7.6%) | 13 |
| Tunisia | Petroleum oils & oils obt. from bituminous minerals, crude (11.1%) | Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (6.8%) | Men's/boys' trousers, bib & brace overalls, breeches & shorts (4.7%) | 78 |
| Uganda | Coffee, not roasted, not decaffeinated (28.5%) | Tobacco, partly/wholly stemmed/stripped (6.2%) | Fish fillets and other fish meat (4.7%) | 20 |
| Zambia | Cathodes and sections of cathodes (63.6%) | Tobacco, partly/wholly stemmed/stripped (4.3%) | | 5 |
| Zimbabwe | Tobacco, partly/wholly stemmed/stripped (36.3%) | Containing by weight more than 4 % (7.0%) | Precious metal ores & concs (6.4%) | 14 |
| **AFRICA** | **Petroleum oils & oils obt. from bituminous minerals, crude (46.8%) [46.8%]** | **Natural gas, liquefied (3.8%) [13.7%]** | **Natural gas, in gaseous state (2.8%) [6.9%]** | **26** |

*Notes*: *Products are reported when accounting for more than 4% of total exports.
** Figures in [ ] represent the share of Africa in the world export for each product.
*Sources*: AfDB Statistics Department; *COMTRADE WITS Online Database* - UN Statistics Division.

## Table 8. Diversification and competitiveness, 2009-13

| | Diversification index | | | | | Annual export growth (%) | Competitiveness indicator 2009-13 (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-13 | Sectoral effect | Global competitiveness effect |
| Algeria | 3.8 | 4.0 | 3.6 | 3.6 | 3.9 | 9.6 | 8.7 | -10.8 |
| Angola | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 20.0 | 7.8 | 0.5 |
| Benin | 7.1 | 6.1 | 7.4 | 8.5 | 9.1 | 25.9 | 13.5 | 0.8 |
| Botswana | 7.2 | 4.7 | 1.8 | 2.0 | 1.7 | 59.2 | 7.4 | 59.1 |
| Burkina Faso | 3.5 | 4.0 | 2.9 | 3.4 | 2.3 | 20.1 | 15.4 | -6.9 |
| Burundi | 1.8 | 2.1 | 2.1 | 2.7 | 3.6 | -0.8 | -1.8 | -10.6 |
| Cameroon | 5.3 | 4.9 | 5.3 | 4.3 | 4.7 | 9.0 | 0.8 | -3.5 |
| Cabo Verde | 12.2 | 9.8 | 8.4 | 9.9 | 4.9 | 37.3 | 1.3 | 24.3 |
| Central African Republic | 5.5 | 6.3 | 4.8 | 4.9 | 5.4 | 2.0 | 1.6 | -11.2 |
| Chad | 1.2 | 1.5 | 1.1 | 1.4 | 1.1 | 8.9 | 7.9 | -10.6 |
| Comoros | 4.7 | 4.3 | 2.3 | 2.7 | 3.3 | 17.7 | 7.8 | -1.7 |
| Congo | 1.3 | 1.3 | 1.4 | 1.3 | 1.4 | 8.6 | 7.3 | -10.4 |
| Congo, Dem. Rep. | 6.4 | 5.2 | 5.1 | 3.8 | 4.2 | 42.3 | -0.2 | 30.9 |
| Côte d'Ivoire | 6.7 | 7.7 | 6.4 | 8.0 | 8.0 | 7.1 | -2.7 | -1.9 |
| Djibouti | 6.8 | 3.6 | 4.7 | 7.9 | 11.5 | -13.7 | 4.2 | -29.6 |
| Egypt | 20.3 | 23.5 | 14.3 | 13.3 | 14.3 | 7.1 | 4.4 | -8.9 |
| Equatorial Guinea | 1.9 | 1.7 | 1.8 | 1.7 | 2.1 | 14.9 | 10.4 | -7.1 |
| Eritrea | 15.2 | 21.2 | 1.1 | 1.3 | 2.6 | 175.8 | 0.3 | 163.9 |
| Ethiopia | 5.8 | 4.3 | 4.2 | 5.0 | 6.4 | 14.3 | 1.3 | 1.4 |
| Gabon | 2.2 | 1.8 | 1.8 | 1.6 | 1.8 | 25.9 | 6.0 | 8.3 |
| Gambia | 5.1 | 11.4 | 7.8 | 3.7 | 3.4 | 36.2 | 8.6 | 16.0 |
| Ghana | 3.7 | 4.1 | 5.7 | 4.7 | 5.5 | 50.6 | -6.5 | 45.5 |
| Guinea | 2.5 | 5.1 | 4.5 | 3.4 | 3.2 | 19.6 | 16.5 | -8.5 |
| Guinea-Bissau | 1.2 | 3.1 | 2.0 | 1.4 | 2.2 | 47.5 | 11.6 | 24.3 |
| Kenya | 17.8 | 13.2 | 16.5 | 17.2 | 17.1 | 9.1 | -2.7 | 0.1 |
| Lesotho | 6.4 | 7.6 | 6.3 | 7.4 | 7.6 | 22.3 | 1.9 | 13.1 |
| Liberia | 4.2 | 5.8 | 8.1 | 9.0 | 5.7 | -3.0 | -6.9 | -7.8 |
| Libya | 1.6 | 1.5 | 1.4 | 1.3 | 1.5 | 2.7 | 8.2 | -17.1 |
| Madagascar | 31.8 | 32.5 | 12.6 | 21.9 | 18.6 | 16.3 | -0.4 | 5.0 |
| Malawi | 2.5 | 3.0 | 4.3 | 3.4 | 3.2 | -1.6 | -4.1 | -9.1 |

Table 8. **Diversification and competitiveness, 2009-13** (cont.)

| | Diversification index | | | | | Annual export growth (%) | Competitiveness indicator 2009-13 (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-13 | Sectoral effect | Global competitiveness effect |
| Mali | 4.8 | 3.6 | 3.4 | 1.9 | 2.6 | 50.1 | 10.3 | 28.2 |
| Mauritania | 4.4 | 3.6 | 3.6 | 3.8 | 3.4 | 15.0 | 6.5 | -3.1 |
| Mauritius | 18.5 | 23.9 | 21.7 | 19.3 | 18.9 | 9.1 | 0.3 | -2.8 |
| Morocco | 59.3 | 48.0 | 39.8 | 36.0 | 45.6 | 14.9 | -2.4 | 5.7 |
| Mozambique | 28.6 | 19.1 | 6.0 | 8.5 | 9.2 | -3.5 | 0.7 | -15.9 |
| Namibia | 25.7 | 75.4 | 12.0 | 8.9 | 15.1 | 0.2 | 0.9 | -16.9 |
| Niger | 44.4 | 88.6 | 1.9 | 5.1 | 1.8 | 8.0 | 3.0 | -6.6 |
| Nigeria | 3.4 | 2.8 | 1.4 | 1.4 | 1.4 | 4.1 | 7.5 | -15.0 |
| Rwanda | 6.2 | 5.3 | 5.1 | 5.9 | 4.1 | 18.2 | 12.4 | -5.8 |
| Sao Tome and Principe | 3.8 | 5.4 | 3.2 | 2.4 | 1.6 | -12.8 | -2.0 | -22.4 |
| Senegal | 13.7 | 10.4 | 12.1 | 12.1 | 28.6 | 5.9 | -1.7 | -4.1 |
| Seychelles | 2.7 | 3.7 | 2.6 | 3.3 | 2.9 | 17.5 | 1.4 | 4.6 |
| Sierra Leone | 13.1 | 8.4 | 9.5 | 4.0 | 1.9 | 134.2 | 7.6 | 115.0 |
| Somalia | 5.1 | 4.7 | 5.3 | 4.8 | 4.8 | 54.2 | 7.6 | 35.0 |
| South Africa | 28.9 | 27.4 | 22.5 | 21.6 | 19.1 | 12.7 | 3.8 | -2.8 |
| South Sudan | ... | ... | ... | 1.0 | 1.0 | ... | ... | ... |
| Sudan | 1.2 | 1.2 | 1.2 | 2.2 | 2.3 | -9.9 | 8.0 | -29.5 |
| Swaziland | 17.3 | 15.8 | 14.0 | 11.4 | 9.0 | 40.2 | -1.2 | 29.8 |
| Tanzania | 25.2 | 19.8 | 16.1 | 21.9 | 26.4 | 24.0 | 3.0 | 9.3 |
| Togo | 7.2 | 10.7 | 10.6 | 18.1 | 17.4 | 20.7 | -2.3 | 11.3 |
| Tunisia | 47.6 | 6.6 | 41.2 | 34.5 | 38.0 | 4.0 | -0.7 | -6.9 |
| Uganda | 6.8 | 6.9 | 6.5 | 8.8 | 10.2 | 10.8 | -2.2 | 1.4 |
| Zambia | 2.6 | 2.1 | 2.1 | 2.4 | 2.4 | 12.9 | 2.6 | -1.4 |
| Zimbabwe | 12.2 | 11.3 | 9.6 | 8.1 | 6.7 | 25.8 | 0.5 | 13.6 |
| **AFRICA** | 5.7 | **4.8** | **4.4** | **3.8** | **4.5** | **10.1** | **5.7** | **-7.3** |

*Sources*: AfDB Statistics Department; *COMTRADE Database* (Harmonized System 2002) - UN Statistics Division.

## Table 9. International prices of exports, 2007-14

| | Unit | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Aluminum | ($/mt) | 2 638.18 | 2 572.79 | 1 664.83 | 2 173.12 | 2 401.39 | 2 023.28 | 1 846.67 | 1 867.42 |
| Banana (US) | ($/mt) | 675.81 | 844.21 | 847.14 | 868.32 | 967.99 | 983.98 | 924.07 | 927.79 |
| Coal (Australia) | ($/mt) | 65.73 | 127.10 | 71.84 | 98.97 | 121.45 | 96.36 | 84.56 | 70.13 |
| Cocoa | (cents/kg) | 195.23 | 257.71 | 288.88 | 313.30 | 298.01 | 239.19 | 243.88 | 306.22 |
| Coffee (Arabica) | (cents/kg) | 272.37 | 308.16 | 317.11 | 432.01 | 597.61 | 411.10 | 307.60 | 442.38 |
| Coffee (Robusta) | (cents/kg) | 190.92 | 232.09 | 164.42 | 173.59 | 240.76 | 226.68 | 207.59 | 221.64 |
| Copper | ($/mt) | 7 118.23 | 6 955.88 | 5 149.74 | 7 534.78 | 8 828.19 | 7 962.35 | 7 332.10 | 6 863.40 |
| Cotton | (c/kg) | 139.52 | 157.39 | 138.20 | 228.34 | 332.85 | 196.71 | 199.27 | 183.20 |
| Fish Meal | ($/mt) | 1 177.25 | 1 133.08 | 1 230.25 | 1 687.42 | 1 537.42 | 1 558.33 | 1 747.17 | 1 708.85 |
| Gold | ($/toz) | 696.72 | 871.71 | 972.97 | 1 224.66 | 1 569.21 | 1 669.52 | 1 411.46 | 1 265.58 |
| Groundnut oil | ($/mt) | 1 352.08 | 2 131.12 | 1 183.67 | 1 403.96 | 1 988.17 | 2 435.67 | 1 773.04 | 1 313.00 |
| Iron ore | (c/dmtu) | 84.70 | 140.60 | 100.95 | 145.86 | 167.75 | 128.50 | 135.36 | 96.94 |
| Lead | (c/kg) | 258.00 | 209.07 | 171.93 | 214.84 | 240.08 | 206.46 | 213.98 | 209.55 |
| Logs Cameroon | ($/CM) | 381.32 | 526.89 | 421.47 | 428.56 | 484.81 | 451.39 | 463.53 | 465.17 |
| Maize | ($/mt) | 163.66 | 223.12 | 165.51 | 185.91 | 291.68 | 298.42 | 259.39 | 192.88 |
| Oil (crude) | ($/bbl) | 72.70 | 97.64 | 61.86 | 79.04 | 104.01 | 105.01 | 104.08 | 96.24 |
| Palm oil | ($/mt) | 780.25 | 948.54 | 682.83 | 900.83 | 1 125.42 | 999.33 | 856.90 | 821.44 |
| Phosphate (rock) | ($/mt) | 70.93 | 345.59 | 121.66 | 123.02 | 184.90 | 185.89 | 148.11 | 110.22 |
| Rubber (US) | (cents/kg) | 248.03 | 284.08 | 214.64 | 386.62 | 482.32 | 337.73 | 279.45 | 195.66 |
| Sugar (EU) | (cents/kg) | 68.09 | 69.69 | 52.44 | 44.18 | 45.46 | 42.01 | 43.38 | 43.40 |
| Sugar (World) | (c/kg) | 22.22 | 28.21 | 40.00 | 46.93 | 57.32 | 47.49 | 39.00 | 37.50 |
| Sugar (US) | (cents/kg) | 45.77 | 46.86 | 54.88 | 79.25 | 83.92 | 63.56 | 45.05 | 53.11 |
| Tea (Avg. 3 auctions) | (c/kg) | 203.61 | 242.05 | 272.40 | 288.49 | 292.05 | 289.78 | 286.20 | 272.05 |
| Tea (Mombasa) | (c/kg) | 166.49 | 221.76 | 251.96 | 256.00 | 271.90 | 288.05 | 239.88 | 204.51 |
| Tobacco, US import u.v. | ($/mt) | 3 315.06 | 3 588.74 | 4 241.18 | 4 304.78 | 4 485.05 | 4 302.35 | 4 588.82 | 4 994.64 |

*Sources*: World Bank, *Global Commodity Price Prospects*, March 2015.

Table 10. **Foreign direct investment, 2008-13 (USD million)**

| | FDI inflows | | | | | | FDI outflows | | | | | | FDI inflows/GFCF (%) | | | Inward FDI* potential index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | 2011 |
| Algeria | 2 632 | 2 746 | 2 301 | 2 581 | 1 499 | 1 691 | 318 | 215 | 220 | 534 | -41 | -268 | 4.1 | 2.2 | 2.5 | 62 |
| Angola | 1 679 | 2 205 | -3 227 | -3 024 | -6 898 | -4 285 | -2 570 | -7 | -1 340 | 2 093 | 2 741 | 2 087 | -18.9 | -39.1 | -23.2 | 100 |
| Benin | 170 | 134 | 177 | 161 | 282 | 320 | -4 | 31 | -18 | 60 | 40 | 46 | 10.7 | 18.8 | 19.4 | 142 |
| Botswana | 521 | 129 | 136 | 1 093 | 147 | 188 | -91 | 6 | 1 | -10 | 9 | 0 | 22.2 | 2.8 | 3.5 | 107 |
| Burkina Faso | 106 | 101 | 35 | 144 | 329 | 374 | 0 | 8 | -4 | 102 | 73 | 83 | 6.1 | 11.3 | 11.2 | 151 |
| Burundi | 4 | 0 | 1 | 3 | 1 | 7 | 1 | 0 | 0 | 0 | 0 | 0 | 0.7 | 0.1 | 1.2 | 172 |
| Cabo Verde | 264 | 174 | 158 | 153 | 57 | 19 | 0 | 0 | 0 | 1 | -1 | 2 | 18.4 | 7.7 | 2.5 | 153 |
| Cameroon | 21 | 740 | 538 | 652 | 526 | 572 | -2 | -69 | 503 | 187 | -284 | 135 | 11.9 | 9.2 | 9.4 | 116 |
| Central African Republic | 117 | 42 | 62 | 37 | 71 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 11.2 | 22.2 | 0.4 | 177 |
| Chad | 466 | 376 | 313 | 282 | 343 | 538 | 0 | 0 | 0 | 0 | 0 | 0 | 11.9 | 15.2 | 18.1 | 158 |
| Comoros | 5 | 14 | 8 | 23 | 10 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 31.6 | 12.1 | 15.3 | 175 |
| Congo | 2 526 | 1 862 | 2 211 | 3 056 | 2 758 | 2 038 | 0 | 0 | 0 | 0 | 0 | 0 | 68.6 | 57.0 | 45.2 | 128 |
| Congo, Dem. Rep. | 1727 | 664 | 2 939 | 1 687 | 3 312 | 2 098 | 54 | 35 | 7 | 91 | 421 | 401 | 51.3 | 62.4 | 39.6 | 106 |
| Côte d'Ivoire | 446 | 377 | 339 | 302 | 322 | 371 | 0 | -9 | 25 | 15 | 29 | 33 | 15.3 | 10.6 | 10.5 | 141 |
| Djibouti | 229 | 100 | 27 | 78 | 110 | 286 | .. | .. | .. | .. | .. | .. | 36.6 | 41.7 | 101.2 | 161 |
| Egypt | 9 495 | 6 712 | 6 386 | -483 | 6 881 | 5 553 | 1 920 | 571 | 1 176 | 626 | 211 | 301 | -1.3 | 16.9 | 12.8 | 46 |
| Equatorial Guinea | -794 | 1 636 | 2 734 | 1 975 | 2 015 | 1 914 | 0 | 0 | 0 | 0 | 0 | 0 | 33.7 | 31.1 | 27.5 | 119 |
| Eritrea | 39 | 91 | 91 | 39 | 41 | 44 | .. | .. | .. | .. | .. | .. | 15.0 | 14.0 | 13.4 | 168 |
| Ethiopia | 109 | 221 | 288 | 627 | 279 | 953 | .. | .. | .. | .. | .. | .. | 7.5 | 1.9 | 5.7 | 112 |
| Gabon | 773 | 573 | 499 | 696 | 696 | 856 | 96 | 87 | 81 | 88 | 85 | 85 | 11.6 | 11.6 | 17.8 | 87 |
| Gambia | 70 | 40 | 37 | 36 | 25 | 25 | .. | .. | .. | .. | .. | .. | 14.9 | 8.2 | 8.8 | 165 |
| Ghana | 1 220 | 2 897 | 2 527 | 3 222 | 3 293 | 3 226 | 8 | 7 | 0 | 25 | 1 | 9 | 31.8 | 27.9 | 25.1 | 73 |
| Guinea | 382 | 141 | 101 | 956 | 606 | 25 | 126 | 0 | 0 | 1 | 3 | 1 | 48.7 | 23.8 | 0.9 | 139 |
| Guinea-Bissau | 5 | 17 | 33 | 25 | 7 | 15 | -1 | 0 | 6 | 1 | 0 | 0 | 20.4 | 10.3 | 22.7 | 171 |
| Kenya | 96 | 115 | 178 | 335 | 259 | 514 | 44 | 46 | 2 | 9 | 16 | 6 | 4.9 | 3.1 | 5.6 | 98 |
| Lesotho | 194 | 178 | 51 | 53 | 50 | 44 | 0 | 3 | 21 | 22 | 20 | 17 | 7.9 | 6.7 | 6.3 | 173 |
| Liberia | 284 | 218 | 450 | 508 | 985 | 1061 | 382 | 364 | 369 | 372 | 1 354 | 698 | 353.7 | 522.9 | 434.9 | 170 |
| Libya | 3 180 | 3 310 | 1 909 | 0 | 1 425 | 702 | 5 888 | 1 165 | 2 722 | 131 | 2 509 | 180 | .. | 4.5 | 3.1 | ... |
| Madagascar | 1 169 | 1 066 | 808 | 810 | 812 | 838 | 0 | 0 | 0 | 0 | 0 | 0 | 46.5 | 47.3 | 43.3 | 154 |
| Malawi | 195 | 49 | 97 | 129 | 129 | 118 | 19 | -1 | 42 | 50 | 50 | 47 | 32.1 | 38.2 | 51.8 | 135 |

Table 10. **Foreign direct investment, 2008-13 (USD million)** (cont.)

| | FDI inflows | | | | | | FDI outflows | | | | | | FDI inflows/GFCF (%) | | | Inward FDI* potential index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | 2011 |
| Mali | 180 | 748 | 406 | 556 | 398 | 410 | 1 | -1 | 7 | 4 | 16 | 9 | 23.6 | 23.9 | 22.9 | 157 |
| Mauritania | 343 | -3 | 131 | 589 | 1 383 | 1 154 | 4 | 4 | 4 | 4 | 4 | 4 | 51.2 | 131.3 | 101.1 | 147 |
| Mauritius | 383 | 248 | 430 | 433 | 589 | 259 | 52 | 37 | 129 | 158 | 180 | 135 | 16.0 | 22.5 | 9.5 | 110 |
| Morocco | 2 487 | 1 952 | 1 574 | 2 568 | 2 728 | 3 358 | 485 | 470 | 589 | 179 | 406 | 331 | 8.4 | 9.1 | 10.2 | 69 |
| Mozambique | 592 | 893 | 1 018 | 2 663 | 5 629 | 5 935 | 0 | 3 | -1 | 3 | 3 | 0 | 119.2 | 220.1 | 221.1 | 103 |
| Namibia | 720 | 522 | 793 | 816 | 861 | 699 | 5 | -3 | 5 | 5 | -6 | -8 | 30.7 | 31.9 | 26.9 | 125 |
| Niger | 340 | 791 | 940 | 1 066 | 841 | 631 | 24 | 59 | -60 | 9 | 2 | -7 | 43.4 | 36.8 | 25.4 | 155 |
| Nigeria | 8 249 | 8 650 | 6 099 | 8 915 | 7 127 | 5 609 | 1 058 | 1 542 | 923 | 824 | 1 543 | 1 237 | 35.3 | 23.9 | 17.3 | 53 |
| Rwanda | 102 | 119 | 42 | 106 | 160 | 111 | 0 | 0 | 0 | 0 | 0 | 14 | 7.8 | 9.8 | 6.5 | 144 |
| Sao Tome and Principe | 79 | 16 | 51 | 32 | 23 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 47.4 | 35.8 | 40.4 | 163 |
| Senegal | 398 | 320 | 266 | 338 | 276 | 298 | 126 | 77 | 2 | 47 | 56 | 32 | 9.9 | 8.0 | 8.0 | 121 |
| Seychelles | 130 | 171 | 211 | 207 | 166 | 178 | 13 | 5 | 6 | 8 | 9 | 8 | 55.8 | 41.4 | 32.7 | 96 |
| Sierra Leone | 58 | 111 | 238 | 950 | 548 | 579 | 0 | 0 | 0 | 0 | 0 | 0 | 77.8 | 58.6 | 56.0 | 164 |
| Somalia | 87 | 108 | 112 | 102 | 107 | 107 | ... | ... | ... | ... | ... | ... | 47.8 | 41.2 | 41.1 | ... |
| South Africa | 9 209 | 7 502 | 3 636 | 4 243 | 4 559 | 8 188 | -3 134 | 1 151 | -76 | -257 | 2 988 | 5 620 | 5.6 | 6.2 | 12.2 | 34 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Sudan | 2 600 | 2 572 | 2 894 | 2 692 | 2 488 | 3 094 | 98 | 89 | 66 | 84 | 175 | 915 | 19.0 | 21.5 | 19.6 | 111 |
| Swaziland | 106 | 66 | 136 | 93 | 90 | 67 | -8 | 7 | -1 | 9 | -6 | 1 | 24.5 | 24.3 | 19.4 | 166 |
| Tanzania | 1 383 | 953 | 1 813 | 1 229 | 1 800 | 1 872 | 0 | 0 | 0 | 0 | 0 | 0 | 14.1 | 18.5 | 17.2 | 91 |
| Togo | 24 | 49 | 86 | 728 | 94 | 84 | -16 | 37 | 37 | 1 264 | 35 | 37 | 111.1 | 10.4 | 8.4 | 143 |
| Tunisia | 2 759 | 1 688 | 1 513 | 1 148 | 1 603 | 1 096 | 42 | 77 | 74 | 21 | 13 | 22 | 11.5 | 15.4 | 10.0 | 86 |
| Uganda | 729 | 842 | 544 | 894 | 1 205 | 1 146 | 0 | 0 | 4 | -1 | 0 | -1 | 20.1 | 22.6 | 20.3 | 132 |
| Zambia | 939 | 695 | 1 729 | 1 108 | 1 732 | 1 811 | 0 | 270 | 1 095 | -2 | -702 | 181 | 24.6 | 30.3 | 30.4 | 109 |
| Zimbabwe | 52 | 105 | 166 | 387 | 400 | 400 | 8 | 0 | 43 | 14 | 49 | 27 | 18.7 | 25.5 | 19.3 | 114 |
| **AFRICA** | **59 276** | **56 043** | **47 034** | **48 021** | **55 180** | **57 239** | **4 947** | **6 278** | **6 659** | **6 773** | **12 000** | **12 418** | **12.4** | **12.5** | **12.7** | ... |

*Note*: * The Potential Index is based on 16 economic and policy variables. See note on methodology for further details.
*Sources*: UNCTAD, *FDI Online Database* (January 2015) and *World Investment Report 2014*.

Table 11. **Aid flows,* 2008-13 (USD million)**

| | ODA net total, all donors | | | | | | ODA net total, DAC countries | | | | | | ODA net total, multilateral | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Algeria | 325 | 319 | 198 | 190 | 145 | 208 | 245 | 200 | 143 | 118 | 99 | 105 | 102 | 107 | 57 | 72 | 49 | 57 |
| Angola | 369 | 239 | 238 | 194 | 242 | 288 | 219 | 141 | 153 | 120 | 134 | 149 | 151 | 98 | 85 | 74 | 108 | 138 |
| Benin | 641 | 682 | 689 | 690 | 511 | 653 | 305 | 326 | 339 | 441 | 262 | 255 | 332 | 353 | 349 | 249 | 244 | 389 |
| Botswana | 720 | 279 | 156 | 120 | 74 | 108 | 683 | 223 | 106 | 90 | 63 | 91 | 39 | 56 | 51 | 22 | 10 | 17 |
| Burkina Faso | 1 001 | 1 083 | 1 062 | 995 | 1 159 | 1 040 | 475 | 453 | 459 | 464 | 538 | 526 | 519 | 628 | 598 | 529 | 617 | 511 |
| Burundi | 522 | 561 | 630 | 575 | 523 | 546 | 255 | 264 | 283 | 273 | 226 | 239 | 267 | 297 | 347 | 301 | 296 | 307 |
| Cabo Verde | 222 | 196 | 328 | 252 | 246 | 243 | 163 | 162 | 248 | 221 | 218 | 218 | 59 | 34 | 81 | 32 | 27 | 24 |
| Cameroon | 549 | 648 | 541 | 612 | 596 | 737 | 299 | 268 | 267 | 327 | 258 | 362 | 240 | 380 | 274 | 285 | 339 | 373 |
| Central African Republic | 257 | 242 | 261 | 269 | 227 | 189 | 129 | 99 | 113 | 108 | 73 | 100 | 128 | 143 | 148 | 160 | 154 | 88 |
| Chad | 422 | 561 | 486 | 460 | 479 | 399 | 278 | 356 | 285 | 248 | 252 | 164 | 141 | 205 | 202 | 213 | 226 | 235 |
| Comoros | 42 | 50 | 67 | 52 | 69 | 82 | 21 | 28 | 22 | 28 | 32 | 42 | 15 | 21 | 28 | 23 | 25 | 38 |
| Congo | 485 | 283 | 1 312 | 260 | 139 | 150 | 383 | 226 | 1 215 | 175 | 48 | 78 | 102 | 57 | 95 | 84 | 89 | 72 |
| Congo, Dem. Rep. | 1 766 | 2 357 | 3 486 | 5 534 | 2 859 | 2 572 | 986 | 1 100 | 2 389 | 4 249 | 1 667 | 1 179 | 775 | 1 255 | 1 090 | 1 285 | 1 191 | 1 392 |
| Côte d'Ivoire | 626 | 2 402 | 845 | 1436 | 2 636 | 1 262 | 200 | 1 721 | 438 | 722 | 2 102 | 725 | 423 | 678 | 406 | 711 | 525 | 534 |
| Djibouti | 141 | 167 | 132 | 142 | 147 | 153 | 66 | 98 | 99 | 89 | 86 | 82 | 53 | 58 | 25 | 46 | 51 | 63 |
| Egypt | 1 742 | 1 005 | 597 | 414 | 1 807 | 5 506 | 969 | 586 | 371 | 231 | 305 | 305 | 318 | 296 | 148 | 74 | 896 | 35 |
| Equatorial Guinea | 32 | 31 | 85 | 24 | 14 | 6 | 19 | 25 | 79 | 22 | 13 | 7 | 13 | 6 | 6 | 3 | 1 | -1 |
| Eritrea | 143 | 144 | 161 | 130 | 134 | 84 | 53 | 43 | 36 | 33 | 15 | 17 | 84 | 86 | 105 | 92 | 64 | 67 |
| Ethiopia | 3 329 | 3 819 | 3 525 | 3 539 | 3 261 | 3 826 | 1 845 | 1 818 | 1 929 | 1 976 | 1 839 | 1 855 | 1 453 | 1 983 | 1 562 | 1 548 | 1 406 | 1 961 |
| Gabon | 62 | 77 | 104 | 73 | 73 | 91 | 38 | 53 | 84 | 62 | 61 | 75 | 24 | 25 | 20 | 9 | 13 | 15 |
| Gambia | 94 | 127 | 120 | 135 | 139 | 111 | 28 | 22 | 33 | 37 | 31 | 34 | 62 | 105 | 85 | 97 | 107 | 71 |
| Ghana | 1 307 | 1 582 | 1 693 | 1 810 | 1 808 | 1 331 | 726 | 821 | 900 | 908 | 854 | 735 | 575 | 755 | 789 | 902 | 949 | 594 |
| Guinea | 328 | 214 | 218 | 204 | 340 | 500 | 210 | 171 | 92 | 83 | 147 | 269 | 118 | 47 | 128 | 121 | 196 | 209 |
| Guinea-Bissau | 134 | 147 | 125 | 120 | 79 | 104 | 53 | 52 | 54 | 52 | 37 | 42 | 80 | 95 | 71 | 67 | 41 | 60 |
| Kenya | 1 366 | 1 776 | 1 629 | 2 482 | 2 654 | 3 236 | 955 | 1 225 | 1 161 | 1 565 | 1 670 | 1 946 | 408 | 547 | 464 | 912 | 979 | 1 282 |
| Lesotho | 144 | 122 | 256 | 265 | 283 | 320 | 66 | 71 | 94 | 151 | 160 | 186 | 78 | 47 | 159 | 110 | 118 | 127 |
| Liberia | 1 251 | 513 | 1 417 | 765 | 571 | 534 | 845 | 342 | 703 | 523 | 339 | 318 | 405 | 171 | 712 | 242 | 232 | 215 |
| Libya | 74 | 41 | 9 | 642 | 87 | 129 | 52 | 32 | 17 | 465 | 104 | 73 | 20 | 8 | -10 | 59 | -20 | 52 |
| Madagascar | 843 | 444 | 470 | 443 | 379 | 500 | 274 | 242 | 214 | 228 | 188 | 227 | 564 | 201 | 246 | 212 | 189 | 273 |
| Malawi | 924 | 771 | 1 023 | 800 | 1 175 | 1 126 | 437 | 439 | 520 | 450 | 646 | 643 | 482 | 332 | 504 | 350 | 529 | 483 |
| Mali | 964 | 984 | 1 089 | 1 281 | 1 001 | 1 391 | 532 | 575 | 685 | 790 | 740 | 724 | 433 | 408 | 404 | 487 | 261 | 655 |
| Mauritania | 452 | 373 | 374 | 382 | 408 | 291 | 139 | 122 | 106 | 131 | 168 | 133 | 287 | 231 | 250 | 239 | 189 | 150 |
| Mauritius | 110 | 155 | 125 | 185 | 178 | 148 | 16 | 64 | 58 | 114 | 86 | 65 | 95 | 93 | 69 | 73 | 93 | 85 |

## Table 11. Aid flows,* 2008-13 (USD million) (cont.)

| | ODA net total, all donors | | | | | | ODA net total, DAC countries | | | | | | ODA net total, multilateral | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Morocco | 1 451 | 930 | 993 | 1 456 | 1 480 | 1 966 | 614 | 705 | 599 | 870 | 899 | 1 146 | 455 | 323 | 382 | 562 | 594 | 699 |
| Mozambique | 1 996 | 2 012 | 1 952 | 2 085 | 2 097 | 2 314 | 1 345 | 1 289 | 1 359 | 1 712 | 1 489 | 1 644 | 652 | 723 | 590 | 371 | 608 | 655 |
| Namibia | 210 | 326 | 256 | 291 | 265 | 262 | 154 | 249 | 214 | 243 | 201 | 201 | 58 | 78 | 44 | 46 | 65 | 61 |
| Niger | 612 | 469 | 745 | 650 | 902 | 773 | 269 | 255 | 381 | 302 | 426 | 322 | 336 | 212 | 361 | 342 | 472 | 443 |
| Nigeria | 1 290 | 1 657 | 2 062 | 1 769 | 1 916 | 2 529 | 638 | 688 | 850 | 856 | 899 | 1 156 | 651 | 967 | 1 210 | 911 | 1 014 | 1 371 |
| Rwanda | 934 | 934 | 1 032 | 1 264 | 879 | 1 081 | 452 | 520 | 548 | 591 | 425 | 566 | 480 | 411 | 482 | 664 | 453 | 513 |
| Sao Tome and Principe | 47 | 31 | 49 | 72 | 49 | 52 | 26 | 20 | 33 | 38 | 28 | 22 | 21 | 11 | 16 | 34 | 20 | 29 |
| Senegal | 1 069 | 1 016 | 928 | 1 060 | 1 080 | 983 | 555 | 515 | 534 | 595 | 712 | 637 | 472 | 497 | 379 | 456 | 370 | 336 |
| Seychelles | 13 | 23 | 56 | 22 | 35 | 25 | 5 | 12 | 29 | 7 | 6 | 7 | 7 | 11 | 10 | 10 | 18 | 11 |
| Sierra Leone | 378 | 448 | 467 | 425 | 443 | 444 | 175 | 196 | 200 | 176 | 191 | 209 | 204 | 252 | 266 | 245 | 249 | 231 |
| Somalia | 766 | 662 | 498 | 1 096 | 999 | 992 | 566 | 500 | 309 | 755 | 668 | 655 | 185 | 152 | 181 | 230 | 237 | 210 |
| South Africa | 1 125 | 1 075 | 1 031 | 1 403 | 1 067 | 1 293 | 882 | 862 | 822 | 1 034 | 684 | 1 018 | 242 | 211 | 207 | 368 | 382 | 273 |
| South Sudan | .. | .. | .. | 1 088 | 1 578 | 1 447 | .. | .. | .. | 1 042 | 1 431 | 1 184 | .. | .. | .. | 46 | 147 | 261 |
| Sudan | 2 566 | 2 351 | 2 076 | 1 124 | 983 | 1 163 | 1 823 | 1 912 | 1 539 | 673 | 471 | 741 | 603 | 379 | 487 | 402 | 416 | 383 |
| Swaziland | 70 | 56 | 91 | 125 | 88 | 116 | 18 | 19 | 31 | 67 | 55 | 46 | 53 | 38 | 60 | 54 | 30 | 69 |
| Tanzania | 2 331 | 2 933 | 2 958 | 2 446 | 2 832 | 3 430 | 1 373 | 1 409 | 1 656 | 1 668 | 1 772 | 1 952 | 960 | 1 526 | 1 298 | 770 | 1 044 | 1 467 |
| Togo | 330 | 499 | 404 | 543 | 241 | 221 | 176 | 362 | 253 | 328 | 115 | 84 | 153 | 136 | 151 | 214 | 123 | 131 |
| Tunisia | 375 | 503 | 550 | 921 | 1017 | 714 | 251 | 350 | 355 | 491 | 376 | 205 | 133 | 159 | 192 | 413 | 574 | 465 |
| Uganda | 1 641 | 1 785 | 1 723 | 1578 | 1655 | 1 693 | 1 009 | 1 017 | 1 036 | 995 | 936 | 957 | 631 | 768 | 686 | 581 | 718 | 733 |
| Zambia | 1116 | 1 267 | 914 | 1035 | 958 | 1 142 | 705 | 702 | 594 | 702 | 654 | 729 | 412 | 564 | 321 | 327 | 304 | 381 |
| Zimbabwe | 612 | 736 | 732 | 716 | 1001 | 811 | 533 | 621 | 525 | 540 | 673 | 529 | 80 | 115 | 209 | 176 | 328 | 282 |
| Africa unspecified | 4313 | 5 195 | 4 335 | 5 025 | 5 183 | 4 476 | 3 317 | 3 052 | 3 157 | 3 460 | 3 754 | 3 384 | 971 | 2 083 | 1 148 | 1 467 | 1 364 | 1 018 |
| **AFRICA** | **44 633** | **47 300** | **47 302** | **51 669** | **51 189** | **55 793** | **26 849** | **27 621** | **28 718** | **32 637** | **30 325** | **29 363** | **16 603** | **19 421** | **18 230** | **18 376** | **19 721** | **20 595** |

*Note*: ODA : official development assistance. DAC : Development Assistance Committee of OECD.
* Net disbursements.
*Sources*: OECD Development Assistance Committee 2015.

## Table 12. External debt indicators

| | Debt outstanding, at year end | | | | Total debt outstanding (as % of GDP) | | | | Debt service (as % of exports of goods and services) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total (million USD) | Of which: Multilateral (as % of total) | Bilateral | Private | | | | | | | | |
| | 2013 | 2013 | | | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
| Algeria | 3 258 | 0.1 | 41.1 | 58.8 | 1.6 | 1.2 | 1.0 | 0.8 | 2.7 | 2.6 | 2.2 | 2.8 |
| Angola | 26 036 | 2.2 | 35.7 | 62.1 | 21.1 | 22.9 | 23.7 | 29.1 | 8.3 | 9.7 | 13.8 | 12.2 |
| Benin | 1 365 | 53.4 | 46.6 | 0.0 | 16.2 | 15.9 | 15.4 | 17.5 | 6.1 | 6.2 | 6.8 | 6.8 |
| Botswana | 3 223 | 54.3 | 0.0 | 45.7 | 22.6 | 21.9 | 20.7 | 17.4 | 6.7 | 7.3 | 5.5 | 5.3 |
| Burkina Faso | 2 886 | 75.7 | 24.3 | 0.0 | 22.5 | 23.4 | 25.1 | 22.6 | 3.0 | 3.6 | 4.0 | 4.1 |
| Burundi | 511 | 50.8 | 49.2 | 0.0 | 20.5 | 19.1 | 16.9 | 15.7 | 12.4 | 15.3 | 12.9 | 15.1 |
| Cabo Verde | 1 686 | 50.5 | 21.9 | 27.6 | 91.8 | 92.5 | 91.2 | 106.0 | 8.8 | 9.0 | 9.7 | 9.7 |
| Cameroon | 2 703 | 30.7 | 69.2 | 0.1 | 9.3 | 10.3 | 11.2 | 17.8 | 2.9 | 2.8 | 4.0 | 4.0 |
| Central African Republic | 548 | 7.7 | 92.3 | 0.0 | 34.7 | 32.3 | 31.1 | 27.0 | 11.8 | 13.6 | 11.6 | 12.6 |
| Chad | 2 765 | 80.7 | 19.3 | 0.0 | 20.6 | 18.8 | 17.9 | 19.5 | 5.2 | 4.3 | 10.5 | 7.3 |
| Comoros | 103 | 68.6 | 30.6 | 0.8 | 17.5 | 15.2 | 13.4 | 15.8 | 0.6 | 2.6 | 2.2 | 3.5 |
| Congo | 3 042 | 5.8 | 67.4 | 26.8 | 21.4 | 20.7 | 19.9 | 32.7 | 3.0 | 2.9 | 3.5 | 3.5 |
| Congo, Dem. Rep. | 7 519 | 41.6 | 14.0 | 44.4 | 20.3 | 22.4 | 23.3 | 29.3 | 2.4 | 2.2 | 2.3 | 2.3 |
| Côte d'Ivoire | 12 721 | 5.2 | 38.0 | 56.8 | 45.6 | 41.1 | 38.1 | 37.1 | 10.4 | 10.7 | 9.9 | 10.8 |
| Djibouti | 693 | 52.0 | 48.0 | 0.0 | 48.4 | 48.4 | 48.9 | 70.9 | 9.5 | 9.3 | 9.3 | 9.4 |
| Egypt* | 42 554 | 26.1 | 64.3 | 9.5 | 17.3 | 19.1 | 19.9 | 19.2 | 12.7 | 29.0 | 55.4 | 54.9 |
| Equatorial Guinea | 990 | ... | 99.0 | 1.0 | 5.5 | 2.9 | 0.7 | 5.2 | 3.5 | 3.7 | 2.5 | 2.0 |
| Eritrea | 883 | 65.8 | 34.2 | 0.0 | 25.7 | 23.2 | 23.1 | 21.0 | 8.4 | 6.8 | 6.7 | 4.5 |
| Ethiopia | 8 942 | 39.3 | 60.7 | 0.0 | 18.3 | 18.9 | 20.9 | 28.6 | 8.1 | 8.6 | 12.9 | 12.7 |
| Gabon | 3 955 | 16.6 | 32.6 | 50.8 | 20.7 | 22.3 | 23.2 | 23.9 | 6.3 | 7.4 | 5.7 | 7.1 |
| Gambia | 422 | 54.2 | 45.8 | 0.0 | 42.2 | 37.0 | 34.2 | 43.9 | 32.8 | 30.6 | 26.5 | 25.2 |
| Ghana | 12 111 | 29.7 | 53.5 | 16.7 | 29.3 | 33.0 | 33.6 | 40.8 | 7.9 | 4.1 | 8.3 | 8.2 |
| Guinea | 1 568 | 55.7 | 44.3 | 0.0 | 23.7 | 23.2 | 21.1 | 20.7 | 2.8 | 3.0 | 3.3 | 4.3 |
| Guinea-Bissau | 238 | 39.6 | 60.4 | 0.0 | 22.7 | 22.1 | 22.0 | 38.1 | 2.9 | 6.3 | 6.2 | 6.0 |
| Kenya | 13 672 | 42.6 | 45.5 | 11.9 | 30.5 | 29.8 | 28.5 | 20.5 | 5.5 | 11.2 | 5.4 | 5.8 |
| Lesotho | 841 | 75.8 | 24.2 | 0.0 | 49.1 | 56.0 | 52.1 | 414.2 | 4.3 | 3.3 | 4.2 | 4.2 |
| Liberia | 242 | 16.6 | 83.4 | 0.0 | 10.8 | 14.6 | 17.9 | 29.5 | 0.9 | 1.2 | 7.1 | 5.5 |
| Libya | 5 574 | ... | 57.4 | 42.6 | 6.8 | 6.1 | 4.8 | 7.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Madagascar | 4 818 | 52.8 | 0.0 | 47.2 | 46.2 | 41.6 | 37.1 | 40.6 | 7.7 | 7.6 | 18.8 | 16.9 |
| Malawi | 998 | 53.7 | 46.3 | 0.0 | 25.5 | 18.0 | 15.9 | 21.2 | 2.8 | 4.2 | 3.2 | 2.9 |

Table 12. **External debt indicators** (cont.)

| | Debt outstanding, at year end | | | | Total debt outstanding (as % of GDP) | | | | Debt service (as % of exports of goods and services) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total (million USD) | Of which: Multilateral (as % of total) | Bilateral (as % of total) | Private (as % of total) | | | | | | | | |
| | 2013 | 2013 | 2013 | 2013 | 2013 | 2014 (e) | 2015 (p) | 2016 (p) | 2013 | 2014 (e) | 2015 (p) | 2016 (p) |
| Mali | 2 956 | 70.0 | 30.0 | 0.0 | 26.8 | 28.1 | 29.7 | 31.9 | 5.6 | 4.5 | 7.1 | 7.1 |
| Mauritania | 4 619 | 48.0 | 50.4 | 1.6 | 101.9 | 78.1 | 74.4 | 83.3 | 7.5 | 12.1 | 11.6 | 12.2 |
| Mauritius | 2 958 | 14.1 | 24.2 | 61.7 | 22.5 | 23.3 | 24.8 | 104.7 | 3.4 | 4.1 | 4.9 | 4.4 |
| Morocco | 32 777 | 35.6 | 43.3 | 21.1 | 30.4 | 30.2 | 30.4 | 33.0 | 7.8 | 8.0 | 7.4 | 7.2 |
| Mozambique | 8 698 | 54.4 | 5.8 | 39.7 | 53.4 | 58.4 | 66.8 | 102.0 | 1.3 | 1.3 | 1.5 | 1.2 |
| Namibia | 4 958 | ... | 20.0 | 80.0 | 41.9 | 40.3 | 38.6 | 36.7 | 19.4 | 19.6 | 20.9 | 20.4 |
| Niger | 3 981 | 33.4 | 0.0 | 66.6 | 55.3 | 56.8 | 61.7 | 63.3 | 51.9 | 3.8 | 5.7 | 9.8 |
| Nigeria | 9 358 | 53.1 | 46.9 | 0.0 | 3.2 | 3.3 | 3.4 | 1.8 | 0.7 | 0.7 | 0.6 | 0.7 |
| Rwanda | 1 229 | 69.1 | 30.9 | 0.0 | 17.6 | 20.1 | 24.7 | 25.8 | 23.0 | 6.8 | 7.5 | 7.3 |
| Sao Tome and Principe | 211 | 18.7 | 81.3 | 0.0 | 65.0 | 59.5 | 60.5 | 71.8 | 18.6 | 19.7 | 17.2 | 15.2 |
| Senegal | 9 337 | 47.6 | 0.0 | 52.4 | 68.5 | 67.2 | 65.8 | 79.9 | 8.2 | 7.6 | 6.9 | 8.0 |
| Seychelles | 557 | 4.4 | 49.1 | 46.5 | 38.7 | 39.3 | 38.3 | 35.1 | 3.1 | 2.7 | 3.9 | 4.4 |
| Sierra Leone | 1 092 | 42.9 | 57.1 | 0.0 | 21.3 | 19.9 | 21.5 | 22.8 | 2.6 | 2.1 | 1.9 | 1.8 |
| Somalia | | ... | ... | ... | | | | | | | | |
| South Africa | 123 802 | 2.0 | 3.9 | 94.1 | 36.9 | 41.2 | 37.4 | 46.7 | 8.3 | 9.2 | 8.5 | 8.2 |
| South Sudan | | ... | ... | ... | | | | | | | | |
| Sudan | 45 041 | 15.9 | 67.4 | 16.7 | 63.9 | 62.8 | 58.0 | 75.4 | 8.8 | 8.0 | 2.9 | 2.6 |
| Swaziland | 446 | 46.4 | 32.5 | 21.1 | 13.5 | 13.7 | 12.8 | 16.1 | 3.7 | 3.7 | 9.7 | 9.6 |
| Tanzania | 11 451 | 47.0 | 24.7 | 28.3 | 36.4 | 36.6 | 35.7 | 38.3 | 5.2 | 6.1 | 5.5 | 5.9 |
| Togo | 675 | 27.2 | 72.8 | 0.0 | 17.4 | 19.4 | 20.2 | 21.6 | 3.6 | 3.3 | 3.4 | 3.5 |
| Tunisia | 25 200 | 34.4 | 22.5 | 43.1 | 55.9 | 59.4 | 59.1 | 61.8 | 9.5 | 11.7 | 9.9 | 9.7 |
| Uganda | 6 268 | 66.1 | 0.0 | 33.9 | 26.7 | 29.3 | 30.5 | 36.1 | 12.3 | 12.8 | 16.0 | 16.9 |
| Zambia | 8 816 | 20.0 | 13.7 | 66.3 | 34.4 | 34.7 | 34.5 | 21.6 | 3.7 | 3.7 | 4.3 | 4.0 |
| Zimbabwe | 9 063 | 21.1 | 57.4 | 21.5 | 87.5 | 80.6 | 73.6 | 113.2 | 17.3 | 21.7 | 26.0 | 27.0 |
| **AFRICA** | **480 363** | **21.2** | **30.0** | **48.8** | **23.2** | **23.7** | **23.2** | **23.5** | **10.7** | **12.1** | **11.8** | **12.2** |

*Note:* * For Egypt, fiscal year July (n-1)/June (n).
*Sources:* AfDB Statistics Department; IMF, *World Economic Outlook Database*, October 2014; World Bank, *GDF Online Database*.
Estimates (e) and projections (p) based on authors' calculations.

## Table 13. Demographic indicators

| | Total population (thousands) 2014 | Urban population (% of total) 2014 | Sex ratio (males per 100 females) 2014 | Population growth rate (%) | | Infant mortality rate (per 1 000) 2014 | Total fertility rate (per woman) 2014 | Mortality under age 5 (per 1 000) 2014 | Distribution by age (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 0-14 | 15-64 | 65+ |
| | | | | 2007 | 2014 | | | | 2014 | | |
| Algeria | 39 929 | 75.5 | 102.2 | 1.7 | 1.8 | 25.5 | 2.8 | 30.7 | 28.0 | 67.4 | 4.6 |
| Angola | 22 137 | 61.5 | 98.4 | 3.4 | 3.1 | 93.6 | 5.8 | 150.9 | 47.3 | 50.3 | 2.4 |
| Benin | 10 600 | 46.9 | 99.4 | 3.1 | 2.6 | 67.3 | 4.8 | 106.0 | 42.5 | 54.6 | 2.9 |
| Botswana | 2 039 | 63.6 | 101.5 | 1.0 | 0.9 | 30.0 | 2.6 | 38.2 | 33.3 | 63.0 | 3.7 |
| Burkina Faso | 17 420 | 29.0 | 99.0 | 2.9 | 2.8 | 67.0 | 5.5 | 131.5 | 45.3 | 52.3 | 2.4 |
| Burundi | 10 483 | 11.8 | 97.6 | 3.5 | 3.1 | 84.9 | 5.9 | 135.8 | 44.8 | 52.9 | 2.4 |
| Cabo Verde | 504 | 64.9 | 99.5 | 0.4 | 0.9 | 16.0 | 2.3 | 18.7 | 28.8 | 65.9 | 5.2 |
| Cameroon | 22 819 | 53.8 | 100.0 | 2.6 | 2.5 | 71.0 | 4.7 | 111.1 | 42.8 | 54.0 | 3.2 |
| Central African Rep. | 4 709 | 39.8 | 96.9 | 1.8 | 2.0 | 90.2 | 4.3 | 145.0 | 39.5 | 56.7 | 3.8 |
| Chad | 13 211 | 22.1 | 100.4 | 3.2 | 3.0 | 93.1 | 6.2 | 150.0 | 48.2 | 49.4 | 2.4 |
| Comoros | 752 | 28.3 | 101.6 | 2.6 | 2.4 | 65.7 | 4.6 | 89.9 | 41.9 | 55.3 | 2.8 |
| Congo | 4 559 | 64.9 | 100.0 | 3.0 | 2.5 | 61.3 | 4.9 | 93.5 | 42.5 | 54.1 | 3.4 |
| Congo, Dem. Rep. | 69 360 | 35.9 | 98.7 | 2.8 | 2.7 | 106.6 | 5.8 | 176.3 | 44.8 | 52.3 | 2.9 |
| Côte d'Ivoire | 20 805 | 53.5 | 103.8 | 1.6 | 2.4 | 72.2 | 4.8 | 103.3 | 41.2 | 55.7 | 3.2 |
| Djibouti | 886 | 77.3 | 100.9 | 1.4 | 1.5 | 53.3 | 3.3 | 79.9 | 33.6 | 62.3 | 4.1 |
| Egypt | 83 387 | 44.0 | 100.9 | 1.7 | 1.6 | 17.8 | 2.7 | 22.7 | 31.0 | 63.2 | 5.9 |
| Equatorial Guinea | 778 | 40.0 | 104.9 | 2.9 | 2.7 | 85.2 | 4.7 | 136.3 | 38.7 | 58.5 | 2.8 |
| Eritrea | 6 536 | 22.7 | 99.7 | 3.4 | 3.2 | 38.7 | 4.6 | 51.4 | 43.1 | 54.6 | 2.3 |
| Ethiopia | 96 506 | 17.8 | 100.1 | 2.7 | 2.5 | 47.2 | 4.4 | 69.1 | 42.1 | 54.5 | 3.5 |
| Gabon | 1 711 | 87.1 | 101.1 | 2.4 | 2.3 | 41.6 | 4.0 | 62.4 | 38.4 | 56.5 | 5.1 |
| Gambia | 1 909 | 58.9 | 97.9 | 3.1 | 3.2 | 54.1 | 5.7 | 98.0 | 45.8 | 51.8 | 2.4 |
| Ghana | 26 442 | 53.9 | 98.6 | 2.6 | 2.1 | 49.9 | 3.8 | 75.8 | 38.3 | 58.3 | 3.5 |
| Guinea | 12 044 | 36.9 | 100.4 | 2.5 | 2.5 | 71.4 | 4.8 | 123.5 | 42.1 | 54.8 | 3.1 |
| Guinea-Bissau | 1 746 | 46.0 | 98.9 | 2.2 | 2.4 | 91.5 | 4.9 | 152.1 | 41.3 | 55.8 | 2.9 |
| Kenya | 45 546 | 25.2 | 99.5 | 2.7 | 2.7 | 49.8 | 4.3 | 73.8 | 42.0 | 55.2 | 2.7 |
| Lesotho | 2 098 | 29.8 | 97.7 | 0.8 | 1.1 | 56.8 | 3.0 | 76.9 | 36.0 | 59.8 | 4.2 |
| Liberia | 4 397 | 49.3 | 101.5 | 4.0 | 2.4 | 58.1 | 4.7 | 81.0 | 42.6 | 54.4 | 3.0 |
| Libya | 6 253 | 78.2 | 98.9 | 1.7 | 0.8 | 13.0 | 2.3 | 15.3 | 29.4 | 65.7 | 4.9 |
| Madagascar | 23 572 | 34.5 | 99.4 | 2.9 | 2.8 | 34.3 | 4.4 | 50.7 | 42.0 | 55.1 | 2.8 |
| Malawi | 16 829 | 16.1 | 100.6 | 3.0 | 2.8 | 83.5 | 5.3 | 113.9 | 45.0 | 51.7 | 3.2 |
| Mali | 15 768 | 36.9 | 101.6 | 3.2 | 3.0 | 83.4 | 6.8 | 158.5 | 47.5 | 49.8 | 2.7 |

Table 13. **Demographic indicators** (cont.)

| | Total population (thousands) 2014 | Urban population (% of total) 2014 | Sex ratio (males per 100 females) 2014 | Population growth rate (%) | | Infant mortality rate (per 1 000) 2014 | Total fertility rate (per woman) 2014 | Mortality under age 5 (per 1 000) 2014 | Distribution by age (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2007 | 2014 | | | | 0-14 | 15-64 | 65+ |
| | | | | | | | | | 2014 | | |
| Mauritania | 3 984 | 42.3 | 101.5 | 2.8 | 2.4 | 70.4 | 4.6 | 105.2 | 39.9 | 56.9 | 3.2 |
| Mauritius* | 1 249 | 41.8 | 97.3 | 0.3 | 0.4 | 11.0 | 1.5 | 12.5 | 19.4 | 71.5 | 9.1 |
| Morocco | 33 493 | 58.1 | 97.8 | 0.9 | 1.5 | 24.8 | 2.7 | 30.2 | 27.9 | 67.1 | 5.0 |
| Mozambique | 26 473 | 32.0 | 95.9 | 2.7 | 2.4 | 71.1 | 5.1 | 110.2 | 45.3 | 51.4 | 3.3 |
| Namibia | 2 348 | 40.1 | 94.5 | 1.3 | 1.9 | 31.8 | 3.0 | 39.5 | 35.5 | 60.9 | 3.6 |
| Niger | 18 535 | 18.6 | 101.7 | 3.7 | 3.9 | 50.8 | 7.5 | 119.9 | 50.1 | 47.3 | 2.6 |
| Nigeria | 178 517 | 51.5 | 103.7 | 2.7 | 2.8 | 72.7 | 5.9 | 116.7 | 44.4 | 52.9 | 2.7 |
| Rwanda | 12 100 | 20.0 | 95.5 | 2.7 | 2.7 | 47.1 | 4.4 | 69.0 | 42.1 | 55.5 | 2.4 |
| Sao Tome and Principe | 198 | 64.7 | 97.6 | 2.8 | 2.5 | 42.8 | 4.0 | 61.3 | 41.5 | 55.2 | 3.3 |
| Senegal | 14 548 | 43.4 | 96.4 | 2.7 | 2.9 | 48.0 | 4.9 | 72.6 | 43.4 | 53.6 | 2.9 |
| Seychelles | 93 | 54.8 | 103.2 | 1.0 | 0.5 | 7.6 | 2.2 | 9.6 | 22.2 | 70.0 | 7.8 |
| Sierra Leone | 6 205 | 40.4 | 98.7 | 2.5 | 1.8 | 113.7 | 4.6 | 182.1 | 41.2 | 56.1 | 2.7 |
| Somalia | 10 806 | 39.2 | 99.0 | 2.5 | 2.9 | 76.7 | 6.5 | 126.7 | 46.9 | 50.2 | 2.8 |
| South Africa | 53 140 | 63.3 | 94.4 | 1.4 | 0.7 | 36.4 | 2.4 | 47.7 | 29.4 | 65.0 | 5.6 |
| South Sudan | 11 739 | 18.6 | 100.2 | 4.2 | 3.8 | 74.6 | 4.8 | 116.9 | 41.8 | 54.7 | 3.5 |
| Sudan | 38 764 | 33.6 | 100.7 | 2.5 | 2.1 | 53.8 | 4.4 | 84.0 | 40.9 | 55.9 | 3.3 |
| Swaziland | 1 268 | 21.1 | 97.6 | 1.5 | 1.4 | 62.4 | 3.3 | 88.0 | 37.5 | 58.9 | 3.5 |
| Tanzania | 50 757 | 28.1 | 100.1 | 2.9 | 3.0 | 46.5 | 5.1 | 68.1 | 44.8 | 52.0 | 3.2 |
| Togo | 6 993 | 39.5 | 97.4 | 2.6 | 2.6 | 64.3 | 4.6 | 99.9 | 41.7 | 55.5 | 2.8 |
| Tunisia | 11 117 | 67.0 | 98.2 | 1.1 | 1.1 | 14.5 | 2.0 | 15.9 | 23.2 | 69.5 | 7.3 |
| Uganda | 38 845 | 16.8 | 100.5 | 3.4 | 3.3 | 54.7 | 5.8 | 82.0 | 48.2 | 49.4 | 2.4 |
| Zambia | 15 021 | 40.5 | 99.5 | 2.7 | 3.3 | 62.4 | 5.6 | 96.2 | 46.5 | 50.9 | 2.6 |
| Zimbabwe | 14 599 | 40.1 | 97.7 | 0.1 | 3.1 | 35.4 | 3.4 | 49.6 | 39.0 | 57.2 | 3.8 |
| **AFRICA** | **1 136 526** | **40.6** | **100.0** | **2.5** | **2.5** | **60.4** | **4.6** | **95.0** | **40.8** | **55.7** | **3.5** |

*Note*: *Including Agalega, Rodrigues and Saint Brandon.
*Sources*: AfDB Statistics Department; United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects, The 2012 Revision*.
AfDB Statistics Department, various domestic authorities and AfDB estimates.

## Table 14. **Poverty and income distribution indicators**

| | National poverty line* Population below the poverty line (%) | | | | International poverty line Population below the poverty line (%) | | | Gini coefficient** | | Share of consumption (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Survey year | Rural | Urban | National | Survey year | Below USD 1.25 | Below USD 2 | Survey year | Index | Lowest 10% | Highest 10% |
| Algeria | ... | ... | ... | ... | 1995 | 6.4 | 22.8 | 1995 | 35.3 | 2.9 | 26.9 |
| Angola | 2008 | 58.3 | 18.7 | 36.6 | 2009 | 43.4 | 67.4 | 2009 | 42.7 | 2.2 | 32.4 |
| Benin | 2011 | 39.7 | 31.4 | 36.2 | 2012 | 51.6 | 74.3 | 2012 | 43.5 | 2.7 | 34.9 |
| Botswana | 2009 | 24.3 | 11.0 | 19.3 | 2009 | 13.4 | 27.8 | 2009 | 60.5 | 1.1 | 49.6 |
| Burkina Faso | 2009 | 52.8 | 25.2 | 46.7 | 2009 | 44.5 | 72.4 | 2009 | 39.8 | 2.9 | 32.2 |
| Burundi | 2006 | 68.9 | 34.0 | 66.9 | 2006 | 81.3 | 93.5 | 2006 | 33.3 | 4.1 | 28.0 |
| Cabo Verde | 2007 | 44.3 | 13.2 | 26.6 | 2008 | 13.7 | 34.7 | 2008 | 43.8 | 2.5 | 34.9 |
| Cameroon | 2007 | 55.0 | 12.2 | 39.9 | 2007 | 27.6 | 53.2 | 2007 | 40.7 | 2.7 | 31.8 |
| Central African Republic | 2008 | 69.4 | 49.6 | 62.0 | 2008 | 62.8 | 80.1 | 2008 | 56.3 | 1.2 | 46.1 |
| Chad | 2011 | 52.5 | 20.9 | 46.7 | 2011 | 36.5 | 60.5 | 2011 | 43.3 | 1.8 | 32.6 |
| Comoros | 2004 | 48.7 | 34.5 | 44.8 | 2004 | 46.1 | 65.0 | 2004 | 64.3 | 0.9 | 55.2 |
| Congo | 2011 | 74.8 | ... | 46.5 | 2011 | 32.8 | 57.3 | 2011 | 40.2 | 2.2 | 29.9 |
| Congo, Dem. Rep. | 2005 | 75.7 | 61.5 | 71.3 | 2006 | 87.7 | 95.2 | 2006 | 44.4 | 2.3 | 34.7 |
| Côte d'Ivoire | 2008 | 54.2 | 29.4 | 42.7 | 2008 | 35.0 | 59.1 | 2008 | 43.2 | 2.0 | 32.9 |
| Djibouti | ... | ... | ... | ... | 2002 | 18.8 | 41.2 | 2002 | 40.0 | 2.4 | 30.9 |
| Egypt | 2011 | 32.3 | 15.3 | 25.2 | 2008 | 1.7 | 15.4 | 2008 | 30.8 | 4.0 | 26.6 |
| Equatorial Guinea | 2006 | 79.9 | 31.5 | 76.8 | ... | ... | ... | ... | ... | ... | ... |
| Eritrea | 1993 | ... | 62.0 | 69.0 | ... | ... | ... | ... | ... | ... | ... |
| Ethiopia | 2011 | 30.4 | 25.7 | 29.6 | 2011 | 36.8 | 72.2 | 2011 | 33.6 | 3.2 | 27.5 |
| Gabon | 2005 | 44.6 | 29.8 | 32.7 | 2005 | 6.1 | 20.9 | 2005 | 42.2 | 2.4 | 33.2 |
| Gambia | 2010 | 73.9 | 32.7 | 48.4 | 2003 | 33.6 | 55.9 | 2003 | 47.3 | 2.0 | 36.9 |
| Ghana | 2012 | 37.9 | 10.6 | 24.2 | 2006 | 28.6 | 51.8 | 2006 | 42.8 | 2.0 | 32.8 |
| Guinea | 2012 | 64.7 | 35.4 | 55.2 | 2012 | 40.9 | 72.7 | 2012 | 33.7 | 3.1 | 26.5 |
| Guinea-Bissau | 2010 | 75.6 | 51.0 | 69.3 | 2002 | 48.9 | 78.0 | 2002 | 35.5 | 3.1 | 28.1 |
| Kenya | 2005 | 49.1 | 33.7 | 45.9 | 2005 | 43.4 | 67.2 | 2005 | 47.7 | 2.0 | 38.0 |
| Lesotho | 2010 | 61.2 | 39.6 | 57.1 | 2010 | 56.2 | 73.4 | 2010 | 54.2 | 1.0 | 41.0 |
| Liberia | 2007 | 67.7 | 55.1 | 63.8 | 2007 | 83.8 | 94.9 | 2007 | 38.2 | 2.4 | 30.1 |
| Libya | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Madagascar | 2010 | 81.5 | 51.1 | 75.3 | 2010 | 87.7 | 95.1 | 2010 | 40.6 | 2.6 | 33.2 |
| Malawi | 2010 | 56.6 | 17.3 | 50.7 | 2010 | 72.2 | 88.1 | 2010 | 46.2 | 2.2 | 37.5 |
| Mali | 2010 | 50.6 | 18.9 | 43.6 | 2010 | 50.6 | 78.8 | 2010 | 33.0 | 3.5 | 25.8 |
| Mauritania | 2008 | 59.4 | 20.8 | 42.0 | 2008 | 23.4 | 47.7 | 2008 | 40.5 | 2.4 | 31.6 |

## Table 14. **Poverty and income distribution indicators** (cont.)

| | National poverty line* Population below the poverty line (%) | | | | International poverty line Population below the poverty line (%) | | | Gini coefficient** | | Share of consumption (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Survey year | Rural | Urban | National | Survey year | Below USD 1.25 | Below USD 2 | Survey year | Index | Lowest 10% | Highest 10% |
| Mauritius | ... | ... | ... | ... | 2012 | 0.4 | 1.9 | 2012 | 35.9 | 3.0 | 28.9 |
| Morocco | 2007 | 14.4 | 4.8 | 8.9 | 2007 | 2.6 | 14.2 | 2007 | 40.9 | 2.7 | 33.2 |
| Mozambique | 2009 | 56.9 | 49.6 | 54.7 | 2009 | 60.7 | 82.5 | 2009 | 45.7 | 1.9 | 36.7 |
| Namibia | 2009 | 37.4 | 14.6 | 28.7 | 2010 | 23.5 | 43.2 | 2010 | 61.3 | 1.5 | 51.8 |
| Niger | 2007 | 63.9 | 36.7 | 59.5 | 2011 | 40.8 | 76.1 | 2011 | 31.2 | 4.0 | 26.3 |
| Nigeria | 2010 | 52.8 | 34.1 | 46.0 | 2010 | 62.0 | 82.2 | 2010 | 43.0 | 2.2 | 32.9 |
| Rwanda | 2011 | 48.7 | 22.1 | 44.9 | 2011 | 63.0 | 82.3 | 2011 | 50.8 | 2.1 | 43.2 |
| Sao Tome and Principe | 2009 | 59.4 | 63.8 | 61.7 | 2010 | 43.5 | 73.1 | 2010 | 33.9 | 3.2 | 26.0 |
| Senegal | 2011 | 57.1 | 33.1 | 46.7 | 2011 | 34.1 | 60.3 | 2011 | 40.3 | 2.5 | 31.1 |
| Seychelles | 2006 | 37.2 | 39.0 | 37.8 | 2007 | 0.3 | 1.8 | 2007 | 65.8 | 1.6 | 60.2 |
| Sierra Leone | 2011 | 66.1 | 31.2 | 52.9 | 2011 | 56.6 | 82.5 | 2011 | 35.4 | 3.4 | 28.7 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| South Africa | 2011 | 68.8 | 30.9 | 45.5 | 2011 | 9.4 | 26.2 | 2011 | 65.0 | 1.1 | 53.8 |
| South Sudan | 2009 | 55.4 | 24.4 | 50.6 | ... | ... | ... | ... | ... | ... | ... |
| Sudan | 2009 | 57.6 | 26.5 | 46.5 | 2009 | 19.8 | 44.1 | 2009 | 35.3 | 2.7 | 26.7 |
| Swaziland | 2009 | 73.1 | 31.1 | 63.0 | 2010 | 39.3 | 59.1 | 2010 | 51.5 | 1.7 | 40.1 |
| Tanzania | 2012 | 33.3 | 15.5 | 28.2 | 2012 | 43.5 | 73.0 | 2012 | 37.8 | 3.2 | 31.1 |
| Togo | 2011 | 73.4 | 34.6 | 58.7 | 2011 | 52.5 | 72.8 | 2011 | 46.0 | 2.0 | 34.7 |
| Tunisia | 2010 | ... | ... | 15.5 | 2010 | 0.7 | 4.5 | 2010 | 35.8 | 2.7 | 27.2 |
| Uganda | 2009 | 27.2 | 9.1 | 24.5 | 2013 | 37.8 | 62.9 | 2013 | 44.6 | 2.5 | 35.8 |
| Zambia | 2010 | 77.9 | 27.5 | 60.5 | 2010 | 74.3 | 86.6 | 2010 | 57.5 | 1.5 | 47.4 |
| Zimbabwe | 2011 | 84.3 | 46.5 | 72.3 | ... | ... | ... | 1995 | 50.1 | 1.8 | 40.3 |

*Notes*: * The national poverty line is defined as two-thirds of the average consumption.
** The Gini coefficient is defined on income distribution.
*Sources*: Domestic authorities and World Bank, *Online Database, Country DHS*.

# Table 15. Access to services

| | Telecommunications | | | | | | Access to electricity | | Water supply coverage | | | Sanitation coverage | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Main telephone line per 100 inhabitants | | Mobile line per 100 inhabitants | | Internet users per 100 inhabitants | | Electricity consumption (KWh - millions) | | (%) Total | Urban | Rural | (%) Total | Urban | Rural |
| | 2006 | 2013 | 2006 | 2013 | 2006 | 2013 | 2006 | 2011 | 2012 | | | 2012 | | |
| Algeria | 8.23 | 7.98 | 60.85 | 100.79 | 7.38 | 16.50 | 32 766 | 46 540 | 84 | 85 | 79 | 95 | 98 | 88 |
| Angola | 0.57 | 1.00 | 17.84 | 61.87 | 1.91 | 19.10 | 3 141 | 5 512 | 54 | 68 | 34 | 60 | 87 | 20 |
| Benin | 0.92 | 1.54 | 12.50 | 93.26 | 1.54 | 4.90 | 743 | 1 079 | 76 | 85 | 69 | 14 | 25 | 5 |
| Botswana | 6.96 | 8.62 | 43.41 | 160.64 | 4.29 | 15.00 | 2 917 | 3 551 | 97 | 99 | 93 | 64 | 78 | 42 |
| Burkina Faso | 0.69 | 0.81 | 7.35 | 66.38 | 0.63 | 4.40 | 665 | 975 | 82 | 97 | 76 | 19 | 50 | 7 |
| Burundi | 0.35 | 0.21 | 2.49 | 24.96 | 0.66 | 1.30 | 148 | 234 | 75 | 92 | 73 | 47 | 43 | 48 |
| Cabo Verde | 14.85 | 13.26 | 22.59 | 100.11 | 6.81 | 37.50 | 243 | 349 | 89 | 91 | 86 | 65 | 75 | 47 |
| Cameroon | 0.70 | 3.59 | 16.85 | 70.39 | 2.03 | 6.40 | 4 866 | 5 360 | 74 | 94 | 52 | 45 | 62 | 27 |
| Central African Rep. | … | 0.02 | 2.73 | 29.47 | 0.31 | 3.50 | 138 | 165 | 68 | 90 | 54 | 22 | 44 | 7 |
| Chad | 0.19 | 0.24 | 4.50 | 35.56 | 0.58 | 2.30 | 119 | 200 | 51 | 72 | 45 | 12 | 31 | 6 |
| Comoros | 3.09 | 3.13 | 5.98 | 47.28 | 2.20 | 6.50 | 49 | 41 | … | … | 97 | … | … | … |
| Congo | 0.38 | 0.35 | 25.16 | 104.77 | 2.01 | 6.60 | 782 | 1 175 | 75 | 96 | 39 | 15 | 20 | 6 |
| Congo, Dem. Rep. | 0.02 | … | 7.94 | 41.82 | 0.30 | 2.20 | 6 219 | 7 740 | 46 | 79 | 29 | 31 | 29 | 33 |
| Côte d'Ivoire | 1.53 | 1.34 | 23.02 | 95.45 | 1.52 | 2.60 | 4 452 | 5 443 | 80 | 92 | 68 | 22 | 33 | 10 |
| Djibouti | 1.43 | 2.37 | 5.69 | 27.97 | 1.27 | 9.50 | 306 | 381 | 92 | 100 | 65 | 61 | 73 | 22 |
| Egypt | 14.81 | 8.31 | 24.66 | 121.51 | 13.66 | 49.56 | 114 026 | 154 359 | 99 | 100 | 99 | 96 | 98 | 94 |
| Equatorial Guinea | 1.61 | 1.96 | 19.31 | 67.47 | 1.28 | 16.40 | 95 | 97 | … | … | … | … | … | … |
| Eritrea | 0.75 | 0.98 | 1.23 | 5.60 | … | 0.90 | 252 | 321 | … | … | … | … | … | 4 |
| Ethiopia | 0.93 | 0.81 | 1.11 | 27.25 | 0.31 | 1.90 | 2 894 | 4 558 | 52 | 97 | 42 | 24 | 27 | 23 |
| Gabon | 2.58 | 1.15 | 63.56 | 214.75 | 5.49 | 9.20 | 1 581 | 1 681 | 92 | 97 | 63 | 41 | 43 | 32 |
| Gambia | 3.12 | 3.47 | 27.28 | 99.98 | 5.24 | 14.00 | 211 | 249 | 90 | 94 | 84 | 60 | 64 | 55 |
| Ghana | 1.62 | 1.04 | 23.73 | 108.19 | 2.72 | 12.30 | 7 838 | 10 565 | 87 | 93 | 81 | 14 | 20 | 8 |
| Guinea | 0.23 | … | … | 63.32 | 0.64 | 1.60 | 710 | 724 | 75 | 92 | 65 | 19 | 33 | 11 |
| Guinea-Bissau | 0.47 | 0.29 | 10.83 | 74.09 | 2.06 | 3.10 | 28 | 33 | 74 | 96 | 56 | 20 | 34 | 8 |
| Kenya | 0.80 | 0.46 | 19.97 | 71.76 | 7.53 | 39.00 | 7 270 | 7 786 | 62 | 82 | 55 | 30 | 31 | 29 |
| Lesotho | 2.74 | 2.78 | 18.45 | 86.30 | 2.98 | 5.00 | 530 | 723 | 81 | 93 | 77 | 30 | 37 | 27 |
| Liberia | … | 0.11 | 8.27 | 59.40 | … | 4.60 | 332 | 333 | 75 | 87 | 63 | 17 | 28 | 6 |
| Libya | 15.99 | 12.72 | 69.07 | 165.04 | 4.30 | 16.50 | 24 035 | 25 642 | … | … | … | 97 | 97 | 96 |
| Madagascar | 0.69 | 1.07 | 5.56 | 36.91 | 0.61 | 2.20 | 1 139 | 1 417 | 50 | 78 | 35 | 14 | 19 | 11 |
| Malawi | 0.98 | 0.21 | 4.66 | 32.33 | 0.43 | 5.40 | 1 569 | 1 958 | 85 | 95 | 83 | 10 | 22 | 8 |

## Table 15. **Access to services** (cont.)

| | Telecommunications | | | | | | Access to electricity | | Water supply coverage | | | Sanitation coverage | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Main telephone line per 100 inhabitants | | Mobile line per 100 inhabitants | | Internet users per 100 inhabitants | | Electricity consumption (KWh - millions) | | (%) Total | Urban | Rural | (%) Total | Urban | Rural |
| | 2006 | 2013 | 2006 | 2013 | 2006 | 2013 | 2006 | 2011 | 2012 | | | 2012 | | |
| Mali | 0.67 | 0.83 | 12.27 | 129.07 | 0.73 | 2.30 | 974 | 1 334 | 67 | 91 | 54 | 22 | 35 | 15 |
| Mauritania | 1.08 | 1.39 | 32.74 | 102.53 | 0.98 | 6.20 | 686 | 846 | 50 | 52 | 48 | 27 | 51 | 9 |
| Mauritius* | 29.37 | 29.17 | 63.49 | 123.24 | 16.70 | 39.00 | 2 308 | 2 686 | 100 | 100 | 100 | 91 | 92 | 90 |
| Morocco | 4.17 | 8.86 | 52.66 | 128.53 | 19.77 | 56.00 | 21 833 | 28 931 | 84 | 98 | 64 | 75 | 85 | 63 |
| Mozambique | 0.33 | 0.30 | 10.84 | 48.00 | 0.84 | 5.40 | 11 602 | 13 297 | 49 | 80 | 35 | 21 | 44 | 11 |
| Namibia | 6.63 | 7.97 | 29.66 | 118.43 | 4.40 | 13.90 | 3 403 | 3 917 | 92 | 98 | 87 | 32 | 56 | 17 |
| Niger | 0.22 | 0.56 | 3.53 | 39.29 | 0.29 | 1.70 | 579 | 865 | 52 | 99 | 42 | 9 | 33 | 4 |
| Nigeria | 1.18 | 0.21 | 22.55 | 73.29 | 5.55 | 38.00 | 22 449 | 26 260 | 64 | 79 | 49 | 28 | 31 | 25 |
| Rwanda | 0.24 | 0.38 | 3.25 | 56.80 | … | 8.70 | 215 | 395 | 71 | 81 | 68 | 64 | 61 | 64 |
| São Tomé and Príncipe | 4.78 | 3.61 | 11.60 | 64.94 | 14.18 | 23.00 | 43 | 60 | 97 | 99 | 94 | 34 | 41 | 23 |
| Senegal | 2.44 | 2.43 | 25.75 | 92.93 | 5.61 | 20.90 | 2 131 | 2 894 | 74 | 92 | 60 | 52 | 67 | 40 |
| Seychelles | 23.44 | 23.43 | 79.74 | 147.34 | 34.95 | 50.40 | 243 | 317 | 96 | 96 | 96 | 97 | 97 | 97 |
| Sierra Leone | 0.55 | 0.26 | … | 65.66 | 0.23 | 1.70 | 39 | 175 | 60 | 87 | 42 | 13 | 22 | 7 |
| Somalia | 1.15 | 0.61 | 6.33 | 49.38 | 1.10 | 1.50 | 300 | 330 | … | … | … | … | … | … |
| South Africa | 9.99 | 7.34 | 81.08 | 145.64 | 7.61 | 48.90 | 236 444 | 244 415 | 95 | 99 | 88 | 74 | 82 | 62 |
| South Sudan | … | … | … | 25.26 | … | … | … | … | 57 | 63 | 55 | 9 | 16 | 7 |
| Sudan | 1.27 | 1.09 | 11.90 | 72.85 | … | 22.70 | 4 503 | 8 572 | 55 | 66 | 50 | 24 | 44 | 13 |
| Swaziland | 3.96 | 3.68 | 22.36 | 71.47 | 3.70 | 24.70 | 1 316 | 1 445 | 74 | 94 | 69 | 57 | 63 | 56 |
| Tanzania | 0.38 | 0.34 | 14.04 | 55.72 | 1.30 | 4.40 | 3 616 | 5 354 | 53 | 78 | 44 | 12 | 25 | 7 |
| Togo | 1.44 | 0.92 | 12.45 | 62.53 | 2.00 | 4.50 | 724 | 889 | 60 | 91 | 40 | 11 | 25 | 2 |
| Tunisia | 12.48 | 9.29 | 72.23 | 115.60 | 12.99 | 43.80 | 13 457 | 15 884 | 97 | 100 | 90 | 90 | 97 | 77 |
| Uganda | 0.36 | 0.55 | 6.76 | 44.09 | 2.53 | 16.20 | 1 619 | 2 526 | 75 | 95 | 71 | 34 | 33 | 34 |
| Zambia | 0.79 | 0.80 | 14.12 | 71.50 | 4.16 | 15.40 | 9 161 | 10 615 | 63 | 85 | 49 | 43 | 56 | 34 |
| Zimbabwe | 2.64 | 2.15 | 6.67 | 96.35 | 9.79 | 18.50 | 11 802 | 10 147 | 80 | 97 | 69 | 40 | 52 | 32 |
| **AFRICA** | **3.10** | **2.28** | **21.52** | **74.18** | **4.52** | **20.57** | **569 510** | **671 344** | **67** | **85** | **56** | **39** | **52** | **30** |

*Note:* * Including Agalega, Rodrigues and Saint Brandon.
*Sources:* AfDB Statistics Department; Telecommunications: *International Telecommunication Union, ICT Indicators Online Database.*
Electricity: United Nations Statistics Division, *Energy Statistics Database*, online database.
Water supply coverage and sanitation coverage: *WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation*, 2013 Update.
Domestic authorities.

## Table 16. Basic health indicators

| | Life expectancy at birth (years) | | | Prelevance of undernourished in total population (%) | Food availability (Kcal/person/day) | Total health expenditure | | | | Health personnel (per 100 000) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | With AIDS | No-AIDS scenario | | | As % of GDP | Per capita** (USD) | Distribution: Public (%) | Distribution: Private (%) | Survey year | Physicians | Survey year | Nurses and midwives |
| | 2014 | 2010-2015 | | 2013 | 2011 | 2012 | | | | | | | |
| Algeria | 71.1 | ... | ... | 5 | 3 220 | 5.3 | 278.6 | 84.1 | 15.9 | 2007 | 121 | 2007 | 195 |
| Angola | 52.3 | 51.7 | 52.8 | 18 | 2 400 | 3.5 | 190.5 | 62.2 | 37.8 | 2009 | 17 | 2009 | 166 |
| Benin | 59.5 | 56.8 | 57.5 | 10 | 2 594 | 4.5 | 33.1 | 51.5 | 48.5 | 2008 | 6 | 2008 | 77 |
| Botswana | 48.1 | 52.7 | 69.6 | 27 | 2 285 | 5.3 | 384.1 | 56.4 | 43.6 | 2006 | 34 | 2006 | 284 |
| Burkina Faso | 56.7 | 56.0 | 57.7 | 21 | 2 655 | 6.2 | 37.8 | 54.3 | 45.7 | 2010 | 5 | 2010 | 57 |
| Burundi | 54.5 | 51.1 | 53.6 | ... | ... | 8.1 | 20.0 | 59.5 | 40.5 | 2004 | 3 | 2004 | 19 |
| Cabo Verde | 75.4 | ... | ... | 10 | 2 716 | 3.9 | 144.2 | 77.4 | 22.6 | 2010 | 30 | 2010 | 45 |
| Cameroon | 55.5 | 52.5 | 56.1 | 11 | 2 586 | 5.1 | 59.1 | 33.5 | 66.5 | 2009 | 8 | 2009 | 44 |
| Central African Rep. | 50.8 | 49.5 | 53.1 | 38 | 2 154 | 3.8 | 17.8 | 49.7 | 50.3 | 2009 | 5 | 2009 | 26 |
| Chad | 51.6 | 50.1 | 52.1 | 35 | 2 061 | 2.8 | 24.8 | 31.3 | 68.7 | 2006 | 4 | 2006 | 19 |
| Comoros | 61.1 | ... | ... | ... | ... | 4.5 | 37.7 | 55.9 | 44.1 | 2004 | 15 | 2004 | 74 |
| Congo | 59.2 | 58.0 | 60.3 | 32 | 2 195 | 3.2 | 99.8 | 73.9 | 26.1 | 2007 | 10 | 2007 | 82 |
| Congo, Dem. Rep. | 50.3 | 48.9 | 49.9 | ... | ... | 5.6 | 15.2 | 51.4 | 48.7 | 2004 | 11 | 2004 | 53 |
| Côte d'Ivoire | 51.1 | 56.4 | 59.5 | 15 | 2 781 | 7.1 | 87.9 | 27.5 | 72.5 | 2008 | 14 | 2008 | 48 |
| Djibouti | 62.3 | 58.5 | 59.3 | 19 | 2 526 | 8.8 | 129.2 | 59.7 | 40.3 | 2006 | 23 | 2008 | 80 |
| Egypt | 71.4 | ... | ... | 5 | 3 557 | 5.0 | 151.6 | 39.0 | 61.0 | 2009 | 283 | 2009 | 352 |
| Equatorial Guinea | 53.5 | 51.5 | 53.9 | ... | ... | 4.7 | 1138.2 | 54.3 | 45.7 | 2004 | 30 | 2004 | 54 |
| Eritrea | 63.4 | 62.2 | 62.7 | ... | ... | 2.6 | 14.7 | 47.5 | 52.5 | 2004 | 5 | 2004 | 58 |
| Ethiopia | 64.2 | 60.0 | 60.9 | 35 | 2 105 | 3.8 | 17.6 | 48.4 | 51.6 | 2008 | 3 | 2009 | 25 |
| Gabon | 63.8 | 63.3 | 66.8 | 5 | 2 781 | 3.5 | 396.7 | 51.2 | 48.8 | 2004 | 29 | 2004 | 502 |
| Gambia | 59.0 | 59.0 | 60.2 | 6 | 2 849 | 5.0 | 25.7 | 66.0 | 34.0 | 2008 | 11 | 2008 | 87 |
| Ghana | 61.3 | 64.7 | 66.2 | 5 | 3 003 | 5.2 | 83.0 | 57.1 | 42.9 | 2010 | 10 | 2010 | 93 |
| Guinea | 56.4 | 54.7 | 55.6 | 18 | 2 553 | 6.3 | 32.0 | 28.1 | 71.9 | 2005 | 10 | 2004 | 51 |
| Guinea-Bissau | 54.5 | 48.8 | 49.9 | 18 | 2 304 | 5.9 | 29.8 | 22.7 | 77.3 | 2009 | 7 | 2009 | 59 |
| Kenya | 62.2 | 58.0 | 62.7 | 24 | 2 189 | 4.7 | 44.6 | 38.1 | 61.9 | 2011 | 18 | 2011 | 79 |
| Lesotho | 49.8 | 49.1 | 64.1 | 12 | 2 595 | 11.6 | 137.8 | 78.6 | 21.4 | 2003 | 5 | 2003 | 62 |
| Liberia | 60.9 | 57.5 | 58.7 | 30 | 2 251 | 15.5 | 65.5 | 29.8 | 70.2 | 2008 | 1 | 2008 | 27 |
| Libya | 75.5 | ... | ... | ... | 3 211 | 3.9 | 578.5 | 77.3 | 22.7 | 2009 | 190 | 2009 | 680 |
| Madagascar | 65.2 | ... | ... | 31 | 2 092 | 4.1 | 18.2 | 60.8 | 39.3 | 2007 | 16 | 2004 | 32 |
| Malawi | 55.8 | 55.1 | 63.2 | 22 | 2 334 | 9.2 | 24.6 | 76.5 | 23.5 | 2008 | 2 | 2009 | 34 |

Table 16. **Basic health indicators** (cont.)

| | Life expectancy at birth (years) | | | Prelevance of undernourished in total population (%) | Food availability (Kcal/person/day) | Total health expenditure | | | | Health personnel (per 100 000) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | With AIDS | No-AIDS scenario | | | As % of GDP | Per capita** (USD) | Distribution: Public (%) | Distribution: Private (%) | Survey year | Physicians | Survey year | Nurses and midwives |
| | 2014 | 2010-2015 | | 2013 | 2011 | 2012 | | | | | | | |
| Mali | 55.4 | 52.1 | 53.5 | 5 | 2 833 | 5.8 | 42.1 | 39.0 | 61.0 | 2010 | 8 | 2010 | 43 |
| Mauritania | 61.7 | ... | ... | 7 | 2 791 | 6.4 | 51.7 | 63.9 | 36.1 | 2009 | 13 | 2009 | 67 |
| Mauritius* | 73.8 | ... | ... | 5 | 3 055 | 4.8 | 444.4 | 48.9 | 51.1 | 2004 | 106 | 2004 | 373 |
| Morocco | 71.2 | ... | ... | 5 | 3 334 | 6.4 | 190.3 | 33.5 | 66.5 | 2009 | 62 | 2009 | 89 |
| Mozambique | 50.6 | 51.0 | 58.2 | 28 | 2 267 | 6.4 | 37.2 | 44.3 | 55.8 | 2012 | 4 | 2012 | 41 |
| Namibia | 64.8 | 62.7 | 71.3 | 37 | 2 086 | 8.4 | 473.2 | 61.7 | 38.3 | 2007 | 37 | 2007 | 278 |
| Niger | 58.9 | ... | ... | 11 | 2 546 | 7.2 | 25.5 | 39.7 | 60.3 | 2008 | 2 | 2008 | 14 |
| Nigeria | 52.9 | 52.5 | 55.1 | 6 | 2 724 | 6.1 | 94.3 | 31.2 | 68.9 | 2009 | 41 | 2008 | 161 |
| Rwanda | 64.5 | 55.8 | 57.5 | 34 | 2 148 | 10.7 | 66.1 | 57.3 | 42.7 | 2009 | 6 | 2010 | 69 |
| Sao Tome and Principe | 66.5 | ... | ... | 7 | 2 676 | 7.9 | 109.2 | 31.7 | 68.3 | 2004 | 49 | 2004 | 187 |
| Senegal | 63.6 | ... | ... | 17 | 2 426 | 5.0 | 51.2 | 55.9 | 44.1 | 2008 | 6 | 2008 | 42 |
| Seychelles | 73.4 | ... | ... | ... | ... | 4.7 | 521.0 | 93.3 | 6.7 | 2004 | 151 | 2004 | 793 |
| Sierra Leone | 45.8 | 48.2 | 49.1 | 26 | 2 333 | 15.1 | 95.7 | 16.6 | 83.4 | 2010 | 2 | 2010 | 17 |
| Somalia | 55.4 | ... | ... | ... | 1 696 | ... | ... | ... | ... | 2006 | 4 | 2006 | 11 |
| South Africa | 57.4 | 53.8 | 65.8 | 5 | 3 007 | 8.8 | 644.6 | 47.9 | 52.1 | 2013 | 78 | 2012 | 490 |
| South Sudan | 55.9 | ... | ... | ... | ... | 2.6 | 27.4 | 38.7 | 61.3 | ... | ... | ... | ... |
| Sudan | 62.2 | ... | ... | ... | ... | 7.3 | 114.5 | 23.4 | 76.6 | 2008 | 28 | 2008 | 84 |
| Swaziland | 49.0 | 49.2 | 63.7 | 26 | 2 275 | 8.5 | 259.5 | 74.1 | 25.9 | 2009 | 17 | 2009 | 160 |
| Tanzania | 62.1 | 59.3 | 63.7 | 35 | 2 167 | 7.0 | 41.3 | 39.3 | 60.7 | 2006 | 1 | 2006 | 24 |
| Togo | 56.9 | 57.8 | 60.1 | 15 | 2 366 | 8.6 | 40.8 | 51.4 | 48.6 | 2008 | 5 | 2008 | 27 |
| Tunisia | 76.1 | ... | ... | 5 | 3 362 | 7.0 | 296.9 | 59.0 | 41.0 | 2010 | 122 | 2009 | 328 |
| Uganda | 59.7 | 54.7 | 59.0 | 26 | 2 279 | 8.0 | 43.6 | 23.9 | 76.1 | 2005 | 12 | 2005 | 131 |
| Zambia | 59.0 | 49.6 | 57.7 | 48 | 1 937 | 6.5 | 96.1 | 64.1 | 35.9 | 2010 | 7 | 2010 | 78 |
| Zimbabwe | 61.2 | 53.5 | 67.5 | 32 | 2 210 | ... | ... | ... | ... | 2009 | 6 | 2009 | 125 |
| **AFRICA** | **59.6** | **54.2** | **57.9** | **17** | **2 391** | **6.1** | **112.4** | **46.2** | **53.8** | **...** | **...** | **...** | **...** |

*Note*: * Including Agalega, Rodrigues and Saint Brandon.
** At average exchange rate.

*Sources*: AfDB Statistics Department, Life expectancy at birth and HIV/AIDS: United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects, The 2012 Revision*.
Undernourishment prevalence and food availability: FAO, *Food Insecurity Online Database*.
Total health expenditure and public health expenditure: WHO *Online Database*.

Table 17. **Major diseases**

| | Healthy life expectancy at birth (years) | | | HIV / AIDS | | | Malaria | | Tuberculosis | Measles | Vaccination (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Male | Female | People living with HIV / AIDS (000) | Adult prevalence (%) | AIDS deaths in adults & children (000) | (number of reported cases) | | (new and relapse cases) | Incidence (number of reported cases) | MCV | DTP3 |
| | 2012 | | | 2013 | | | Survey year | | 2013 | 2012 | 2013 | |
| Algeria | 62 | 62 | 63 | 25 | 0.1 | 1.4 | 2012 | 59 | 20 701 | 18 | 95 | 95 |
| Angola | 44 | 43 | 45 | 250 | 2.4 | 12.0 | 2012 | 1 496 834 | 58 607 | 4 458 | 91 | 93 |
| Benin | 50 | 50 | 51 | 74 | 1.1 | 2.7 | 2012 | 705 839 | 3 866 | 288 | 63 | 69 |
| Botswana | 53 | 52 | 53 | 320 | 21.9 | 5.8 | 2012 | 0 193 | 6 834 | 7 | 94 | 96 |
| Burkina Faso | 50 | 50 | 51 | 110 | 0.9 | 5.8 | 2012 | 3 858 046 | 5 326 | 7 362 | 82 | 88 |
| Burundi | 48 | 46 | 49 | 83 | 1.0 | 4.7 | 2012 | 2 151 076 | 7 467 | 49 | 98 | 96 |
| Cabo Verde | 64 | 61 | 66 | 2 | 0.5 | 0.1 | 2012 | 0 001 | 305 | 0 | 91 | 93 |
| Cameroon | 48 | 48 | 49 | 600 | 4.3 | 44.0 | 2007 | 313 083 | 25 648 | 609 | 83 | 89 |
| Central African Republic | 43 | 43 | 44 | 120 | 3.8 | 11.0 | 2012 | 46 759 | 8 590 | 141 | 25 | 23 |
| Chad | 44 | 43 | 44 | 210 | 2.5 | 15.0 | 2011 | 181 126 | 11 237 | 120 | 59 | 48 |
| Comoros | 53 | 53 | 54 | ... | ... | ... | 2012 | 49 840 | 121 | 1 | 82 | 83 |
| Congo | 50 | 49 | 51 | 69 | 2.5 | 5.4 | 2012 | 3 717 | 10 699 | 260 | 65 | 69 |
| Congo, Dem. Rep. | 44 | 43 | 45 | 440 | 1.1 | 30.0 | 2012 | 4 791 598 | 112 439 | 72 029 | 73 | 72 |
| Côte d'Ivoire | 46 | 45 | 46 | 370 | 2.7 | 28.0 | 2012 | 1 140 627 | 24 749 | 137 | 74 | 88 |
| Djibouti | 52 | 52 | 53 | 6 | 0.9 | 1.0 | 2012 | 0 025 | 3 162 | 709 | 80 | 82 |
| Egypt | 61 | 60 | 63 | 7 | 0.1 | 0.5 | ... | ... | 7 876 | 245 | 96 | 97 |
| Equatorial Guinea | 47 | 47 | 48 | ... | ... | ... | 2012 | 15 169 | ... | 1 190 | 42 | 3 |
| Eritrea | 54 | 53 | 55 | 18 | 0.6 | 1.0 | 2012 | 21 815 | 2 860 | 194 | 96 | 94 |
| Ethiopia | 55 | 54 | 56 | 790 | 1.2 | 45.0 | 2012 | 1 692 578 | 131 677 | 4 347 | 62 | 72 |
| Gabon | 54 | 53 | 54 | 41 | 3.9 | 2.1 | 2012 | 19 753 | 5 179 | 2 | 70 | 79 |
| Gambia | 53 | 52 | 53 | 13 | 1.2 | 0.5 | 2012 | 300 363 | 2 325 | 0 | 96 | 97 |
| Ghana | 54 | 53 | 54 | 220 | 1.3 | 10.0 | 2012 | 3 755 166 | 15 043 | 1 613 | 89 | 90 |
| Guinea | 49 | 49 | 50 | 130 | 1.7 | 5.4 | 2012 | 317 200 | 11 313 | 6 | 62 | 63 |
| Guinea-Bissau | 47 | 46 | 47 | 41 | 3.7 | 2.3 | 2012 | 50 381 | 2 087 | 0 | 69 | 80 |
| Kenya | 53 | 52 | 54 | 1 600 | 6.0 | 58.0 | 2012 | 1 453 471 | 89 796 | ... | 93 | 76 |
| Lesotho | 43 | 42 | 44 | 360 | 22.9 | 16.0 | ... | ... | 9 555 | 179 | 92 | 96 |
| Liberia | 52 | 52 | 53 | 30 | 1.1 | 2.7 | 2012 | 1 407 455 | 7 511 | 43 | 74 | 89 |
| Libya | 64 | 64 | 65 | ... | ... | ... | ... | ... | 1 344 | 320 | 98 | 98 |
| Madagascar | 55 | 54 | 56 | 54 | 0.4 | 5.5 | 2012 | 359 420 | 26 561 | 2 | 63 | 74 |
| Malawi | 50 | 50 | 51 | 1 000 | 10.3 | 48.0 | 2012 | 1 564 984 | 17 779 | 11 | 88 | 89 |

## Table 17. **Major diseases** (cont.)

| | Healthy life expectancy at birth (years) | | | HIV / AIDS | | | Malaria | | Tuberculosis | Measles | Vaccination (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Male | Female | People living with HIV / AIDS (000) | Adult prevalence (%) | AIDS deaths in adults & children (000) | (number of reported cases) | | (new and relapse cases) | Incidence (number of reported cases) | MCV | DTP3 |
| | 2012 | | | 2013 | | | Survey year | | 2013 | 2012 | 2013 | |
| Mali | 48 | 49 | 48 | 97 | 0.9 | 5.5 | 2012 | 886 482 | 5 810 | 341 | 72 | 74 |
| Mauritania | 53 | 52 | 54 | ... | ... | ... | 2012 | 1 888 | 2 223 | 35 | 80 | 80 |
| Mauritius | 65 | 62 | 68 | 10 | 1.1 | 1.0 | ... | ... | 130 | 0 | 99 | 98 |
| Morocco | 61 | 60 | 61 | 31 | 0.2 | 1.4 | ... | ... | 29 126 | ... | 99 | 99 |
| Mozambique | 45 | 45 | 46 | 1 600 | 10.8 | 82.0 | 2012 | 1 813 984 | 53 272 | 145 | 85 | 78 |
| Namibia | 57 | 55 | 59 | 250 | 14.3 | 6.6 | 2012 | 0 194 | 9 597 | 86 | 82 | 89 |
| Niger | 50 | 50 | 50 | 41 | 0.4 | 2.9 | 2012 | 842 343 | 11 251 | 272 | 67 | 70 |
| Nigeria | 46 | 46 | 47 | 3 200 | 3.2 | 210.0 | 2010 | 551 187 | 94 825 | 6 447 | 59 | 58 |
| Rwanda | 55 | 55 | 56 | 200 | 2.9 | 4.5 | 2012 | 483 470 | 5 702 | 75 | 97 | 98 |
| Sao Tome and Principe | 57 | 56 | 59 | 2.0 | 0.6 | 0.5 | 2012 | 12 550 | 147 | 0 | 91 | 97 |
| Senegal | 55 | 54 | 56 | 39 | 0.5 | 1.8 | 2012 | 281 958 | 13 186 | 46 | 84 | 92 |
| Seychelles | 67 | 63 | 71 | ... | ... | 0.0 | ... | ... | 24 | 0 | 97 | 98 |
| Sierra Leone | 39 | 39 | 39 | 57 | 1.6 | 3.1 | 2012 | 1 537 322 | 12 072 | 678 | 83 | 92 |
| Somalia | 45 | 44 | 46 | 32 | 0.5 | 2.5 | 2012 | 18 842 | 12 994 | 9 983 | 46 | 42 |
| South Africa | 51 | 49 | 53 | 6 300 | 19.1 | 200.0 | 2012 | 5 629 | 312 380 | 32 | 66 | 65 |
| South Sudan | 48 | 47 | 48 | 150 | 2.2 | 13.0 | 2012 | 225 371 | 6 422 | 1 952 | 30 | 45 |
| Sudan | 53 | 52 | 54 | 49 | 0.2 | 3.1 | 2012 | 526 931 | 19 056 | 8 523 | 85 | 93 |
| Swaziland | 46 | 44 | 47 | 200 | 27.4 | 4.5 | 2012 | 0 295 | 6 641 | 0 | 85 | 98 |
| Tanzania | 52 | 51 | 53 | 1 400 | 5.0 | 78.0 | 2012 | 1986 955 | 64 053 | 1 668 | 99 | 91 |
| Togo | 50 | 50 | 50 | 110 | 2.3 | 6.6 | 2012 | 697 374 | 2 600 | 238 | 72 | 84 |
| Tunisia | 66 | 65 | 67 | 3.0 | 0.1 | 0.2 | ... | ... | 3 035 | 48 | 94 | 98 |
| Uganda | 49 | 49 | 50 | 1 600 | 7.4 | 63.0 | 2012 | 2 662 258 | 45 549 | 2 027 | 82 | 78 |
| Zambia | 49 | 48 | 50 | 1 100 | 12.5 | 27.0 | ... | ... | 40 638 | 896 | 80 | 79 |
| Zimbabwe | 49 | 48 | 51 | 1 400 | 15.0 | 64.0 | 2012 | 276 963 | 32 899 | 0 | 93 | 95 |
| **AFRICA** | **51** | **51** | **52** | **24 854** | **3.7** | **1 145.1** | ... | **38 508 574** | **1 414 289** | **127 832** | **76** | **77** |

*Notes*: DTP: Diphtheria, tetanus toxoids and pertussis antigen. MCV: Measles Containing Vaccine.
*Sources*: UNAIDS and WHO, Global report, *UNAIDS report on the global AIDS epidemic 2013*; Malaria reported cases, Tuberculosis new and relapse cases, Measles incidence, Vaccination coverage MCV and DTP3: WHO, *Global Health Observatory Data Repository online Database*, December 2014.

## Table 18. Basic education indicators

| | Estimated adult literacy rate, 2006-2012 (%) (people over 15) | | | Estimated youth literacy rate, 2006-2012 (%) (people between 15 and 24) | | | Public expenditure on education 2000-2013 |
|---|---|---|---|---|---|---|---|
| | Total | Male | Female | Total | Male | Female | (% of GDP) |
| Algeria | 72.6 | 81.3 | 63.9 | 91.8 | 94.4 | 89.1 | 4.3 |
| Angola | 70.6 | 82.5 | 59.1 | 73.0 | 79.8 | 66.4 | 3.5 |
| Benin | 28.7 | 40.6 | 18.4 | 42.4 | 54.9 | 30.8 | 5.3 |
| Botswana | 86.7 | 86.3 | 87.1 | 96.0 | 94.2 | 97.9 | 9.5 |
| Burkina Faso | 28.7 | 36.7 | 21.6 | 39.3 | 46.7 | 33.1 | 3.4 |
| Burundi | 86.9 | 88.8 | 84.6 | 88.9 | 89.6 | 88.1 | 5.8 |
| Cabo Verde | 85.3 | 90.5 | 80.5 | 98.1 | 97.9 | 98.4 | 5.0 |
| Cameroon | 71.3 | 78.3 | 64.8 | 80.6 | 85.4 | 76.4 | 3.0 |
| Central African Republic | 36.8 | 50.7 | 24.4 | 36.4 | 48.9 | 27.0 | 1.2 |
| Chad | 37.3 | 46.9 | 27.8 | 48.9 | 53.8 | 44.0 | 2.3 |
| Comoros | 75.9 | 80.7 | 71.2 | 86.4 | 86.3 | 86.5 | 7.6 |
| Congo | 79.3 | 86.4 | 72.9 | 80.9 | 85.7 | 76.9 | 6.2 |
| Congo, Dem. Rep. | 61.2 | 76.9 | 46.1 | 65.8 | 78.9 | 53.3 | 1.6 |
| Côte d'Ivoire | 41.0 | 51.6 | 30.5 | 48.3 | 58.3 | 38.8 | 4.6 |
| Djibouti | ... | ... | ... | ... | ... | ... | 4.5 |
| Egypt | 73.9 | 81.7 | 65.8 | 89.3 | 92.4 | 86.1 | 3.8 |
| Equatorial Guinea | 94.5 | 97.2 | 91.6 | 98.1 | 97.7 | 98.5 | 0.7 |
| Eritrea | 70.5 | 80.1 | 61.3 | 91.0 | 93.2 | 88.7 | 2.1 |
| Ethiopia | 39.0 | 49.1 | 28.9 | 55.0 | 63.0 | 47.0 | 4.7 |
| Gabon | 82.3 | 84.9 | 79.9 | 88.5 | 87.4 | 89.4 | 3.8 |
| Gambia | 52.0 | 61.4 | 43.1 | 69.4 | 73.4 | 65.5 | 4.1 |
| Ghana | 71.5 | 78.3 | 65.3 | 85.7 | 88.3 | 83.2 | 8.1 |
| Guinea | 25.3 | 36.8 | 12.2 | 31.4 | 37.6 | 21.8 | 2.5 |
| Guinea-Bissau | 56.7 | 69.8 | 43.9 | 74.3 | 79.7 | 68.9 | 0.0 |
| Kenya | 72.2 | 78.1 | 66.9 | 82.4 | 83.2 | 81.6 | 6.6 |
| Lesotho | 75.8 | 65.5 | 85.0 | 83.2 | 74.2 | 92.1 | 13.0 |
| Liberia | 42.9 | 60.8 | 27.0 | 49.1 | 63.5 | 37.2 | 2.8 |
| Libya | 89.9 | 96.1 | 83.7 | 99.9 | 99.9 | 99.9 | 0.0 |
| Madagascar | 64.5 | 67.4 | 61.6 | 64.9 | 65.9 | 64.0 | 2.7 |
| Malawi | 61.3 | 72.1 | 51.3 | 72.1 | 74.3 | 70.0 | 5.4 |
| Mali | 33.6 | 43.3 | 24.6 | 47.1 | 56.3 | 39.0 | 4.8 |
| Mauritania | 45.5 | 57.4 | 35.3 | 56.1 | 66.4 | 47.7 | 3.8 |

## Table 18. **Basic education indicators** (cont.)

| | Estimated adult literacy rate, 2006-2012 (%) (people over 15) | | | Estimated youth literacy rate, 2006-2012 (%) (people between 15 and 24) | | | Public expenditure on education 2000-2013 |
|---|---|---|---|---|---|---|---|
| | Total | Male | Female | Total | Male | Female | (% of GDP) |
| Mauritius | 89.2 | 92.0 | 86.7 | 98.1 | 97.7 | 98.6 | 3.7 |
| Morocco | 67.1 | 76.1 | 57.6 | 81.5 | 88.8 | 74.0 | 6.6 |
| Mozambique | 50.6 | 67.4 | 36.5 | 67.1 | 79.8 | 56.5 | 5.0 |
| Namibia | 76.5 | 74.3 | 78.4 | 87.1 | 83.2 | 90.6 | 8.5 |
| Niger | 15.5 | 23.2 | 8.9 | 23.5 | 34.5 | 15.1 | 4.4 |
| Nigeria | 51.1 | 61.3 | 41.4 | 66.4 | 75.6 | 58.0 | 0.0 |
| Rwanda | 65.9 | 71.1 | 61.5 | 77.3 | 76.7 | 78.0 | 5.1 |
| Sao Tome and Principe | 69.5 | 80.3 | 60.1 | 80.2 | 83.1 | 77.3 | 9.5 |
| Senegal | 52.1 | 66.3 | 40.4 | 66.0 | 74.0 | 59.0 | 5.6 |
| Seychelles | 91.8 | 91.4 | 92.3 | 99.1 | 98.8 | 99.4 | 3.6 |
| Sierra Leone | 44.5 | 55.5 | 33.7 | 62.7 | 71.6 | 53.8 | 2.9 |
| Somalia | ... | ... | ... | ... | ... | ... | 0.0 |
| South Africa | 93.7 | 95.0 | 92.6 | 98.9 | 98.5 | 99.3 | 6.2 |
| South Sudan | ... | ... | ... | ... | ... | ... | 0.7 |
| Sudan | 73.4 | 81.7 | 65.3 | 87.9 | 90.3 | 85.5 | 2.2 |
| Swaziland | 83.1 | 83.9 | 82.4 | 93.5 | 92.2 | 94.7 | 7.8 |
| Tanzania | 67.8 | 75.5 | 60.8 | 74.6 | 76.5 | 72.8 | 6.2 |
| Togo | 60.4 | 74.1 | 48.0 | 79.9 | 86.9 | 72.7 | 4.0 |
| Tunisia | 79.7 | 87.8 | 71.7 | 97.3 | 98.2 | 96.3 | 6.2 |
| Uganda | 73.2 | 82.6 | 64.6 | 87.4 | 89.6 | 85.5 | 3.3 |
| Zambia | 61.4 | 71.9 | 51.8 | 64.0 | 70.3 | 58.5 | 1.3 |
| Zimbabwe | 83.6 | 87.8 | 80.1 | 90.9 | 89.6 | 92.1 | 2.0 |
| **AFRICA** | **62.0** | **70.7** | **53.6** | **73.0** | **78.6** | **67.7** | **4.9** |

*Sources* : AfDB Statistics Department; *UNESCO Institute for Statistics (UIS), Database December 2014*; domestic authorities.

# Table 19. School enrolment

| | Primary school, 2007-2014 | | | | | | | Secondary school, 2007-2014 | | | | Enrolment ratio in technical and vocational programmes | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross enrolment ratio | | | Net enrolment ratio | | | Pupil / teacher | Gross enrolment ratio | | | Pupil / teacher | 2006-2008 | | |
| | Total | Male | Female | Total | Male | Female | Ratio | Total | Male | Female | Ratio | Total secondary | Lower secondary | Upper secondary |
| Algeria | 117.4 | 120.7 | 114.0 | 97.3 | 96.5 | 94.5 | 23.2 | 97.6 | 95.7 | 99.5 | ... | ... | ... | ... |
| Angola | 140.5 | 171.2 | 109.6 | 85.7 | 96.8 | 74.5 | 42.5 | 31.5 | 38.3 | 24.8 | 27.4 | ... | ... | ... |
| Benin | 124.3 | 130.5 | 118.1 | 95.5 | 99.9 | 88.2 | 43.7 | 54.2 | 65.4 | 42.9 | 9.8 | ... | ... | ... |
| Botswana | 106.0 | 107.9 | 104.1 | 83.8 | 83.3 | 84.4 | 25.4 | 81.7 | 79.2 | 84.3 | 13.9 | 6% | ... | 19% |
| Burkina Faso | 86.9 | 88.4 | 85.3 | 67.5 | 68.8 | 66.1 | 46.1 | 28.4 | 30.7 | 26.0 | 26.9 | 6% | 2% | 24% |
| Burundi | 134.1 | 133.7 | 134.5 | 94.8 | 100.0 | 89.7 | 44.8 | 33.1 | 37.2 | 29.2 | 31.7 | 5% | 2% | 19% |
| Cabo Verde | 112.1 | 116.8 | 107.4 | 98.1 | 99.3 | 96.8 | 22.6 | 92.7 | 86.0 | 99.6 | 16.7 | ... | ... | ... |
| Cameroon | 110.6 | 117.9 | 103.2 | 91.5 | 97.1 | 85.9 | 45.6 | 50.4 | 54.3 | 46.4 | 21.4 | 19% | 20% | 18% |
| Central African Republic | 95.2 | 109.3 | 81.3 | 71.9 | 80.6 | 63.3 | 80.1 | 17.8 | 23.6 | 12.1 | 68.1 | ... | ... | ... |
| Chad | 103.2 | 116.7 | 89.5 | 79.2 | 88.7 | 69.6 | 62.4 | 22.8 | 31.2 | 14.3 | 29.8 | 1% | 0% | 4% |
| Comoros | 103.0 | 105.9 | 99.9 | 81.4 | 83.6 | 79.2 | 27.8 | 63.9 | 62.8 | 65.0 | 8.7 | ... | ... | ... |
| Congo | 109.4 | 105.5 | 113.4 | 90.2 | 86.4 | 94.0 | 44.4 | 53.7 | 57.5 | 49.8 | 18.7 | ... | ... | ... |
| Congo, Dem. Rep. | 110.9 | 118.2 | 103.6 | ... | ... | ... | 34.7 | 43.3 | 54.5 | 32.2 | 15.3 | 19% | 2% | 34% |
| Côte d'Ivoire | 96.4 | 103.3 | 89.4 | 61.9 | 67.4 | 56.3 | 41.0 | 39.1 | 46.5 | 31.5 | 22.7 | ... | ... | ... |
| Djibouti | 67.9 | 72.5 | 63.2 | 58.7 | 62.8 | 54.5 | 33.2 | 47.7 | 52.6 | 42.7 | 24.5 | 5% | 1% | 16% |
| Egypt | 113.4 | 115.7 | 111.1 | 95.1 | ... | ... | 27.7 | 86.3 | 87.1 | 85.5 | 12.1 | ... | ... | ... |
| Equatorial Guinea | 90.7 | 91.8 | 89.6 | 61.0 | 61.1 | 60.8 | 26.2 | ... | ... | ... | ... | ... | ... | ... |
| Eritrea | 42.5 | 46.0 | 38.8 | 32.9 | 35.2 | 30.6 | 40.9 | 29.8 | 33.0 | 26.4 | 37.9 | 1% | ... | 2% |
| Ethiopia | ... | ... | ... | ... | ... | ... | 53.7 | ... | ... | ... | 38.8 | 6% | ... | 54% |
| Gabon | 164.9 | 167.3 | 162.4 | ... | ... | ... | 24.5 | ... | ... | ... | ... | ... | ... | ... |
| Gambia | 86.6 | 84.8 | 88.4 | 68.7 | 66.5 | 71.0 | 36.1 | 57.5 | 59.0 | 56.0 | ... | ... | ... | ... |
| Ghana | 106.9 | 106.9 | 106.8 | 88.9 | 88.7 | 89.0 | 30.1 | 67.1 | 69.2 | 64.9 | 15.8 | 4% | ... | 14% |
| Guinea | 90.8 | 98.4 | 83.1 | 74.4 | 79.9 | 68.8 | 43.6 | 38.1 | 46.6 | 29.4 | 33.1 | 2% | 0% | 7% |
| Guinea-Bissau | 116.2 | 120.2 | 112.3 | 69.8 | 71.4 | 68.2 | 51.9 | ... | ... | ... | ... | 2% | ... | ... |
| Kenya | 114.4 | 114.1 | 114.6 | 83.6 | 82.0 | 85.2 | 56.6 | 67.0 | 69.5 | 64.5 | 41.1 | 1% | ... | 2% |
| Lesotho | 108.0 | 109.1 | 107.0 | 79.6 | 77.9 | 81.3 | 32.6 | 53.3 | 44.5 | 62.3 | 24.7 | 2% | 4% | 3% |
| Liberia | 95.6 | 99.5 | 91.6 | 37.7 | 38.6 | 36.7 | 26.5 | 37.9 | 42.5 | 33.1 | 14.9 | ... | ... | ... |
| Libya | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Madagascar | 145.2 | 145.8 | 144.7 | ... | ... | ... | 39.8 | 38.4 | 39.1 | 37.7 | 27.6 | 4% | 1% | 14% |
| Malawi | 141.3 | 139.0 | 143.8 | 96.9 | 89.6 | 96.0 | 69.1 | 36.6 | 38.3 | 34.9 | 41.7 | ... | ... | ... |

## Table 19. **School enrolment** (cont.)

| | Primary school, 2007-2014 | | | | | | | Secondary school, 2007-2014 | | | | Enrolment ratio in technical and vocational programmes | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross enrolment ratio | | | Net enrolment ratio | | | Pupil / teacher | Gross enrolment ratio | | | Pupil / teacher | 2006-2008 | | |
| | Total | Male | Female | Total | Male | Female | Ratio | Total | Male | Female | Ratio | Total secondary | Lower secondary | Upper secondary |
| Mali | 83.5 | 93.8 | 82.9 | 64.4 | 73.0 | 64.3 | 41.3 | 44.9 | 49.8 | 39.8 | 19.3 | 12% | … | 40% |
| Mauritania | 97.1 | 94.7 | 99.5 | 72.8 | 70.5 | 75.2 | 35.4 | 29.5 | 30.4 | 28.6 | ... | 3% | 2% | 5% |
| Mauritius | 107.8 | 108.2 | 107.4 | 98.1 | 98.1 | 98.1 | 19.8 | 95.9 | 93.9 | 97.8 | 14.7 | … | 14% | … |
| Morocco | 117.5 | 120.3 | 114.5 | 98.3 | 98.6 | 98.0 | 25.7 | 68.9 | 74.1 | 63.4 | ... | 6% | 2% | 5% |
| Mozambique | 105.2 | 110.3 | 100.2 | 87.4 | 89.8 | 85.0 | 54.5 | 26.0 | 27.2 | 24.8 | 31.2 | 6% | 5% | 7% |
| Namibia | 109.5 | 111.2 | 107.7 | 87.7 | 86.4 | 89.0 | 29.8 | 64.8 | 60.1 | 69.6 | 24.6 | … | … | … |
| Niger | 71.1 | 77.1 | 64.9 | 62.8 | 68.2 | 57.1 | 38.8 | 15.9 | 19.1 | 12.8 | 34.7 | 1% | 1% | 4% |
| Nigeria | 84.8 | 88.4 | 81.0 | 63.9 | 69.4 | 58.1 | 37.6 | 43.8 | 46.4 | 41.2 | 33.1 | 4% | 4% | 5% |
| Rwanda | 133.8 | 132.4 | 135.3 | 93.4 | 92.1 | 94.6 | 59.8 | 32.6 | 31.4 | 33.7 | 22.8 | 16% | … | 45% |
| Sao Tome and Principe | 116.6 | 118.0 | 115.1 | 96.4 | 96.1 | 96.7 | 31.4 | 80.4 | 76.2 | 84.6 | 19.8 | 2% | … | 11% |
| Senegal | 83.6 | 80.2 | 87.1 | 73.4 | 70.3 | 76.5 | 31.6 | 41.0 | 42.9 | 39.1 | 27.4 | 6% | 6% | 5% |
| Seychelles | 107.7 | 106.0 | 109.4 | 93.7 | 92.1 | 95.4 | 12.6 | 79.5 | 79.3 | 79.8 | 12.2 | … | … | … |
| Sierra Leone | 134.1 | 134.0 | 134.1 | ... | ... | ... | 34.8 | 44.7 | 47.7 | 41.7 | 20.7 | 5% | 1% | 16% |
| Somalia | 29.2 | 37.6 | 20.8 | ... | ... | ... | 35.5 | 7.4 | 10.1 | 4.6 | 19.3 | … | … | … |
| South Africa | 100.8 | 103.4 | 98.1 | ... | ... | ... | 28.7 | 110.8 | 107.1 | 114.4 | 25.0 | … | … | … |
| South Sudan | 85.7 | 102.9 | 68.1 | 41.3 | 48.2 | 34.3 | 49.9 | ... | ... | ... | ... | … | … | … |
| Sudan | 70.0 | 74.0 | 66.0 | ... | ... | ... | 46.1 | 40.7 | 42.6 | 38.9 | 31.1 | 2% | … | 5% |
| Swaziland | 114.4 | 119.3 | 109.4 | 84.7 | 83.6 | 85.9 | 29.1 | 60.7 | 61.0 | 60.3 | 16.3 | … | … | … |
| Tanzania | 89.5 | 87.8 | 91.2 | 83.5 | 82.2 | 84.7 | 43.4 | 33.0 | 34.3 | 31.6 | 26.4 | … | … | … |
| Togo | 134.4 | 142.1 | 126.7 | 97.5 | 95.6 | 85.3 | 41.3 | 54.9 | 57.5 | 30.4 | 26.2 | 8% | 1% | 25% |
| Tunisia | 110.3 | 111.8 | 108.7 | 98.7 | 98.5 | 97.8 | 17.4 | 90.6 | 89.0 | 93.3 | 13.6 | 9% | 1% | 9% |
| Uganda | 107.3 | 106.5 | 108.2 | 91.5 | 90.2 | 92.8 | 45.6 | 26.9 | 28.7 | 25.0 | 21.3 | 5% | 2% | 21% |
| Zambia | 108.4 | 108.8 | 107.9 | 91.4 | 91.1 | 91.7 | 47.9 | ... | ... | ... | ... | 8% | … | 20% |
| Zimbabwe | 109.2 | 110.0 | 108.5 | 93.9 | 93.0 | 94.7 | 35.9 | 47.2 | 47.9 | 46.5 | 22.4 | … | … | … |
| **AFRICA** | **101.6** | **105.4** | **97.9** | **79.7** | **80.7** | **75.5** | **40.0** | **52.8** | **55.5** | **49.9** | **21.7** | **…** | **…** | **…** |

*Sources:* AfDB Statistics Department; *UNESCO Institute for Statistics (UIS) Database, December 2014*; various domestic authorities.

## Table 20. Employment and remittances*

| | Unemployment rate* | | | | Participation rate* | | Inactivity rate* (age 15-64) | | | Worker remittances (USD million) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ILO's latest estimates (a) | | | | 2012 | | 2012 | | | 2010 | 2011 | 2012 | 2013 | 2014(e) |
| | Year | Total | Male | Female | Total (age >15) | Total among youth (age 15-24) | Total | Male | Female | | | | | |
| Algeria | 2012 | 10 | 8 | 19 | 44 | 29 | 56 | 28 | 85 | 2 044 | 1 942.0 | 1 942 | 2 000 | 2 063 |
| Angola | 2012 | 8 | 7 | 8 | 70 | 53 | 30 | 23 | 37 | 18 | 0.2 | 0.0 | 0.0 | 0 |
| Benin | 2012 | 1 | 1 | 1 | 73 | 57 | 27 | 22 | 33 | 139 | 172.0 | 172 | 172 | 182 |
| Botswana | 2012 | 18 | 15 | 21 | 77 | 59 | 23 | 19 | 28 | 22 | 20.0 | 18 | 36 | 58 |
| Burkina Faso | 2012 | 3 | 4 | 2 | 84 | 77 | 17 | 10 | 23 | 120 | 120.0 | 120 | 120 | 123 |
| Burundi | 2012 | 8 | 7 | 8 | 83 | 65 | 18 | 18 | 17 | 34 | 45.0 | 46 | 46 | 49 |
| Cabo Verde | 2012 | 8 | 7 | 8 | 67 | 60 | 33 | 17 | 49 | 131 | 177.0 | 167 | 176 | 198 |
| Cameroon | 2012 | 4 | 3 | 4 | 70 | 48 | 30 | 23 | 36 | 115 | 219.0 | 210 | 210 | 220 |
| Central African Republic | 2012 | 8 | 7 | 8 | 79 | 62 | 21 | 15 | 28 | ... | ... | ... | ... | ... |
| Chad | 2012 | 8 | 7 | 8 | 72 | 56 | 28 | 21 | 36 | ... | ... | ... | ... | ... |
| Comoros | 2012 | 7 | 7 | 8 | 58 | 39 | 42 | 20 | 65 | 38 | 48.0 | 56 | 59 | 70 |
| Congo | 2012 | 7 | 7 | 7 | 71 | 45 | 29 | 27 | 32 | ... | ... | ... | ... | ... |
| Congo, Dem. Rep. | 2012 | 7 | 7 | 8 | 72 | 45 | 28 | 27 | 29 | 16 | 115.0 | 12 | 12 | 13 |
| Côte d'Ivoire | 2012 | 4 | 5 | 3 | 67 | 51 | 33 | 19 | 48 | 373 | 373.0 | 373 | 373 | 380 |
| Djibouti | 2012 | ... | ... | ... | 52 | 45 | 48 | 33 | 64 | 33 | 32.0 | 33 | 33 | 34 |
| Egypt | 2012 | 12 | 7 | 27 | 49 | 34 | 51 | 25 | 76 | 12 453 | 14 324.0 | 19 236 | 17 833 | 18 000 |
| Equatorial Guinea | 2012 | 8 | 7 | 8 | 87 | 76 | 13 | 8 | 19 | ... | ... | ... | ... | ... |
| Eritrea | 2012 | 8 | 8 | 8 | 85 | 77 | 15 | 10 | 20 | .. | ... | ... | ... | ... |
| Ethiopia | 2012 | 5 | 3 | 8 | 84 | 77 | 16 | 11 | 22 | 345 | 513.0 | 624 | 624 | 647 |
| Gabon | 2012 | 20 | 15 | 26 | 61 | 26 | 39 | 35 | 44 | ... | ... | ... | ... | ... |
| Gambia | 2012 | 8 | 7 | 8 | 78 | 64 | 23 | 17 | 28 | 116 | 108.0 | 141 | 181 | 193 |
| Ghana | 2012 | 4 | 4 | 4 | 69 | 39 | 31 | 29 | 33 | 136 | 152.0 | 138 | 138 | 147 |
| Guinea | 2012 | 3 | 4 | 3 | 72 | 54 | 28 | 22 | 35 | 46 | 65.0 | 66 | 66 | 68 |
| Guinea-Bissau | 2012 | 8 | 7 | 8 | 73 | 55 | 27 | 22 | 32 | 46 | 46.0 | 46 | 46 | 48 |
| Kenya | 2012 | 9 | 8 | 11 | 67 | 40 | 33 | 28 | 38 | 686 | 934.0 | 1 214 | 1 338 | 1 480 |
| Lesotho | 2012 | 27 | 24 | 30 | 66 | 45 | 34 | 27 | 41 | 610 | 649.0 | 554 | 543 | 546 |
| Liberia | 2012 | 4 | 4 | 4 | 61 | 35 | 39 | 35 | 42 | 31 | 360.0 | 360 | 360 | 385 |
| Libya | 2012 | 9 | 6 | 16 | 53 | 37 | 47 | 24 | 70 | ... | ... | ... | ... | ... |
| Madagascar | 2012 | 4 | 3 | 5 | 89 | 79 | 11 | 9 | 13 | ... | ... | ... | ... | ... |
| Malawi | 2012 | 8 | 6 | 9 | 83 | 60 | 17 | 19 | 15 | 22 | 25.0 | 28 | 28 | 30 |
| Mali | 2012 | 8 | 6 | 11 | 66 | 58 | 34 | 19 | 49 | 473 | 784.0 | 784 | 784 | 815 |

Table 20. **Employment and remittances***(cont.)

| | Unemployment rate* | | | | Participation rate* | | Inactivity rate* (age 15-64) | | | Worker remittances (USD million) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ILO's latest estimates (a) | | | | 2012 | | 2012 | | | 2010 | 2011 | 2012 | 2013 | 2014(e) |
| | Year | Total | Male | Female | Total (age >15) | Total among youth (age 15-24) | Total | Male | Female | | | | | |
| Mauritania | 2012 | 31 | 33 | 27 | 54 | 40 | 46 | 21 | 71 | ... | ... | ... | ... | ... |
| Mauritius | 2012 (b) | 8 | 5 | 12 | 59 | 42 | 41 | 26 | 57 | 226 | 249.0 | 249 | 249 | 268 |
| Morocco | 2012 (b) | 9 | 9 | 10 | 50 | 36 | 50 | 24 | 74 | 6 423 | 7 256.0 | 6 508 | 6 882 | 6 819 |
| Mozambique | 2012 | 8 | 7 | 8 | 84 | 66 | 16 | 17 | 14 | 139 | 157.0 | 220 | 217 | 221 |
| Namibia | 2012 (b) | 17 | 15 | 19 | 59 | 31 | 42 | 37 | 46 | 15 | 15.0 | 15 | 15 | 16 |
| Niger | 2012 | 5 | 6 | 4 | 65 | 57 | 35 | 10 | 60 | 134 | 134.0 | 134 | 134 | 141 |
| Nigeria | 2012 | 8 | 8 | 7 | 56 | 38 | 44 | 37 | 52 | 19 818 | 20 619.0 | 20 633 | 20 890 | 21 294 |
| Rwanda | 2012 | 1 | 1 | 0 | 86 | 73 | 14 | 15 | 14 | 106 | 174.0 | 182 | 170 | 183 |
| Sao Tome and Principe | 2012 | ... | ... | ... | 61 | 41 | 39 | 23 | 55 | 6 | 7.0 | 6 | 23 | 24 |
| Senegal | 2012 | 10 | 8 | 13 | 77 | 66 | 24 | 12 | 34 | 1 478 | 1 614.0 | 1 614 | 1 614 | 1 663 |
| Seychelles | 2012 | ... | ... | ... | ... | ... | ... | ... | ... | 17 | 25.0 | 18 | 13 | 13 |
| Sierra Leone | 2012 | 3 | 5 | 2 | 67 | 44 | 33 | 31 | 34 | 44 | 59.0 | 61 | 61 | 71 |
| Somalia | 2012 | 8 | 7 | 8 | 56 | 45 | 44 | 24 | 63 | ... | ... | ... | ... | ... |
| South Africa | 2012 (b) | 25 | 23 | 28 | 52 | 26 | 48 | 40 | 56 | 1 070 | 1 158.0 | 1 085 | 971 | 1 041 |
| South Sudan | 2012 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Sudan | 2012 | 15 | 13 | 20 | 54 | 35 | 47 | 24 | 69 | 1 100 | 442.0 | 401 | 424 | 429 |
| Swaziland | 2012 | 23 | 20 | 26 | 57 | 45 | 43 | 29 | 56 | 55 | 38.0 | 31 | 31 | 31 |
| Tanzania | 2012 | 4 | 3 | 5 | 89 | 81 | 11 | 10 | 12 | 55 | 78.0 | 67 | 67 | 73 |
| Togo | 2012 | 8 | 7 | 8 | 81 | 66 | 19 | 19 | 19 | 337 | 337.0 | 337 | 337 | 348 |
| Tunisia | 2012 | 13 | 12 | 14 | 48 | 31 | 53 | 29 | 75 | 2 063 | 2 004.0 | 2 266 | 2 291 | 2 362 |
| Uganda | 2012 | 4 | 4 | 5 | 78 | 59 | 22 | 21 | 24 | 771 | 816.0 | 910 | 932 | 1 001 |
| Zambia | 2012 | 13 | 15 | 11 | 79 | 67 | 21 | 14 | 27 | 44 | 46.0 | 73 | 73 | 77 |
| Zimbabwe | 2012 | 4 | 4 | 4 | 86 | 80 | 14 | ... | ... | ... | ... | ... | ... | ... |
| **AFRICA** | **...** | ... | ... | ... | ... | ... | ... | ... | ... | **51 948** | **56 455** | **61 155** | **60 575** | **61 823** |

*Note*: * See note on methodology for definitions. (e) Estimates.
*Sources*: Employment: *ILO, KILM database*, eighth edition; Trends Estimation Model: (a) Harmonised estimates for 2012. (b) Data as reported by domestic authorities.
Workers' remittances: World Bank, *World Development Indicators*, Remittances data, accessed 04/2015.

## Table 21. Corruption Perceptions Index (CPI)*

| | 2008 | | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Index | Country rank / 179 | Index | Country rank / 180 | Index | Country rank / 180 | Index | Country rank / 178 | Index | Country rank / 182 | Index | Country rank / 174 | Index | Country rank / 175 |
| Algeria | 3.2 | 92 | 2.8 | 111 | 2.9 | 105 | 2.9 | 112 | 3.4 | 105 | 3.6 | 94 | 3.6 | 100 |
| Angola | 1.9 | 158 | 1.9 | 162 | 1.9 | 168 | 2.0 | 168 | 2.2 | 157 | 2.3 | 153 | 1.9 | 161 |
| Benin | 3.1 | 96 | 2.9 | 106 | 2.8 | 110 | 3.0 | 100 | 3.6 | 94 | 3.6 | 94 | 3.9 | 80 |
| Botswana | 5.8 | 36 | 5.6 | 37 | 5.8 | 33 | 6.1 | 32 | 6.5 | 30 | 6.4 | 30 | 6.3 | 31 |
| Burkina Faso | 3.5 | 80 | 3.6 | 79 | 3.1 | 98 | 3.0 | 100 | 3.8 | 83 | 3.8 | 83 | 3.8 | 85 |
| Burundi | 1.9 | 158 | 1.8 | 168 | 1.8 | 170 | 1.9 | 172 | 1.9 | 165 | 2.1 | 157 | 2.0 | 159 |
| Cabo Verde | 5.1 | 47 | 5.1 | 46 | 5.1 | 45 | 5.5 | 41 | 6.0 | 39 | 5.8 | 41 | 5.7 | 42 |
| Cameroon | 2.3 | 141 | 2.2 | 146 | 2.2 | 146 | 2.5 | 134 | 2.6 | 144 | 2.5 | 144 | 2.7 | 136 |
| Central African Republic | 2 | 151 | 2 | 158 | 2.1 | 154 | 2.2 | 154 | 2.6 | 144 | 2.5 | 144 | 2.4 | 150 |
| Chad | 1.6 | 173 | 1.6 | 175 | 1.7 | 171 | 2.0 | 168 | 1.9 | 165 | 1.9 | 163 | 2.2 | 154 |
| Comoros | 2.5 | 134 | 2.3 | 143 | 2.1 | 154 | 2.4 | 143 | 2.8 | 133 | 2.8 | 127 | 2.6 | 142 |
| Congo | 1.9 | 158 | 1.9 | 162 | 2.1 | 154 | 2.2 | 154 | 2.6 | 144 | 2.2 | 154 | 2.3 | 152 |
| Congo, Dem. Rep. | 1.7 | 171 | 1.9 | 162 | 2.2 | 146 | 2.0 | 168 | 2.1 | 160 | 2.2 | 154 | 2.2 | 154 |
| Côte d'Ivoire | ... | ... | 2.1 | 154 | 2 | 164 | 2.2 | 154 | 2.9 | 130 | 2.7 | 136 | 3.2 | 115 |
| Djibouti | 3 | 102 | 2.8 | 111 | 3.2 | 91 | 3.0 | 100 | 3.6 | 94 | 3.6 | 94 | 3.4 | 107 |
| Egypt | 2.6 | 115 | 2.8 | 111 | 3.1 | 98 | 2.9 | 112 | 3.2 | 118 | 3.2 | 114 | 3.7 | 94 |
| Equatorial Guinea | 1.7 | 171 | 1.8 | 168 | 1.9 | 168 | 1.9 | 172 | 2.0 | 163 | 1.9 | 163 | ... | ... |
| Eritrea | 2.6 | 126 | 2.6 | 126 | 2.6 | 123 | 2.5 | 134 | 2.5 | 150 | 2.0 | 160 | 1.8 | 166 |
| Ethiopia | 2.6 | 126 | 2.7 | 120 | 2.7 | 116 | 2.7 | 120 | 3.3 | 113 | 3.3 | 111 | 3.3 | 110 |
| Gabon | 3.1 | 96 | 2.9 | 106 | 2.8 | 110 | 3.0 | 100 | 3.5 | 102 | 3.4 | 106 | 3.7 | 94 |
| Gambia | 1.9 | 158 | 2.9 | 106 | 3.2 | 91 | 3.5 | 75 | 3.4 | 105 | 2.8 | 127 | 2.9 | 126 |
| Ghana | 3.9 | 67 | 3.9 | 69 | 4.1 | 62 | 3.9 | 69 | 4.5 | 64 | 4.6 | 63 | 4.8 | 61 |
| Guinea | 1.6 | 173 | 1.8 | 168 | 2 | 164 | 2.1 | 164 | 2.4 | 154 | 2.4 | 150 | 2.5 | 145 |
| Guinea-Bissau | 1.9 | 158 | 1.9 | 162 | 2.1 | 154 | 2.2 | 154 | 2.5 | 150 | 1.9 | 163 | 1.9 | 161 |
| Kenya | 2.1 | 147 | 2.2 | 146 | 2.1 | 154 | 2.2 | 154 | 2.7 | 139 | 2.7 | 136 | 2.5 | 145 |
| Lesotho | 3.2 | 92 | 3.3 | 89 | 3.5 | 78 | 3.5 | 75 | 4.5 | 64 | 4.9 | 55 | 4.9 | 55 |
| Liberia | 2.4 | 138 | 3.1 | 97 | 3.3 | 87 | 3.2 | 91 | 4.1 | 75 | 3.8 | 83 | 3.7 | 94 |
| Libya | 2.6 | 126 | 2.5 | 130 | 2.2 | 146 | 2.0 | 168 | 2.1 | 160 | 1.5 | 172 | 1.8 | 166 |
| Madagascar | 3.4 | 85 | 3 | 99 | 2.6 | 123 | 3.0 | 100 | 3.2 | 118 | 2.8 | 127 | 2.8 | 133 |
| Malawi | 2.8 | 115 | 3.3 | 89 | 3.4 | 85 | 3.0 | 100 | 3.7 | 88 | 3.7 | 91 | 3.3 | 110 |
| Mali | 3.1 | 96 | 2.8 | 111 | 2.7 | 116 | 2.8 | 118 | 3.4 | 105 | 2.8 | 127 | 3.2 | 115 |
| Mauritania | 2.8 | 115 | 2.5 | 130 | 2.3 | 143 | 2.4 | 143 | 3.1 | 123 | 3.0 | 119 | 3.0 | 124 |

Table 21. **Corruption Perceptions Index (CPI)*** (cont.)

| | 2008 | | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Index | Country rank / 179 | Index | Country rank / 180 | Index | Country rank / 180 | Index | Country rank / 178 | Index | Country rank / 182 | Index | Country rank / 174 | Index | Country rank / 175 |
| Mauritius | 5.5 | 41 | 5.4 | 42 | 5.4 | 39 | 5.1 | 46 | 5.7 | 43 | 5.2 | 52 | 5.4 | 47 |
| Morocco | 3.5 | 80 | 3.3 | 89 | 3.4 | 85 | 3.4 | 80 | 3.7 | 88 | 3.7 | 91 | 3.9 | 80 |
| Mozambique | 2.6 | 126 | 2.5 | 130 | 2.7 | 116 | 2.7 | 120 | 3.1 | 123 | 3.0 | 119 | 3.1 | 119 |
| Namibia | 4.5 | 61 | 4.5 | 56 | 4.4 | 56 | 4.4 | 57 | 4.8 | 58 | 4.8 | 57 | 4.9 | 55 |
| Niger | 2.8 | 115 | 2.9 | 106 | 2.6 | 123 | 2.5 | 134 | 3.3 | 113 | 3.4 | 106 | 3.5 | 103 |
| Nigeria | 2.7 | 121 | 2.5 | 130 | 2.4 | 134 | 2.4 | 143 | 2.7 | 139 | 2.5 | 144 | 2.7 | 136 |
| Rwanda | 3 | 102 | 3.3 | 89 | 4 | 66 | 5.0 | 49 | 5.3 | 50 | 5.3 | 49 | 4.9 | 55 |
| Sao Tome and Principe | 2.7 | 121 | 2.8 | 111 | 3 | 101 | 3.0 | 100 | 4.2 | 72 | 4.2 | 72 | 4.2 | 76 |
| Senegal | 3.4 | 85 | 3 | 99 | 2.9 | 105 | 2.9 | 112 | 3.6 | 94 | 4.1 | 77 | 4.3 | 69 |
| Seychelles | 4.8 | 55 | 4.8 | 54 | 4.8 | 49 | 4.8 | 50 | 5.2 | 51 | 5.4 | 47 | 5.5 | 43 |
| Sierra Leone | 1.9 | 158 | 2.2 | 146 | 2.4 | 134 | 2.5 | 134 | 3.1 | 123 | 3.0 | 119 | 3.1 | 119 |
| Somalia | 1 | 180 | 1.1 | 180 | 1.1 | 178 | 1.0 | 182 | 0.8 | 174 | 0.8 | 175 | 0.8 | 174 |
| South Africa | 4.9 | 54 | 4.7 | 55 | 4.5 | 54 | 4.1 | 64 | 4.3 | 69 | 4.2 | 72 | 4.4 | 67 |
| South Sudan | … | … | … | … | … | … | … | … | … | … | 1.1 | 174 | 1.5 | 171 |
| Sudan | 1.6 | 173 | 1.5 | 176 | 1.6 | 172 | 1.6 | 177 | 1.3 | 173 | 1.4 | 173 | 1.1 | 173 |
| Swaziland | 3.6 | 72 | 3.6 | 79 | 3.2 | 91 | 3.1 | 95 | 3.7 | 88 | 3.9 | 82 | 4.3 | 69 |
| Tanzania | 3 | 102 | 2.6 | 126 | 2.7 | 116 | 3.0 | 100 | 3.5 | 102 | 3.3 | 111 | 3.1 | 119 |
| Togo | 2.7 | 121 | 2.8 | 111 | 2.4 | 134 | 2.4 | 143 | 3.0 | 128 | 2.9 | 123 | 2.9 | 126 |
| Tunisia | 4.4 | 62 | 4.2 | 65 | 4.3 | 59 | 3.8 | 73 | 4.1 | 75 | 4.1 | 77 | 4.0 | 79 |
| Uganda | 2.6 | 126 | 2.5 | 130 | 2.5 | 127 | 2.4 | 143 | 2.9 | 130 | 2.6 | 140 | 2.6 | 142 |
| Zambia | 2.8 | 115 | 3 | 99 | 3 | 101 | 3.2 | 91 | 3.7 | 88 | 3.8 | 83 | 3.8 | 85 |
| Zimbabwe | 1.8 | 166 | 2.2 | 146 | 2.4 | 134 | 2.2 | 154 | 2.0 | 163 | 2.1 | 157 | 2.1 | 156 |

*Note*: * Index (CPI) Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).
*Source*: Transparency International: http://www.transparency.org.

Table 22. **Public protest**

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 4.0 | 2.3 | 6.7 | 1.4 | ... | 9.9 | 10.0 | 6.6 | 1.3 | 0.7 | 4.0 | 1.5 | 2.5 | 1.8 | 9.0 | 23.3 | 5.0 | 11.0 | 8.5 |
| Angola | ... | ... | ... | ... | ... | ... | ... | ... | 1.5 | 0.0 | 1.0 | 0.0 | 0.0 | 0.3 | 0.0 | 2.5 | 1.8 | 1.5 | 0.3 |
| Benin | 0.8 | 0.8 | 0.0 | 0.8 | 0.0 | 0.0 | 0.5 | 0.0 | 1.5 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 8.3 |
| Botswana | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 6.0 | 0.0 | 0.0 | 0.0 |
| Burkina Faso | 0.0 | 1.5 | 0.8 | 3.2 | 9.4 | 0.5 | 1.1 | 0.0 | 1.6 | 0.9 | 3.8 | 0.5 | 2.5 | 4.3 | 0.8 | 9.8 | 2.8 | 2.8 | 6.5 |
| Burundi | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 2.3 | 11.8 | 0.0 | 4.8 | 3.8 | 5.3 | 0.3 | 1.0 | 1.3 |
| Cabo Verde | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cameroon | 8.2 | 4.4 | 0.3 | 2.2 | 0.3 | 0.0 | 1.5 | 2.0 | 1.0 | 2.7 | 4.5 | 2.8 | 1.0 | 4.0 | 6.8 | 1.0 | 0.8 | 0.3 | 0.3 |
| Central African Republic | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 12.8 | 3.5 | 1.8 | 1.8 | 3.3 | 1.5 | 1.3 | 2.5 | 4.5 |
| Chad | 0.3 | 3.0 | 0.7 | 0.5 | 0.0 | 2.2 | 0.0 | 1.5 | 0.0 | 1.6 | 1.3 | 5.3 | 1.0 | 2.5 | 0.5 | 2.3 | 4.0 | 0.3 | 0.5 |
| Comoros | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.5 | 1.0 | 1.8 | 1.8 | 0.0 | 0.5 | 1.3 | 0.3 | 1.5 |
| Congo | ... | ... | ... | ... | ... | ... | ... | ... | 1.5 | 0.0 | 0.3 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.5 | 1.0 | 0.0 |
| Congo, Dem. Rep. | ... | ... | ... | ... | ... | ... | ... | ... | 2.0 | 2.8 | 7.3 | 4.8 | 1.8 | 6.0 | 1.8 | 2.3 | 3.3 | 1.5 | 7.0 |
| Côte d'Ivoire | 1.0 | 8.2 | 6.7 | 10.0 | 6.7 | 0.0 | 2.9 | 0.8 | 2.4 | 1.1 | 12.8 | 6.8 | 4.9 | 7.2 | 3.0 | 1.8 | 1.3 | 2.3 | 1.0 |
| Djibouti | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 1.0 | 0.0 |
| Egypt | 0.0 | 4.2 | 0.0 | 0.0 | 1.6 | 3.2 | 2.6 | 1.3 | 3.1 | 2.3 | 4.1 | 5.8 | 4.6 | 3.0 | 3.5 | 16.5 | 20.8 | 19.8 | 7.0 |
| Equatorial Guinea | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.5 | 0.0 | 0.3 | 0.0 |
| Eritrea | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | | 0.0 | 0.0 | 0.3 | 0.0 |
| Ethiopia | 1.3 | 1.2 | 0.8 | 0.0 | 0.0 | 1.3 | 0.3 | 0.0 | 0.0 | 2.3 | 0.6 | 0.3 | 0.0 | 0.3 | 0.0 | 0.0 | 0.8 | 1.8 | 0.5 |
| Gabon | 8.0 | 0.0 | 2.1 | 1.3 | 0.0 | 0.0 | 1.3 | 0.0 | 0.5 | 5.0 | 6.1 | 1.5 | 0.9 | 4.5 | 7.5 | 3.0 | 9.0 | 6.8 | 30.3 |
| Gambia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 |
| Ghana | 0.5 | 0.0 | 0.3 | 2.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.3 | 0.3 | 0.5 | 0.5 |
| Guinea | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 3.8 | 11.8 | 0.8 | 3.5 | 3.0 | 3.5 | 4.0 | 6.8 | 1.8 |
| Guinea-Bissau | 0.0 | 1.8 | 0.0 | 2.0 | 0.8 | 0.3 | 3.3 | 0.0 | 1.3 | 1.5 | 4.0 | 1.8 | 0.5 | 0.0 | 0.8 | 4.3 | 0.8 | 4.3 | 0.3 |
| Kenya | 2.3 | 4.4 | 8.1 | 0.0 | 0.0 | 0.5 | 0.0 | 0.9 | 2.4 | 2.2 | 2.5 | 1.0 | 5.1 | 1.4 | 0.5 | 3.0 | 4.5 | 4.5 | 3.5 |
| Lesotho | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liberia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 3.3 | 0.3 | 0.0 | 0.3 | 0.0 | 0.5 | 0.0 | 1.8 | 1.8 |
| Libya | 0.5 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.5 | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 7.5 | 28.0 | 13.5 |
| Madagascar | 2.3 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 12.8 | 0.0 | 1.0 | 3.3 | 0.8 | 1.0 | 0.0 | 8.3 | 0.8 | 0.5 | 6.5 | 1.3 | 1.0 |
| Malawi | 0.5 | 1.3 | 1.5 | 0.0 | 0.0 | 0.8 | 0.8 | 1.0 | 0.3 | 0.8 | 0.3 | 0.8 | 0.0 | 0.0 | 0.5 | 0.5 | 0.8 | 3.3 | 0.5 |
| Mali | 1.4 | 3.9 | 1.2 | 0.9 | 0.0 | 0.0 | 0.0 | 0.7 | 0.5 | 0.4 | 0.5 | 2.1 | 0.0 | 1.4 | 0.8 | 1.0 | 7.0 | 1.5 | 1.3 |
| Mauritania | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.8 | 0.5 | 5.3 | 2.3 | 0.3 | 10.8 | 11.8 | 3.5 | 1.5 |
| Mauritius | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.5 |
| Morocco | 5.9 | 1.6 | 1.4 | 0.7 | 0.7 | 0.0 | 0.0 | 0.0 | 1.2 | 0.5 | 2.0 | 3.9 | 2.7 | 2.2 | 1.0 | 10.0 | 9.5 | 7.0 | 9.5 |

Table 22. **Public protest** (cont.)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mozambique | 1.3 | 0.0 | 0.0 | 1.5 | 0.5 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.8 | 0.5 | 0.5 | 0.5 | 7.0 | 1.0 |
| Namibia | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.8 | 0.0 | 0.0 | 0.3 |
| Niger | ... | ... | ... | ... | ... | ... | ... | ... | 1.3 | 1.5 | 6.0 | 1.8 | 1.0 | 7.3 | 0.0 | 1.0 | 0.5 | 4.0 | 3.8 |
| Nigeria | 3.7 | 2.3 | 2.8 | 6.3 | 4.1 | 5.3 | 1.0 | 0.8 | 2.9 | 0.5 | 3.2 | 2.3 | 2.8 | 3.6 | 3.8 | 2.8 | 4.8 | 6.8 | 11.0 |
| Rwanda | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 |
| Sao Tome and Principe | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.8 | 2.3 | 0.0 | 0.5 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Senegal | 1.2 | 5.0 | 1.9 | 1.1 | 0.0 | 1.4 | 0.0 | 0.0 | 1.3 | 2.2 | 5.4 | 4.5 | 2.5 | 2.9 | 2.5 | 5.0 | 11.0 | 1.3 | 1.8 |
| Seychelles | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sierra Leone | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.5 | 1.3 | 0.3 | 0.0 | 0.3 | 0.5 | 1.0 | 0.5 | 2.3 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.3 |
| South Africa | 6.3 | 10.3 | 2.0 | 5.6 | 1.9 | 1.5 | 1.0 | 0.6 | 3.0 | 1.0 | 3.6 | 7.5 | 2.3 | 8.8 | 6.3 | 7.8 | 22.3 | 31.8 | 39.5 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.3 | 0.0 | 0.0 |
| Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 2.0 | 0.5 | 1.0 | 1.3 | 1.3 | 6.0 | 7.3 | 4.5 | 1.5 |
| Swaziland | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 1.8 | 0.0 | 0.0 | 0.0 | 2.5 | 2.0 | 0.0 | 0.3 |
| Tanzania | 0.8 | 0.0 | 0.8 | 0.0 | 0.0 | 1.0 | 0.0 | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 | 0.8 | 1.8 | 1.3 | 0.8 |
| Togo | 1.0 | 0.5 | 0.8 | 0.3 | 1.8 | 1.3 | 0.3 | 0.5 | 0.0 | 6.3 | 0.0 | 0.3 | 0.0 | 0.5 | 1.8 | 3.0 | 3.5 | 4.0 | 2.5 |
| Tunisia | 0.0 | 0.0 | 0.3 | 0.7 | 0.7 | 0.0 | 0.0 | 2.8 | 0.0 | 1.3 | 5.6 | 1.9 | 1.7 | 3.4 | 0.8 | 19.3 | 30.5 | 18.8 | 10.5 |
| Uganda | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.3 | 1.3 | 0.0 | 0.5 | 0.0 | 4.3 | 1.3 | 0.8 | 1.3 |
| Zambia | 2.5 | 1.5 | 2.1 | 1.5 | 0.5 | 5.0 | 0.5 | 3.4 | 1.8 | 0.9 | 6.6 | 2.4 | 1.5 | 1.6 | 0.3 | 2.0 | 1.0 | 1.5 | 0.3 |
| Zimbabwe | 7.3 | 3.7 | 4.8 | 4.6 | 1.3 | 1.4 | 1.0 | 5.9 | 0.3 | 1.0 | 2.0 | 6.9 | 2.7 | 4.4 | 3.5 | 5.0 | 0.8 | 0.3 | 0.3 |

*Note*: The change in the source might affect the comparability of the 2006 indicator to its historical values. The indicators presented in the tables have been adjusted accordingly. For more details about the sources and computation, see note on methodology.
*Sources*: Authors' calculations based on news verified by the press agencies (*Marchés Tropicaux et Méditerranéens* for 1996-2005, AFP and Reuters for 2006 onwards).

Table 23. **Violence by non-state actors**

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 35.2 | 31.3 | 37.6 | 43.0 | 37.8 | 35.0 | 15.4 | 5.5 | 19.2 | 10.7 | 12.8 | 14.8 | 10.8 | 11.0 | 5.8 | 15.3 | 6.3 | 6.3 | 5.5 |
| Angola | ... | ... | ... | ... | ... | ... | ... | ... | 13.5 | 0.8 | 0.3 | 0.0 | 0.3 | 0.5 | 1.3 | 1.3 | 1.3 | 0.5 | 0.0 |
| Benin | 0.8 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.5 | 0.0 | 0.3 | 0.0 | 0.3 | 0.0 | 0.0 | 0.8 | 0.0 | 1.0 | 0.5 | 0.0 | 0.0 |
| Botswana | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Burkina Faso | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.5 | 0.5 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 6.0 | 2.3 | 1.0 | 0.0 |
| Burundi | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 6.3 | 2.8 | 2.3 | 4.3 | 3.0 | 6.0 | 2.3 | 1.8 | 1.3 |
| Cabo Verde | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cameroon | 4.8 | 14.2 | 0.3 | 0.0 | 0.7 | 0.4 | 0.0 | 0.0 | 0.3 | 0.9 | 1.8 | 1.3 | 1.3 | 3.3 | 0.0 | 3.5 | 1.3 | 2.0 | 6.0 |
| Central African Republic | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 6.0 | 2.8 | 2.5 | 7.3 | 9.0 | 4.5 | 8.3 | 18.5 | 20.8 |
| Chad | 2.4 | 2.4 | 1.3 | 6.4 | 7.7 | 4.7 | 3.0 | 4.5 | 1.0 | 3.2 | 13.8 | 8.3 | 3.4 | 3.0 | 1.3 | 1.3 | 0.5 | 0.5 | 0.5 |
| Comoros | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 1.5 | 0.8 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.3 |
| Congo | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.5 | 0.0 | 0.5 | 0.0 | 1.0 | 0.0 | 0.0 | 1.0 | 0.3 | 0.5 |
| Congo, Dem. Rep. | ... | ... | ... | ... | ... | ... | ... | ... | 4.5 | 4.5 | 12.0 | 17.3 | 10.3 | 18.8 | 11.5 | 4.8 | 12.0 | 13.8 | 11.0 |
| Côte d'Ivoire | 4.5 | 0.0 | 0.0 | 1.7 | 6.2 | 1.2 | 3.1 | 4.7 | 6.0 | 5.7 | 7.0 | 1.3 | 1.0 | 1.0 | 2.5 | 10.8 | 7.3 | 2.8 | 2.3 |
| Djibouti | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.8 | 0.5 | 0.0 | 0.5 | 0.0 | 0.3 | 1.0 |
| Egypt | 6.5 | 10.8 | 0.0 | 0.5 | 2.0 | 1.0 | 0.0 | 1.2 | 1.3 | 2.3 | 3.5 | 2.0 | 4.3 | 4.1 | 1.3 | 12.3 | 16.8 | 29.0 | 21.3 |
| Equatorial Guinea | 0.5 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 |
| Eritrea | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.5 | 0.0 | 0.0 | 0.0 |
| Ethiopia | 13.3 | 4.1 | 0.0 | 7.2 | 2.0 | 1.5 | 12.4 | 4.7 | 8.1 | 3.6 | 7.4 | 7.9 | 4.2 | 5.0 | 2.0 | 1.8 | 2.8 | 0.8 | 0.8 |
| Gabon | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.5 | 2.5 | 0.0 | 0.3 |
| Gambia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ghana | 1.1 | 0.0 | 0.0 | 0.5 | 0.5 | 1.0 | 1.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | 1.0 | 0.3 | 0.0 |
| Guinea | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.5 | 1.3 | 0.3 | 2.0 | 3.3 | 2.5 | 8.0 | 1.3 |
| Guinea-Bissau | 0.0 | 0.0 | 5.0 | 3.8 | 1.0 | 0.8 | 0.3 | 1.0 | 1.0 | 0.5 | 1.5 | 0.3 | 0.0 | 0.3 | 0.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Kenya | 3.0 | 5.3 | 6.5 | 0.0 | 0.0 | 2.8 | 0.5 | 1.5 | 0.5 | 2.3 | 8.3 | 6.3 | 8.3 | 4.8 | 0.8 | 3.3 | 17.8 | 13.5 | 13.0 |
| Lesotho | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 |
| Liberia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 2.5 | 0.3 | 0.8 | 0.8 | 0.5 | 0.3 | 0.8 | 0.0 | 0.5 |
| Libya | 0.8 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 15.0 | 22.3 | 23.8 | 27.0 |
| Madagascar | 1.3 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 4.0 | 0.0 | 1.3 | 1.3 | 0.8 | 0.0 | 0.0 | 2.8 | 0.5 | 0.3 | 4.0 | 2.8 | 1.0 |
| Malawi | 0.0 | 2.5 | 2.0 | 0.3 | 0.0 | 0.0 | 0.3 | 1.0 | 0.3 | 1.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.3 | 0.8 |
| Mali | 0.6 | 2.3 | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 1.0 | 2.3 | 4.2 | 2.6 | 1.0 | 4.0 | 12.3 | 12.5 | 8.5 |
| Mauritania | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 1.3 | 1.5 | 1.3 | 0.8 | 2.5 | 2.5 | 0.5 | 1.3 |
| Mauritius | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 |
| Morocco | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.3 | 0.0 | 1.3 | 1.0 | 0.0 | 0.0 | 2.5 | 2.0 | 2.8 | 3.5 |

Table 23. **Violence by non-state actors** (cont.)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mozambique | 9.5 | 0.0 | 0.0 | 0.3 | 1.5 | 0.0 | 0.0 | 0.8 | 1.0 | 0.3 | 0.0 | 0.0 | 0.8 | 0.3 | 0.8 | 0.0 | 4.0 | 5.0 | 0.8 |
| Namibia | 0.0 | 0.0 | 0.0 | 2.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 | 0.0 | 0.0 | 0.3 |
| Niger | ... | ... | ... | ... | ... | ... | ... | ... | 1.0 | 0.3 | 0.3 | 7.3 | 5.5 | 2.8 | 0.3 | 3.3 | 0.5 | 2.3 | 1.8 |
| Nigeria | 12.8 | 16.6 | 5.7 | 16.0 | 12.4 | 12.7 | 6.4 | 6.0 | 11.3 | 0.8 | 16.4 | 22.5 | 12.9 | 13.8 | 12.5 | 31.5 | 34.8 | 30.5 | 36.5 |
| Rwanda | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.5 | 5.0 | 2.0 | 0.0 |
| Sao Tome and Principe | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Senegal | 0.0 | 4.2 | 0.6 | 1.4 | 1.6 | 1.4 | 2.2 | 1.9 | 2.1 | 0.3 | 1.9 | 1.9 | 0.3 | 4.1 | 4.8 | 7.5 | 6.0 | 2.0 | 0.3 |
| Seychelles | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sierra Leone | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | 0.5 | 0.0 | 1.5 | 0.0 | 0.5 | 0.8 | 0.3 | 0.3 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 20.3 | 16.5 |
| South Africa | 20.0 | 7.0 | 4.5 | 8.3 | 4.5 | 0.0 | 0.5 | 0.3 | 2.0 | 0.3 | 0.5 | 0.0 | 4.3 | 4.3 | 0.5 | 4.3 | 8.3 | 8.3 | 3.5 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 16.0 | 8.3 | 8.0 | 4.8 |
| Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 8.8 | 9.5 | 9.5 | 24.0 | 18.3 | 17.5 | 15.0 | 18.5 | 10.8 |
| Swaziland | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.5 | 0.0 | 0.0 | 0.5 | 0.0 | 0.5 | 0.3 | 0.0 | 0.0 |
| Tanzania | 1.0 | 0.5 | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.0 | 1.8 | 2.5 | 0.3 |
| Togo | 1.0 | 0.0 | 0.5 | 0.0 | 0.8 | 0.0 | 0.0 | 0.5 | 0.0 | 2.8 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 1.0 | 0.0 | 0.3 | 0.0 |
| Tunisia | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.3 | 0.3 | 0.0 | 7.0 | 11.5 | 10.3 | 8.8 |
| Uganda | 21.0 | 4.0 | 2.8 | 2.5 | 0.0 | 6.3 | 3.8 | 4.5 | 10.3 | 1.8 | 3.8 | 2.5 | 1.8 | 3.5 | 0.0 | 2.8 | 1.0 | 0.0 | 0.5 |
| Zambia | 0.8 | 0.8 | 0.5 | 0.5 | 0.0 | 2.8 | 0.0 | 0.8 | 0.0 | 0.3 | 0.5 | 0.0 | 0.3 | 0.0 | 0.0 | 1.3 | 0.5 | 1.0 | 0.0 |
| Zimbabwe | 0.0 | 1.5 | 1.0 | 0.0 | 3.8 | 3.0 | 3.8 | 0.3 | 0.8 | 0.8 | 0.0 | 0.0 | 8.0 | 0.8 | 0.8 | 2.3 | 0.0 | 1.0 | 0.0 |

*Note*: The change in the source might affect the comparability of the 2006 indicator to its historical values. The indicators presented in the tables have been adjusted accordingly. For more details about the sources and computation, see note on methodology.
*Sources*: Authors' calculations based on news verified by the press agencies (*Marchés Tropicaux et Méditerranéens* for 1996-2005, AFP and Reuters for 2006 onwards).

## Table 24. Political hardening

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 8.2 | 7.0 | 6.5 | 6.1 | 5.6 | 7.4 | 9.0 | 6.5 | 7.5 | 5.5 | 4.6 | 6.1 | 6.8 | 5.1 | 1.8 | 4.7 | 3.4 | 4.2 | 3.2 |
| Angola | ... | ... | ... | ... | ... | ... | ... | ... | 1.4 | 0.1 | 0.5 | 0.2 | 0.8 | 0.4 | 0.7 | 2.9 | 1.1 | 2.1 | 0.3 |
| Benin | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.3 | 0.1 | 0.5 | 0.1 | 0.2 | 0.4 | 0.1 | 0.4 | 0.0 |
| Botswana | 0.1 | 0.1 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.2 | 0.0 |
| Burkina Faso | 0.2 | 0.5 | 0.2 | 1.2 | 0.4 | 0.3 | 0.7 | 0.6 | 0.7 | 0.2 | 0.2 | 0.1 | 0.8 | 0.3 | 0.1 | 2.1 | 0.1 | 0.5 | 0.8 |
| Burundi | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 3.6 | 1.4 | 1.2 | 1.8 | 2.5 | 1.9 | 0.8 | 1.6 | 1.5 |
| Cabo Verde | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cameroon | 2.7 | 2.3 | 1.3 | 1.3 | 1.1 | 1.7 | 1.1 | 1.4 | 1.5 | 0.9 | 1.9 | 1.2 | 1.6 | 1.5 | 1.8 | 2.3 | 1.6 | 0.7 | 1.9 |
| Central African Republic | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 4.2 | 0.8 | 0.5 | 1.7 | 1.9 | 0.8 | 1.5 | 0.4 | 1.7 |
| Chad | 0.7 | 0.3 | 0.3 | 0.0 | 0.3 | 0.6 | 0.4 | 1.6 | 0.2 | 1.7 | 4.3 | 2.2 | 5.7 | 1.2 | 0.8 | 1.7 | 0.4 | 1.5 | 0.2 |
| Comoros | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.4 | 0.9 | 0.6 | 0.4 | 0.0 | 0.0 | 0.8 | 0.2 | 0.7 |
| Congo | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.3 | 0.5 | 0.4 | 0.2 | 0.9 | 0.3 | 1.1 | 0.5 | 0.4 | 0.6 |
| Congo, Dem. Rep. | ... | ... | ... | ... | ... | ... | ... | ... | 6.9 | 8.1 | 10.5 | 8.9 | 4.0 | 4.7 | 5.0 | 1.7 | 1.1 | 2.5 | 3.8 |
| Côte d'Ivoire | 1.0 | 0.9 | 0.5 | 2.8 | 2.3 | 0.7 | 1.1 | 2.1 | 2.7 | 2.1 | 3.3 | 1.2 | 1.5 | 0.6 | 4.0 | 6.0 | 1.8 | 1.5 | 0.6 |
| Djibouti | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.2 | 0.1 | 0.6 | 0.0 | 0.1 | 0.6 | 0.1 | 0.7 | 0.6 |
| Egypt | 5.9 | 5.3 | 4.9 | 4.1 | 5.4 | 4.6 | 6.4 | 4.8 | 4.6 | 6.4 | 5.7 | 7.1 | 7.9 | 4.7 | 5.4 | 8.7 | 7.5 | 16.5 | 10.4 |
| Equatorial Guinea | 0.0 | 0.3 | 1.3 | 0.0 | 0.0 | 0.2 | 1.5 | 0.2 | 2.1 | 0.0 | 0.5 | 0.3 | 0.5 | 0.8 | 0.5 | 1.2 | 1.2 | 0.3 | 0.1 |
| Eritrea | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.0 | 0.5 | 0.0 |
| Ethiopia | 4.0 | 3.2 | 2.8 | 2.2 | 2.4 | 3.1 | 4.2 | 2.5 | 2.5 | 5.2 | 3.4 | 3.4 | 1.9 | 2.0 | 1.4 | 1.5 | 1.5 | 0.6 | 1.1 |
| Gabon | 0.4 | 1.4 | 0.3 | 0.7 | 0.2 | 0.1 | 0.3 | 0.5 | 1.0 | 2.1 | 0.7 | 0.5 | 0.2 | 1.3 | 0.9 | 1.0 | 2.6 | 0.7 | 1.1 |
| Gambia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.4 | 0.3 | 0.9 | 2.1 | 0.2 | 0.1 | 0.2 | 1.1 | 0.4 |
| Ghana | 0.6 | 0.2 | 0.6 | 0.6 | 0.0 | 0.2 | 0.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 | 0.7 | 0.1 | 0.0 |
| Guinea | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.7 | 3.0 | 2.8 | 5.4 | 1.6 | 3.4 | 1.9 | 1.5 | 0.4 |
| Guinea-Bissau | 0.0 | 0.0 | 2.0 | 0.8 | 0.7 | 0.4 | 0.5 | 0.0 | 0.0 | 0.3 | 1.2 | 0.8 | 0.6 | 2.0 | 0.1 | 0.5 | 0.5 | 0.7 | 0.0 |
| Kenya | 1.0 | 2.7 | 0.9 | 0.0 | 0.0 | 0.2 | 0.3 | 0.5 | 0.6 | 0.7 | 1.8 | 2.6 | 7.4 | 0.4 | 0.0 | 0.5 | 1.0 | 0.9 | 3.3 |
| Lesotho | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.1 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liberia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.8 | 0.3 | 0.5 | 0.2 | 0.0 | 0.4 | 0.0 | 0.5 | 0.6 |
| Libya | 0.7 | 0.4 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.3 | 0.1 | 0.6 | 0.5 | 0.5 | 0.4 | 0.1 | 7.9 | 3.5 | 2.8 | 3.1 |
| Madagascar | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | 0.8 | 0.3 | 1.1 | 0.9 | 0.0 | 2.7 | 0.7 | 0.4 | 2.7 | 1.1 | 0.6 |
| Malawi | 0.0 | 0.5 | 0.3 | 0.0 | 0.0 | 0.4 | 0.2 | 0.2 | 0.2 | 0.8 | 0.3 | 0.3 | 0.3 | 0.6 | 0.5 | 1.2 | 0.0 | 0.3 | 0.1 |
| Mali | 0.1 | 1.3 | 0.0 | 0.1 | 0.3 | 0.3 | 0.1 | 0.3 | 0.1 | 0.0 | 0.4 | 0.5 | 1.9 | 1.2 | 0.1 | 0.3 | 4.7 | 6.1 | 1.6 |
| Mauritania | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.3 | 1.1 | 9.0 | 1.3 | 0.6 | 1.9 | 1.5 | 0.7 | 0.6 |
| Mauritius | 0.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.6 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Morocco | 4.7 | 4.4 | 3.9 | 3.8 | 4.3 | 4.2 | 4.1 | 4.4 | 4.9 | 4.0 | 4.3 | 4.4 | 4.6 | 2.0 | 2.2 | 2.4 | 3.9 | 2.8 | 2.6 |

Table 24. **Political hardening** (cont.)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mozambique | 0.1 | 0.2 | 0.6 | 0.3 | 0.9 | 0.3 | 0.0 | 0.1 | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 | 0.5 | 0.9 | 0.1 | 0.4 | 3.0 | 0.3 |
| Namibia | 0.0 | 0.1 | 0.0 | 0.3 | 0.4 | 0.1 | 0.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Niger | ... | ... | ... | ... | ... | ... | ... | ... | 0.4 | 0.8 | 1.3 | 1.4 | 2.2 | 3.9 | 0.7 | 0.5 | 0.0 | 0.3 | 1.7 |
| Nigeria | 5.7 | 4.2 | 3.4 | 3.1 | 3.1 | 2.7 | 2.6 | 2.9 | 5.0 | 2.7 | 4.6 | 3.7 | 4.3 | 2.9 | 0.6 | 3.2 | 8.3 | 5.2 | 2.2 |
| Rwanda | ... | ... | ... | ... | ... | ... | ... | ... | 1.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.6 | 0.7 | 0.6 | 0.1 | 1.4 |
| Sao Tome and Principe | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.1 | 0.3 | 0.1 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Senegal | 1.7 | 2.0 | 1.9 | 1.3 | 1.2 | 1.7 | 1.5 | 1.6 | 1.5 | 1.9 | 1.5 | 2.6 | 1.8 | 1.2 | 1.4 | 1.3 | 3.5 | 0.8 | 0.6 |
| Seychelles | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.4 | 0.0 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sierra Leone | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.4 | 0.6 | 0.2 | 1.0 | 0.2 | 0.4 | 0.8 | 0.6 | 0.3 |
| Somalia | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 1.2 | 1.6 |
| South Africa | 4.6 | 3.6 | 1.5 | 1.1 | 0.5 | 0.3 | 0.5 | 0.4 | 1.0 | 1.1 | 0.5 | 1.2 | 1.5 | 1.6 | 0.4 | 0.3 | 7.1 | 4.5 | 1.1 |
| South Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 2.5 | 1.3 | 0.9 | 0.7 |
| Sudan | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 3.5 | 3.6 | 7.6 | 5.0 | 6.2 | 7.9 | 7.3 | 2.0 | 4.4 |
| Swaziland | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.3 | 0.3 | 0.9 | 0.2 | 0.0 | 1.2 | 1.1 | 0.3 | 0.4 |
| Tanzania | 0.3 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.3 | 0.2 | 1.4 | 1.0 | 1.6 | 0.4 |
| Togo | 0.1 | 0.0 | 0.3 | 0.2 | 0.5 | 0.6 | 0.3 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.7 | 0.8 | 0.8 | 1.0 | 1.2 | 0.1 |
| Tunisia | 2.4 | 1.8 | 1.8 | 2.0 | 1.8 | 2.2 | 2.1 | 1.8 | 3.0 | 2.1 | 1.3 | 1.9 | 3.4 | 2.1 | 1.1 | 4.9 | 8.9 | 7.6 | 3.6 |
| Uganda | 1.2 | 0.4 | 0.6 | 0.7 | 0.4 | 1.9 | 0.8 | 1.4 | 3.5 | 1.1 | 3.3 | 2.0 | 0.9 | 3.0 | 0.9 | 2.3 | 2.3 | 1.5 | 1.8 |
| Zambia | 1.9 | 2.7 | 1.6 | 1.3 | 0.9 | 1.8 | 1.9 | 1.0 | 1.2 | 0.9 | 1.7 | 0.5 | 0.2 | 0.5 | 0.6 | 0.7 | 0.2 | 1.9 | 0.3 |
| Zimbabwe | 1.0 | 0.9 | 1.9 | 1.3 | 1.2 | 3.1 | 4.4 | 3.9 | 4.1 | 3.3 | 2.2 | 3.0 | 9.9 | 3.3 | 0.7 | 3.6 | 0.5 | 3.5 | 1.4 |

*Note*: The change in the source might affect the comparability of the 2006 indicator to its historical values. The indicators presented in the tables have been adjusted accordingly. For more details about the sources and computation, see note on methodology.
*Sources*: Authors' calculations based on news verified by the press agencies (*Marchés Tropicaux et Méditerranéens* for 1996-2005, AFP and Reuters for 2006 onwards).

## Table 25. Demographic projections

| | Population increase, 1980-2015 | Projected population increase, 2015-2050 | Population 2050/2015 ratio | Active population increase, 2015-2030 | Yearly cohort of new labour entrants, 2015 | Yearly cohort of new labour entrants, 2030 | Total entrance inflow between 2015-2030 | Activity ratio, 2015 | Activity ratio, 2050 | Projected rural population, 2015 | Projected rural population increase, 2015-2050 | % agriculture in total economically active population, 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Algeria | 21 158 | 13 889 | 1.3 | 5 766 | 676 | 850 | 11 003 | 2.0 | 1.9 | 11 895 | -2 159 | 21.2 |
| Angola | 15 183 | 31 504 | 2.4 | 7 580 | 448 | 722 | 9 375 | 1.0 | 1.6 | 12 768 | 6 881 | 69.3 |
| Benin | 7 162 | 11 257 | 2.0 | 3 224 | 217 | 310 | 4 238 | 1.2 | 1.8 | 6 098 | 2 465 | 44.3 |
| Botswana | 1 059 | 724 | 1.4 | 255 | 44 | 46 | 714 | 1.7 | 2.3 | 875 | - 37 | 42.2 |
| Burkina Faso | 11 092 | 23 018 | 2.3 | 5 688 | 361 | 544 | 7 228 | 1.1 | 1.6 | 12 566 | 7 068 | 92.1 |
| Burundi | 6 686 | 15 878 | 2.5 | 3 359 | 209 | 339 | 4 162 | 1.1 | 1.4 | 9 509 | 10 157 | 89.2 |
| Cabo Verde | 207 | 128 | 1.3 | 58 | 11 | 9 | 153 | 2.0 | 2.0 | 175 | - 33 | 16.9 |
| Cameroon | 14 461 | 25 206 | 2.1 | 6 680 | 474 | 669 | 9 108 | 1.2 | 1.7 | 10 672 | 3 925 | 47.7 |
| Central African Republic | 2 529 | 3 688 | 1.8 | 1 126 | 98 | 122 | 1 768 | 1.3 | 1.9 | 2 880 | 780 | 63.3 |
| Chad | 9 093 | 19 910 | 2.5 | 4 527 | 275 | 434 | 5 638 | 1.0 | 1.5 | 10 548 | 10 526 | 65.7 |
| Comoros | 456 | 738 | 2.0 | 203 | 14 | 21 | 288 | 1.2 | 1.7 | 552 | 380 | 69.5 |
| Congo | 2 875 | 5 906 | 2.3 | 1 338 | 87 | 137 | 1 771 | 1.2 | 1.5 | 1 617 | 791 | 32.0 |
| Congo, Dem. Rep. | 44 889 | 84 044 | 2.2 | 20 908 | 1 427 | 2 086 | 27 981 | 1.1 | 1.6 | 40 971 | 20 456 | 57.3 |
| Côte d'Ivoire | 13 030 | 21 044 | 2.0 | 5 127 | 428 | 572 | 7 904 | 1.3 | 1.6 | 9 757 | 2 585 | 37.9 |
| Djibouti | 540 | 345 | 1.4 | 137 | 18 | 20 | 288 | 1.7 | 1.9 | 204 | 12 | 74.0 |
| Egypt | 39 774 | 37 092 | 1.4 | 13 814 | 1 505 | 1 789 | 25 946 | 1.7 | 1.9 | 48 168 | 4 766 | 25.1 |
| Equatorial Guinea | 579 | 824 | 2.0 | 210 | 15 | 22 | 288 | 1.4 | 1.9 | 480 | 316 | 64.9 |
| Eritrea | 4 323 | 7 576 | 2.1 | 2 245 | 128 | 205 | 2 627 | 1.2 | 1.8 | 5 212 | 3 072 | 73.7 |
| Ethiopia | 63 701 | 88 631 | 1.9 | 30 512 | 2 141 | 2 738 | 39 786 | 1.2 | 2.0 | 79 676 | 37 375 | 77.3 |
| Gabon | 1 025 | 1 551 | 1.9 | 461 | 34 | 47 | 633 | 1.3 | 1.8 | 225 | 73 | 25.7 |
| Gambia | 1 366 | 2 896 | 2.5 | 651 | 39 | 62 | 799 | 1.1 | 1.5 | 795 | 602 | 75.9 |
| Ghana | 16 182 | 18 685 | 1.7 | 6 461 | 532 | 689 | 9 724 | 1.4 | 1.9 | 12 402 | 1 076 | 54.5 |
| Guinea | 7 852 | 12 118 | 2.0 | 3 435 | 247 | 346 | 4 738 | 1.2 | 1.8 | 7 759 | 2 943 | 79.8 |
| Guinea-Bissau | 970 | 1 716 | 2.0 | 456 | 35 | 48 | 667 | 1.3 | 1.7 | 906 | 330 | 79.3 |
| Kenya | 30 481 | 50 424 | 2.1 | 13 761 | 903 | 1 338 | 17 955 | 1.2 | 1.7 | 34 770 | 19 766 | 70.6 |
| Lesotho | 813 | 698 | 1.3 | 269 | 49 | 49 | 768 | 1.5 | 2.2 | 1 541 | - 39 | 39.3 |
| Liberia | 2 611 | 4 888 | 2.1 | 1 321 | 87 | 128 | 1 742 | 1.2 | 1.7 | 2 265 | 1 005 | 62.1 |
| Libya | 3 239 | 2 033 | 1.3 | 1 067 | 106 | 126 | 1 862 | 1.9 | 1.8 | 1 355 | - 160 | 3.0 |
| Madagascar | 15 489 | 31 262 | 2.3 | 7 462 | 498 | 695 | 9 532 | 1.2 | 1.6 | 15 728 | 9 251 | 70.1 |
| Malawi | 11 072 | 23 894 | 2.4 | 5 504 | 358 | 540 | 7 112 | 1.1 | 1.5 | 14 492 | 14 273 | 79.1 |
| Mali | 9 523 | 28 910 | 2.8 | 5 415 | 310 | 529 | 6 588 | 1.0 | 1.3 | 9 769 | 8 166 | 74.9 |
| Mauritania | 2 546 | 3 841 | 1.9 | 1 070 | 79 | 110 | 1 509 | 1.3 | 1.7 | 1 638 | 416 | 50.2 |

## Table 25. **Demographic projections** (cont.)

| | Population increase, 1980-2015 | Projected population increase, 2015-2050 | Population 2050/2015 ratio | Active population increase, 2015-2030 | Yearly cohort of new labour entrants, 2015 | Yearly cohort of new labour entrants, 2030 | Total entrance inflow between 2015-2030 | Activity ratio, 2015 | Activity ratio, 2050 | Projected rural population, 2015 | Projected rural population increase, 2015-2050 | % agriculture in total economically active population, 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mauritius | 288 | - 23 | 1.0 | - 35 | 19 | 15 | 277 | 2.5 | 1.7 | 756 | - 95 | 8.1 |
| Morocco | 14 156 | 8 929 | 1.3 | 3 219 | 603 | 635 | 9 285 | 2.0 | 1.8 | 13 516 | -2 352 | 25.5 |
| Mozambique | 14 980 | 32 807 | 2.2 | 7 472 | 533 | 817 | 10 950 | 1.1 | 1.6 | 18 385 | 12 105 | 80.5 |
| Namibia | 1 380 | 1 351 | 1.6 | 511 | 52 | 56 | 861 | 1.6 | 2.2 | 1 276 | - 71 | 33.6 |
| Niger | 13 434 | 50 142 | 3.6 | 7 402 | 347 | 664 | 7 910 | 0.9 | 1.1 | 15 659 | 29 189 | 82.9 |
| Nigeria | 109 825 | 256 832 | 2.4 | 53 516 | 3 467 | 5 515 | 70 794 | 1.1 | 1.4 | 95 843 | 49 032 | 24.9 |
| Rwanda | 7 287 | 12 950 | 2.0 | 3 731 | 255 | 357 | 4 901 | 1.3 | 1.8 | 8 847 | 3 181 | 89.4 |
| Senegal | 9 399 | 17 965 | 2.2 | 4 665 | 297 | 447 | 5 867 | 1.2 | 1.6 | 8 423 | 4 599 | 70.2 |
| Seychelles | 28 | 6 | 1.1 | 0 | 1 | 1 | 21 | 2.3 | 1.6 | 43 | - 8 | 72.5 |
| Sierra Leone | 3 138 | 3 977 | 1.6 | 1 373 | 125 | 161 | 2 330 | 1.3 | 1.8 | 3 795 | 608 | 60.1 |
| Somalia | 5 033 | 15 953 | 2.4 | 3 431 | 221 | 343 | 4 490 | 1.0 | 1.5 | 6 724 | 4 688 | 65.6 |
| South Africa | 24 414 | 9 914 | 1.2 | 4 151 | 957 | 1 044 | 15 797 | 1.9 | 2.1 | 18 829 | -4 526 | 6.5 |
| South Sudan | 7 450 | 12 607 | 2.0 | 3 484 | 249 | 342 | 4 742 | 1.2 | 1.8 | 9 867 | 6 490 | ... |
| Sudan | 25 195 | 37 525 | 1.9 | 10 989 | 790 | 1 073 | 15 056 | 1.3 | 1.8 | 26 222 | 12 529 | 51.5 |
| Swaziland | 682 | 530 | 1.4 | 186 | 30 | 32 | 478 | 1.4 | 2.2 | 1 012 | 281 | 28.9 |
| Sao Tome and Principe | 108 | 186 | 1.9 | 59 | 4 | 6 | 76 | 1.2 | 1.7 | 71 | 24 | 56.1 |
| Tanzania | 33 604 | 77 126 | 2.5 | 16 892 | 1 006 | 1 627 | 20 800 | 1.1 | 1.5 | 35 763 | 25 086 | 75.9 |
| Togo | 4 450 | 7 351 | 2.0 | 2 016 | 141 | 202 | 2 713 | 1.3 | 1.7 | 4 305 | 1 812 | 53.4 |
| Tunisia | 4 927 | 1 957 | 1.2 | 629 | 177 | 179 | 2 696 | 2.3 | 1.6 | 3 725 | - 642 | 20.5 |
| Uganda | 27 591 | 63 937 | 2.6 | 14 417 | 815 | 1 325 | 16 979 | 1.0 | 1.5 | 33 678 | 37 033 | 74.8 |
| Zambia | 9 672 | 28 686 | 2.8 | 5 484 | 307 | 496 | 6 351 | 1.0 | 1.3 | 9 169 | 9 278 | 63.3 |
| Zimbabwe | 7 757 | 11 207 | 1.7 | 4 082 | 333 | 395 | 5 725 | 1.4 | 2.0 | 10 175 | 4 599 | 56.5 |
| **AFRICA** | **687 780** | **1 226 936** | **2.1** | **308 023** | **22 612** | **32 103** | **433 489** | **1.3** | **1.6** | **694 637** | **359 972** | **53.2** |

*Sources*: United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects: The 2012 Edition; World Urbanization Prospects: The 2014 Revisions*; FAO STAT.

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# African Economic Outlook 2015

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