African Economic Outlook 2014

SPECIAL THEME:

Global Value Chains and Africa's Industrialisation

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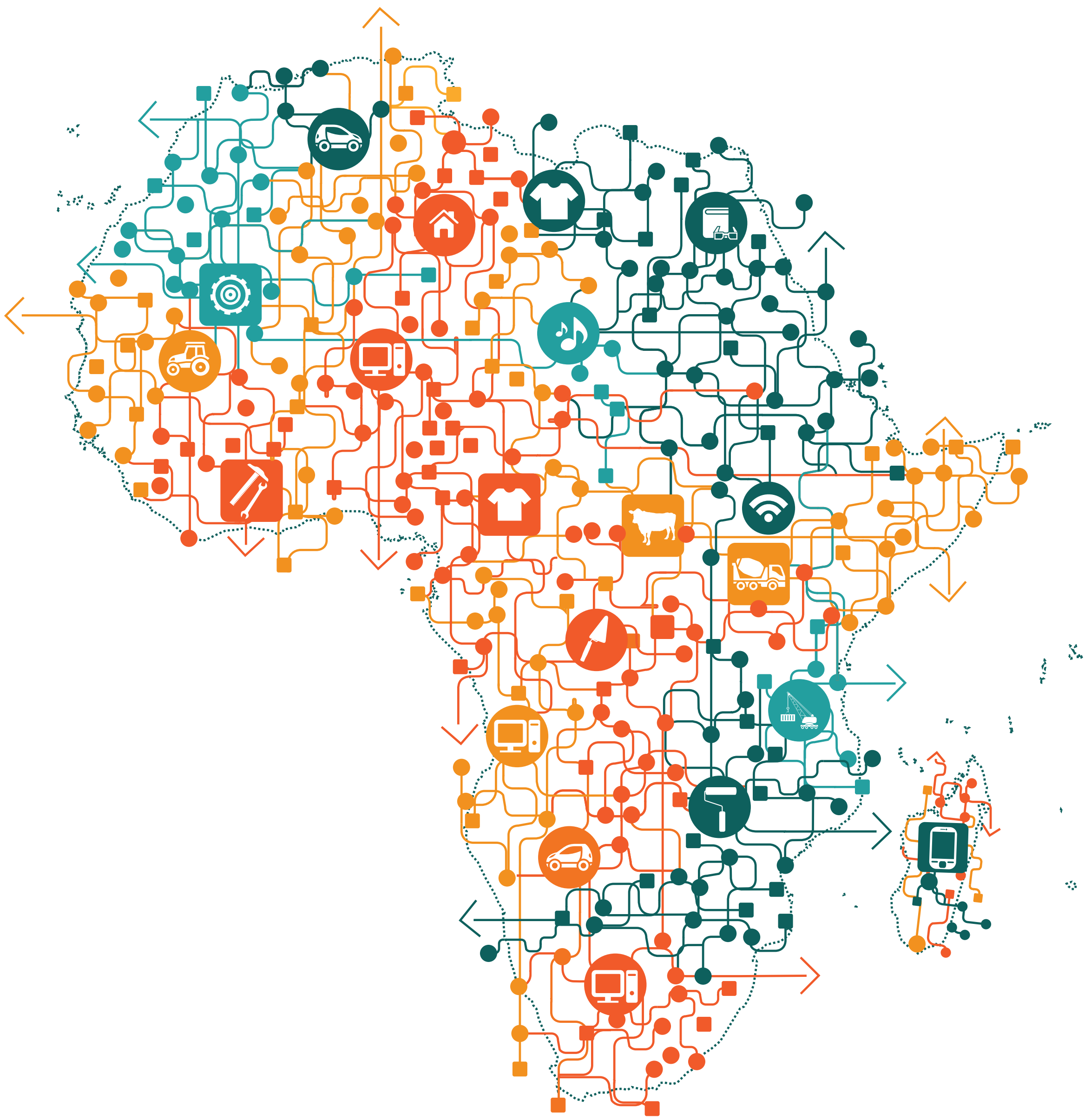

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ISBN 978-92-64-20940-4 (print)

ISBN 978-92-64-20941-1 (PDF)

DOI: http://dx.doi.org/10.1787/aeo-2014-en

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

Foreword

The *African Economic Outlook* (AEO) presents the current state of economic and social development in Africa and projects the outlook for the coming two years. The AEO is a product of collaborative work by three international partners: the African Development Bank, the OECD Development Centre and the United Nations Development Programme.

AEO 2014 is the 13th edition which for the first time covers all 54 African countries. The AEO has grown steadily since the launch of the first edition in 2002 that covered only 22 countries. As in the past, the 2014 edition comprises three parts. Part one assesses Africa's performance and prospects. Part two examines a specific theme. This year focuses on global value chains and Africa's industrialisation. Part three consists of comparable notes on each country – in condensed form in this print publication. A statistical annex of 24 tables completes the report.

An international team of researchers, economists, statisticians and other experts analyse economic, social and political statistics and present them in a format accessible to the public. The report is supported by recent available data drawn from several sources: national statistics offices, ministries, multilateral development institutions, investors, civil society and the media.

Various versions and editions of the *African Economic Outlook* are available in print and electronic formats. The full-length country notes and accompanying individual tables and graphs can be accessed on the common website of the *Outlook*'s partners, www.africaneconomicoutlook.org, along with the following:

- The full report in English and French and an abridged version in Portuguese.
- Five regional editions in English and French grouping the full-length country notes for Central, East, North, Southern and West Africa, and one edition in Portuguese comprising all the Portuguese-speaking countries of Africa.
- A thematic edition combining Part two with analysis on global value chains and industrialisation in the context of each country, in English and French.
- A pocket edition summarising Parts one and two and providing key figures by region, in English and French.

Editorial

This 13th edition of the *African Economic Outlook* underscores the continent's resilience to regional and global headwinds. In 2013, Africa grew by about 4%, on average, compared to 3% for the global economy, although with broad variations across regions and income groupings. Growth in sub-Saharan Africa was 5% in 2013 and is projected to be about 5.8% in 2014. Excluding South Africa, the figures are 6.1% and 6.8%, respectively. East and West Africa recorded the fastest pace of expansion, above 6%. Low-income countries also recorded growth of above 6%, and the upper-middle-income countries in North and Southern Africa at below 3%. Africa's medium-term growth prospects have improved, on the back of broader political and social stability at home and recovering economic conditions abroad. In some countries and regions, growth is projected to return to levels last seen before the onset of the 2009 global recession.

External financial flows are expected to surpass USD 200 billion in 2014, four times their 2000 level. Foreign investment – direct and portfolio – has now fully recovered from the effects of the crisis and is projected to reach a record USD 80 billion in 2014, with manufacturing and services attracting an increasing share of the continent's greenfield projects. Poverty levels are falling, and education and health outcomes are improving.

Yet important challenges remain. Among these, social exclusion, income inequality, and vulnerability to economic, social and environmental risks continue to threaten Africa's long-term aspiration for a people-centred and prosperous continent. Peace and security breakdowns in the Central African Republic and South Sudan have resulted in the tragic loss of lives and livelihoods. A strong commitment from Africa and the international community is required to help address these crises. While risks remain heightened in some regions, a number of crises on the continent have been heading towards resolution. Today, most of Africa is at peace and moving forward. In 2014-15, 600 million Africans, including many first-time voters, will elect their leaders.

Against this background, our report probes how Africa can make the most of global dynamic forces to promote inclusive growth and create jobs. Globalisation has changed how and where products are made. Today the bulk of global trade is linked to multinational corporations, and on average one quarter of the value of exports worldwide is made up of imports from other countries. These global value chains offer new opportunities for African firms. The report also stresses the potential of regional value chains: fast-growing African markets will remain a primary driver of growth in the years to come. Governments should strive to make it easier for all African entrepreneurs to tap into them. Africans need better roads, more reliable energy supplies but also greater freedom to move between countries and transport their merchandise.

We are pleased that this edition of the *Economic Outlook* is the first to cover all 54 African economies: Somalia is the subject of a short country note. Its return to the fold is testimony of what can be achieved when political will is supported by African and international institutions. This is one of many gleams of hope revealed by this report.

Donald Kaberuka	**Angel Gurría**	**Helen Clark**
President, African Development Bank Group, Tunis	Secretary-General, Organisation for Economic Co-operation and Development, Paris	Administrator, United Nations Development Programme, New York

Acknowledgements

The *African Economic Outlook* (AEO) was prepared by a consortium of three teams from the African Development Bank (AfDB), the OECD Development Centre and the United Nations Development Programme (UNDP). The *Outlook* benefited from the overall guidance of Mthuli Ncube (Chief Economist and Vice President, AfDB), Mario Pezzini (Director, OECD Development Centre) and Pedro Conceição (Chief Economist and Head of the Strategic Advisory Unit, Regional Bureau for Africa, UNDP). Willi Leibfritz was the Co-ordinator.

The AfDB team was led by Steve Kayizzi-Mugerwa, Charles Lufumpa, Abebe Shimeles and Beejaye Kokil. The AfDB task manager was Anthony Simpasa. Key team members included Ahmed Moummi, Adeleke Salami, Anna von Wachenfelt and Lauréline Pla. The team at the OECD Development Centre was led by Henri-Bernard Solignac-Lecomte, while the team at the UNDP was led by Angela Lusigi.

Part one on Africa's performance and prospects was drafted by Willi Leibfritz, based on the forecast provided by the AfDB Statistics Department (Chapter 1), Gregory De Paepe (Chapter 2), Calvin Maduna and Gerald Ajumbo with input from Bakary Traoré (Chapter 3), Angela Lusigi (Chapter 4), Juana de Catheu and Bakary Traoré with valuable assistance from Vanessa Fines, Alpha Barry and Christian Hernandez (Chapter 5). Part two on global value chains and Africa's industrialisation was drafted by Jan Rieländer with key inputs from Carolin Helmreich, Bakary Traoré, Keiko Nowacka, Eoghan Molloy, Maria Roquete, Kjartan Fjeldsted, Sarah Goerres, Koon-Kui Tee, Gaëlle Ferrant and Luca Maria Pesando. Caroline Lesser, as well as Annelies Goger, Andy Hull, Stephanie Barrientos, Gary Gereffi and Shane Godfrey contributed with background papers. Salem Berhane, Dan Moran and Keiichiro Kanemoto provided data and support.

In collaboration with the partner institutions and under the overall guidance of the AfDB regional directors and lead economists, all AfDB country economists have contributed to the country notes. In several cases, they collaborated with economists from the OECD Development Centre and/or UNDP. The notes were drafted by Tarik Benbahmed and Hervé Lohoues (Algeria), Joel Muzima and Domingos Mazivila (Angola), Daniel Ndoye and El Hadji Fall (Benin), Peninah Kariuki, Fitsum Abraha and Sennye Obuseng (Botswana), Tankien Dayo (Burkina Faso), Sibaye Joel Tokindang and Daniel Gbetnkom (Burundi), Heloisa Marone and Adalbert Nshimyumuremyi (Cabo Verde), Richard-Antonin Doffonsou and Lisa Simrique Singh (Cameroon), Kalidou Diallo (Central African Republic), Claude N'Kodia (Chad), Alassane Diabate and Riad Meddeb (Comoros), Nouridine Kane Dia and Ginette Mondongou Camara (Congo, Rep.), Séraphine Wakana and Ernest Bamou (Democratic Republic of Congo), Pascal Yembiline, Bakary Traoré and Luis Padilla (Côte d'Ivoire), Audrey Emmanuelle Vergnes (Djibouti), Charles Muthuthi (Egypt), Gérard Bizimana and Glenda Gallardo (Equatorial Guinea), Magidu Nyende and Luka Okumu (Eritrea), Admit Wondifraw Zerihun, Haile Kibret and James Wakiaga (Ethiopia), Gérard Bizimana and Bakary Dosso (Gabon), Adalbert Nshimyumuremyi (Gambia), Eline Okudzeto, Wilberforce Aminiel Mariki, Gregory De Paepe and Kordzo Sendegah (Ghana), Olivier Manlan (Guinea), Yannis Arvanitis (Guinea-Bissau), Walter Owuor Odero and Wilmot Reeves (Kenya), Edirisa Nseera and Alka Bhatia (Lesotho), Patrick Hettinger and Janice James (Liberia), Sahar Taghdisi Rad (Libya), Jean Marie Vianey Dabire and Simplice Zouhon Bi (Madagascar), Peter Mwanakatwe (Malawi), Abdoulaye Konaté and Bécaye Diarra (Mali), Marcellin Ndong Ntah and Souleman Boukar (Mauritania), Martha Phiri and Asha Kannan (Mauritius), Samia Mansour and Vincent Castel (Morocco), Andre Almeida-Santos, Luca Monge Roffarello and Manuel Filipe (Mozambique), George J. Honde and Ojijo Odhiambo (Namibia), Daniel Ndoye and Mansour Ndiaye (Niger), Barbara Barungi (Nigeria), Edward Batte Sennoga and Bernis Byamukama (Rwanda), Flávio A. Soares Da Gama (São Tomé and Príncipe), Khadidiatou Gassama, Toussaint Houeninvo and Bakary Traoré (Senegal), Susan Mpande and Asha Kannan (Seychelles), Jamal Zayid (Sierra Leone), Ahmed Dualeh (Somalia), Wolassa Lawisso Kumo, Jan Rieländer and Omilola Babatunde (South Africa), Joseph Muvawala and Frederick Mugisha (South Sudan), Yousif M.A. Bashir Eltahir, Suwareh Darbo and Kabbashi M. Suliman (Sudan), Albert Mafusire and Fatou Leigh (Swaziland), Prosper Charle, Rogers Dhliwayo and Josef Loening (Tanzania), Carpophore Ntagungira (Togo), Philippe Trape, Mickaelle Chauvin and Hatem Salah (Tunisia), Vera-Kintu Oling, Alexis Rwabizambuga and Alex Warren-Rodriguez (Uganda), Peter Engbo Rasmussen, Kambaila Munkoni and George Lwanda (Zambia), Mary Manneko Monyau and Amarakoon Bandara (Zimbabwe). The work on the country notes greatly benefited from the valuable contributions of local consultants.

The committee of peer reviewers of the country notes included Elizabeth Asiedu, Sylvain Dessy, Bertrand Laporte, Leonce Ndikumana, Jean-Michel Salmon, Peter Walkenhorst, Lucia Wegner and a team of economists at the AfDB comprising John C. Anyanwu, Zuzana Brixiova, Ousman Gajigo, Daniel Zerfu Gurara, Basil Jones, Thierry Kangoye, Ralf Krüger, Ahmed Moummi, Jennifer Moyo, Jacob Oduor, Lauréline Pla, Adeleke Salami, Anthony Simpasa, Thouraya Triki, Audrey Verdier-Chouchane, and Nadège Désirée Yaméogo.

The macroeconomic framework and database used to produce the forecast and statistical annex was managed by Beejaye Kokil and Koua Louis Kouakou at the AfDB. Valuable statistical inputs for updating the database and running the AEO model were provided by Riadh Aloui, Mohamed S. Ben Aissa, Anouar Chaouch, Mbija H.K. Kadisha, Koua Louis Kouakou, Fessoou Emessan Lawson and Nirina Letsara in the AfDB Statistics Department.

The project also benefited from the assistance provided by Rhoda Bangurah, Yvette Chanvoédou, Ahmed Jeridi, Josiane Koné, Abiana Nelson, Imen Rabai and Elisabeth Turner.

The report profited from extremely valuable inputs and comments from a large number of African government representatives, private-sector operators, civil society members, country economists and sector specialists in the AfDB country operations departments and field offices, experts in the European Commission and European Development Finance Institutions, as well as the OECD Development Co-operation Directorate (DCD), Trade and Agriculture Directorate, Directorate for Science, Technology and Industry, and Economics Department.

Part two on global value chains and Africa's industrialisation drew heavily from the knowledge of international experts invited to the AEO 2014 experts' meeting in Paris on 29 November 2013: Tilman Altenburg (German Development Institute), Stephanie Barrientos (University of Manchester), Tidiane Boye (UNIDO), Richard Carey (Former Director, OECD/DCD), Julius Gatune (African Centre for Economic Transformation), Mark Henstridge (Oxford Policy Management), Raphael Kaplinsky (The Open University), David Laborde (IFPRI), Megha Mukim (The World Bank), Anthony Pile (Blue Skies Holding Ltd.), Roberta Rabellotti (Università del Piemonte Orientale), Isabelle Ramdoo (ECDPM), Xiaoyang Tang (Tsinghua University), Joseph Wozniak (ITC), as well as Koen De Backer, William Hynes, Przemyslaw Kowalski, Sébastien Miroudot, Annalisa Primi, Virginia Robano, Colin Webb, Trudy Witbreuk and Norihiko Yamano (OECD).

The dedication of the editing, translation and proof-reading team was essential to the timely production of this report. Jill Gaston managed the editorial process with Vanda Legrandgérard, while Delphine Grandrieux oversaw the production of the publication in both paper and electronic forms with Louise Schets. Aida Buendía was responsible for the design and layout of the report.

A generous grant from the European Development Fund, jointly managed by the European Commission and the African, Caribbean and Pacific Secretariat, was essential to initiating and sustaining the project over 2002-13. Additional financial support to this 2014 edition by Belgium, France, Germany, Ireland, Portugal, Spain and Switzerland is gratefully acknowledged.

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Executive summary

The *African Economic Outlook 2014* announces steadily progressing economic and social conditions that bide well for the immediate future. The report analyses Africa's participation in global value chains and shows how the continent is adapting to today's dynamically changing markets.

Africa's **macroeconomic prospects** remain favourable. In 2013, Africa maintained an average growth rate of about 4%. This compares to 3% for the global economy and underscores again the continent's resilience to global and regional headwinds. However, growth performance varied widely across country classifications and regions. Growth in sub-Saharan Africa was 5% in 2013 and is projected to be 5.8% in 2014. Excluding South Africa, the figures are 6.1% and 6.8%, respectively. East and West Africa recorded the fastest growth in 2013, above 6%. It is projected that growth for the continent as a whole could return in 2015 to 5%-6%, a level last seen before the onset of the 2009 global recession. With stabilising energy costs and retreating food prices, the continent's inflation rate decelerated in 2013. Nonetheless, in some countries inflation remained relatively high, due to a weakening of currencies. Monetary policy has eased in many countries in response to lower inflation. However, in some countries where currencies have weakened monetary policy has tightened to stem inflationary pressures. Fiscal policy stances also differed between countries. While many countries pursued prudent fiscal policies in order to reduce budget deficits, in others, fiscal policy remained expansionary to boost growth. Current account deficits have remained elevated in oil-importing countries.

External financial flows and tax revenues continue to be an important contributor to Africa's development. If the current pace of growth is sustained, foreign direct investment and portfolio investment could soon constitute Africa's main source of financial flows. Foreign direct investment continues to primarily benefit resource-rich countries. However, overall, anaemic economic growth in advanced countries has continued to affect the flow of direct investment and remittances to Africa, with the share from OECD countries sharply reduced against rising contribution from non-OECD countries. Official development assistance (ODA) has continued to increase despite the reduced fiscal space in advanced countries. But its share in total inflows has significantly declined since 2000 as other financial inflows have increased more. Nonetheless, ODA remains the largest external financial flow to the continent's low-income countries. Tax revenues in Africa continue to increase, yet challenges for tax authorities remain. Tax revenues are a component of government revenues that grow as the country develops.

Africa's **trade** performance has improved in recent years. However, Africa's exports remained dominated by primary commodities, and the observed strong performance was fuelled by rising commodity prices. In particular, trade in agriculture goods and, trade in services have remained below their potential. Progress has been made towards **regional integration** with intra-African trade growing especially in the manufactures goods.

Human development conditions in Africa are improving overall. However, a number of countries continue to lag behind. Poverty is gradually decreasing, while education and health care are advancing. Regrettably, exclusion persists, resulting in unequal access to social and economic opportunities which undermines efforts to improve livelihoods and interferes with human rights. Focusing on equitable economic and social transformation, gender equality, youth empowerment, and environmentally sustainable development can help to address people's vulnerability to economic, social and environmental risks.

Strengthening **political and economic governance in Africa** could significantly contribute to narrowing economic and social inequalities. Since 2010, Africa has witnessed an increasing number of free and fair elections, and the trend is expected to continue. About 600 million Africans are expected to elect their leaders in 2014-15. Despite a bumpy start, Tunisia appears poised to consolidate democratic gains with the enactment of the national constitution in early 2014. However, progress in other North African countries affected by the Arab Spring uprising has been slow. Relative peace in the Horn of Africa has been blighted by reports of civil conflict in South Sudan while the crisis in the Central Africa Republic risks deepening fragility of the region. Tackling these contradictions requires stellar resolve by emphasising deeper public sector reforms to improve the management of national resources, especially in resource-rich countries. Furthermore, there is need for scaling up policies to improve the business environment for accelerated private sector investment.

This edition is devoted to a special theme on global value chains and Africa's industrialisation. Production processes have become increasingly fragmented across the globe as companies seek out competitive locations for their various production tasks. In this new trade reality, developing countries are no longer obliged to create entire industries to participate in competitive markets. They can now access global value chains directly by providing specific skills or products to international production networks. This opens up new and quicker routes for development. Currently, Africa captures a small but growing share of trade in global value chains, with sectors integrating differently. Its share in global trade in value added grew from 1.4% in 1995 to 2.2% in 2011.

The challenge for African economies is to ensure that global value chains have a positive impact on socially inclusive development. Africa's participation in global value chains is currently limited to lower value activities although opportunities exist for upgrading to higher ones. African countries can further integrate into global value chains by opening to trade, targeting regional and emerging markets, modernising infrastructure, promoting local entrepreneurship, and investing in education. Global value chains require additional considerations: each value chain has unique requirements; policies may be suited for integrating into global value chains but not conducive to upgrading; and unnecessary tax incentive systems can result in a loss of revenue. Equitable economic and social transformations and environmental sustainability remain core concerns for Africa to maximise the gains that global value chains can offer.

Country notes present the findings and projections for each of Africa's 54 countries, and the **statistical annex** compares key indicators.

PART ONE
Africa's performance and prospects

Chapter 1

Macroeconomic prospects for Africa

This chapter examines the recent macroeconomic developments in Africa and provides a forecast for 2014 and 2015. It is based on detailed country analyses and projections as described in Part three of this report. The chapter looks at the supply and demand conditions affecting Africa's growth. It also describes the development of commodity prices and inflationary pressures in African countries and discusses monetary and fiscal policy stances, external positions, forecasting risks and policy challenges.

In brief

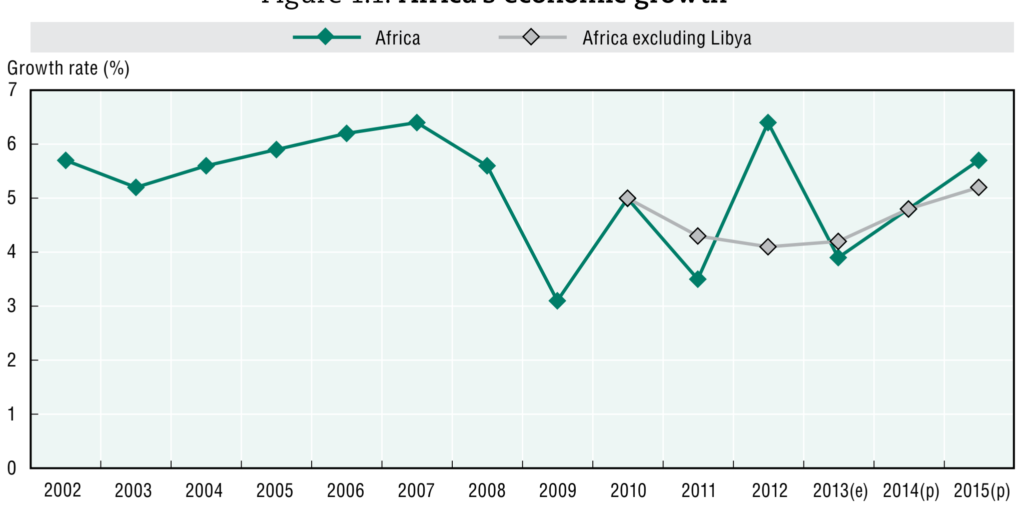
In 2013, Africa maintained an average growth rate of about 4%. This compares to 3% for the global economy and underscores again the continent's resilience to global and regional headwinds. But growth performance varied widely across country classifications and regions. Growth in sub-Saharan Africa was 5% in 2013 and is projected to be 5.8% in 2014. Excluding South Africa, the figures are 6.1% and 6.8%, respectively. East and West Africa recorded the fastest growth in 2013, 6% or above. Furthermore, growth in low-income countries, at 6% or above, exceeded that of upper-middle-income countries in North and Southern Africa at below 3%. Africa's medium-term growth prospects look good. Africa's average growth is projected to accelerate to close to 5% in 2014 and 5%-6% in 2015, thus to levels last seen before the onset of the 2009 global recession. This forecast is based on the premise of a gradual strengthening of the world economy and also on improvements in political and social stability in those African countries currently affected by conflicts. But if the global economy should remain weak, or if political and social tensions within Africa were to improve less than assumed, growth would be lower than projected.

Inflationary pressures have eased in many countries as energy prices have stopped rising and food prices have declined. These developments, together with prudent fiscal policies, have provided some scope for monetary policy to reduce interest rates. But in other countries where fiscal policy has been lax and where currencies have weakened, monetary policy has tightened to stem inflationary pressure.

Africa's growth is expected to pick up

African economies showed a remarkable resilience during the 2009 global recession and also during the past three years of weak global growth. Nonetheless, the impact of the flagging world economy has taken a toll on Africa's growth. In some countries this has been aggravated by political conflicts and social tensions. As a result, Africa's average GDP growth has remained lower than before the global recession. In 2013 it amounted to 3.9% and, excluding the effect of the fall in Libya's oil production, it was 4.2% and similar to that in 2012. Africa's growth is projected to accelerate to 4.8% in 2014 and 5.7% in 2015. If the effect of the assumed rebound in Libya's oil production in 2015 is excluded Africa's growth is estimated at 5.2% in 2015 (Figure 1.1), Africa's underlying growth will then have returned to the earlier path before the 2009 global recession (AfDB et al., 2013). An assumption underlying this overall favourable outlook is that the world economy will strengthen and that political and social stability in those African countries, which have been affected by conflicts, will improve.

Figure 1.1. **Africa's economic growth**



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

Source: Statistics Department, African Development Bank.

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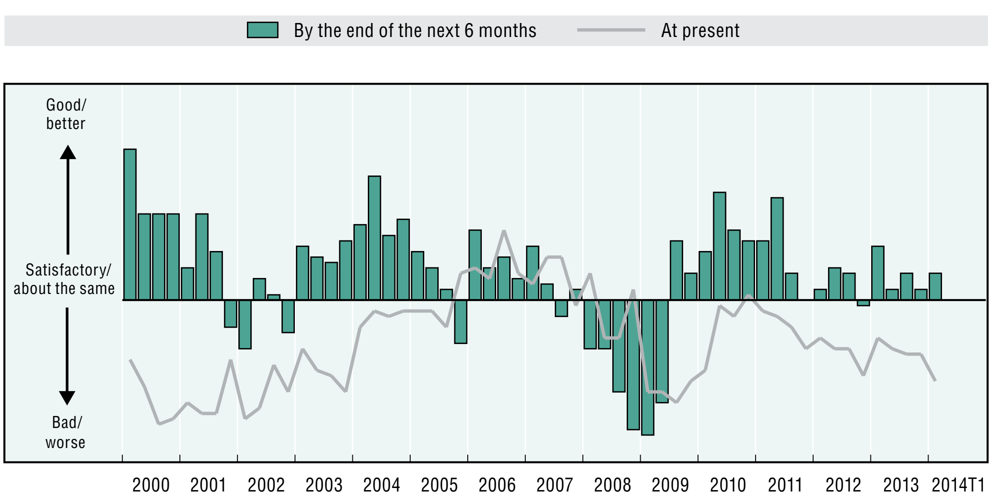
Global growth and world trade are expected to improve gradually during the projection period with world output growth accelerating in 2014 and 2015 to around 3.5% and around 4% respectively (from around 3% in 2013). World trade volume growth is projected to recover gradually from around 3% in 2013 to close to 5% and 5.5% to 6 % in 2014 and 2015 respectively. The assumed recovery of the global economy and of world trade will benefit Africa's exporters. With these projections, growth of world output and world trade continue to remain lower than before the global financial crisis. From 2004 to 2007 annual growth of world output and world trade had been around 5% and around 9% respectively. The main reasons for the recently relatively low growth were the continuing crisis in the euro area, sluggish growth in other advanced economies, notably the United States and Japan, and more subdued growth in emerging countries such as China, India and Brazil. While the ultra-loose monetary policies in the United States, Europe and Japan helped to stabilise financial markets and prevented a backsliding into a new recession, they were unable to lift the economies to a sustained growth path with adequate job creation (see Annex 1.1. for more detailed assumptions about the global economy).

Lower medium-term growth in China and a shift away from commodity-intensive production could reduce global demand for commodities, thereby adversely affecting African commodity exporters. At the same time, with rising domestic wage pressures, and the new emphasis of the government on upgrading the global supply chain from the current "world factory" to a "technological innovator and leader" Chinese firms could look for more investment in manufacturing sectors abroad, including in Africa. This would help African countries diversify their economies and accelerate the process of catching-up.

The cautiously optimistic view of our forecast for the continent is supported by the opinion of African participants in an international poll (Figure 1.2). Expectations for the next six months remain positive and improved slightly at the beginning of 2014. But the assessment of the current economic situation has continued to weaken, which points to the currently difficult situation in several African countries (Figure 1.2).

Figure 1.2. **Africa's current economic situation and prospects for the next six months**



Source: IFO World Economic Survey (WES) I/2014.

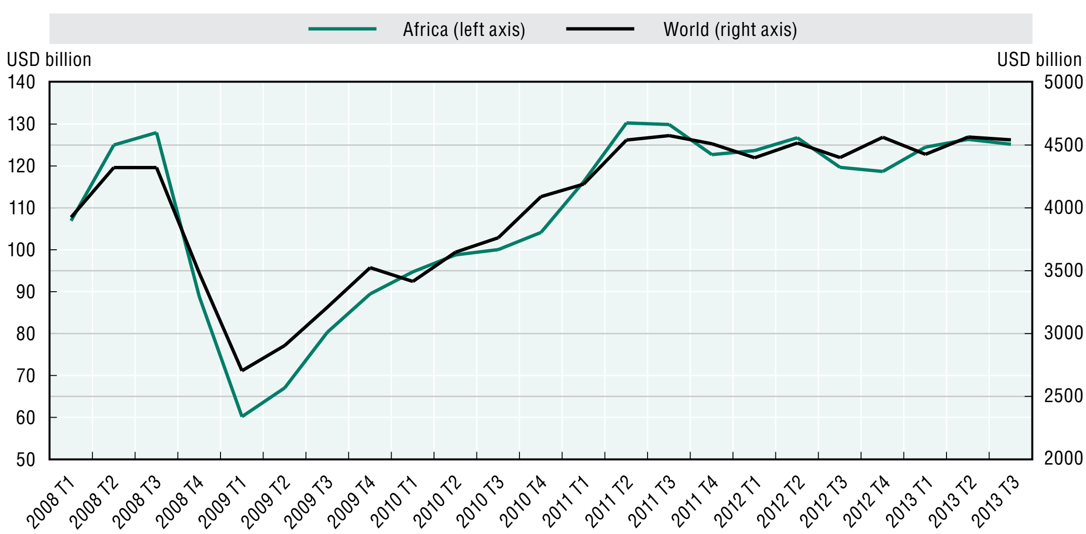
StatLink http://dx.doi.org/10.1787/888933032396

Growth becomes more broadly based

Demand and supply conditions differ across the continent and are also changing over time. Broadening the pattern of demand and diversifying the supply side makes the economies less vulnerable to external shocks.

On the **demand side**, domestic demand was the main driving force behind Africa's growth in recent years while external demand remained subdued because of the flagging world economy. African exports started to recover during 2013 and are expected to increase further during 2014 and 2015 as world trade strengthens (Figure 1.3). Domestic demand was mainly boosted by consumption, infrastructure investments and private investment. Private consumption benefited from increasing wages and a continued rise in remittances. In 2013, private investment benefited from greater foreign direct investment (FDI) and this trend is expected to continue. FDI is often related to investment in oil and mining sectors but services and manufacturing sectors also attract foreign investors (Chapter 2). Investment is not only boosting short-term demand but – more importantly – its positive supply effects improve growth potential over the longer term. The theoretical and empirical literature on investment and growth suggests that a comprehensive strategy is needed to promote sustainable inclusive growth. Important elements of such strategy are ensuring political and macroeconomic stability; providing adequate infrastructure and human capital investment; creating favourable conditions for doing business, including for start-ups; improving conditions for job-rich growth; and preventing a misallocation of capital by improving the functioning of financial markets, thus ensuring that private savings help financing investment rather than being absorbed by public consumption (see Box 1.1).

Figure 1.3. **Development of African and world exports of goods (USD billion)**



Source: IMF Direction of Trade Statistics (DOTS).
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On the **supply side**, agriculture and services were the main engines of growth in 2013. In resource-rich countries oil and mining activity often weakened. Manufacturing production increased in a few countries but often declined or remained too small to boost growth.

The **agricultural sector** accounts for around 60% of Africa's total employment and around 25% of its GDP. In several countries such as Burkina Faso, Burundi, Ethiopia, Guinea, Guinea-Bissau, Malawi, Mali, Mozambique, Niger and Rwanda, where between 80% and 90% of the total workforce are employed in this sector, agricultural sectors are larger. Productivity and earnings tend to be low and are vulnerable to weather conditions and international agricultural commodity prices. In 2013, in many countries such as Cameroon, Comoros, the Democratic Republic of Congo (DRC), Ethiopia, Kenya, Malawi, Mauritania, Morocco, São

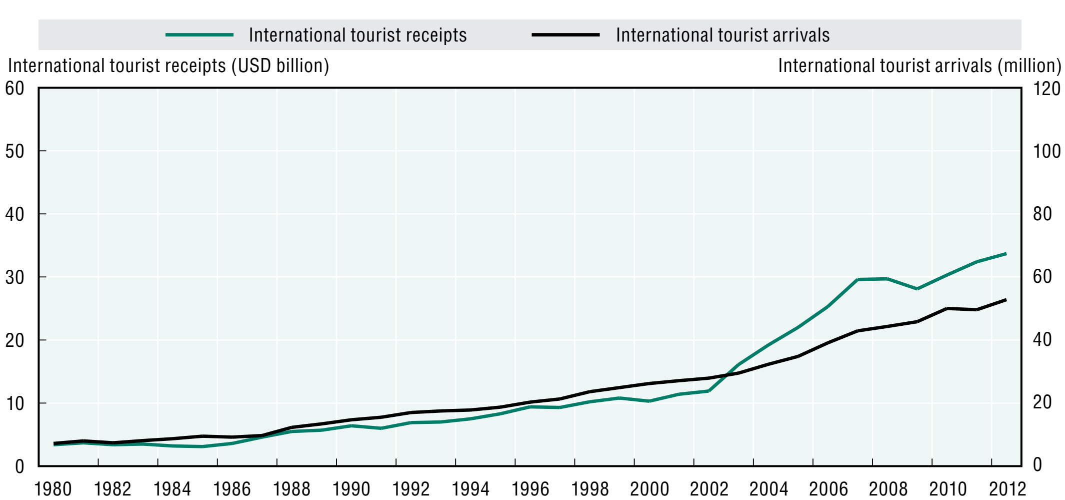
Tomé and Príncipe, Senegal, Sudan and Tanzania agricultural production was boosted by favourable weather conditions. In Malawi the rebound of agriculture benefited also from higher prices of tobacco, a key export product of the country. But in some other countries, such as Botswana, Burundi, Mozambique, Namibia, Niger, Tunisia and Zambia, bad weather reduced harvests. The production of cotton also fell in response to lower cotton prices as farmers switched to other crops, as in Uganda and Zimbabwe. In Burkina Faso and Chad, cotton production remained strong as it did in Benin where the government supported purchasing prices. In some other countries, such as Sierra Leone, small farmers also benefited from structural improvements. However, due to drought, prospects for agriculture have deteriorated again in the Sahel belt region. According to the United Nations, several countries in the region face a high risk of a new food crisis, and emergency measures are prepared to support farmers and households to mitigate the effects.

The **service sector** continues to be a principal engine of growth in Africa. Both traditional services, such as transport, trade, real estate and public and financial services, and new services, such as information and telecommunication technologies (ITC), are boosting growth in many countries.

Tourism is an important driver of growth for several countries. Africa's international tourist arrivals and receipts have sharply increased over the last decade with tourist arrivals doubling and receipts tripling between 2000 and 2012 with average annual growth of 6% and above 10% respectively (Figure 1.4). Given Africa's unique wildlife and landscape, future prospects for tourism are also good and there is still much potential for the further improvement of competitiveness in tourism on the continent (Figure 1.5). The future development of tourism also requires finding appropriate solutions for possible conflicts with the development of other sectors, such as agriculture. The World Tourism Organization (UNWTO) projects Africa's international tourist arrivals to increase from around 53 million in 2012 to around 85 million in 2030 and 134 million in 2050, corresponding to an average annual increase of between 2% and 3%.

In 2013, tourism increased in several countries, such as Ethiopia, Kenya, Mauritius, Seychelles and Tanzania. These countries benefited from diversification towards tourists from Asia. In Tunisia tourism receipts picked up slightly after an earlier fall caused by political uncertainty, also helped by the weaker exchange rate. But in Egypt political instability and security concerns caused a further sharp fall in tourism receipts. In some other countries, such as Cabo Verde and Namibia, tourism was also adversely affected as tourist arrivals from Europe declined. In Cabo Verde tourism receipts slowed even though occupancy rates increased, pointing to competitive pricing pressures in this most important sector, which, together with related industries, represents 30% of GDP.

Figure 1.4. **International tourist arrivals and receipts in Africa**



Source: World Tourism Organization (UNWTO).

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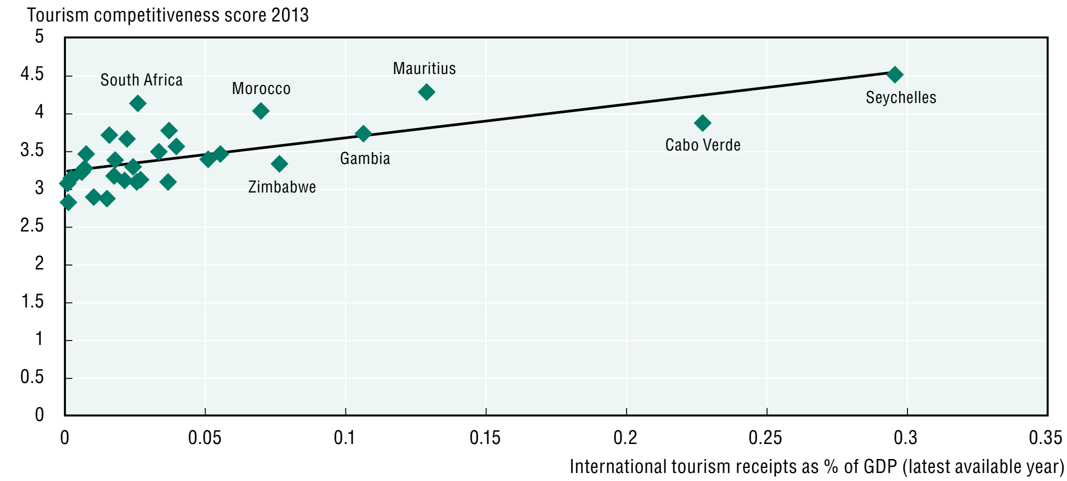
Figure 1.5. **Tourism competitiveness and tourism receipts of African countries**



Source: World Tourism Organization (UNWTO), World Economic Forum (2013).
StatLink http://dx.doi.org/10.1787/888933032453

Extractive industries are important sources of exports and growth in Africa and also the main sources of government revenues in resource-rich countries. In some of the oil-exporting countries, such as Angola, Equatorial Guinea and Gabon the oil sector accounts for 80% to 90% of exports and the majority of government receipts. While extractive industries are important engines of growth in Africa they also make countries vulnerable to volatile commodity prices and to the risk of depletion of resources. In 2013, production in oil and mining sectors increased in several countries but was held back in others. In South Sudan the resumption of oil production boosted growth, while in Sudan oil production declined. In Gabon the oil sector and in Cameroon the oil and gas sectors remained strong and in Ghana, oil production, which came on stream in 2001, also continued to support growth. But in Algeria, Angola and Chad oil production and revenues were lower than expected as they were in Nigeria, where the oil sector not only suffered from lower prices but also from theft and pipeline vandalism. In Equatorial Guinea oil production has started to decline as old oil fields provide less oil and new fields have not been found. In Libya oil production continued to be disrupted by protests in oil fields and export terminals.

The performance of mining sectors also varied across the continent. In several countries mining production increased and boosted growth, as in the DRC, Mauritania, Liberia, Sierra Leone and Togo, while in other countries such as Botswana and Namibia, production declined.

In 2014, extractive industries are expected to boost growth in several resource-rich countries. In the countries where production increased in 2013, it is assumed it will increase further; and in most countries where the performance of these industries weakened in 2013 some rebound is expected during 2014/15. In some countries, new oil fields or new mining operations are coming on stream, such as in Mauritania (iron ore) and Zambia (copper) and will further boost production. But in a few countries, such as in Nigeria and in Equatorial Guinea, prospects for oil production remain obscure and in Libya the expected rebound in oil production is contingent on the ending of disruptions.

The **manufacturing sector** is relatively small in most African countries and contributes on average only around 10% to GDP. But its size varies between countries and it tends to be particularly low in those at relatively low stages of development and also in those with abundant natural resources. While Africa has a large potential to develop labour-intensive manufacturing, there are also important barriers including unreliable and expensive energy and other infrastructure bottlenecks. African manufacturing has also to cope with stiff competition both from imported goods and in export markets (AfDB et al., 2013). Governments attempt to overcome these problems and to diversify their economies. Many countries are increasing infrastructure investment, which should help to improve conditions for manufacturing and for private sector activity in general. In Nigeria a better electricity supply is expected from the privatisation of the power sector.

In 2013 the performance of manufacturing was mixed. In South Africa, where manufacturing is most developed, labour disputes constrained production, notably in the automotive sector. In some countries such as Cameroon, Ethiopia, Ghana, Kenya, Lesotho, Morocco and Tunisia production continued to increase although often at moderate rates due to fallout from the international economy. In 2014/15 manufacturing production is expected to increase in many countries, supported by improved international economic conditions.

Box 1.1. **Saving, investment and growth in Africa**

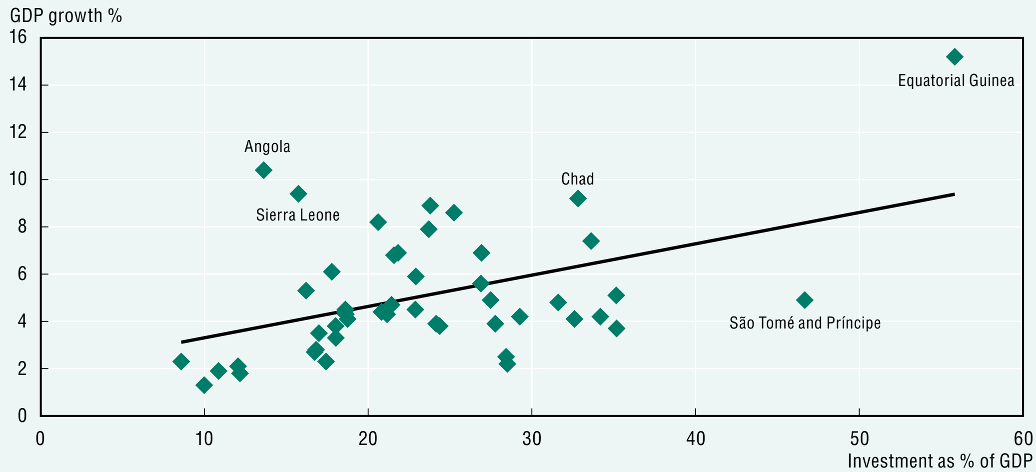
Africa needs high and inclusive growth to create enough jobs for its increasing labour force. That requires adequate investment in both the private sector and in infrastructure. According to the endogenous growth model, physical capital accumulation increases growth not only during a transition period to a new steady state (as suggested by the neoclassical model) but also in the long run. The reason is that new investment tends to embody technical innovation (which is exogenous in the neoclassical growth model) and has also positive externalities, thus creating not only private returns but also raising the social rate of return. But achieving a high growth path requires not only rising physical capital and its efficient allocation but also adequate human capital, i.e. skilled people who work with these technologically advanced investment goods and entrepreneurs with innovative skills and the ability to find new business opportunities. Maintenance of infrastructure is crucial for their effectiveness. Where framework conditions are favourable, capital accumulation will initiate a self-enforcing process as output growth stimulates additional investment and the increasing income creates more savings for its financing.

In Africa growth after 2000 tended to be higher in countries with higher investment shares in GDP, and investment tended to be higher in countries with higher national savings (Figures 1.6 and 1.7). But the relatively small correlation coefficient between investment and growth (0.20) indicates that many other factors were at play affecting growth performance. The correlation coefficient between saving and investment was higher (0.43) suggesting a stronger interdependence. But such simple correlations can only shed a first light on these relationships and more detailed analysis is necessary to identify the main determinants of growth and how they are interrelated. A recent study on sub-Saharan African countries confirms that higher private and public investment boosts growth. It also suggests that government consumption may exert a drag on growth, and that more flexible exchange regimes are beneficial to growth (Ghazanchyan and Stotsky, 2013).

Box 1.1. **Saving, investment and growth in Africa** (cont.)

Figure 1.6. **Growth and investment in African countries**

(average GDP growth and total investment as % of GDP, 2001-12)



Source: Authors' calculations based on International Monetary Fund.

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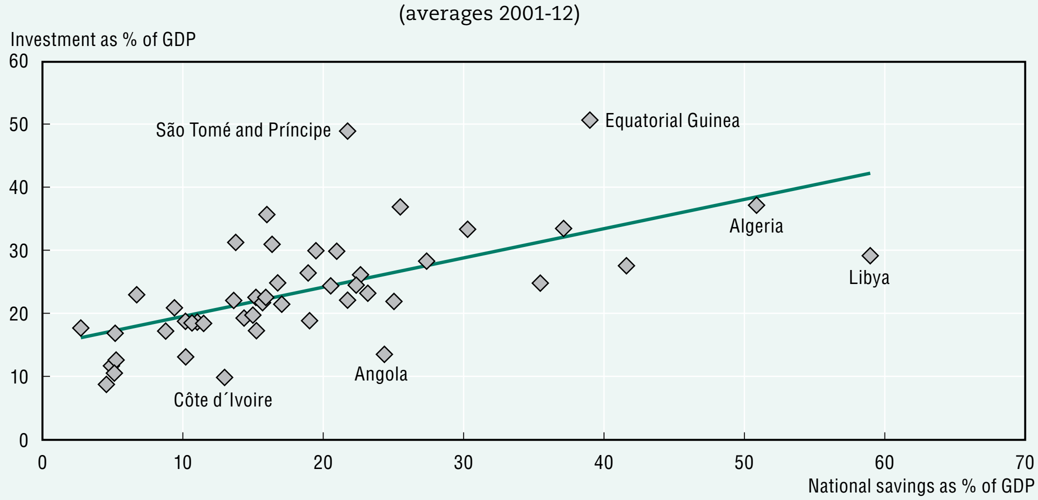
Figure 1.7. **National savings and investment in African countries**

(averages 2001-12)



Source: Authors' calculations based on International Monetary Fund.

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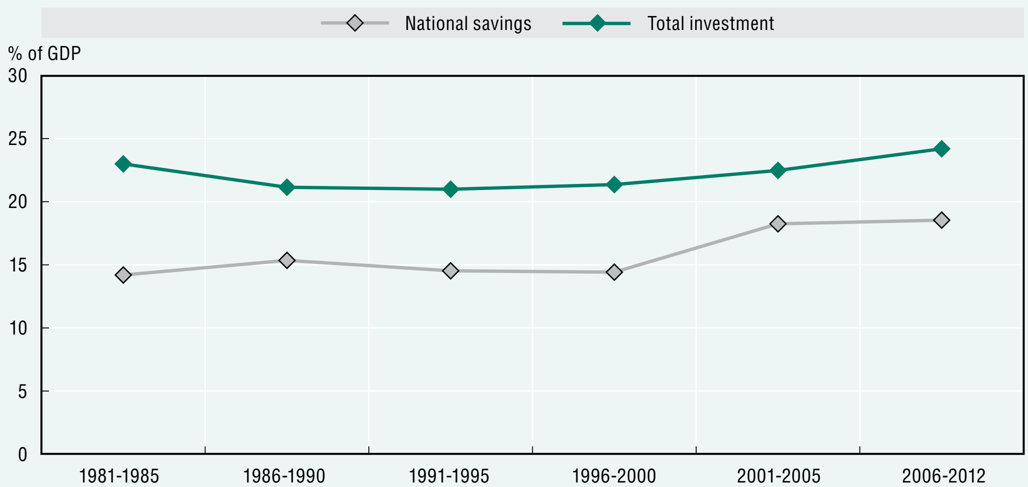
Africa's total investment as a percentage of GDP increased after 2000, ending a long period of decline and stagnation during the 1980s and the 1990s. After two decades of near stagnation Africa's national savings also increased after 2000 as a percentage of GDP but remained lower than investment. Thus Africa's investment continues to be partly financed by foreign savings (Figure 1.8) Financing part of investment by capital inflows should pose no problem, and is even desirable for developing countries as it enables them to catch up faster. However, an adequate level of domestic saving is nonetheless necessary to prevent excessive balance of payments deficits, which make the country vulnerable to abrupt capital withdrawals and exchange rate depreciation. This risk is particularly large if capital inflows come as portfolio capital rather than as direct investment.

Box 1.1. **Saving, investment and growth in Africa** (cont.)

Figure 1.8. **Africa's savings and investment**

(unweighted averages)



Source: Authors' calculations based on International Monetary Fund.

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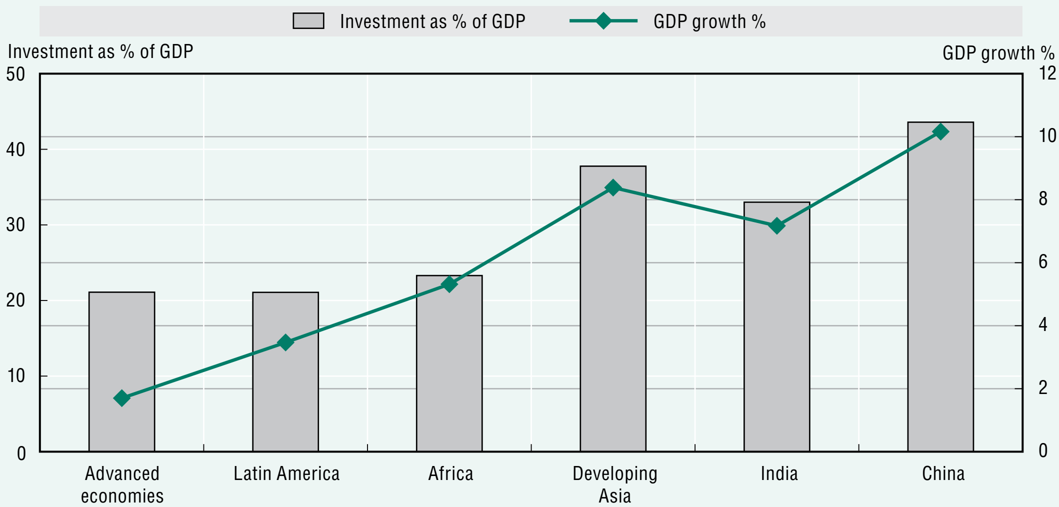
Africa's investment ratio between 2001 and 2012 was somewhat higher than in advanced economies and in Latin America but much lower than in Developing Asia. In this region China recorded an extraordinary high investment level of around 44% of GDP. This is generally seen as being excessive and unsustainable and the Chinese government now aims to reorient its growth model away from its focus on export-led and investment-led growth to more consumption-led growth. Africa's investment share in GDP was around 23% during the last decade and around 10 percentage points lower than in India. Given the high investment in Developing Asia it is no surprise that this region also achieved the highest growth during this period (Figure 1.9). In China and India physical capital accumulation together with innovation (as measured by total factor productivity) were the main engines of growth between 1993 and 2004 and contributed more than 80% and almost two thirds of growth in China and India respectively. The remainder can be explained by higher employment and improved human capital. While China's growth has been relatively broad across agriculture, industry, and services, India's growth has been strongest in service-producing industries, while the manufacturing sector has remained relatively weak (Bosworth and Collins, 2008). Another study on India confirms that saving and investment were the main determinants of higher growth (Jangili, 2011).

Box 1.1. **Saving, investment and growth in Africa** (cont.)

Figure 1.9. **Africa's investment and GDP growth in international comparison**

(GDP-weighted averages, 2001-12)



Source: Authors' calculations based on International Monetary Fund.

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In Africa and elsewhere the history of investment policies and industrialisation efforts shows, however, that the efficiency of investment is even more important than its quantity. Only if investment generates sufficiently high rates of return can it be sustained. It then attracts new investment and also provides incentives to save. But the theoretical and empirical literature on savings, investment and growth suggests that the relationships are complex. Causality can run in different directions and also depends on the timing of the effects. For example, output increases in the short term by additional investment as far as investment goods are produced domestically (multiplier effect on aggregate demand) and vice versa, growth also increases investment (accelerator effect). In the medium term and long term the increase of the capital stock adds to growth potential. While higher saving can dampen investment and growth in the short term through demand effects, over the longer term it tends to be positively correlated with investment and growth. An overview on the relationship between saving, investment and growth in developing countries suggested that saving follows rather than precedes investment and growth but also confirmed that investment and innovation are the centrepieces of growth (Schmidt-Hebbel et al., 1996).

West and East Africa remain the fastest growing regions

Economic growth varies widely across the continent reflecting differences in stages of development, availability of natural resources, weather conditions, and – last but not least – political and social stability.

West Africa is expected to continue its rapid growth. After some moderation in 2013 growth is likely to accelerate to above 7% in 2014 and 2015 (Table 1.1). Growth in the region is widespread with most countries achieving growth of 6% or more. In Nigeria growth is mainly driven by non-oil sectors, such as agriculture, trade, information and communications technology (ICT) and other services. The oil sector, which accounts for 37% of GDP and about a fifth of government revenues, is currently a drag on growth and suffers from theft and pipeline vandalism and weak investment. Ghana's growth will remain robust, boosted by oil and gas production and increased private and public investment. Côte d'Ivoire is also expected to remain on a high growth path. With improved political stability public and private investment have become important drivers of growth. Growth is supported by favourable developments in agriculture, manufacturing and services. Sierra Leone is currently the fastest growing country in the region with growth mainly driven by iron and ore exports although other sectors, in particular agriculture and construction, also contribute. In Mali, the economy rebounded in 2013 after the backlash in 2012 caused by the political and security crisis and growth is expected to improve further in 2014 and 2015.

Table 1.1. **Growth by regions**

(real GDP growth in percentage)

	2012	2013 (e)	2014 (p)	2015 (p)
Africa	**6.4**	**3.9**	**4.8**	**5.7**
Central Africa	5.8	3.7	6.2	5.7
East Africa	3.9	6.2	6.0	6.2
North Africa	9.4	1.9	3.1	5.5
Southern Africa	3.3	3.0	4.0	4.4
West Africa	6.9	6.7	7.2	7.1
Memorandum items:				
Africa excl. Libya	*4.1*	*4.2*	*4.8*	*5.2*
Sub-Saharan Africa (SSA)	*4.9*	*5.0*	*5.8*	*5.9*
SSA excl. South Africa	*5.8*	*6.1*	*6.8*	*6.9*

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

In **East Africa**, Ethiopia, Rwanda, Tanzania and Uganda are likely to achieve growth of between 6.5% and 7.5% in 2014/15. The main sources of growth are agriculture, industry and services. In Kenya growth is expected to accelerate from around 5% in 2013 to a little under 6% in 2014 and 2015, driven by exports and private investment and, on the supply side, by service sectors including finance and ICT and by the construction sector. Growth in Sudan continues to remain subdued. In South Sudan growth remains volatile due to the disruptions and resumptions of oil production, and prospects are highly uncertain due to ongoing conflicts. In Somalia, large support from donors has helped secure progress in peace and state building and in spite of the long conflict the country has a dynamic private sector in the more stable regions.

In **Central Africa**, growth prospects are favourable for Chad where new oilfields come on stream, in the DRC, driven mainly by mining, agriculture and infrastructure investment, and in the Republic of Congo and in Gabon where the non-oil sectors continue to grow faster than the oil sector. In Cameroon growth is broad-based, with oil and gas production, construction and services as the main drivers together with agriculture, which has recovered from the flood damage of 2012. But the economy of the Central African Republic is heavily affected by the political and security conflict, and prospects remain uncertain. In Equatorial Guinea, GDP growth was negative in 2013 due to lower oil production and as oil production is expected to decline further, GDP will continue to shrink gradually, as the non-oil sector is too small to compensate for the fall of oil production.

North Africa's economic development continues to be heavily affected by the aftermath of the political upheavals in Tunisia, Libya and Egypt. As the region has also close trade links with Europe it has also been adversely affected by the crisis in the euro area. In Egypt, political uncertainty increased again in 2013 and growth continued to remain weak, at around 2% and is expected to remain weak in 2014. On the assumption that political stability and security are gradually restored the economy is projected to recover in 2015. In Libya oil production had resumed in 2012 but was again partly disrupted in 2013, which led to a fall in GDP by around 12%. Given current political and social tensions and security problems economic prospects are uncertain. It is assumed that oil production will gradually resume and boost GDP growth during 2014/15. In Tunisia because of continuing political and security uncertainties and the economic crisis in Europe growth weakened in 2013 to less than 3%. With further improvement in political stability and security and the expected gradual recovery of the European economy, growth is likely to accelerate to 3.3% in 2014 and 4.6% in 2015. In Morocco, growth accelerated in 2013 in spite of weak manufacturing activity due to low external demand and agriculture benefited from favourable weather conditions. After some deceleration in 2014, as agricultural production is expected to weaken, growth is projected to become broad-based and accelerate again in 2015. In Algeria, after some slowing in 2013 growth is projected to recover in 2014 and 2015, driven by higher oil production.

In **Southern Africa**, growth performance is uneven. Angola, Mozambique and Zambia recorded the highest growth of between 5% and 7% in 2013 and are projected further to accelerate to between 7% and 9% in 2014/15. Growth in these countries is boosted by investment in infrastructure and investment in extractive industries. In South Africa, labour unrest and the weak global environment have depressed growth. The exchange rate depreciated during 2013 and again at the beginning of 2014 as the tapering of US monetary policy has depressed currencies in emerging markets. With the recovery of the global economy and exports, further boosted by the weaker exchange rate, growth is expected to accelerate to 2.7% in 2014 and 3% in 2015. The relatively modest growth in South Africa is also depressing growth in sub-Saharan Africa. Growth in sub-Saharan Africa excluding South Africa amounted to 5.7% in 2013 and is expected to accelerate to 6.9% in 2014 and 2015.

Furthermore, growth in low-income countries, including fragile states, continues to exceed that of middle-income countries (Table 1.2).

Table 1.2. **Growth by analytical country groupings**

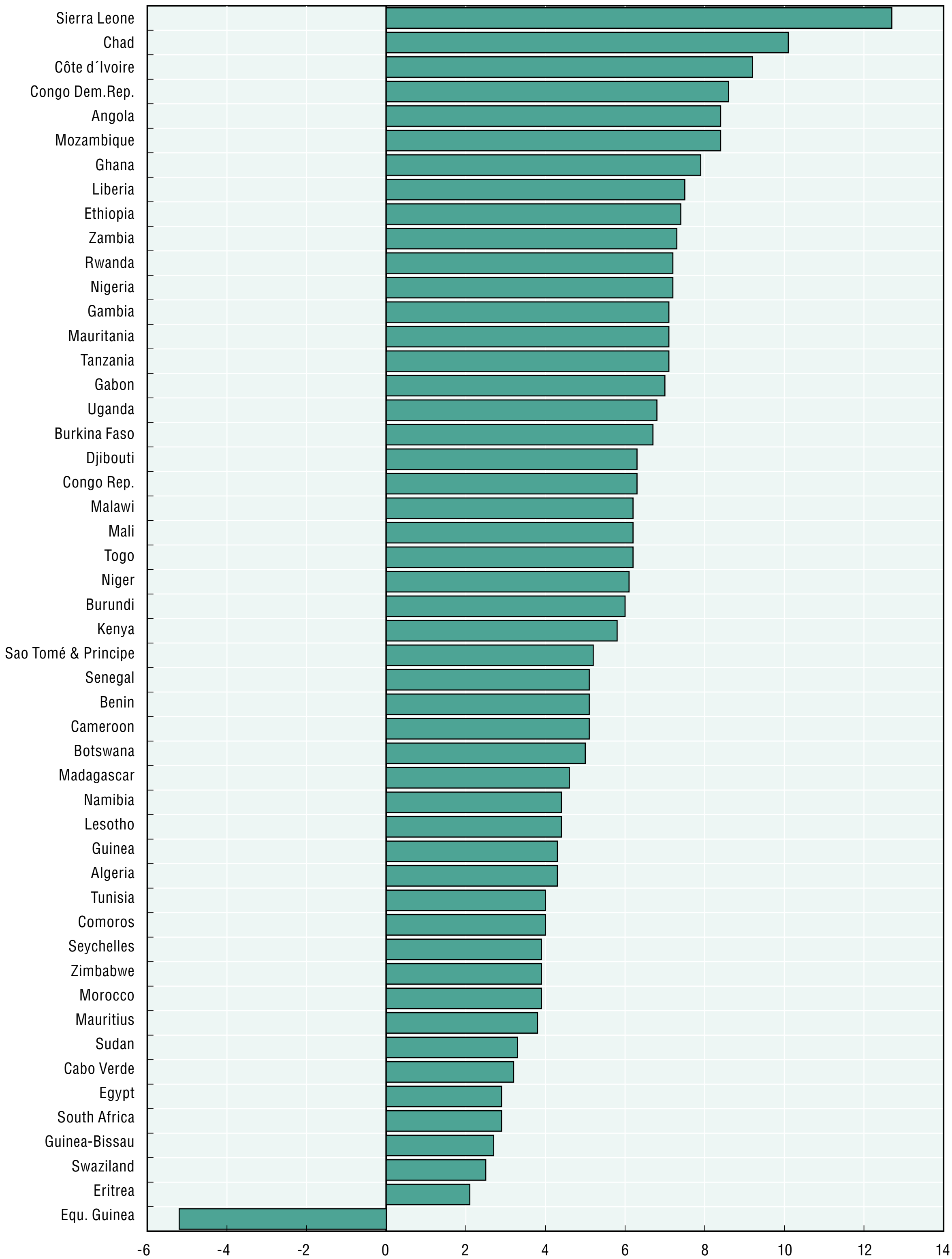
(real GDP growth in percentage)

	2010	2011	2012	2013 (e)	2014 (p)	2015 (p)
By level of income						
Upper-middle-income countries	3.5	3.1	3.2	2.8	3.9	4.3
Lower-middle-income countries	5.5	3.8	4.3	4.7	4.7	5.5
Low-income countries	7.2	6.2	5.2	6.1	7.0	6.9
By source of export earnings						
Fuel	5.5	4.1	5.4	5.4	6.4	6.3
Non-fuel primary products	6.1	3.8	7.1	6.1	7.5	7.4
By level of export diversification						
High diversification index	4.0	2.9	2.8	2.8	3.0	3.9
Medium diversification index	4.5	2.8	5.8	5.9	6.5	6.8
Low diversification index	6.2	5.3	5.2	5.5	6.3	6.4
By financial criteria						
Net creditor countries	5.5	4.3	5.3	5.6	6.3	6.4
Net debtor countries	4.9	2.9	6.8	3.2	4.2	5.4
By fragility						
Countries in fragile situations	6.2	2.2	2.7	4.7	6.2	6.5
Land-locked countries	8.6	6.8	4.6	6.2	7.0	6.7
Africa excluding Libya	**5.1**	**4.3**	**4.1**	**4.1**	**4.8**	**5.3**

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

Figure 1.10. **Growth of GDP by countries**

(Average 2014/15)



Note: This figure does not include projections for Central African Republic, Libya, Somalia and South Sudan as growth in these countries is currently highly uncertain due to political conflicts.

Source: Statistics Department, African Development Bank.

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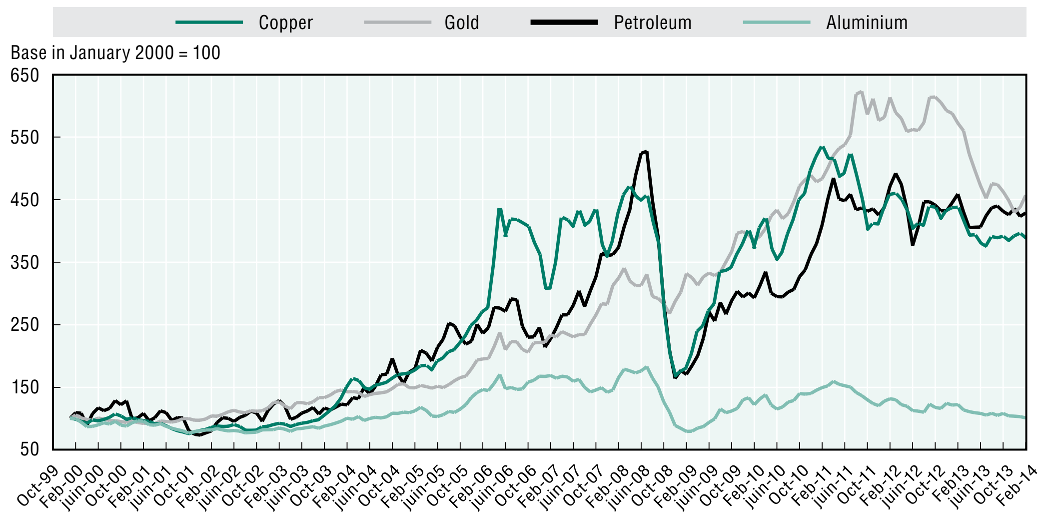
Commodity prices have further eased

Commodity prices edged down further in 2013 because of continued relatively weak demand from advanced countries and also from emerging countries, which have been major drivers of the preceding commodity price boom (Figure 1.11).

Figure 1.11. **Commodity prices**



Source: World Bank.

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Oil prices declined on average only moderately in 2013 (by around 3%) as supply remained constrained by disruption of production in some oil-producing countries. Despite the gradual decline from earlier peaks, oil prices were still almost 30% higher than in the two years before the 2009 global recession. Our projection assumes that oil prices will continue to decline at a moderate rate, thus causing only modest terms of trade losses for African oil-exporting countries. Nigeria, Algeria, Libya and Angola are Africa's largest oil producers. But for several other countries such as Chad, Congo Republic, Equatorial Guinea, Gabon and South Sudan, oil exports are also an important source of revenues. Oil discoveries in past years contribute increasingly to growth and government revenues in several other countries such as Ghana and Cameroon.

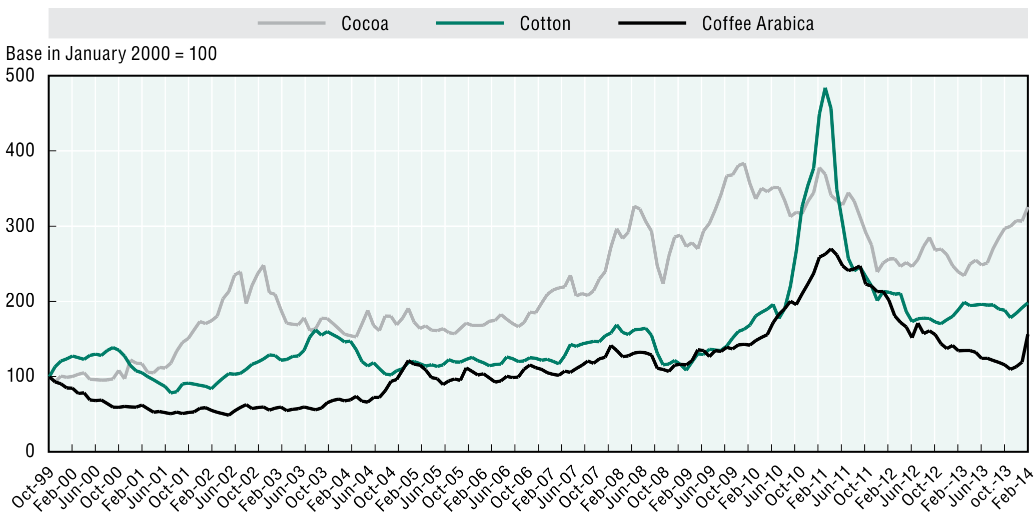
In 2013, the average **price of copper** fell by another 8% and was 17% below its level in 2011. But it was still slightly higher than in the two years before the recession of 2009. Copper is the mainstay of Zambia, contributing about 70% of export earnings but is also important for other African countries. Despite the fall in the price of copper and weaker global demand in recent years the Zambian economy has remained relatively resilient.

Aluminium prices also continued their downward trend with an average decline of about 9% compared with 2012. These prices are now almost 30% lower than in the two years before the 2009 recession. South Africa and Mozambique are Africa's largest producers of aluminium.

As the fears of the debt crisis in Europe and of inflation declined, the **price of gold** fell by around 15% in 2013. However, due to the earlier sharp increase the price level was still twice as high as in 2007. While the earlier price boom benefited gold producers, the price decline has adverse effects on the sector. More recently the price of gold has increased again due to new political tensions between Russia and the West due to Crimea's separation from Ukraine. In South Africa, Africa's largest producer of gold, the price competitiveness of exporters was supported by the depreciation of the exchange rate. In Burkina Faso gold production was adversely affected by the price decline. Prices of some other commodities also continued to decline, such as that of **uranium**, which has been heavily affected by the Fukushima nuclear disaster in 2011. Some rebound is likely when Japan restarts some reactors and Chinese reactors come on-line.

Some **agricultural export prices** have also continued to ease (Figure 1.12). The lower **price of cotton** adversely affected cotton production in some countries, such as in Uganda, while in other countries, such as Benin and Burkina Faso, cotton production increased, partly supported by government measures. **Coffee prices** also further edged down while the **price of cocoa** started to rebound in the second half of 2013.

Figure 1.12. **Export prices of agricultural products**



Source: World Bank.

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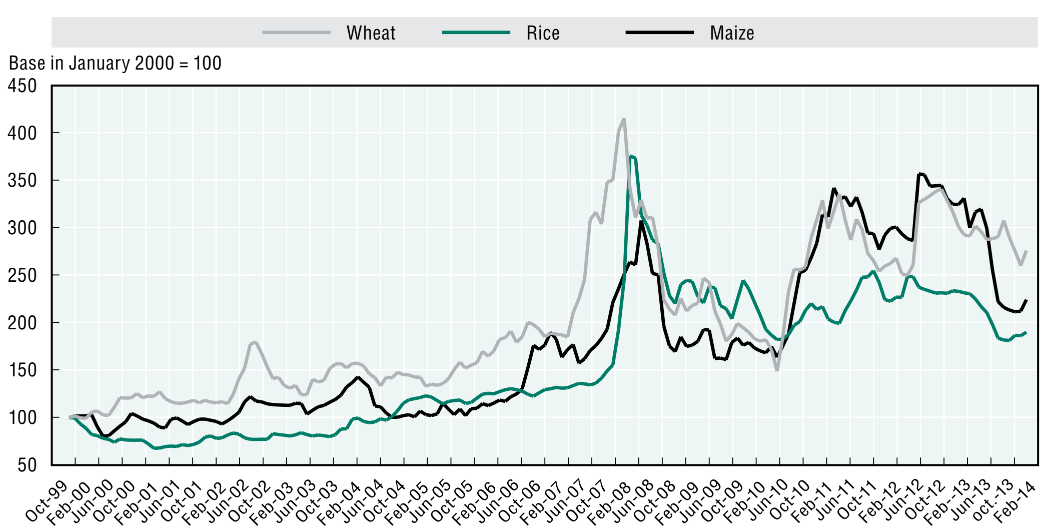
Import prices of basic foods declined during the course of 2013 as supply increased (Figure 1.13). As mentioned above, in many African countries weather conditions were also mostly favourable and boosted production while in several countries bad weather conditions reduced harvests.

Figure 1.13. **Import prices of basic foodstuffs**



Source: World Bank.

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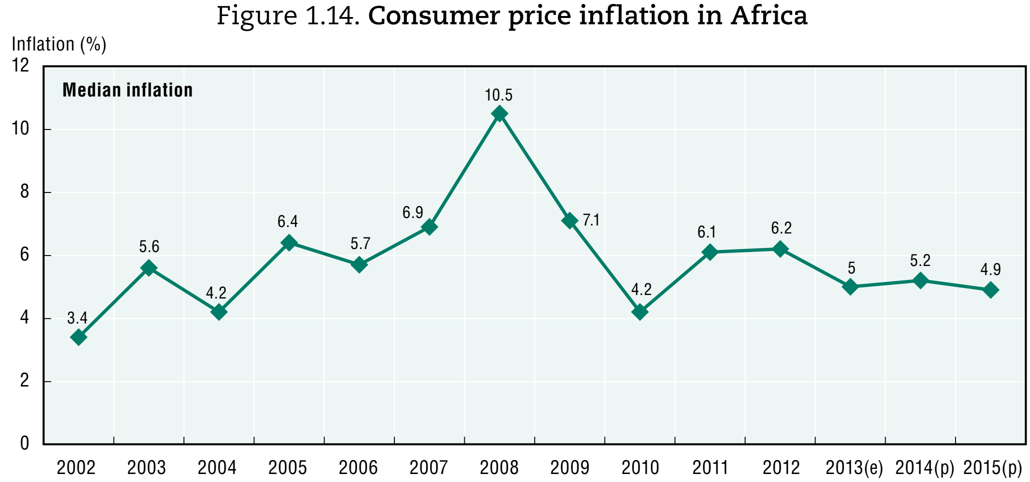
Inflation has declined but not everywhere

Africa's average inflation rate declined in 2013 to 6.7% from almost 9% in 2012. Inflation is expected to increase to above 7% in 2014 and then decline in 2015 to 6.4%. Median inflation, which is not affected by countries with extremely high or low inflation is lower and declined from above 6% in 2012 to 5% in 2013. It is expected to increase slightly above 5% in 2014 and to moderate again to below 5% in 2015 (Figure 1.14). The easing of inflation was mainly due to lower food prices, broadly constant energy prices, prudent macroeconomic policies but also country-specific circumstances. Disinflation was pronounced in Ethiopia where inflation declined from around 20% in 2012 to above 7% in 2013 and in Tanzania and Uganda where it declined from 16% to around 8% and from above 14% to 5.5% respectively. While in 2012, 13 countries had double-digit inflation rates, in 2013 only five countries had double-digit inflation (Eritrea, Ghana, Guinea, Malawi, Sudan) and in 16 countries inflation was below 3%. High inflation was often associated with a weakening of currencies. But in South Africa, where the rand depreciated significantly, inflation did not increase but remained below 6%. Inflation was lowest in member countries of the two currency unions, the Central African Economic and Monetary Community (CEMAC)[1] and the West African Economic and Monetary Union (WAEMU)[2] due to their fixed exchange rate regimes with the euro.

Figure 1.14. **Consumer price inflation in Africa**



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

Source: Statistics Department, African Development Bank.

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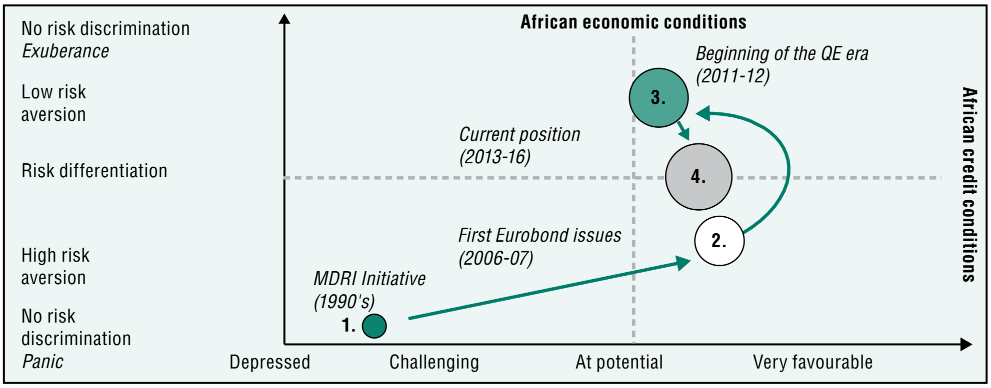
Monetary policy has tightened in countries where currencies weakened

With higher trend growth during the past decade and a remarkable resilience to global shocks, Africa has also become more attractive for foreign investors. This has enabled more and more African countries to tap international markets by issuing bonds denominated in foreign currencies. As international liquidity further increased because of quantitative easing policies in advanced countries, the risk premium on African bonds further declined. But the tapering of the US Federal Reserve reversed portfolio capital flows to emerging countries and increased risk premium including in Africa (Figure 1.15).

Following the beginning of the tapering of quantitative easing by the United States Federal Reserve, in South Africa the currency, which was already under pressure during 2013, continued to fall. The South African Reserve Bank (SARB) responded by increasing

Figure 1.15. **Evolution and drivers of the growing appetite for sub-Saharan African bond issuances**



Note: The stylised figure represents the evolution of Africa's position according to two criteria, credit conditions and economic conditions, with the bubble size corresponding to the increase in international debt securities issued by African entities.

Source: Moody's Investors Service, 8 October 2013.

the discount rate by 50 basis points to 5.5% at the end of January 2014. The rate hike was the first in six years. Despite the currency depreciation inflation stayed mostly within SARB's 3%-6% target range, as higher import prices were not fully passed through to consumers but were partially born by importers and traders. In Zambia, the central bank responded to the weaker currency, the lax fiscal policy and also the overrun of the inflation target by raising the policy interest rate. At the same time it capped interest rates on loans from commercial banks in order to limit borrowing costs for the private sector. The Bank of Ghana pursued a tight monetary policy during 2013 and raised the policy interest rate in an effort to limit liquidity, as the currency depreciated and inflation expectations heightened. Malawi also responded to higher inflation and currency depreciation by raising interest rates. By contrast, in Egypt interest rates were reduced to boost growth despite the weakening of the currency. A sharper fall in the exchange rate was prevented by restrictions on currency transfers and by support from Gulf States to stem the depletion of foreign reserves. The government responded to soaring inflation by introducing price controls on some food products.

In 2013, in response to lower inflation, many central banks reduced policy interest rates, as in Botswana, DRC, Kenya, Mauritius, and Rwanda and in the two monetary unions: CEMAC and WAEMU. In Angola interest rates were also reduced despite increasing inflation, which remained, however, within the target range of 7%-9%.

Fiscal policy stances differ between countries

During the 2009 global recession fiscal positions had deteriorated in most African countries because of lower revenues and (often) countercyclical spending (see Box 1.2). In the meantime many countries have returned to prudent fiscal policies by limiting growth of spending while at the same time increasing revenues. This has also helped reduce inflationary pressures, thus creating space for monetary policy to lower interest rates. However, governments are facing challenges, as they are also committed to boost growth and reduce poverty by increasing infrastructure investment and other pro-poor spending. This, together with lower revenues from commodity exports, makes fiscal consolidation often difficult. Given the uncertainty about future revenues including official development assistance (ODA) flows governments are taking measures to broaden the tax base and further improve tax administration.

The (GDP-weighted) average fiscal deficit for Africa increased to 3.9% in 2013 (from 2.9% in 2012). It is projected to increase further to 4.5% in 2014 before declining to 4% in 2015. But fiscal positions and debt positions vary widely between countries. According to the debt sustainability analysis by the World Bank and the IMF more than a third of African countries which have been assessed recently are at low risk of debt distress, around 40% are at moderate risk and about a fifth are at high risk (Table 1.3). In 2013 the assessment has improved for Rwanda, which moved from moderate to low risk and for Gambia, which moved from high to moderate risk. But for Mozambique the debt assessment has deteriorated from low to moderate risk.

In recent years, Botswana has achieved the most remarkable fiscal consolidation by converting its government budget from a deficit of over 11% of GDP in 2009 to close to balance in 2013. Both increases in revenues and cuts in expenditure have contributed to this improvement. In 2013 many other countries also followed prudent fiscal policies. But in a number of countries such as Angola, Cameroon, Congo Republic, the DRC, Egypt, Ghana, Mozambique and Zambia, the fiscal policy stance was expansionary and the fiscal position deteriorated. While some of these countries had surpluses or relatively low deficits in 2012, in a few countries (such as Egypt and Ghana), deficits increased from already relatively high levels.

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

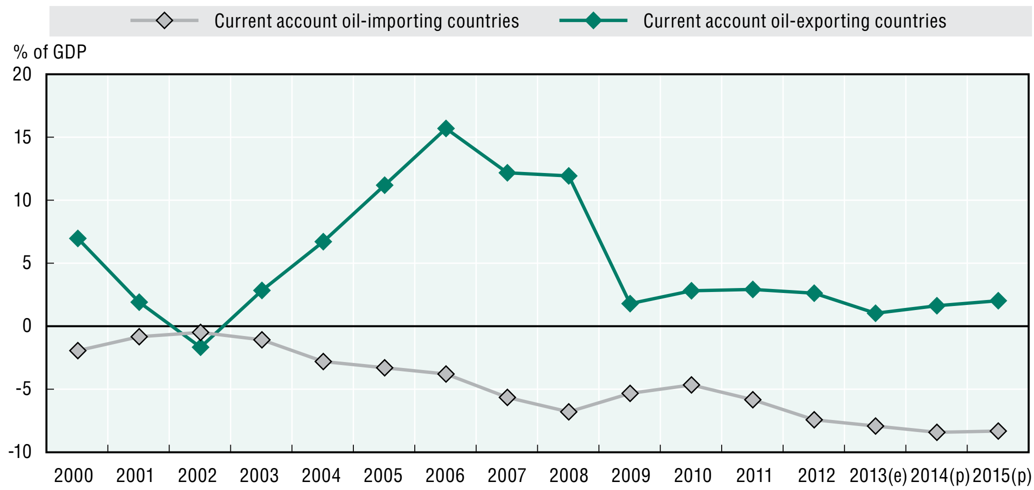
Low risk	Moderate risk	High risk
Benin (January 2013)	Burkina Faso (June 2013)	Burundi (September 2013)
Cameroon (June 2013)	Central African Republic (June 2012)	Comoros (December 2013)
Cabo Verde (January 2012)	Côte d'Ivoire (December 2013)	Chad (May 2013)
Congo, Rep. (August 2013)	Ghana (May 2013)	Congo Dem. Rep. (DRC)/(April 2013)
Ethiopia (October 2013)	Gambia (May 2013)	Djibouti (March 2013)
Kenya (April 2013)	Guinea (July 2013)	São Tomé and Príncipe (July 2012)
Liberia (December 2013)	Guinea-Bissau (June 2013)	Sudan (November 2013)
Nigeria (May 2013)	Lesotho (September 2013)	Zimbabwe (September 2012)
Rwanda (December 2013)	Malawi (July 2012)	
Senegal (June 2013)	Mali (February 2013)	
Tanzania (June 2012)	Mauritania (June 2012)	
Uganda (December 2013)	Mozambique (June 2013)	
Zambia (May 2012)	Niger (April 2013)	
	Sierra Leone (September 2012)	
	Togo (July 2011)	

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

Current account deficits remain high in oil-importing countries

In recent years high food and oil prices have increased import values and put pressure on current accounts in many countries. So far there has been little relief from lower food and energy prices as export prices and export volumes also weakened. In oil-importing countries the current account deficit continued to increase in 2013 to an average of 8% of GDP and is projected to further increase slightly to around 8.5% in 2014 and 2015 (Figure 1.12). Oil-exporting countries saw their current account surpluses decline to below 1% of GDP in 2013 (from 2.3% in 2012) and only small improvements are expected in 2014 and 2015 (Figure 1.16). A few resource-abundant countries (such as Algeria, Angola, Botswana, Congo Republic and Nigeria) record surpluses in their current accounts or broadly balanced positions. But several countries continue to have large current account deficits (such as Liberia, Mauritania and Mozambique), which also reflect their willingness and ability to finance a good part of their investment by external sources.

Figure 1.16. **Current account in oil-exporting and in oil-importing countries**



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

Source: Statistics Department, African Development Bank.

StatLink http://dx.doi.org/10.1787/888933032643

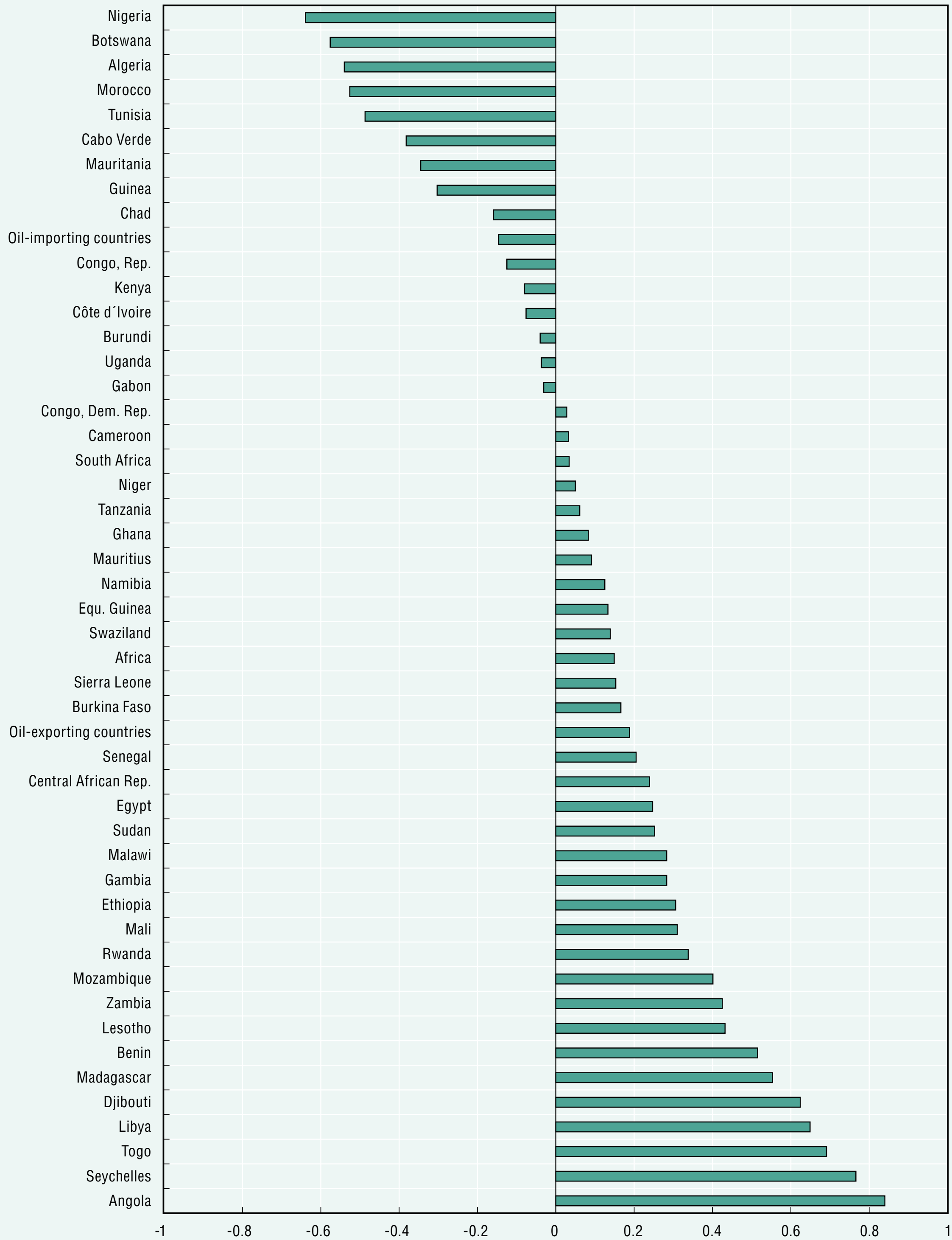
Box 1.2. **Fiscal policy in Africa during business cycles**

In recent years, Africa's growth has been constrained by the weakness of the international economy. But it has nonetheless shown a relatively high degree of resilience in the face of global economic shocks, notably during the Great Recession in 2009. Appropriate fiscal policies during business cycles may also have contributed to this resilience, although this view is controversial. In a comparison between cyclical fluctuations of government spending and of GDP from their trends, Leibfritz and Rottmann (2013) find for a sample of 46 African countries that government spending since 1980 has on average been broadly a-cyclical thus has neither significantly aggravated nor mitigated cyclical fluctuations. But when comparing the two sub-periods before and after 2000 they find that while from 1980 to 2000 in almost two thirds of the 46 countries spending was procyclical this share declined to less than 40% after 2000 and in the majority of countries spending was a-cyclical or countercyclical (Figure 1.17). As more countries escaped from procyclicality Africa's resilience against external shocks improved. This also helped to better cope with the Great Recession of 2009. But others have found that in developing countries in general and in Africa in particular domestic policies, notably government spending, have in the past been procyclical and thus have aggravated rather than mitigated boom-bust cycles and this may also have slowed the catching up process (Ilzetski and Vegh, 2008; Carmignani, 2010).

A precondition for the effectiveness of countercyclical fiscal policy is that it has Keynesian effects, i.e. an increase of expenditure or a reduction of taxes increases output while cutting expenditure and raising taxes reduces output. It is then desirable to adopt expansionary fiscal policies during cyclical downturns and restrictive policies during economic booms. Countries should at least allow automatic stabilisers to operate; i.e. in downturns accommodate cyclical declines in government revenues by increasing debt and in upswings reducing deficits. This means that counter-cyclical fiscal policies generally help to smooth economic cycles. However, in countries with high indebtedness and poor financial markets, deficit-financed spending programmes can be counterproductive if this reduces private sector spending through higher interest rates (crowding out) and confidence effects (non-Keynesian effects). It may then be necessary to cut spending during cyclical downturns in response to declining revenues. It has, however, been found that in the past fiscal policies in Africa had on average significant Keynesian effects (Carmignani, 2010), so that countercyclical fiscal policies are indeed effective. This does not mean, however, that this is true for all African countries and in all periods. Governments should therefore examine carefully if their fiscal policy stance has positive or negative effects on private demand and output. The current cyclical upswing in many African countries provides the opportunity to reduce deficits and to create fiscal space for future cyclical downturns.

Box 1.2. **Fiscal policy in Africa during business cycles** (cont.)

Figure 1.17. **Correlation coefficients between cyclical fluctuations of government spending and of GDP in Africa after 2000**



Note: A noticeable procyclical spending behaviour is defined if the correlation coefficient is 0.2 or higher, a noticeable countercyclical spending if the correlation coefficient is -0.2 or lower and a-cyclical spending if the correlation coefficient is between 0.2 and -0.2.

Source: Leibfritz and Rottmann (2013).

StatLink http://dx.doi.org/10.1787/888933032662

African economies face various risks and policy challenges

The forecast for Africa as described above, and also shown in the summary Table 1.4, is what we currently (in spring 2014) see as the most likely outcome. But there are both upside and downside risks. If the global economy were to be stronger or weaker than assumed, Africa's growth would be higher or lower. The main channels of transmission of changes in the world economy are commodity prices, trade volumes, tourism and inflows of FDI, ODA and worker's remittances.

On top of external uncertainties, risks also exist within Africa. Three years after the revolutions in Egypt, Libya and Tunisia political stability in the region has not yet been fully restored. Insecurity and social tensions also exist in some other countries and regions and may continue adversely to affect economic activity. While in Mali the political and security situation has improved after the military support by international forces, in the Central African Republic the crisis intensified towards the end of 2013. Military interventions by international forces are currently attempting to ensure security, which is still precarious. Political and social tensions could also arise in the context of the many elections during the year (see Chapter 5). Other risks are related to weather conditions, which may be worse than assumed and reduce harvests and cause food prices to rise. Furthermore, with delays in the construction of planned infrastructure projects, GDP growth would be lower than projected.

Major challenges for African countries are to preserve political and social stability. Sustaining high growth, making growth more inclusive and reducing poverty also help reduce political and social tensions. This requires pursuing appropriate macroeconomic policies and at the same time increasing access to key public services, notably education, health and security and further improving institutions and regulations for private sector activity. This helps improve human development, better attainment of the Millennium Development Goals and diversification of the economy as is discussed in more detail in the following chapters.

Table 1.4. **Macroeconomic developments in Africa**
(summary table)

	2005-09	2010	2011	2012	2013(e)	2014(p)	2015(p)
Real GDP growth (%)							
Central Africa	4.1	5.9	4.4	5.8	3.7	6.2	5.7
East Africa	7.1	7.3	6.3	3.9	6.2	6.0	6.2
North Africa	4.9	4.3	0.3	9.4	1.9	3.1	5.5
Southern Africa	5.2	3.7	3.9	3.3	3.0	4.0	4.4
West Africa	5.7	7.1	6.9	6.9	6.7	7.2	7.1
Africa	**5.3**	**5.2**	**3.6**	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	5.3	5.1	4.3	4.1	4.2	4.8	5.2
Memorandum items							
North Africa (including Sudan)	*4.9*	*4.5*	*0.4*	*8.9*	*2.0*	*3.0*	*5.4*
Sub-Saharan Africa (SSA)	*5.6*	*5.6*	*5.5*	*4.9*	*5.0*	*5.8*	*5.9*
SSA excl. South Africa	*6.5*	*6.6*	*6.3*	*5.8*	*6.1*	*6.8*	*6.9*
Oil-exporting countries	*5.8*	*5.6*	*3.0*	*8.3*	*3.8*	*5.0*	*6.4*
Oil-importing countries	*4.8*	*4.6*	*4.4*	*4.0*	*4.0*	*4.4*	*4.8*
Consumer prices (inflation in %)							
Central Africa	6.2	4.2	4.4	3.8	1.9	3.3	3.1
East Africa	11.1	7.3	20.3	19.6	12.0	9.8	8.9
North Africa	6.4	6.9	7.7	7.1	5.0	7.6	6.3
Southern Africa	8.1	6.1	6.7	6.5	6.5	6.2	5.7
West Africa	9.8	10.4	9.3	9.9	7.5	7.0	6.9
Africa	**8.0**	**7.3**	**9.1**	**8.9**	**6.7**	**7.2**	**6.4**
Memorandum items							
North Africa (including Sudan)	*6.7*	*7.7*	*8.4*	*8.9*	*7.0*	*8.8*	*7.3*
Sub-Saharan Africa	*8.9*	*7.2*	*9.5*	*8.9*	*6.5*	*6.2*	*5.9*
Oil-exporting countries	*9.2*	*10.1*	*10.4*	*10.8*	*8.0*	*9.2*	*8.0*
Oil-importing countries	*7.1*	*4.4*	*8.1*	*7.3*	*5.4*	*5.3*	*5.0*
Overall fiscal balance, including grants (% GDP)							
Central Africa	7.8	1.8	2.1	0.1	-2.1	-3.7	-4.4
East Africa	-2.5	-2.9	-2.0	-4.0	-2.7	-2.3	-2.2
North Africa	3.2	-3.1	-6.3	-5.0	-7.3	-8.2	-5.8
Southern Africa	-0.9	-2.8	-1.7	-1.5	-2.5	-4.3	-4.6
West Africa	-0.1	-3.6	-3.2	-1.9	-2.2	-1.8	-2.3
Africa	**1.0**	**-2.8**	**-3.3**	**-2.9**	**-3.9**	**-4.5**	**-4.0**
Memorandum items							
North Africa (including Sudan)	*2.7*	*-2.7*	*-5.7*	*-4.8*	*-6.6*	*-7.4*	*-5.3*
Sub-Saharan Africa	*0.0*	*-2.8*	*-2.0*	*-1.8*	*-2.5*	*-3.0*	*-3.4*
Oil-exporting countries	*3.3*	*-1.8*	*-2.5*	*-2.0*	*-3.9*	*-4.8*	*-4.2*
Oil-importing countries	*-1.5*	*-4.2*	*-4.4*	*-4.3*	*-4.1*	*-4.0*	*-3.8*
External current account, including grants (% GDP)							
Central Africa	0.6	-4.8	-1.4	-3.6	-3.6	-4.6	-4.0
East Africa	-6.8	-5.4	-4.4	-10.5	-8.8	-9.1	-8.9
North Africa	10.7	2.9	0.5	1.6	-2.0	-2.2	-0.8
Southern Africa	-2.7	-1.2	-0.7	-2.9	-4.7	-5.0	-5.1
West Africa	19.1	1.6	-0.1	0.0	1.3	2.3	1.5
Africa	**5.8**	**0.1**	**-0.7**	**-1.7**	**-2.7**	**-2.5**	**-2.2**
Memorandum items							
North Africa (including Sudan)	*8.7*	*2.4*	*0.3*	*0.6*	*-2.7*	*-2.7*	*-1.4*
Sub-Saharan Africa	*4.0*	*-1.2*	*-1.2*	*-2.7*	*-2.4*	*-2.1*	*-2.5*
Oil-exporting countries	*15.1*	*3.7*	*3.4*	*2.3*	*0.8*	*1.1*	*1.4*
Oil-importing countries	*-4.9*	*-4.2*	*-5.6*	*-7.6*	*-8.0*	*-8.5*	*-8.4*

Note: (e) estimates; (p) projections. Excludes South Sudan over the period 2013-15.
Source: Statistics Department, African Development Bank.

Annex 1.1. Assumptions about the global economy

The **euro area** exited the recession in the course of 2013 and started to recover. It is expected that it will continue to expand at a modest pace with growth of around 1% in 2014 and around 1.5% in 2015 (after -0.4% in 2013). Confidence in financial markets and in the business sector improved against the backdrop of additional easing of monetary conditions, progress in fiscal consolidation and improved prospects of the global economy. But growth will remain uneven across countries. Among the larger euro area countries Germany is expected to achieve the highest growth (1.5% -2% during 2014/15), followed by France (1%-1.5%). Italy is expected to exit recession in 2014 with modest growth of 0.6% and 1.4% in 2015 (after -1.9% in 2013). Among the smaller euro countries, which have been most affected by the crisis, improvements are also noticeable. In only a few of them, GDP is likely to continue to decline in 2014, albeit at a more moderate rate, while in all these countries in 2015 growth is expected to be positive. But unemployment remains high in several countries and there are still considerable risks stemming from social and political risks and tight credit conditions due to unsolved problems in the banking sector in several countries. In the **United Kingdom** growth continues to be higher than in the large euro area countries and could reach 2%-2.5% in 2014/15.

The **US economy** is also expected to gather momentum with growth reaching around 3% in 2014/15 (after close to 2% in 2013). Private consumption and residential construction are expected to strengthen, underpinned by deleveraging of household debt, higher asset prices and gradually improving labour market conditions. Favourable financial conditions, improved profits and a more optimistic outlook for demand will boost business investment. It is assumed that the Fed will gradually reduce its bond purchases and start during 2015 gradually to increase interest rates towards a more neutral level. Depending on the circumstances this could again create turmoil in international financial markets leading to portfolio capital outflows in emerging economies.

Japan exited its recession in 2013, helped by strong monetary stimulus, an expansionary fiscal policy and stronger exports. Given the high fiscal deficit, the government decided to raise consumption tax but at the same time plans a fiscal stimulus package to mitigate the possible negative demand effects of the tax hike. Growth is expected to slow from close to 2% in 2013 to 1%-1.5% in 2014/15.

In **China**, growth slowed in 2012 and 2013 to below 8% from above 9% in 2011 and above 10% in 2010. But growth remained still slightly above the new official growth target of 7.5%. The deceleration of growth was mainly due to a weakening of exports and of domestic demand as the government took measures to cool inflationary pressures, which was achieved. Growth is expected to fluctuate between 7% and 8% during 2014/15. So far little progress has been made in the planned rebalancing of the demand pattern as the contribution of investment remained larger than that of consumption.

India's growth declined significantly from its peak in 2010 of around 11%. The decline was attributed to a combination of domestic uncertainties, a weakening of world trade and a loss in international competitiveness as low productivity growth and inflationary pressures led to an appreciation of the real effective exchange rate. The depreciation of the rupee over the summer 2013, also due to international market turmoil, helped to improve competitiveness but added to inflationary pressures. It also aggravated the situation of firms and banks with high external debt exposure. Growth is expected to accelerate to around 5%-6% in 2014/15 (from around 4% in 2013) boosted by higher exports, new infrastructure projects and the new Land Acquisition Law, which reduces business uncertainty.

Latin America's average growth has slowed in the past two years because of weak external conditions and domestic supply-side constraints. It is expected gradually to recover to above 3% in 2014/15 as world trade recovers and domestic weaknesses subside. After growing by less than 1% in 2012, growth in **Brazil**, the largest economy in the region, accelerated again in 2013 to above 2%, mainly driven by a revival of investment and exports. The turmoil in international capital markets in the summer of 2013 led to outflows of portfolio capital and a depreciation of the currency. But the sizeable foreign reserves enabled the central bank to provide dollar liquidity and stabilise investor confidence. It is expected that growth will be sustained at around 2½ % in 2014/15 mainly driven by infrastructure and business investment. This also helps to reduce supply-side bottlenecks, which currently restrain growth and add to inflationary pressures.

Notes

1. The CEMAC members are Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon.
2. The WAEMU members are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

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Chapter 2

External financial flows and tax revenues for Africa

This chapter analyses recent trends in development financial flows from African countries' perspectives. It compares foreign direct investments, portfolio investments, remittances and official development assistance with the trends in tax revenues. It also describes the relative importance of each of these flows for various country income groupings. While different in nature, these flows constitute the main sources available for African countries to meet their financing needs. Using data starting from 2000, the chapter provides estimates for 2013 and projections for 2014.

In brief

External financial flows and tax revenues play an increasingly important role in Africa's development and economic growth prospects. External financial flows have quadrupled since 2000 and are projected to reach over USD 200 billion in 2014. Their composition has also changed progressively with foreign investments and remittances from non-OECD countries underpinning this positive trend. Foreign investment – direct and portfolio – has now fully recovered from the 2009 economic crisis and is projected to reach over a record USD 80 billion in 2014, making it the largest financial flow to Africa. Though resource-rich countries remain the prime destination for foreign direct investment (FDI) to Africa, manufacturing and services attract an increasing share of the over 750 new greenfield FDI projects. Official remittances have been continuing their increasing trend since 2009 and are projected to reach USD 67.1 billion in 2014. In contrast, official development assistance's (ODA) share of total external flows keeps diminishing, from 38% in 2000 to 27% in 2014 (estimated at USD 55.2 billion). Despite this downward trend, ODA still represents the largest external financial flow to low-income African countries. Tax revenues continue to increase in Africa and reached USD 527.3 billion in 2012. They should not be seen as an alternative to foreign aid but as a component of government revenues that grows as countries develop.

While external financial flows have been slow, they are expected to increase in the near future

This section provides an overview of the different external financial flows to Africa. The report covers foreign direct investments, portfolio investments, remittances and official development assistance. It looks at their relative importance for different country income groupings: low-income countries, lower-middle-income countries and higher-middle-income countries.

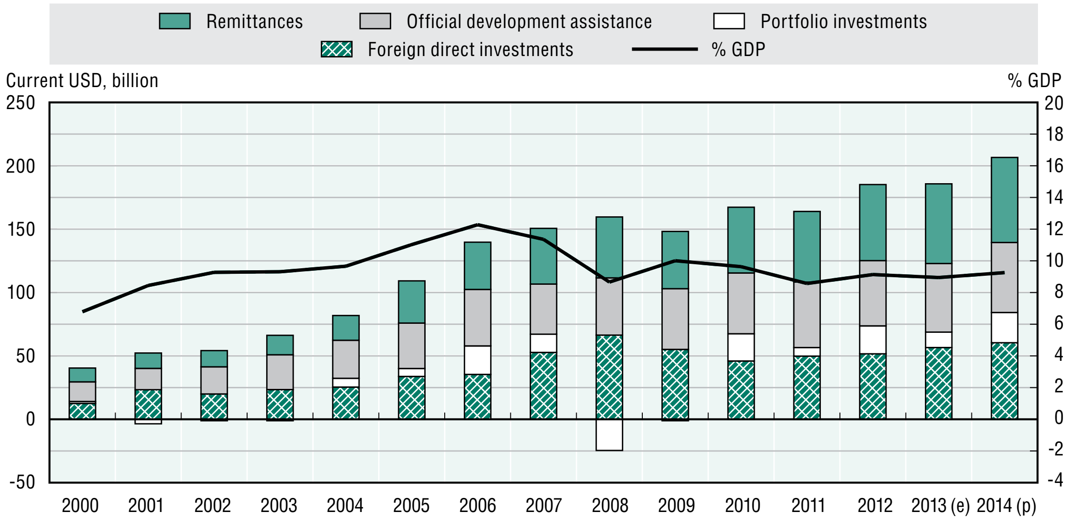
The past increase in external financial flows to Africa has been slowed down by portfolio outflows in 2013

In 2013 total external flows[1] to Africa were estimated at USD 186 billion, about the same size recorded in 2012, and represented 8.9% of the continent's gross domestic product (GDP) (Figure 2.1 and Table 2.1). The sharp decrease in portfolio flows, a rather volatile source of investment for the continent over the last decade, explains this stagnation and offsets the slight recovery in FDI, remittances and ODA. Excluding South Africa, the largest recipient of investments on the continent, total external flows increased by a nominal 5% in 2013.

Private financial flows – investment and remittances – are increasingly contributing to Africa's development finance landscape. Their share of total external flows, which were 63% over 2000-05, are likely to rise to 71% over 2010-14. FDI, in particular, can be instrumental to develop productive capacities and remove infrastructure bottlenecks, especially energy and transport networks. Recorded remittances have been more resilient to the economic and financial crisis of past years and, as such, have emerged as a stable source of revenue for some 120 million people in Africa, supporting consumption, education and health expenses.

Non-OECD countries are more and more relevant in sustaining private financial flows to Africa. During 2012 and 2013 the increase in remittances from the Gulf Co-operation Council countries[2] and FDI from the BRICS countries[3] compensated the relative decline of private financial flows from OECD countries since the onset of the 2009 global economic crisis. FDI flows from non-OECD countries are also driving increasing investments in the manufacturing and services sectors.

Figure 2.1. **External financial flows to Africa**



Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid in the forthcoming *OECD Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2013-2016*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This figure 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.

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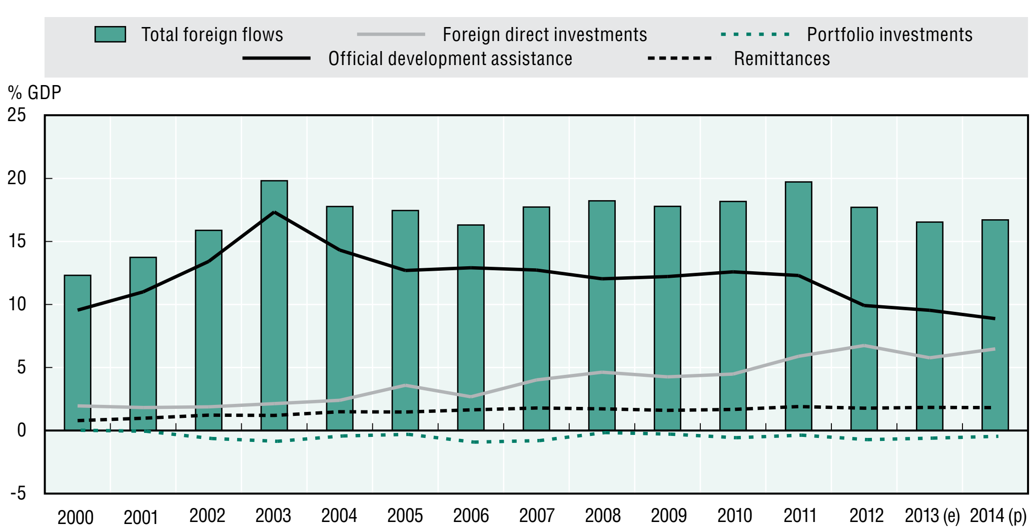
The aggregate numbers in Figure 2.1 mask different realities for countries at different levels of development (Figures 2.2, 2.3 and 2.4). For the 27 low-income African countries, accounting for half of the continent's one billion people, ODA still provides more than half the total external flows (Figure 2.2). At the same time, the ODA share of GDP for this group of countries has been gradually decreasing, from an average of 13.1% in 2000-05 to 9.5% in 2013 and is projected to be 8.9% in 2014. According to current aid projections from the latest Survey on Donors' Forward Spending Plans of the OECD Development Assistance Committee, low-income countries are likely to have to rely increasingly on domestic resources and other external flows to compensate for the projected stagnation of ODA flows from OECD countries to Africa.

Figure 2.2. **Development finance to low-income-countries in Africa**

(% GDP, weighted)



Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid in the forthcoming *OECD Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2013-2016*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This figure excludes loans from commercial banks, official loans and trade credits.)

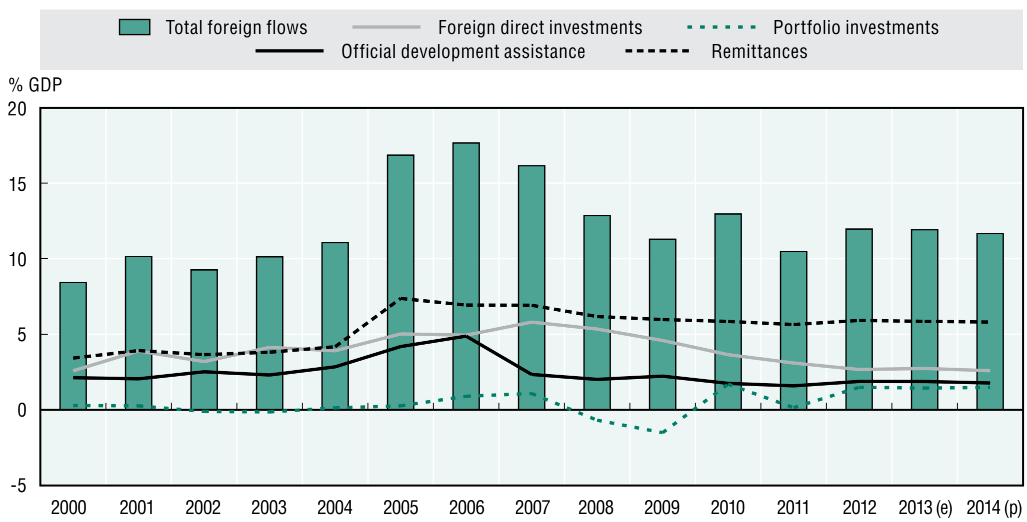
Source: Authors' calculations based on OECD/DAC, World Bank, IMF and *African Economic Outlook* data.

StatLink http://dx.doi.org/10.1787/888933032700

The story for lower-middle-income countries, representing an estimated 440 million people, is different, with remittances being the most important external flow over recent years (Figure 2.3). Recorded remittances increased to an estimated USD 52 billion in 2013, three times the value of ODA and twice the value of FDI going to these countries. This increase was mainly driven by remittances to Egypt and Nigeria. The true size of remittances is likely to be higher, since those transferred though informal channels are not recorded in this figure. Lower-middle-income countries have also been able to expand their access to international financial markets and attract portfolio investments. The latter are projected to represent on average 1.3% of GDP over 2010-14, compared to 0.1% in 2000-05.

Figure 2.3. **Development finance to lower-middle-income countries in Africa**

(% GDP, weighted)



Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid in the forthcoming *OECD Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2013-2016*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This figure 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.

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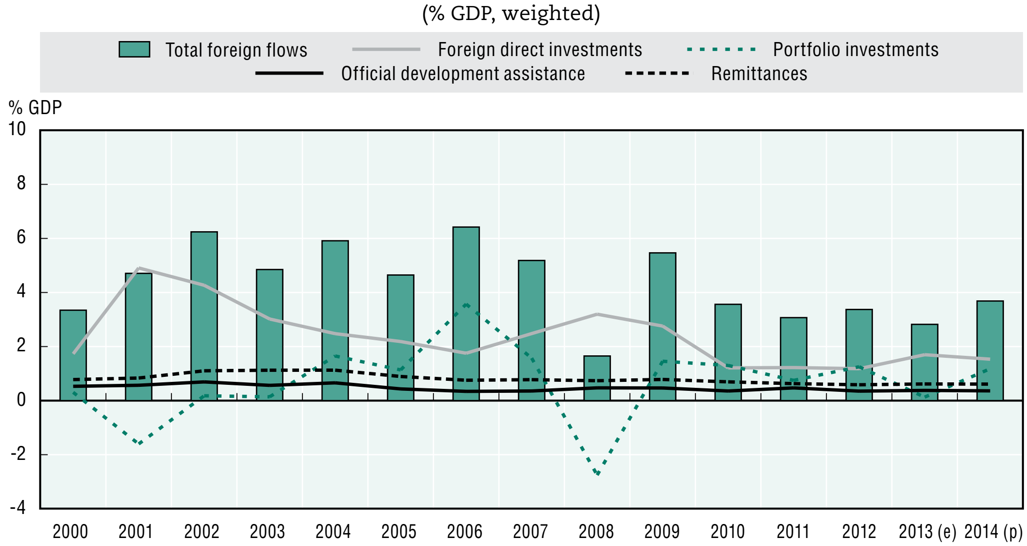
Figure 2.4. **Development finance to upper-middle-income countries in Africa**

(% GDP, weighted)



Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid in the forthcoming *OECD Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2013-2016*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This figure 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.

StatLink http://dx.doi.org/10.1787/888933032738

For upper-middle-income countries, private investment represents the main source of development finance, accounting, on average, for 70% of total external flows over 2010-14 (Figure 2.4). Portfolio flows tend to increase in relative importance once a country reaches upper-middle-income status. They can help to strengthen financial infrastructure and liquidity but pose a challenge in terms of increased volatility.

Total external flows to Africa are likely to reach a new record in 2014

Total external flows to Africa are projected to reach over USD 200 billion in 2014. This projection depends on the uncertain recovery of portfolio flows to South Africa in 2014. FDI and remittances are likely to maintain their upward trend and underpin the high level of external flows to Africa (Table 2.1). On the one hand, demand for commodities by emerging economies and the related high prices are likely to underpin further FDI flows to the natural resource sectors; on the other, the continent's projected strong economic growth and favourable demographics, with an expanding consumer base, are driving increasing investments towards the manufacturing and services sectors. Following current trends, ODA is projected to peak at around USD 55.2 billion in 2014 and then stagnate.

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

			2005	2006	2007	2008	2009	2010	2011	2012	2013(e)	2014(p)
Foreign	Private	Foreign direct investments	33.8	35.4	52.8	66.4	55.1	46.0	49.8	51.7	56.6	60.4
		Portfolio investments	6.3	22.5	14.4	-24.6	-0.3	21.5	6.8	22.0	12.2	23.9
		Remittances	33.3	37.3	44.0	48.0	45.2	51.9	55.7	60.0	62.9	67.1
	Public	Official development assistance (net total, all donors)	35.8	44.6	39.5	45.2	47.9	48.0	51.8	51.4	54.1	55.2
		Total foreign flows	**109.2**	**139.7**	**150.6**	**135.0**	**147.9**	**167.3**	**164.1**	**185.1**	**185.7**	**206.5**
Domestic		Tax revenues	259.3	305.3	334.6	432.9	331.0	409.1	467.4	527.3	…	…
Total foreign flows		Low-income countries	21.8	22.8	29.5	36.5	36.9	39.5	47.5	48.3	49.2	54.5
		Lower-midddle-income countries	61.7	78.4	84.1	81.8	69.4	94.7	84.9	100.7	105.7	111.2
		Upper-middle-income countries	23.2	35.6	33.2	11.9	35.9	28.1	26.5	30.8	25.1	35.0

Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid in the forthcoming *OECD Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2013-2016*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This table 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.

External downside risks to this outlook emanate from the possible deterioration in global economic activity in 2014. This would likely weaken commodity exports and result in a slowing down or reduction of investment projects. In addition, it might further reduce projected ODA and remittance flows. African countries that are more financially integrated into global markets are exposed to a potential protracted reversal of capital flows in case of further monetary tightening in the OECD area, which would mostly affect portfolio flows. Regional risks to this outlook are related to lingering unrest and instability in the Sahel region, Northern Nigeria, Central African Republic and South Sudan, which could weigh on investor sentiment in neighbouring countries (IMF, 2013a).

Foreign investment is increasingly important to Africa's development

This section looks at the two components of foreign investment: FDI and portfolio investment. The OECD defines FDI 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).

Foreign direct investment from emerging economies continues to increase in Africa

This sub-section looks at both major African FDI recipients as well as the sources of FDI. In addition it discusses outward African investment and provides an outlook for FDI to Africa in 2014.

FDI to Africa was more resilient than around the globe. The persisting global economic instability and policy uncertainty dampened the recovery of global FDI flows throughout 2012 and 2013. Against this backdrop, FDI to Africa increased in both 2012 (+5%) and 2013 (+9.6%). It reached an estimated USD 56.6 billion in 2013, up from USD 51.7 billion in 2012 (IMF, 2013b). Developed economies suffered the largest contraction, while developing countries as a whole recorded a smaller decline (-3% in 2012). The outlook for 2014 and 2015 is more positive: investor confidence is likely to pick up and underpin a recovery in global FDI to a projected USD 1.6 trillion and USD 1.8 trillion respectively. Yet these amounts remain below the 2007 peak of USD 2 trillion (UNCTAD, 2014).

FDI has emerged as an especially important source of investment for the continent. Over the period 2001-11, FDI accounted on average for about 16% of gross fixed capital formation, compared to the global average of 11%. However, Africa's share of global FDI has slightly declined – down to 3.7% in 2012, compared to the 2009 peak of 4.3% – as the pickup in flows to other developing regions has been stronger. This decline notwithstanding, Africa's positioning in the global FDI landscape is much better today than at the beginning of the century, when its share stood about 0.6% (UNCTAD, 2013).

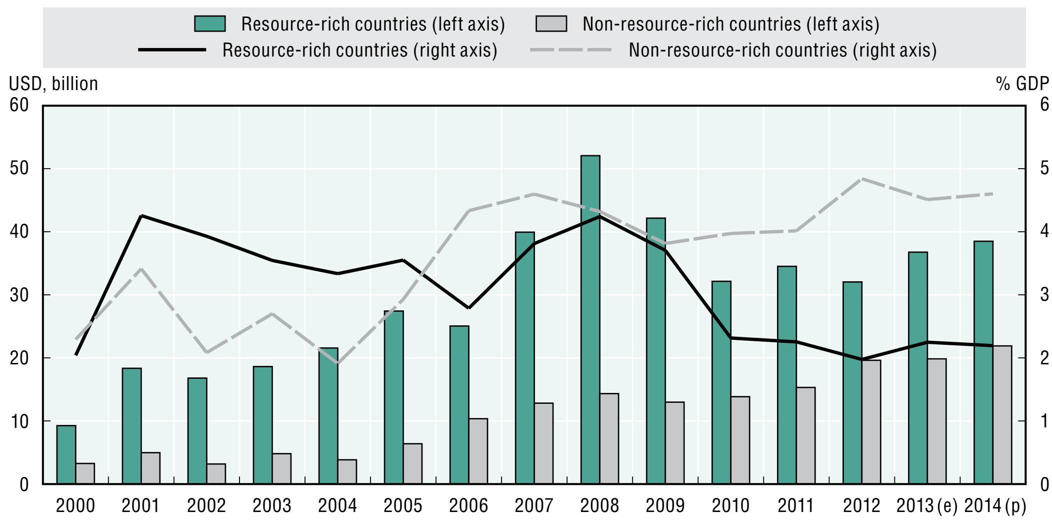
Recipients of foreign direct investment

The buoyant demand for oil, minerals and other natural resources over recent years has driven investment flows to Africa. Not surprisingly, large resource-rich countries have been the biggest beneficiaries. In 2013, resource-rich countries accounted for 95% of the increase in FDI to Africa, driven by both a surge of USD 1.8 billion (+39%) in inflows to South Africa and a reduction of USD 1.7 billion (-61%) in disinvestments from Angola. Three countries – Algeria, Namibia and Nigeria – recorded an increase in FDI flows of over USD 0.5 billion each (IMF, 2013b).

At the same time, the share of total FDI to resource-rich countries is now gradually decreasing: they received an estimated 65% of total FDI flows in 2013, compared to 78% in 2008 (Figure 2.5). The change reflects the emergence of other investment drivers but also the fact that some planned investment in the extractive sector has been put on hold. The slowdown of the global economy at the onset of the 2009 economic crisis has led to lower demand for Africa's commodity exports, which delayed planned FDI in extractives.

For their part, non-resource-rich countries have seen a strong increase in the share of FDI inflows in their GDP since the early 2000s. In 2013, the groups' FDI-to-GDP ratio stood at 4.5%, twice the level in 2000. In comparison, the ratio for resource-rich countries stood at 2.2% in 2013 (IMF, 2013b).

Figure 2.5. **Foreign direct investments to Africa: Resource-rich vs non-resource-rich**



Source: Authors' calculations based on IMF World Economic Outlook 2013. (e) estimates and (p) projections.
StatLink http://dx.doi.org/10.1787/888933032757

FDI inflows to Africa are concentrated in a small number of countries. In 2013, the top six recipients, representing one third of the continent's population, received the same amount of foreign direct investment as the remaining 48 countries together. The largest recipients were South Africa and Nigeria, with respectively an estimated USD 6.4 billion and USD 6.3 billion. Mozambique (USD 4.7 billion), Morocco (USD 4.3 billion), Ghana (USD 3.3 billion) and Sudan (USD 2.9 billion) close the list. Those six countries were also the largest recipients in 2012. Egypt, traditionally one of top three recipients, has yet to recover to its pre-Arab Spring level: FDI averaged USD 9.1 billion per year over 2005-10 but was only USD 1.9 billion per year over 2011-13. Together with remittances and the Suez Canal receipts, FDI is a major source of foreign exchange to Egypt. The largest decrease in inflows for 2013 compared to 2012 were observed in Niger (USD -0.8 billion), Egypt (USD -0.7 billion) and Sierra Leone (USD -0.6 billion) (IMF, 2013b).

Sources of foreign direct investment

In 2012, FDI from OECD countries to Africa declined for the second consecutive year. With USD 15.7 billion it stood at less than half its peak value of USD 34 billion in 2008 just before the global financial crisis. The four largest investors from OECD countries in 2012 were the United Kingdom (USD 7.4 billion), the United States (USD 3.7 billion), Italy (USD 3.6 billion) and France (USD 2.0 billion). Together the United States, the United Kingdom and France held 64% of total FDI stock in Africa in 2012, respectively USD 61.4 billion, USD 58.9 billion and USD 57.9 billion (OECD, 2014a).

As explored in detail in the *African Economic Outlook 2011*, emerging economies are becoming increasingly important investment sources for African countries. The share of the BRICS in Africa's total FDI stock rose from 8% in 2009 to 12% in 2012, amounting to USD 67.7 billion. While this figure confirms the decreasing relative importance of OECD countries as sources of direct investment, it is worth noting that Africa is losing momentum to other developing countries in terms of attracting FDI from the BRICS. The continent represents 5% of the BRICS' FDI stock in the world in 2012, compared to 5.6% in 2011 (IMF, 2014b).

Excluding OECD countries, China held the largest stock of FDI in Africa, estimated at USD 27.7 billion, followed by South Africa and Malaysia with respectively USD 22.9 and

USD 15.8 billion. The latest data from the IMF's Coordinated Direct Investment Survey indicate a decline of China's FDI stock in reporting African economies by USD 3.3 billion with respect to 2011, but the equivalent increase in the four other BRICS compensated for this (IMF, 2014b). Investment from the BRICS in greenfield projects represented almost one quarter of total new greenfield projects in 2012 (fDi Markets, 2013).

The value of greenfield investments in Africa declined in 2012, in line with the global decline in FDI. Yet the continent slightly increased its share of the global amount of new greenfield projects from 5.4% in 2011to 5.6% in 2012. So while there were more projects, their average value was smaller. This evidence is in line with the gradually increasing sectoral diversification of greenfield investments to Africa out of mainly the primary sector. Greenfield projects in manufacturing and services are typically smaller in value than the large capital-intensive investments in extractive industries (fDi Markets, 2013).

Foreign direct investments to Africa have become more diversified among sectors. The Herfindahl index for sectoral concentration of FDI for 39 sectors went down from 0.43 in 2003 to 0.14 in 2012. The relative share of projects in sectors such as financial services, business services and communications has grown considerably. In 2012 73.5% of the total value of greenfield investments to the continent went to manufacturing and infrastructure-related activities, up from 68.3% over the past decade (Ernst & Young, 2013a). Foreign direct investments in manufacturing and services have a larger job creation potential than investment in extractive industries.

As evidenced by the large inflows to resource-rich countries, natural resource endowments remain a major determinant of African countries' capacity to attract FDI. Yet new determinants are gradually becoming equally important. Particularly, the emergence of a larger middle class and higher purchasing power are driving a change in consumer behaviour and luring investors that are eager to expand into new markets. Over the past decade, the number of middle-class consumers in Africa has increased to 34% of Africa's population or nearly 350 million (AfDB, 2011). In addition, Africa's projected sustained economic growth and the high price of natural resources are likely to keep underpinning this growth in FDI to the continent. Stable macroeconomic policies and demographic trends are also likely to positively impact investment inflows. Africa's population is predicted to double by 2050 and become increasingly urbanised with the share of urban population likely to increase from 40% in 2011 to 54% in 2050 (UN DESA, 2013).

Outward foreign direct investment

Africa's outward investment tripled from USD 5.4 billion in 2011 to 14.3 billion in 2012, bringing the continent's share in global FDI outflows to a record 1%. This increase contrasts with decreasing global FDI outflows, which fell from USD 1 678 billion in 2011 to USD 1 390 billion in 2012.

In 2012, five countries represented over 85% of total African outward FDI: South Africa (USD 4.4 billion), Angola (USD 2.7 billion), Libya (USD 2.5 billion), Nigeria (USD 1.5 billion) and Liberia (USD 1.4 billion). South African investment was mainly directed to mining, the wholesale sector and health-care products. Since the onset of the global economic crisis, 2012 was the first year that South Africa was again Africa's leading investor abroad (UNCTAD, 2013).

With regards to sectors, intra-African investments are more diverse than investments from OECD countries. They have been increasing and are directed towards less capital-intensive and technology-intensive investments. African investors represented 18% of total greenfield projects to Africa in 2012, compared to 7% in 2007. Over the period

2003-12 the amount of inter-African greenfield projects increased by 20% annually. The sectors that had the largest share of African investment over that same period were financial services (28%), building and construction material (28%), communications (22%), electronic components (18%), chemicals (18%) and consumer products (18%). The top five African investors in Africa over the period 2003-12 were South Africa, Mauritius, Egypt, Nigeria and Kenya, in that order (fDi Markets, 2013).

Outlook for foreign direct investment

The IMF projects FDI to Africa to further increase from USD 56.6 billion to USD 60.4 billion in 2014. Top recipients are likely to remain Nigeria (USD 6.5 billion), Morocco (USD 4.8 billion), South Africa (USD 4.8 billion) and Mozambique (USD 4.1 billion). North Africa is expected to continue its gradual recovery. As such, it should become the second largest recipient region of FDI after West Africa. Driven by the recovery of inflows to Côte d'Ivoire, large investments in Guinea's extractives and sustained investment in Ghana and Nigeria, West Africa is projected to be the largest recipient region in 2014, topping USD 16.6 billion. Southern Africa follows in third place, with a total of USD 12.2 billion, due to lower expected inflows to South Africa.

Downside risks to this outlook include both domestic uncertainties and the speed and shape of the global economic recovery. Lingering tensions and political instability in some of the major FDI recipients, such as Egypt, Mozambique, Nigeria and Sudan, could affect investors' willingness to undertake planned projects. A potential exacerbation of the unrest in the Sahel region might also wear down investor sentiment in neighbouring countries. These ongoing political risks complicate bridging the perception gap that remains a barrier to foreign investment to Africa, in particular from investors that do not yet have a presence on the continent (Ernst & Young, 2013b). External risks emanate mainly from a lagged economic recovery in the euro area, the impact of potential changes in the US monetary policy and a possible slow-down in emerging economies (IMF, 2013a).

Box 2.1. **Policy findings of the NEPAD-OECD Africa Investment Initiative at national and regional levels**

At national level, the findings below concern Mauritius, Nigeria and Tanzania:

- Small market size and geographical isolation combined with high labour costs and biased investment incentives towards traditional sectors systemically constrain **Mauritius'** investment policy. In addition, the government promotes economic sectors unsuited to the country's skill base. Domestic businesses are reluctant to diversify away from established sectors such as sugar, tourism, financial services and real estate. The review recommends *i)* clarifying the legal framework for investment and ensuring that efforts to attract investment are effective and sustainable; *ii)* improving supply-side enablers for investment (including human resources and trade); *iii)* making more room for private investment in infrastructure markets.
- The 2013 review of **Nigeria's** investment policy at the federal level recommends better securing contractual and property rights and striking a better balance between investors' rights and obligations. There is a need to prioritise key economic sectors for trade and investment in combination with a more open trade policy. The federal competition bill and the national code of corporate governance need to be enacted. At Lagos State level, the review encouraged focusing on modernising the legal framework for land titling and limiting the functions of the Investment Promotion Unit's work. It recommended designing a plan for small- and medium-sized enterprises and helping them recover costs of public-private partnerships for infrastructure.

Box 2.1. **Policy findings of the NEPAD-OECD Africa Investment Initiative at national and regional levels** (cont.)

- The **Tanzania** Investment Policy Review highlights the following priorities for improving FDI attractiveness: *i*) rationalise investment incentives; *ii*) strengthen domestic suppliers; *iii*) make small- and medium-sized enterprises more competitive through better access to finance; *iv*) increase land tenure security for investors; *v*) facilitate access to private investment in infrastructure.

At the regional level, the joint project between the NEPAD-OECD Africa Investment Initiative and the 14 member states of the Southern African Development Community (SADC) addresses four policy areas that present specific risks and bottlenecks for further expansion of domestic and foreign investment: *i*) investor protection; *ii*) FDI restrictions; *iii*) a level playing field for private investment in infrastructure; *iv*) tax incentives for investment. The objective is to avoid a detrimental "race-to-the-bottom" among neighbouring countries in these areas by providing a benchmark against which member states can plan and assess progress in improving their investment policy. Endorsement of the completed framework by the SADC Ministers of Investment and Finance is targeted for end 2015.

Source: NEPAD-OECD Africa Investment Initiative, www.oecd.org/investment/investmentfordevelopment/africa.htm.

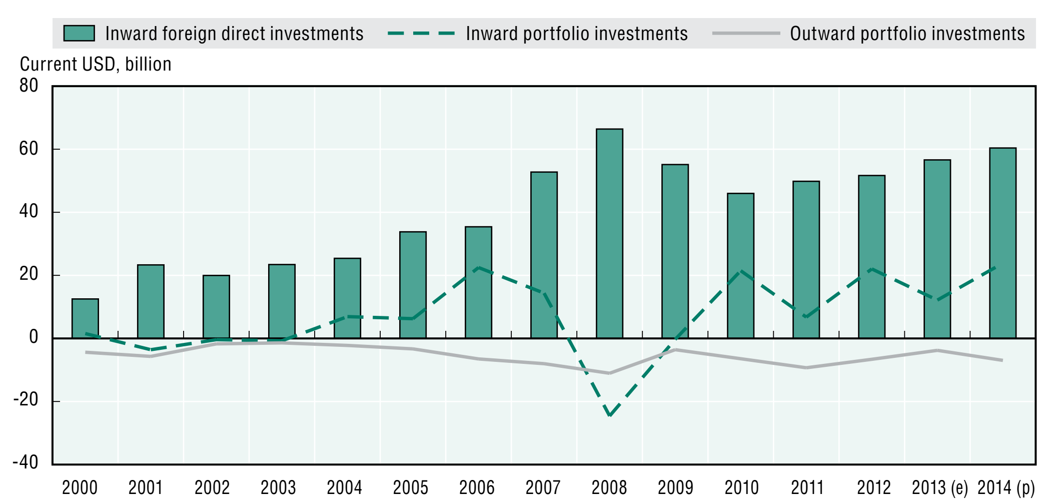
Portfolio investments to Africa remain volatile

The following sub-sections describe both the decrease in inward as well as outward portfolio investments in 2013. Portfolio investments include international investments in both equity and debt securities issued by non-resident entities.

Portfolio inflows

Portfolio investments have been taking up a gradually growing share of total investments to Africa over the past decade, but they have also shown much greater volatility than other sources of external financing (Figure 2.6). In 2013, for example, portfolio investments nearly halved to an estimated USD 12.2 billion. The outlook for portfolio flows will to a large extent depend on the impact of higher interest rates in OECD economies. Hence, the projections by the International Monetary Fund (IMF) for portfolio flows to the continent in 2014 are likely to be on the upper bound.

Figure 2.6. **Foreign direct investments and portfolio investments to Africa**



Source: Authors' calculations based on IMF World Economic Outlook 2013. (e) estimates and (p) projections.
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The sudden drop in portfolio investments in 2013 is largely due to South Africa's near USD 10 billion decrease to an estimated USD 1.5 billion in 2013. Nigeria, though also having recorded a drop of USD 3.3 billion in inflows, is Africa's largest recipient of portfolio investments. Ghana also recorded a large decline, down to USD 0.48 billion from a record USD 1.1 billion in 2012. The Democratic Republic of the Congo, Côte d'Ivoire, Egypt, Libya, Mauritius and Mozambique recorded negative portfolio inflows.

Portfolio investment stocks[4] in Africa were estimated at USD 200 billion in 2012. This figure is roughly five times its value a decade earlier and reflects the greater development of African debt and equity markets and the willingness of foreign investors to take risks on those markets (ODI, 2013). South Africa alone represented 70% of total portfolio stock. In recent years, Mauritius has consolidated its position as a major recipient of portfolio investment to Africa, with USD 15 billion in portfolio investment stock, second to South Africa. In 2011 the United States held the largest stock of African portfolio investment, worth USD 86 billion and representing 43% of the total stock (IMF, 2014a).[5]

In comparison to FDI flows which have been steadily increasing for the past three years, portfolio investments have shown persistent volatility since their first surge to USD 22.5 billion in 2006. For African countries that are gaining increasing exposure to portfolio flows, this volatility can create an unstable investment environment detrimental to growth and development through its negative impact on consumption and the availability of finance. It may also trigger compensatory adjustments in monetary, fiscal and exchange rate policies in the face of rapid changes in the availability of external finance (UNCTAD, 1999).

While Africa's stock markets remain thin and illiquid, some regions have undertaken steps to promote stock market regionalisation. The Anglophone countries are planning to form a regional stock exchange under the umbrella of the Economic Community of West African States. Kenya, Tanzania and Uganda aim to create a regional stock exchange in East Africa. The Southern African Development Community has also proposed to form a regional stock exchange (Senbet and Otchere, 2008).

Tighter monetary policies in the United States might lead to lower investment and growth in Africa through its negative impact on the cost of capital. African countries that are more financially integrated into the global economy are more exposed to interest rate hikes in developed countries. These include economies such as Kenya, Nigeria and South Africa that have seen strong portfolio inflows and that risk sudden stops of capital inflows. Countries that plan to tap into international bond markets may have to face higher coupon rates (World Bank, 2014a).

Portfolio outflows

Portfolio outflows from Africa, including international equity and debt investments by residents, decreased for the second consecutive year: from USD 6.6 billion in 2012 to an estimated USD 3.8 billion in 2013. With USD 2.6 billion, South Africa represented nearly 70% of total portfolio outflows, followed by Angola with USD 0.9 billion. Namibia, Egypt, Botswana, Kenya, Sierra Leone and Gambia all recorded minor portfolio investment outflows (IMF, 2014a).

African sovereign bond issuances have soared in 2013. They rose close to a record USD 10 billion, compared to only USD 1 billion a decade ago. The Seychelles and Ghana were the first two sub-Saharan African countries that issued sovereign bonds, in 2006 and 2007 respectively. Gabon, Nigeria, Senegal, Namibia, Zambia and Rwanda have followed suit, in that order. Underpinned by loose monetary policies in Europe, the US and Japanese investors looked for higher yields in African sovereign bond markets.

More and more African countries are likely to develop their sovereign bond markets to attract additional financing. Despite these recent issuances, Africa's sovereign bond market remains small, but likely future first-time issuances from Angola, Cameroon, Kenya, Mozambique, Tanzania and Uganda should offer investors increasing opportunities to diversify risks (Moody's, 2013). International bond markets provide an avenue for African countries seeking financing when domestic resources and ODA are inadequate to meet their substantial needs of economic and social infrastructure (AfDB, 2013).

Remittances are the largest single external flow to Africa

This section describes the recent trends in officially recorded remittances to Africa. It looks at the main recipients and emitting countries. The data and estimates do not include the unrecorded flows through formal and informal channels, which explain why the true size of total remittances to Africa is considered to be significantly larger.

Remittances to Africa are an important source of revenue for supporting consumption, education and health expenses

Official remittances to Africa increased for the fourth consecutive year, though at a decreasing rate. They were estimated at USD 62.9 billion in 2013 compared to USD 60.0 billion in 2012. This represents a nominal growth rate of 4.8%, compared to 7.7% in 2012 and 14.8% in 2010. Africa receives 11.5% of global remittance flows, slightly above its average share of 11.3% over the past five years. At country level the largest nominal increases were noted by Sudan (+155%), Uganda (+34%), Burkina Faso (+17%) and Niger (+13%) (World Bank, 2013a).[6]

Overall, official remittances per capita have increased steadily over the past decade in Africa. In 2013 they were estimated at 58 USD per person, compared to only 18 USD per person ten years earlier.

Table 2.2. **Fifteen largest recipient countries to Africa in 2013**

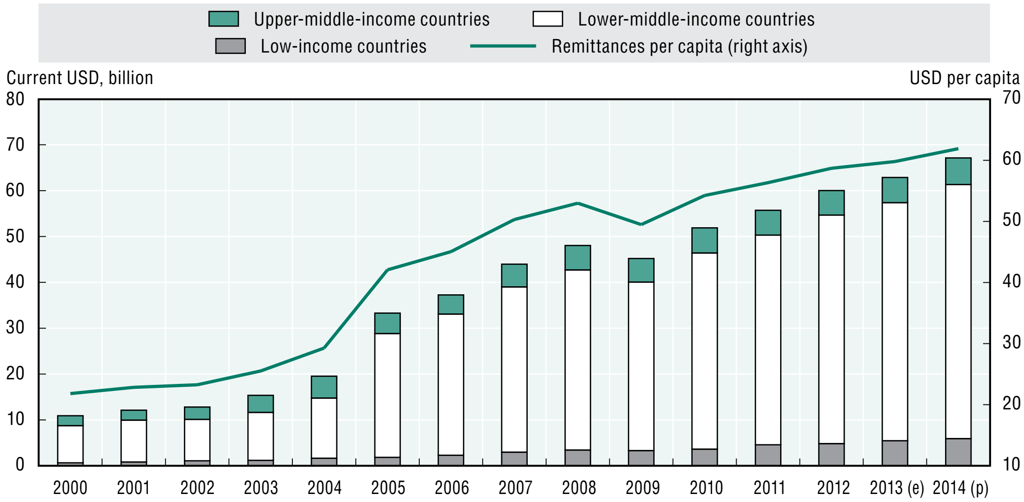
Country	USD per capita	% GDP	Current USD, billion
Cabo Verde	374.5	8.9	0.17
Lesotho	369.7	26.3	0.65
Seychelles	311.4	2.1	0.03
Egypt	254.7	7.6	20.00
Tunisia	227.9	4.8	2.31
Morocco	218.8	6.3	6.64
Nigeria	132.0	7.2	21.00
Senegal	123.5	10.2	1.56
Liberia	104.4	20.2	0.40
Gambia	83.8	16.5	0.15
Togo	62.4	8.7	0.37
Swaziland	57.8	1.5	0.06
Algeria	56.1	0.9	1.98
Djibouti	40.3	2.4	0.03
Sâo Tomé and Príncipe	36.9	2.1	0.01

Source: Authors' calculations based on World Bank data.

A more granular analysis reveals that the increase in official remittances is largely benefiting lower-middle-income countries. They received USD 118 per person, compared to USD 11 for low-income countries and USD 40 for higher-middle-income countries. Such disparities may reflect different profiles of migrants from low- and middle-income countries. Education level is a key determinant to emigration; because the average level of education is higher in middle-income countries, the emigration rate is higher than in low-income countries (Martin and Taylor, 1996). Cabo Verde, Lesotho and Seychelles each recorded over USD 300 of remittances per person (Table 2.2). Their large diaspora, geographic location and small population size explain these high figures.

The importance of remittances as an external private source of finance differs strongly among African countries (Figure 2.7). In 2013 North Africa perceived close to half of all remittances to Africa. This represented 4.4% of its GDP, compared to 3.3% in 2009. The region's proximity to Europe explains this high share. For countries like Gambia, Lesotho, Liberia and Senegal, remittances represent a significant share of their GDP.

Figure 2.7. **Remittance flows to Africa, 2000-14**



Source: Authors' calculations based on World Bank Remittances data. (e) estimates, (p) projections.
StatLink http://dx.doi.org/10.1787/888933032795

OECD countries are sending fewer remittances to Africa while non-OECD countries are sending more

The share of recorded remittances from OECD countries in 2012 equalled 55%, down from 60% in 2010. Migrant workers based in France, the United Kingdom and the United States account for half of total remittances to Africa from OECD countries. In 2012 over 70% of the recorded remittances to Nigeria came from migrant workers in the United Kingdom and the United States. Morocco (USD 1.9 billion), Algeria (USD 1.4 billion) and Tunisia (USD 1.0 billion) represented over 83% of total remittances from migrants based in France (World Bank, 2014b).

Middle Eastern countries drove the strong increase in remittances over recent years. They represented 26% of total remittances to Africa in 2012, compared to 20% in 2010. Saudi Arabia was the largest Middle Eastern emitter and the second largest emitter overall (Table 2.3). Close to 90% of its remittances went to Egypt, reflecting the large outflows of migrants following the Arab Spring in 2011. In 2012 countries from the Gulf Co-operation Council represented 50% of total remittances to Egypt, amounting to nearly USD 10 billion. These remittances are sent by the 2.4 million Egyptian migrants in the Gulf Co-operation Council countries, including 1.3 million in Saudi Arabia alone (UN Population Division, 2013).

Table 2.3. **Fifteen largest emitting countries to Africa**
(current USD, billion)

Emitting country	2012	2010
United States	8.4	7.5
Saudi Arabia	6.5	4.3
France	5.3	5.2
United Kingdom	5.2	4.8
Jordan	3.8	2.4
Italy	3.7	3.4
Spain	3.0	2.9
Libya	2.3	1.3
Kuwait	2.2	1.4
Chad	1.4	1.4
Germany	1.4	1.2
Canada	1.3	1.1
United Arab Emirates	1	0.1
Cameroon	1	0.9

Source: World Bank bilateral remittance matrix 2012.

In comparison, African countries emitted on average 20% of total official remittances to Africa in 2012. However, taking into account informal remittances, about 67% of incoming flows to Africa come from migrants living in other African countries (World Bank, 2013a). Cameroon, Chad and Libya were the three largest African countries sending official remittances in 2010-12. Cameroon and Chad both sent over 95% of their remittances to Nigeria during 2010-12. Libya sent over 85% of its remittances to Egypt over the same period. According to the UN DESA migration data, Côte d'Ivoire is the leading destination for African emigrants, followed by South Africa, the United States and the United Kingdom.

The average cost of sending remittances to sub-Saharan Africa is among the highest around the world. It is over 12%, compared to a global average total cost for sending remittances of 8.9% (World Bank, 2013c). The ten most expensive corridors globally were all intra-African, with the top five originating from South Africa at rates as high as 25% (World Bank, 2013d). Lowering the taxes on remittance outflows from sending countries could increase the amount of remittances reaching their destination. Also, increasing competition between money transfer operators in Africa could lower the cost of sending remittances. Both measures could improve the development impact of remittances.

Official remittances are likely to continue increasing in the near future, albeit at a slower pace

The World Bank expects official remittance flows to continue to increase for all regions of the world, including to Africa. For 2014 the Bank projects a total level of remittance flows to Africa of USD 67.1 billion, representing a growth rate of 8.6% for official remittances to sub-Saharan Africa and 4.9% to North Africa.

The circumstances facing migrants in their host countries can affect this outlook. In particular remittances coming from European economies, which represent a third of total remittances to Africa, may feel the impact of a potential lagged recovery in Europe. For instance, Spain and Italy have seen their migrant unemployment rates increase further. In 2012, 34.7% of Spain's migrant workers were unemployed, compared to only 10.3% in 2007 (OECD, 2013). In Italy the figure was 13.9% in 2012, compared to 11.7% in 2011. Both countries provided roughly a quarter of total remittances from EU migrants to Africa. Their remittances went largely to Egypt, Morocco, Nigeria, Senegal and Tunisia.

Official development assistance to Africa remains resilient

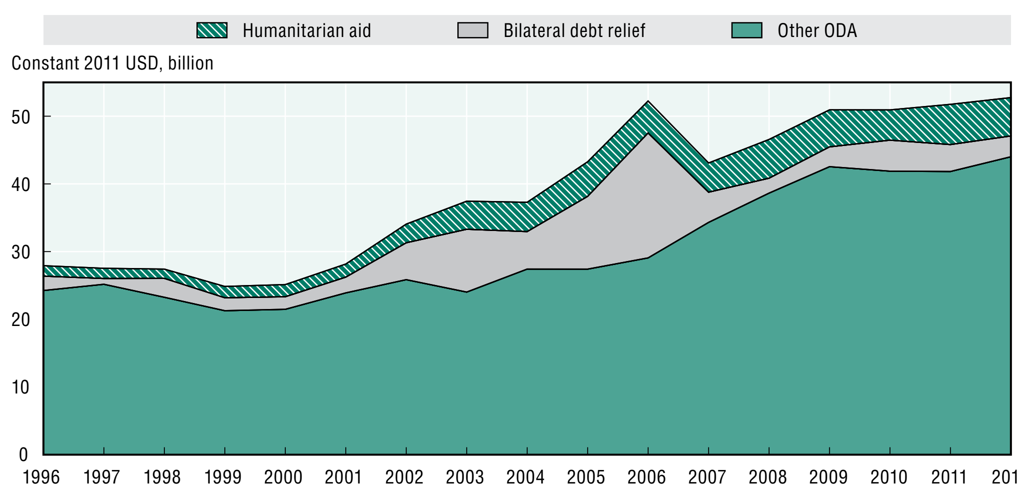
This section takes stock of the latest figures from the OECD Development Assistance Committee (DAC) on official development assistance for 2012 and examines Country Programmable Aid to identify trends for the period 2013-16. Country Programmable Aid (CPA) is a sub-set of gross bilateral official development assistance that measures actual transfers to partner countries. CPA is critical for delivering international aid commitments in support of the Millennium Development Goals but also represents the proportion of aid that is subjected to country allocation decisions by the donor.

The global decline in official development assistance did not affect Africa in 2012

Total official development assistance to developing countries declined in 2012 for the first time in five years. In 2012 it stood at USD 136.4 billion, back at the level of 2009. This represents a decrease of 3.3% in real terms[7] compared to USD 141.1 billion in 2011. The drop in global ODA is largely due to a 6.5% decline in real terms of bilateral ODA from USD 102.2 billion in 2011 to USD 95.5 billion in 2012. This decrease in bilateral flows is also reflected in the share of ODA to gross national income (GNI) from OECD/DAC countries, which declined from 0.31% in 2011 to 0.29% in 2012. ODA from multilateral organisations, however, increased for the third consecutive year to a record USD 40.9 billion (OECD, 2014b).

In contrast to the overall drop in official development assistance, in 2012 Africa recorded a real growth of net ODA inflows for the second consecutive year (Figure 2.8). Net ODA disbursements increased by 1.9% to USD 52.7 billion, compared to USD 51.7 billion in 2011. Both non-DAC donors and multilateral aid accounted for this slight increase and compensated for the 4.9% decrease in real terms of ODA to Africa from DAC countries.

Figure 2.8. **Net official development assistance disbursements to Africa**



Source: OECD (2014b).

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OECD/DAC countries remain the largest contributors of official development assistance to Africa. Over the period 2007-12 they represented an average 61% of total ODA, compared to 37.6% for multilateral institutions and 1.5% for non-DAC countries. In 2012 Turkey nearly tripled its ODA to Africa to USD 749 million and accounted for 65% of the total contribution of non-DAC countries. From the multilateral donors the World Bank's International Development Association accounted for 23.8% (USD 4.7 billion) of total multilateral ODA to Africa. The two other main multilateral donors are the Global Fund to Fight AIDS, Tuberculosis and Malaria (USD 2.2 billion) and the African Development Bank's African Development Fund (USD 1.8 billion).

The largest donors have maintained their relative share of ODA contributions to Africa over the past five years. In 2012, the United States, the United Kingdom and France provide the largest absolute amounts of bilateral ODA to Africa with respectively USD 9.1 billion, USD 4.1 billion and USD 3.4 billion. Their share of total ODA from DAC countries increased from 45% in 2007 to 55% in 2012. Canada and Germany had the largest increase of ODA to Africa by USD 311.5 million and USD 208.3 million respectively. Out of the 27 DAC donors, 19 recorded lower ODA flows to Africa. Italy and Spain recorded the largest decline in ODA by USD 718 million and USD 436.2 million respectively. In real terms this represents a decrease of 85.5% for Italy and 55.9% for Spain. France recorded a decline of USD 512.9 million, representing a decrease of 5.2% in real terms.

Country Programmable Aid[8] to Africa is projected to stagnate from 2015 onwards

In 2013 the CPA volume to Africa is estimated to have bounced back to USD 42.4 billion compared to the previous level of USD 40.3 billion in 2012. This rise is due to increased funding going to North Africa and some large recipients. The biggest increases in Country Programmable Aid are planned for Nigeria (+USD 582.7 million), Mali (+USD 357.6 million), Kenya (+USD 323.8 million) and South Africa (+USD 322.7 million). Whereas the biggest decreases are planned in Senegal (-USD 234.3 million), Zimbabwe (-USD 199.8 million) and Ghana (-USD 114.1 million).

After peaking at USD 43.2 billion for 2014, the Survey on Donors' Forward Spending Plans indicates a slight decrease in 2015 and 2016 to USD 42.3 billion and USD 42.0 billion respectively. For 2014 the largest absolute increases are for Ethiopia with USD 152.3 million (+5%), Morocco with USD 112.4 million (+7%) and Senegal with USD 101.5 million (+13%). The largest decreases are expected in Egypt with USD 163 million (-8%), followed by Tunisia with USD 72.2 million (-9%) and Tanzania with USD 55.6 million (-2%). Country Programmable Aid is expected to decrease in both 2013 and 2014 for Cameroon, Cabo Verde, Djibouti, Libya, Malawi, Mauritania, Sao Tome and Principe, Tunisia, and Zimbabwe.

Low-income countries received the largest share of total Country Programmable Aid to Africa with 57.8%, compared to 33.2% for lower-middle-income countries and 9.0% for upper-middle-income countries. This distribution of CPA across country groupings is unlikely to change over the period 2013-16. As a share of GNI this represented an estimated 8.7% for low-income countries, 4.3% for lower-middle-income countries and 0.9% for upper-middle-income countries. By 2016 the Survey on Donors' Forward Spending Plans estimates, these shares are likely to further decrease to 7.4% for low-income countries and 3.0% for lower-middle-income countries and while remaining the same for upper-middle-income countries.

However, relative to population size, low-income countries received the lowest Country Programmable Aid per capita with an average 48.5 USD. In comparison, lower-middle-income countries obtained the largest CPA per capita with USD 89, while upper-middle-income countries received USD 66.1 per capita. Low-income countries represent an estimated 510 million people, close to half of Africa's population. These countries rely most on foreign aid flows to provide basic public services to their population yet receive a relatively smaller amount of CPA according to their needs. CPA is projected to decrease from its peak of 39.6 USD per capita in 2013 to 36.5 USD per capita in 2016, reflecting Africa's growing population in contrast to the stagnation in CPA.

On the donor side the current fiscal crunch in Europe has led some countries to revise downwards their commitments and targets. Particularly Greece, Italy, Portugal and Spain – the countries most affected by the euro area crisis – have recorded the largest cuts. As a result the EU-28 official development assistance is expected to increase to only 0.43% of GNI by 2015 (EU, 2013). This remains below the level reached in 2010 and close to 40% below the 0.7% target. For reference, reaching this 0.7% ODA/GNI target would require the European Union and its member states to almost double their current ODA in nominal terms by 2015. According to EU estimations (EU, 2013), there is a significant risk for this decline in ODA to continue beyond 2015. In addition, recent turmoil in the Central African Republic and South Sudan combined with the lingering tensions and instability across the Sahel might lead to a reallocation of ODA.

Box 2.2. **Development finance flows: The case of European development finance institutions**

The development finance landscape has changed dramatically in recent years. African countries are now able to draw from a wide range of development finance options in addition to aid from traditional donors, e.g. the official development assistance (ODA) provided by countries belonging to the OECD Development Assistance Committee (DAC). A number of alternative providers have gained significance, such as China and other non-DAC donors (AfDB et al., 2011), philanthropic organisations, and non-governmental organisations. DAC member countries have also been stepping up their supply of non-ODA development finance. One of their objectives is to contribute to financing activities that are not ODA-eligible and yet are essential to the transformation process of recipient countries, such as private sector development.

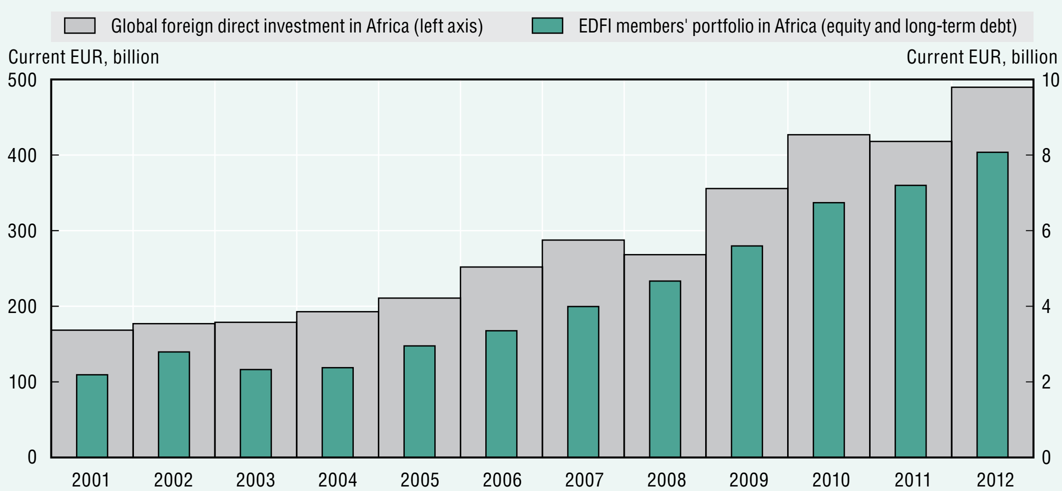
Small- and medium-sized enterprises, the missing link in the African economic fabric, struggle to find adequate sources of funding as their access to capital markets is limited. Typically, small entrepreneurs in Africa may have access to microfinance schemes, and big firms can draw from local or international banks and financial markets. National development finance institutions aim to bridge the gap between commercial investment and government aid, while avoiding market distortions. They have a developmental mandate and the obligation to remain financially viable; therefore they generally charge market rates to promote crowding-in of new funds. To catalyse private investment, they use loans, equity and guarantees as well as other risk mitigation instruments, such as mezzanine finance, syndicated loans and private equity via investment funds. Like other international financial institutions supporting private-sector development in Africa and in other regions – e.g. the African Development Bank, the International Financial Corporation and the Multinational Investment Guarantee Agency of the World Bank Group – development finance institutions can be considered complementary to traditional aid agencies and the public sector branches of multilateral development banks.

Fifteen European development finance institutions are today members of the Association of European Development Finance Institutions (EDFI) which was created in 1992 (www.edfi.be). Africa makes up about one third of their aggregated portfolio, i.e. around EUR 8 billion out of a total EUR 26 billion invested into 4 705 projects globally at the end of 2012. Equity investments make up slightly more than half of those EUR 8 billion, with the other half dominated by loans. For larger projects, EDFIs can pool resources: In 2003, EDFI members and the European Investment Bank (EIB) created European Financing Partners S.A. through which the parties pool and channel funding to projects in the African, Caribbean and Pacific Group of States. In 2011, EDFI members, the EIB and the Agence française de développement created the Interact Climate Change Facility; this facility pools and channels the parties' funding to renewable energy and energy efficiency projects in developing countries and emerging markets globally. FMO (The Netherlands) and DEG (Germany) set up a joint office in South Africa. The financial sector and infrastructure make up the bulk of the projects. Environmental and social standards typically

Box 2.2. **Development finance flows: The case of European development finance institutions** (cont.)

play a key role in project selection. Development finance institutions usually complement the financing provided by the sponsor and other commercial investors in a given project aiming at a multiplying effect. Results are measured in terms of job creation, public tax revenues, net foreign exchange effects, as well as sector specific outcomes, such as the increase of energy supply. For example, DEG committed EUR 1.45 billion in 2013 towards investments with a total volume of EUR 8.2 billion. DEG expects the operations it supports to create 30 000 new jobs, contribute more than EUR 800 million annually to public revenues and generate EUR 3 billion in net currency earnings per year. In Africa, DEG committed EUR 326 million. The contribution is expected to create 2 200 new jobs, contribute more than EUR 115 million annually to public revenues and generate approximately EUR 430 million in net currency earnings per year.

Figure 2.9. **EDFI portfolio and global foreign direct investment in Africa, 2001-12**



Source: Dalberg (2010, 2012).

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Tax revenues in Africa continue to increase

This section analyses the performance of tax revenues in Africa from 2000 to 2012. It is based on the latest available data collected by the AfDB through the African Economic Outlook's annual country missions. The section discusses the importance of taxes for sustainable development. It describes the trends in tax revenue as well as the challenges faced by African countries to raise more and better taxes. It also highlights the paradox of declining official development assistance to support tax systems against evidence of the strong increases in tax revenues it generates. It argues that tax revenues should not be seen as an alternative to foreign aid but as a component of government revenues that grows as the country develops.

Taxation plays a central role in promoting Africa's sustainable development

Domestic financial resources for development have become increasingly important for developing countries and development partners alike. Already in 2002 the Monterrey Consensus highlighted the importance of mobilising domestic resources to finance the Millennium Development Goals. Since Monterrey two important follow-ups: the Doha Declaration on Financing for Development (2008) and the Busan Partnership for Effective Development Co-operation (2011) have encouraged a greater role for taxation to fund development. In the long run, greater domestic investment can offset vulnerability as well as strengthen local ownership.

Taxation provides governments with the funds needed to invest in infrastructure, relieve poverty and deliver public services. As such, taxes play an important role in consolidating a well-functioning state but should not become an end in themselves (Kaldor, 1980; Toye, 1978). A healthy public finance system is needed for rapid, equitable and sustainable growth: government revenue should adequately finance basic security, education, health services and public investment while avoiding inflationary financing (Di John, 2009). Strengthening domestic resources offers an antidote to aid dependence and increases the country's ownership of its development and growth agenda.

Yet, in 2012 low-income African countries on average still mobilised only around 16.8% of their GDP in tax revenues, below the minimum level of 20% considered by the United Nations as necessary to achieve the Millennium Development Goals (UNDP, 2010). Lower-middle-income African countries fared little better, with an average tax burden – the share of tax revenues to GDP – of 19.9% in 2012. With an average tax burden of 34.4% in 2012, upper-middle-income countries came closer to the average in OECD countries of 35%. For comparison, in 2000, the tax burden equalled 12.6%, 20.9% and 28.0% for respectively low-income countries, lower-middle-income countries and upper-middle-income countries. For Africa as a whole, the tax burden stood at 26.0% of GDP in 2012, compared to 24.4% in 2011.

Not only do states rely on tax revenues to function, but taxes are also the primary platform for political negotiations among a country's stakeholders. They are part of the social contract between a state and its citizens: taxpayers want to know that everyone is paying their fair share and that the money they hand over is put to good use and delivers a return in the form of public services. They are more likely to comply with paying taxes and accepting new forms of taxation if they consider the taxes to be legitimate. This is known as fiscal legitimacy. Fair and efficient taxation catalyses state building and enhances accountability between citizens and the state.

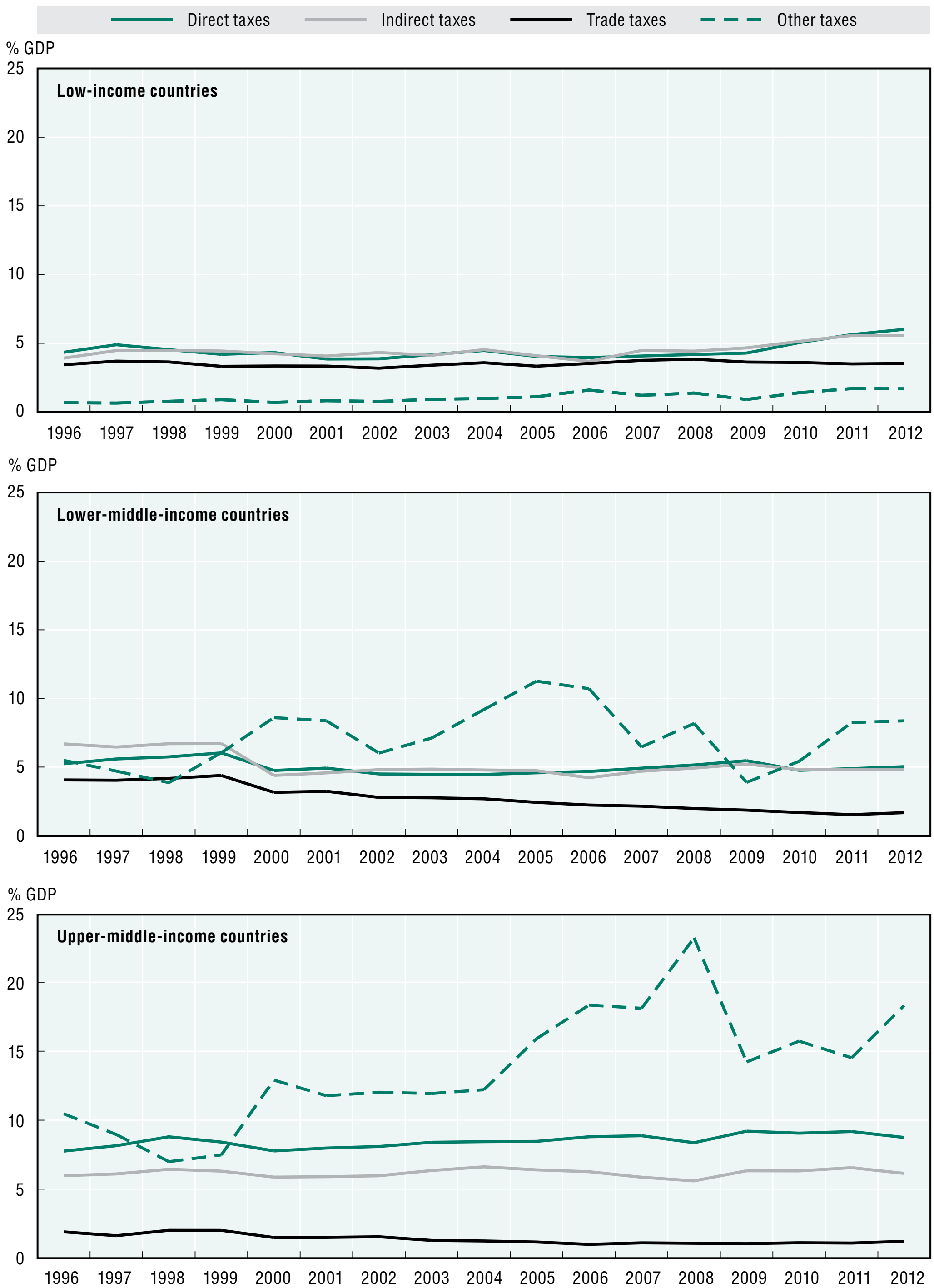
Revenue from natural resources underpin the increase in tax revenues in Africa

According to data collected for this edition of the *African Economic Outlook*, total collected tax revenue in Africa increased four-fold from USD 137.5 billion in 2000 to a record USD 527.3 billion in 2012. This equals an increase of 12.8% compared to the USD 467.4 billion in 2011. The category "other taxes", which is largely composed of natural-resource-related tax revenue, underpinned this strong increase (Figure 2.10). In 2012 other taxes represented USD 242 billion, amounting to 46% of total tax revenue in Africa. Their share increased from an average of 40% for the period 2000-05 to an average of 43% in 2008-12.

A limited number of African countries accounted for the majority of taxes collected. In 2012 the five largest tax collectors were South Africa (USD 98.6 billion), Algeria (USD 79.5 billion), Nigeria (USD 75 billion), Libya (USD 53.7 billion) and Angola (USD 50.7 billion). The recovery of oil production in Libya underpinned the USD 40 billion increase in the country's tax collection, back to the level of 2008. From these major contributors to tax revenues in Africa, South Africa is the only country that saw its tax revenue diminish across all categories in 2012. In total, South Africa collected USD 3.5 billion less taxes.

Figure 2.10 illustrates that there are large differences in the tax mix patterns in Africa – the tax mix being the relative composition of a country's tax revenues. A country like South Africa obtains most of its tax revenues from direct taxation, while countries like Senegal and Uganda rely mostly on indirect taxation. Kenya and Mauritania show a relatively balanced mix of different types of taxes. Other countries, however, such as Angola, Equatorial Guinea, Libya and Nigeria almost entirely rely on one single type of tax.

Figure 2.10. **The tax mix of different country income groupings in Africa, 1996-2012**



Source: African Economic Outlook data.

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Trade taxes refer to taxes levied at the border. These are mainly import tariffs and export duties, although export duties have almost largely disappeared. Trade taxes have declined in upper-middle-income and lower-middle-income countries, while trade tax revenue in low-income countries has remained stable as a share of GDP.

A balanced tax mix is important to ensure stable and predictable tax revenues to fund public service delivery and investments. Direct income taxes and indirect value added taxes tend to be more stable than resource-related taxes. Resource-related tax revenues tend to be dependent on fluctuating international resource prices and demand. Many of Africa's middle-income countries are endowed with natural resources, which explains the higher share of other taxes in their tax mix. Low-income countries have made significant progress in raising tax collection through direct and indirect taxes.

The effect of fluctuating resource prices since 2008 and onwards throughout the crisis can also be seen in Figure 2.10. Direct taxes, indirect taxes and trade taxes as a percentage of GDP have remained nearly constant, whereas the category "other taxes" accounted for close to the entire increase of the tax ratio for middle-income countries. Total tax revenues in Africa peaked to USD 458.5 billion in 2008 following the increase in oil and non-oil commodity prices in 2008 before dropping by 26% over 2009. For comparison, this decrease in tax revenues equalled USD 119 billion, roughly the sum of official development assistance and foreign direct investment that year.

Many African countries continue to face severe challenges to further raising their tax revenues

Most African economies are characterised by a shallow tax base. This is largely the result of weak tax administrations, which continue to be staffed by poorly trained and low-paid officials. The administrative structures do not encourage an integrated approach to different taxes and are hampered by imbalanced service and enforcement functions. These severe capacity constraints of tax administrations combined with the lack of fiscal legitimacy of the state result in an unbalanced tax structure relying mostly on a narrow set of taxes to generate revenues.

In addition, most African economies are characterised by large hard-to-tax sectors, such as small enterprises, farms and a high level of informality. The informal economy – workers and companies operating outside the reach of the law or public administration – is a major obstacle to broadening the tax base and collecting direct taxes. This poses a wide range of economic challenges: not only are taxes not collected, but informal firms are also often less productive and offer no labour or social protection schemes for workers. In short, high informality leads to lower economic growth and greater social exclusion (Jütting and de Laiglesia, 2009).

Also, the tax base can be further eroded by competition for investment between African countries. Ineffective tax incentives are no compensation for a poor investment climate and may actually damage a developing country's revenue base, eroding resources for the real drivers of investment decisions: infrastructure, education and security. Governments may perceive a threat from investors choosing neighbouring countries, triggering "a race to the bottom" that makes countries in a region collectively worse off.

A more open international trading system is adding new challenges to mobilise domestic resources. Multinationals may take advantage of the different tax regimes across countries where they have subsidiaries to maximise after-tax profits. One way in which multinational enterprises may try to benefit from their international presence is misuse of transfer pricing, e.g. by artificially shifting taxable profits from high-tax to low-tax jurisdictions. This happens when firms under- or over-invoice for goods, services, intangibles or financial transactions between entities situated in different tax jurisdictions.

According to the IMF et al. (2011), African tax authorities "face challenges in designing and implementing effective transfer pricing and information exchange regimes and more generally in improving transparency". Box 2.3 describes an innovative way to strengthen tax audit capacity in African tax authorities, giving them the means and technical capacity to deal with the complexities of the practice.

Box 2.3. **Tax Inspectors Without Borders: an innovative approach to improve audit skills**

Developing countries and development partners have for a long time identified the mobilisation of domestic financial resources for development as a priority, and in a changing era, taxation has taken on a higher profile as a means to support this goal. The demand for assistance from developing countries is changing too, as globalisation poses new challenges and opportunities in international taxation, particularly transfer pricing and tax information exchange. On the supply side, many countries that were once aid recipients now actively provide assistance themselves on tax matters, adding a positive dynamic to international knowledge building.

Against this background, the Tax Inspectors Without Borders (TIWB) concept was proposed. TIWB facilitates targeted, tax audit assistance programmes in developing countries across the globe. Tax audit experts work directly with local officials in developing country tax administrations on current audits and audit-related issues concerning international tax matters and share general audit practices for specific cases.

TIWB offers a new form of direct assistance, facilitating programmes that use a real-time, "learning by doing" approach to solve current audit issues and to transfer knowledge and skills. TIWB programs complement existing training by introducing a real-life, practical component. Using the TIWB tools to put in place a simple but effective framework to address potential issues such as confidentiality and conflict of interest, experts can now work on audit files alongside local tax officials.

TIWB began on a trial operational basis at the end of 2013, with a number of pilot projects planned for 2014. Recent programmes of similar audit assistance have had strong results in terms of increases in tax revenues. Beyond revenues, TIWB programmes through the skills transfer process aim more broadly to improve the quality and consistency of tax audits and increasing confidence in the tax administration.

Source: OECD Task Force on Tax and Development (2014).

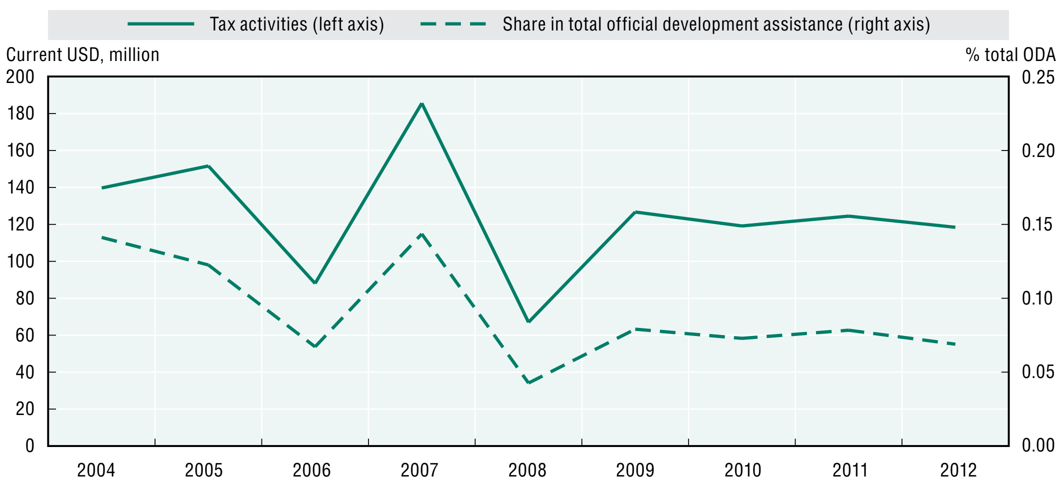
The *African Economic Outlook 2010* signalled the importance of the proper sequencing of policy reform. The tax base needs to be deepened in the short run by limiting tax preferences and negotiating fairer taxation with multinationals, in combination with strengthening the capacity of the tax administration. In the long run African countries will need to improve the tax balance between different taxes. This can be facilitated by strengthening the fiscal legitimacy of the state, which must be accompanied by a public debate on better governance, transparency and the usage of the increased public resources for the government.

A dollar spent on tax systems can generate several dollars in collected taxes

According to the president of the African Tax Administration Forum, Oupa Magashula, at the OECD Global Forum on Development in January 2010, aid can have up to "a tenfold multiplier effect on states' resources". An additional benefit for the government is the accumulation of data collected in the process of bringing in taxes, which expands the knowledge base for general macroeconomic and development planning. Conversely, the multiplier effect does not factor in the cost of collecting tax revenues in terms of lost economic efficiency, as taxes always distort economic decisions on investment, savings, or labour in some way.

Paradoxically, despite the rhetoric by the donors about the importance of tax revenues, aid to support tax activities has remained marginal in the overall aid provided to African countries. Figure 2.11 shows the decreasing amount of support for tax activities since 2004. Against the multiple evidence that supporting tax reforms can yield strong returns in tax revenue, donors will have to provide more and better development co-operation to strengthen domestic resource mobilisation in African countries.

Figure 2.11. **Global official development assistance commitments to tax and tax-related activities, 2004-12**



Note: The data do not include figures from the IMF.
Source: OECD (2014b).
StatLink http://dx.doi.org/10.1787/888933032871

Notes

1. Total external financial flows include official development assistance, private portfolio and equity investment and remittances. They do not include other official flows, trade credits or loans from commercial banks. On non-ODA official flows, see Box 2.2.
2. The Gulf Co-operation Council includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.
3. Brazil, Russia, India, China and South Africa.
4. Portfolio stocks are measured at a specific time and represent the total quantity of portfolio investments accumulated in the past.
5. The IMF Coordinated Portfolio Investment Survey (CPIS) collects information on the stock of cross-border holdings of equities and debt securities from 75 investor countries and territories.
6. According to Freund and Spatafora (2005), up to a share of 75% of total remittances to Africa are not officially recorded. This share is larger than for other continents.
7. Taking account of both inflation and exchange rate movements.
8. For more information, see www.oecd.org/dac/aidarchitecture/cpa.html.

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Chapter 3

Trade policies and regional integration in Africa

This chapter reviews the recent progress of integration in various African regions. It looks at how trade is shaping African integration, obstacles to free movement of people and goods, and the importance of boosting Africa's services sector to achieve a foothold in global value chains.

In brief

Africa's exports, driven by strong commodity prices, grew faster than any other region in the world in 2012 at 6.1%. However, in the same year Africa accounted for just 3.5% of world merchandise exports, and this has remained low over the years. Intra-African trade with value-added manufacturing grew faster than exports to the rest of the world. Africa can further increase this trade by cutting bottlenecks and strengthening industrialisation. This would help the continent gain a stronger foothold in global value chains. East Asia's economic rise shows that attracting value chain foreign direct investment requires targeted trade reforms and policies, efficient trade infrastructure, and incentives to support value-added technology. This must be carried out at both regional and national levels. The share of African suppliers in the continent's imports has been falling compared to imports from outside Africa. Imports have grown twice as fast as exports, averaging 13.8% per year. African states have not participated fully in this import growth. Likewise, African suppliers need an appropriate enabling trade environment, to scale-up involvement in services value chains. Regional bodies have launched important initiatives to boost regional industrialisation and investment in regional infrastructure but these need to be strengthened.

Africa bids to keep pace with world trade growth

This section looks at how Africa is taking a growing role within dramatically changing trends in world trade, building a stronger relationship with China, the world's leading exporter which is its fastest growing trade and investment relationship.

International merchandise trade quadrupled over 30 years, with average annual growth of 7%, to reach USD 18.3 trillion in 2012.[1] Reduced tariffs and non-tariff barriers and the expansion of trade in intermediate goods all helped. Manufactured goods accounted for 64.1% of world trade in 2012. Fuels, with a value of USD 3.37 trillion, made up 19% of global exports, up from 9% in 2000. However, depressed prices saw the export value of minerals and ores drop by 10%, agricultural raw materials by 9%, and iron and steel by 8%.

Global trade in commercial services saw even higher annual growth – averaging 8% – to reach USD 4.35 trillion in 2012. This is almost 19% of world trade.

Important trends are discernible. The share of developing countries in global trade stood at 34% in 1980. By 2011, this had grown to 47%. Meanwhile, the share of developed economies declined from 66% to 53% over the same period.

Fast-paced industrialisation in China and East Asia and by other emerging powers – Brazil, Russia, India and South Africa – has led the developing economy to surge. China saw its share of world exports rise from 1% in 1980 to 11.4% in 2012 (WTO, 2013a), making it the world's leading exporter. The United States remained the world's largest trader, however, with total trade worth USD 3.88 trillion, and a trade deficit of USD 790 billion for 2012. China followed closely at USD 3.87 trillion, and a trade surplus of USD 230 billion. A notable trend has been the growth in South-South trade from 8% of the total in 1990 to 24% in 2011, with exports from developing countries expected to exceed 50% of global trade within several years. North-South trade also grew from 33% to 38%, but North-North trade declined from 56% to 36%. Exports from least-developed countries fell marginally in 2012, leaving their share of world merchandise exports at just 1%.

Europe (including between European Union members) had the highest share of intra-regional trade, at 75%, despite sluggishness in 2012 due to troubles in the euro area. This was followed by Asia at 52%, then North America at 48%. Africa stood at 12.8% or USD 81 billion.[2]

Commodities maintain dominance of Africa's surging trade

This section provides a breakdown of what Africa sells and to whom. Europe remains the main market for African exports but China is fast catching up. The section also highlights growing business between African nations. It shows that while growth is strong, there remains room for diversification and significant scaling up in manufacturing value-added and services trade. Africa's agriculture exports also declined in 2012 although, again, there is significant scope for growth in intra-African trade in agricultural products.

Africa's trade rebound

According to WTO data, Africa's exports rallied in 2012 following a decline of 8.5% the previous year due to a slump in Libyan oil exports. Africa's export growth of 6.1% in 2012 was the highest of any region in the world, compared with 4.5% growth in North America and 2.8% in Asia. In 2012, African merchandise exports amounted to USD 626 billion or 3.5% of world exports while imports were USD 604 billion.

Fuels and mining products dominated African merchandise exports, accounting for 69.5% of total exports worth USD 438 billion in 2012. Fuels alone accounted for USD 384 billion worth of exports, 60.9% of African merchandise exports. As Table 3.1 illustrates, only South Africa among the top five African exporters is not an oil exporter, although it is a huge exporter of mineral ores. Major destinations were Europe (38.7%), Asia (29.8% and up from 15.7% in 2005), and North America (14% down from 28% in 2005). This shows how traditional and emerging markets are both crucial. It also highlights the need to retain and reinforce preferential access to markets such as the United States, where the African Growth and Opportunity Act is up for renewal in 2015.

Table 3.1. **Africa's top exporters and importers, 2012**

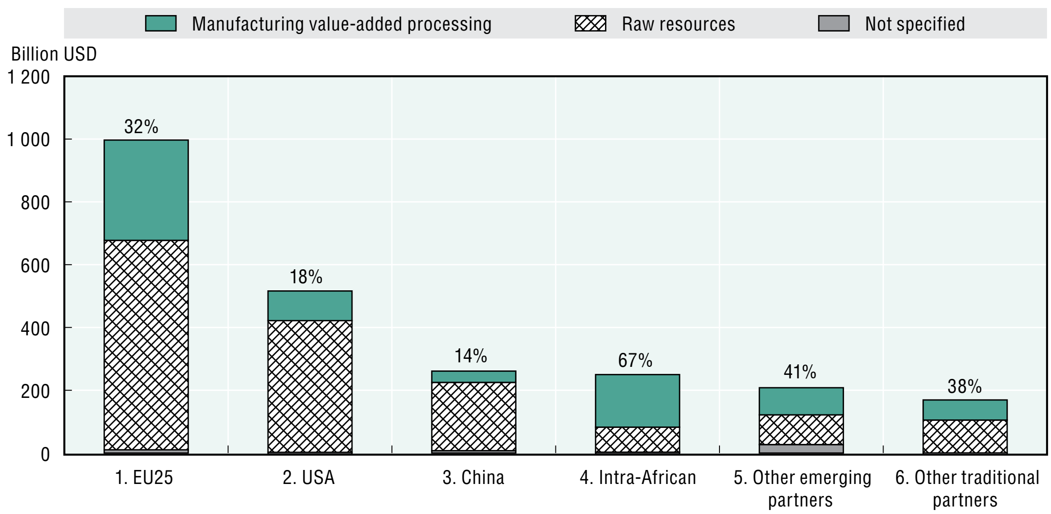
	Africa's top exporters		Africa's top importers	
Rank	**Country**	**Value in billion USD**	**Country**	**Value in billion USD**
1.	Nigeria	116.0	South Africa	124.0
2.	South Africa	87.0	Egypt	69.0
3.	Angola	74.0	Nigeria	51.0
4.	Algeria	72.0	Algeria	47.0
5.	Libya	62.0	Morocco	45.0

Source: WTO (2013b).

Jump in intra-Africa manufacturing trade

Intra-African exports of manufactured goods were worth USD 103 billion in 2012 or 16.4% of total merchandise exports. Although this was just 0.9% of total global exports, intra-African exports exhibited high level of manufacturing and value added intensity as illustrated in Figure 3.1. Europe remained Africa's major export destination (40.3% in 2012, down from 52% in 2005). Asia and North America accounted for 11.5% and 8.5% of African exports respectively. With improved infrastructure, enhanced trade facilitation, reduced costs, greater efficiency and investment, there is significant scope for greater intra-African manufacturing trade (see also UNECA, 2013a).

Figure 3.1. **Manufacturing intensity, by main destinations of Africa's exports, 2005-10**



Source: UN ComTrade (2012).
StatLink http://dx.doi.org/10.1787/888933032890

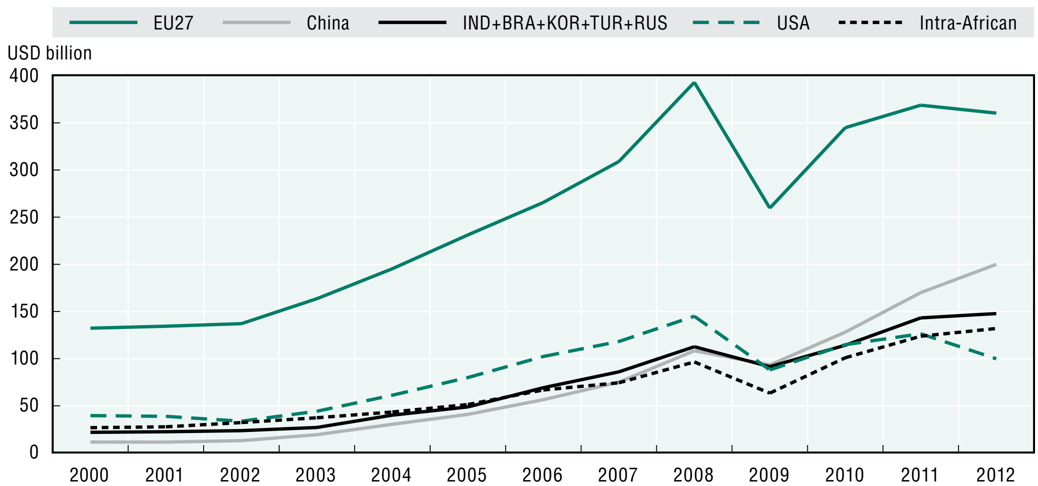
African agriculture and agri-business need investment

African agricultural exports experienced a 1% decline in 2012 after average annual growth of 14% between 2005 and 2011. Agriculture exports were valued at USD 57 billion or 9.1% of African merchandise exports. Nearly half of Africa's agricultural exports (USD 26 billion) went to Europe. This amounts to just 3.9% of Europe's agricultural imports, although it is an improvement from 2.7% in 2005. Europe in turn exported USD 20 billion in agricultural products to Africa, 35.4% of Africa's agricultural imports in 2012 – down from 50.4% in 2005. Asia also featured strongly, receiving USD 12 billion of African agricultural exports equal to 21.7% of Africa's agricultural exports up from 16.7% in 2005. Intra-African agricultural trade amounted to USD 13 billion or 23.5% of the total, up 4% from 2005.

Strategic leap in South-South and intra-African trade

Europe remained Africa's major trading partner, with two-way trade valued at USD 240 billion in 2012, 38.2% of Africa's total trade. This was followed by Asia at USD 160 billion, or 25.3%. North America stood at USD 74 billion amounting to 11.7% of African trade. This demonstrates the value of the Africa-EU trade partnership. China leads the way among emerging economies, having increased its share of African exports from 3.2% in 2000 to 13% in 2011. A steady increase in trade from Africa to China has resulted in a widening trade deficit for China with the continent. Two-way Africa-China trade was worth USD 198.5 billion in 2012 (an increase of 19.3% over 2011) compared with US-Africa trade at USD 108.9 billion. Standard Chartered Bank estimates that Africa–China trade may surge to USD 385 billion by 2015. What further distinguishes China is that trade with Africa is coupled with high levels of investment. The cumulative stock of Chinese investment in Africa is reported to have risen from just under USD 500 million in 2003 to USD 22.9 billion in 2012, with more than 2 000 Chinese companies reported to be active in Africa.

Figure 3.2. **Africa's trade flows with selected partners, 2000-12**



Source: UN ComTrade (2012).

StatLink http://dx.doi.org/10.1787/888933032909

More trade between African states

While the "big picture" remains dominated by trade in traditional primary products targeted at traditional markets plus China, growth in intra-African trade is likely to change the landscape. Commerce between African states remains comparatively low, but it averaged 13.5% annual growth between 2000 and 2010. The trade was valued at almost USD 81 billion in 2012 and it is growing faster than Africa's exports to the rest of the world. From 2000 to 2010, exports to the rest of the world grew by only two-thirds of the rate of exports within Africa. However, the share of the continent's imports going to African producers has declined. On the other hand, imports from outside Africa have surged faster than exports (averaging annual growth of 14% compared to 11%). Africa was the only region to experience double digit import growth at 11% in 2012. Imports grew nearly twice as fast as exports.

Intra-African exports are fairly diversified, though still dominated by primary products. Manufactured and intermediate goods appear to be of more significance in trade within regional groups, having enjoyed greater dynamism than at the continental level. Nonetheless, the big picture remains characterised by a small number of lightly processed exports with petroleum products accounting for nearly 33% of the value of intra-African exports in 2012, up from 25% in 2010.

There are different trading patterns in different regions and also in the pattern of goods traded within a region. In two of the five regions, North and Central Africa, intra-African exports account for only a small or trivial share of total exports by member states.

Africa is the world's fastest growing but least globally integrated continent

This section briefly examines some of the reasons for sluggish integration within Africa's regions and highlights a need for greater political efforts and better infrastructure. It also argues that the continent's growing middle class and its youthful population could become a key source of demand for African produced goods and services as the expansion of African retail and financial services demonstrates.

There is only low level connectivity between African economies – although this is gradually improving (Visa Sub-Saharan Africa, 2013). This is largely due to an incomplete legal architecture for regional integration, poor physical infrastructure and one-way trading relationships. Leading African exporters such as Angola, Algeria, Egypt, Libya, Morocco, Nigeria and South Africa have stronger economic links to the rest of the world than with regional neighbours. This represents lost economic opportunities. Integration and connectivity in other regions of the world have spurred growth in the free flow of goods, services, capital, and people. These regional economic activities and investment inter-linkages remain low in Africa.

Supply-side responses must be supported by a dynamic legal framework for regional integration, for both the continent and its constituent regional economic communities (RECs). Africa is not immune to the changing trends in the global economy. Production patterns are shifting as countries become less specialised and trade becomes more regional and based on intermediate products. Moreover Africa's middle class, now estimated at more than 300 million people and growing at a rate of 3.2% per year since 1983, could provide a formidable source of consumer demand.

With the United States, Europe and Japan all struggling for growth, opportunities are emerging for Africa to grow on home markets and through its own consumer demand. One example is trade in personal and household goods, which experienced the fastest growth among global merchandise of 10% in 2012. Coupled with sustained economic growth, demographic changes are expected to also transform trade. While parts of the world worry about ageing, Africa has the world's youngest population. Two thirds of its total population is aged under 25. With appropriate skills, infrastructure and the right business environment, Africa could boast a skilled labour force to establish itself as a centre for global manufacturing and services.

Africa's attempts to integrate must adapt to and manage factors such as changing technology, migration from the countryside to cities and Africa's large informal sector – estimated by the African Development Bank (AfDB) to contribute about 55% of sub-Saharan Africa's GDP. Nonetheless, most indicators point to a continent on the move. This transition will be facilitated by more open markets, improving infrastructure, access to technology and improved political stability.

Crossing borders tests African commitment to integration

This section looks at decades of sluggish efforts to bring African states closer together to build the continent's economy. The eight regional communities have been working at different speeds on integration. Some countries and smaller groups have even launched their own initiatives such as joint tourist visas. A joint COMESA-EAC-SADC free trade area accord could become a template for the continent if it is successful.

54 countries, 8 regional communities, work still needed

African countries have been seeking closer economic and political ties for decades (UNECA, 2013b). Experience demonstrates that closer trade links between neighbouring countries can help address the colonial legacy of fragmentation among Africa's

54 countries while providing a platform for regional dialogue which can help to reduce conflict (AfDB, 2013).

Economic integration requires free movement of goods, services and capital, removal of non-tariff barriers and free movement of people. The eight regional economic communities recognised by the African Union have been moving at different speeds to implement the 1991 Abuja Treaty Establishing the African Economic Community. Despite some progress, commitments made at regional level have not been carried out by individual states.[3] Some countries are members of more than one regional community, and there is a simultaneous challenge in managing external trade relationships such as economic partnership agreement negotiations with the European Union, trade with the emerging powers and multilateral negotiations under the World Trade Organisation's Doha Round.

The regional groups require strengthened capacity to support the negotiation and implementation of regional agreements, as well as to monitor and evaluate integration. The elimination of non-tariff barriers, simplification of border procedures – supported by improved regional transport infrastructure – will improve trade efficiency. There are also legislative and institutional gaps in some regional communities in, for example, competition policies and remedies and mechanisms to settle trade disputes. Such measures will become increasingly necessary as integration deepens.

Using various integration indicators (Walkenhorst, 2013), the five-nation East African Community (EAC) has made the most progress since launching its common market in 2010. Even here, the closer ties have been built at varying speed. Rwanda, Uganda and Kenya agreed to adopt a single EAC tourist visa in 2014 so international visitors can move freely among all three states. The countries have also agreed, with Burundi, on the future use of national identity cards as travel documents. This variable geometry could spur or hinder future integration in the EAC. Intra-EAC trade grew 22% in 2012 over the previous year to reach USD 5.5 billion, up from roughly USD 2 billion in 2002, with Tanzania and Rwanda both registering increased trade. Kenya and Uganda averaged 37% and 24% of total intra-EAC trade, respectively, during 2011 and 2012.[4]

The EAC launched a customs union in 2009 and is working to integrate capital markets. In 2013, EAC heads of state signed a Monetary Union Protocol aiming to establish a single currency within 10 years. They also agreed to a target of 2021 to maintain headline inflation below 8%, fiscal deficit at 3% and gross public debt below 50%.

The experience of the euro area and other monetary unions offers many lessons for the EAC. Its road map towards a single currency will need to include a common financial regulatory framework, harmonisation of monetary and fiscal frameworks, and managing capital flows. Kenya, Tanzania and Uganda have launched the East African Payment System (EAPS) which connects their payment systems in a similar way to the real time gross settlement system. Rwanda and Burundi are expected to join the EAPS later. The region is also investing in a standard gauge regional rail, roads, energy and port infrastructure aiming to strengthen links to the key ports of Mombasa and Dar es Salaam. The countries are also building One Stop Border Posts. Progress has been slow, however, in addressing non-tariff barriers, border constraints and the lack of harmonised import and export standards, procedures and documentation. All this increases the costs of intra-regional trade.

The 19-member Common Market for Eastern and Southern Africa (COMESA) launched its customs union in 2009. The Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS), which each have 15 states, made some progress in developing free trade areas. SADC planned to inaugurate a customs union in 2013 – whose launch has been delayed – and ECOWAS in 2015.

ECOWAS has introduced a common passport, but travel across the region is still not easy. It has also established national committees to address non-tariff barriers and started 'complaint desks' at borders. After a seven-year delay, ECOWAS finance ministers agreed in 2013 to launch a Common External Tariff, with five tariff bands, in 2015. The common tariff aims to discourage the high-level of smuggling and wide price differentials on products across the region. An ECOWAS Monetary Union and central bank are expected to be launched in 2020, bringing together the six countries of West African Monetary Zone (WAMZ) and the eight countries of the West African Economic and Monetary Union (WAEMU). The road map for the ECOWAS single currency contemplates launching the WAMZ monetary union by 2015. The eight WAEMU countries use a common CFA franc (XOF).

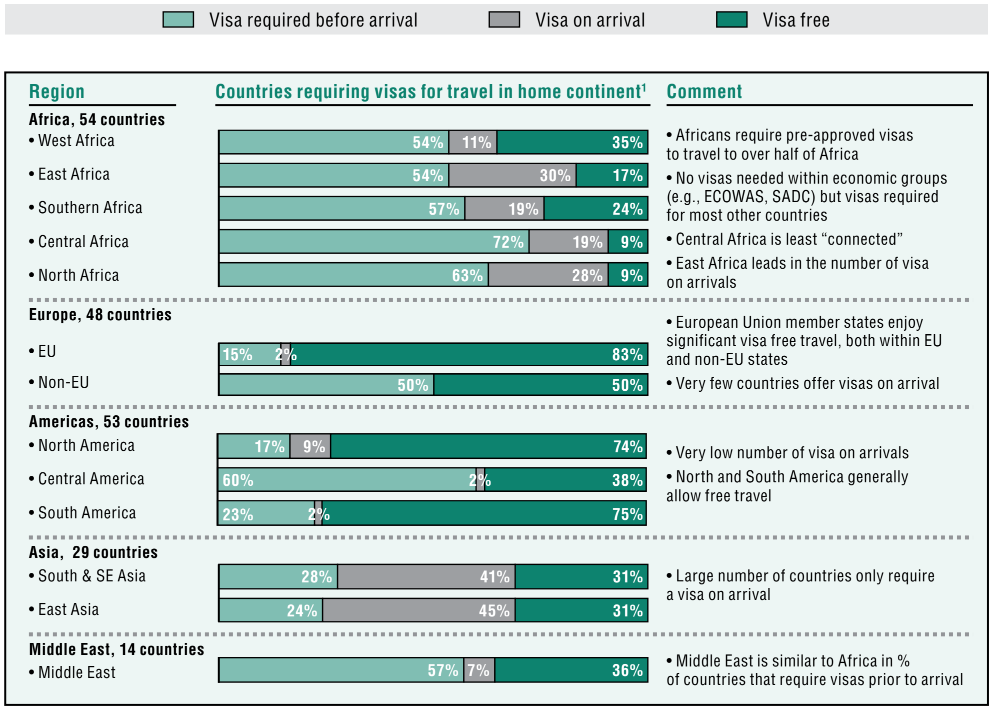
The Economic Community of Central African States (ECCAS) launched a free trade area in 2004 but the fragile state of some of the 10 member states has held it up. Regional integration in the Arab Maghreb Union (AMU), the Economic Community of Sahel-Saharan States (CEN-SAD) and the Intergovernmental Authority on Development (IGAD) has progressed slowly. AMU members have traditionally focused on external markets such as Europe, but political changes since 2011 might give renewed impetus to regional integration. For example, in 2014 a Tunisian-Algerian preferential trade agreement entered into force following a five-year transition.

The COMESA-EAC-SADC Tripartite Free Trade Agreement is expected to serve as a benchmark for deeper integration across Africa. A preparatory phase began in December 2011 with 12 months of exchange of information on tariffs, trade data and trade measures. The current negotiations phase is expected to be concluded in 2014 with the launch of the Tripartite FTA expected in 2016. Building on existing free trade areas, it involves negotiations on key issues such as tariff liberalisation and rules of origin. It will also target trade facilitation including customs procedures and simplification of customs documentation, transit procedures, non-tariff barriers, trade remedies and technical barriers to trade and dispute resolution. The final phase of negotiations will deal with trade in services and trade related issues such as intellectual property rights and competitiveness. Negotiations to facilitate free movement of business people are also being undertaken.

Visa misery for African travellers

Free movement by people is supposed to be the hallmark of African integration, facilitating trade growth across the continent. Research by McKinsey (2013), a consultancy, found that Africa's laws on free movement remain generally restrictive despite political commitments to bring down borders. Central Africa is the most restrictive region and West Africa the most liberal in terms of visa free travel, according to the research. Some African countries fail to provide even for strategic regional preferences when deciding visas. North Americans, followed by Europeans, enjoy the most liberal entry into Africa. They get visa-free travel or can obtain a visa on arrival in at least half the countries on the continent. Africans need visas to get into at least two thirds of other African countries.

Figure 3.3. **Ease of travel within Africa compared to other regions**



1. No distinction made between tourist and business visa. Results are for tourist visas. Business visas may be required before arrival.

Note: Based on data available end 2012. This work was done as a collaborative effort between McKinsey, the AfDB and WEF Global Agenda Council on Africa.

Source: McKinsey (2013).

Several regional communities have made some slow progress on free movement. ECOWAS, for example, is developing a common migration policy. Like the EAC, ECOWAS is also adopting a common regional passport. However, most efforts to ratify and implement legal instruments dealing with the elimination of visa restrictions and to enhance free movement remain trapped in inertia. COMESA members have agreed to establish structures to implement its decisions and a Free Movement Protocol adopted in 2001. As with a 2005 SADC Protocol on the Facilitation of Movement of Persons, the COMESA accord is yet to enter into force as it has failed to garner the required minimum number of signatories and ratifications. Only four countries have signed (none in the last five years) and only one has fully ratified it.

Regional communities must accelerate the implementation of free movement deals which are one of the tangible benefits for citizens from regional integration. In some instances, countries have opted for unilateral liberalisation or bilateral arrangements to fast-track free movement. The single tourist visa scheme devised by Kenya, Rwanda and Uganda is one example. Rwanda, Mauritius and Seychelles have opted for a unilateral relaxation of visa requirements for most, and in some cases, all African arrivals to attract tourists and business. Seychelles, an early visa reformer, has seen 7% annual growth in international tourism arrivals over the past five years. In neighbouring Mauritius there has been growth of just 1%.

Other parts of the world have shown that visa free regional blocs generally lead to visa free continental travel. In the short-term, African countries could: *i*) allow visas on arrival for African citizens; *ii*) simplify applications and allow online applications;

iii) consider at least a visa waiver for countries where numbers fall below a certain visitor threshold and a relaxation of entry requirements where certain nationals exceed certain numbers, as South Africa did with SADC visitors; and *iv*) drastically reduce visa processing times and costs.

Planes and trains held up by regulatory logjam

African heads of state adopted a Programme for Infrastructure Development for Africa in 2012 which identifies priority regional infrastructure projects to be built by 2040. Regional economic communities (RECs) also have their own infrastructure master plans. For example, SADC developed its Regional Infrastructure Development Master Plan Vision 2027, targeting financing from member governments, multilateral lenders and the private sector. While there has been progress in developing regional transport corridors, there are still missing links – which are investment opportunities for African and foreign investors. From the Ethiopia-Djibouti corridor, to Lagos-Abidjan, major road corridor upgrades are needed to link key cities to ports and airports. Urban transit systems are also needed for Africa's burgeoning cities.

Increasing attention is being given to obstacles such as regulatory bottlenecks, the opaque legal environment and institutional inefficiencies holding up new infrastructure. A WTO ministerial meeting in Bali, Indonesia, in December 2013, urged countries to use regional initiatives to invest in trade facilitation reforms, reduce customs and border inefficiencies and streamline procedures. Critics warn that simple trade facilitation or tariff liberalisation cannot alone improve Africa's foothold in global value chains – the economic conveyor belt that takes a product from conception to consumer stores (South Centre, 2013). Instead, acquiring a greater share of value added trade involves structural transformation through policies for industrial development, agriculture, services and infrastructure. To this end, trade within domestic and regional markets in Africa offers a useful and lucrative platform for value-added trade growth.

Infrastructure and services can improve African participation in global value chains

This section looks at the crucial need to improve Africa's infrastructure and services industry and the role this can play in giving Africa higher participation in global value chains. It looks at the experience in Asia and initial moves to achieve this by the ECOWAS and EAC African regional groups.

Look to East Asia's example

Intermediate goods now make up two thirds of world commerce and are the fastest growing area of trade. Much of this is within global value chains (IMF, 2013). In East Asia, 62.5 % of total manufactured exports are related to value chains (Razeen, 2013). Foreign value-added is estimated to make up about one third of the value of exports – double what it was in 1990. The share is much higher for many small economies. Trade in services – generally referring to the sale and delivery of a service between a producer and consumer – is also growing quickly. The WTO General Agreement on Trade in Services sets out four modes of supply and classifies them into 12 broad sectors and 160 activities. These range from business and communications services, construction, distribution, educational, financial, health-related, tourism and travel-related services, and transport. Trade in services accounts for about 30% of gross merchandise exports and this is growing. The figure is much higher for developed economies. According to the International Monetary Fund, more income is generated by exporting services within value chains (IMF, 2013).

Many African countries are already striving to copy the experience of East Asia and other developed countries which have shown that services are key enablers supporting value added trade in global value chains (WTO and IDE-JETRO, 2011). Research on trade patterns and global value chains in East Asia, identifies outsourcing and offshoring as being of growing importance to global production. A good trading environment, with efficient international flows of investment, goods and services, is critical for a country to attract outsourced and offshore business. India and the Philippines are leading examples of offshore centres in information and communications technology and business process outsourcing. India exported USD 26.6 billion in computer services and USD 8.4 billion in business process outsourcing services between 2008 and 2009. Activities vary from basic back and front office procedures such as payroll and human resources administration to legal services, information technology, medical support and other technical support. The services are provided to sectors ranging from manufacturing, finance, utilities and healthcare to retail and transport clients. The global business processing outsourcing market was forecast to grow 5.1% in 2013 and reach USD 304 billion. The race is on among countries such as Egypt, Kenya, Ghana, Mauritius, South Africa, Tunisia and Uganda to become the new "India" in Africa using incentives and special economic zones to develop their outsourcing sectors.

Improved infrastructure secures a foothold in global value chains

Investment in improved transport, information technology and financial services allow service providers to play a bigger role in global value chain networks. The growth in offshore services means firms have become increasingly reliant on efficient logistics. This includes multi-modal transport, freight and cargo handling, storage and warehousing as well as supply-chain management. Hong Kong, China, and Singapore have leveraged their infrastructure and connectivity to establish themselves as transport, transhipment and logistics hubs connecting international buyers and suppliers. Spill-over economic activities include re-exports were worth USD 313 billion for Hong Kong, China, in 2009.

African commercial services exports grew 6% to reach USD 90 billion in 2012, while imports grew 3% to USD 162 billion. Africa's share of just over 2% of world exports of commercial services allows for enormous scope for growth. Services could contribute more to trade growth if African policy makers undertook sustained reforms and provided incentives to removing barriers to services trade. Apart from business process outsourcing prospects, countries such as Namibia, which has the Walvis Bay port, Djibouti and Kenya's Mombasa are well positioned to develop into significant logistics and exporting hubs.

The liberalisation of services and the increased private sector role have worked together to drive growth in global value chains. Yet protectionism in services tends to be higher than for trade in goods. Regional negotiations on services tend to move more slowly and with lower ambition than for trade in goods. Moreover, the commitments to liberalise services are weaker at multilateral and regional levels. Countries should consider unilateral reforms to target services sector growth and efficiency, leveraging infrastructure investment to complement industrial policy.

Box 3.1. **Value chain lessons from Senegal's support for agricultural development**

Over three million people, close to a quarter of Senegal's population, suffer from seasonal or year-round hunger. Much of the country falls in the drought-prone Sahel region, with poor soil. Only 5% of the land is irrigated and agriculture productivity is low compared to the rest of West Africa. Despite almost 75% of the labour force being engaged in agriculture, the sector only accounts for 14% of GDP. It is estimated that out of the 347 000 hectares (ha) of fertile and irrigable land in the Senegal River Valley only 135 000 ha are being used. Nearly 40% of cultivated land, some two million ha, is devoted to peanut production which employs close to one million people. Historically, exports of peanut products have reached a high of nearly 60% of total agricultural exports. Three quarters of this value is comprised of peanut oil which accounts for 45%-50% of the world market.

To spur economic development and youth employment the government has sought to build an efficient and diversified agriculture sector. It is targeting mainly rice (about 45% of the typical Senegalese diet) and peanuts, which have potential to boost food security and regional exports. The crops also provide an opportunity to integrate smallholder farmers into global value chains through increased collaboration with the private sector. The approach seeks to improve land tenure, develop infrastructure and encourage concessional financing. Using PPPs for peanuts and integrated value chain models for rice, the approach focuses on fostering industrial and out grower production capacities. To eliminate production inefficiency, the approach targets enhanced product quality, processing, storage, transportation, packaging and branding. These improvements are expected to substantially raise the quality of produce and ensure growth on regional and international markets. The World Bank has provided USD 90 million in support, while under the *Programmes des domaines agricoles communautaires*, the government plans to develop over 30 000 ha for smallholders. The potential for reforming Senegalese agriculture and development of value chains is therefore on course given the government's commitment to increase productivity and market linkages and more than double yields per hectare by 2015.

Regional groups are beginning to take initiatives on industrialisation and value chains

This section looks at efforts by Africa's regional groups to tighten economic links and their policies to get onto global value chains. Multinationals are investing more in Africa's agriculture but booming commodity exports are not yet creating the industries and services the continent needs. More outsourcing and offshore business processing could be one answer.

Global value chain policies are new to Africa

COMESA, the EAC and SADC each have industrialisation strategies as well as their tripartite free trade area initiative. Regional efforts on global value chains are still new however. The 26 tripartite member countries are seeking to strengthen co-ordination in industrial policy. This includes developing and upgrading regional value chains. This would enhance production capacity and competitiveness. Substantive work on industrialisation has yet to be started, however, and individual regional programmes have suffered from poorly implemented or still-born industrialisation strategies.

The 15 member ECOWAS group cuts across West African countries with English-, French- and Portuguese-speaking backgrounds that have given them diverse economic systems and structures. Individual countries such as Nigeria, Ghana and Côte d'Ivoire have their national agro-processing sectors linked to global value chains, but progress to develop regional value chains has been slow. Nascent regional industrialisation and private development initiatives focus on addressing policy and institutional barriers and competitiveness issues such as non-tariff barriers, political and economic fragility and the adverse effects of informal trade. The Intergovernmental Authority on Development region's industrialisation and private sector authorities are taken over by the COMESA-EAC-SADC tripartite where its members are also part of the EAC and COMESA groups.

A continent looking for ways to leapfrog in global value chains

Multinationals are enhancing Africa's local agricultural production and involvement in global value chains through local sourcing that gives them an edge in global markets. African countries are trying to revive national and regional level industrialisation through value chains. There is limited thrust at the regional level, however, and country level initiatives are at earlier and lower-value stages of the global chains. This is characterised by the dominance of agricultural and raw materials. Foreign investment in Africa's agriculture has boosted production, jobs and incomes while providing opportunities for increased participation the global chains.

Heineken International, a major brewer, produces over 11 000 tonnes of rice in the Kisangani region of the Democratic Republic of Congo (*Financial Times*, 2014) to make beer with a distinct taste from the region. Even though not directly involved in cocoa exports from Côte d'Ivoire, Mars Inc., the food conglomerate, believes that Ivorian production enhances its cocoa products sold around the world. In Mozambique, SABMiller plc, another major brewer, developed the first commercial beer from cassava. Success stories abound in many parts of Africa.

Even though Africa continues to receive investment in agriculture-based value chains, the continent's contribution to the global value chains is a mere 1.5%. This is partially attributed to lack of a reliable planning of value chain activities. There is no clear link with innovative policies and regulatory development to allow the continent to scale up value chains.

African countries have limitations such as remoteness, size, fragmentation, transport logistics and weaker capacity to use financial and other services. Their markets are smaller and more fragile. Weak infrastructure, a low entrepreneurial base and a lack of support at national and regional level does not help enhanced productivity. This undermines the development of regional and global value chains along with competitiveness. African countries have responded mainly through regional communities that are meant to facilitate the structural reforms and manage the economic and trade liberalisation required to open up to the globalised world.

The belief that regional initiatives would offer the scale to overcome the many challenges has not always been justified however. National and regional level implementation has been lethargic. Countries continue to miss deadlines and there are no measures to deter non-compliance. Sub-Saharan countries such as Mauritius, Rwanda, South Africa, Botswana and Ghana are members of regional blocs, but have undertaken substantial autonomous measures to improve their economies. The results are exemplified by their business environment ranking in the World Bank report *Doing Business* 2013 (World Bank, 2013). These countries rank from one to five within Africa and from 20^{th} to 56^{th} out of 189 countries overall. Their steady growth, improved supply-side performance, higher investment, productivity and competitiveness greatly enhance their opportunity for GVC participation and intra-African trade.

The African Union's Action Plan on Boosting Intra-African Trade highlights attempts to improve investment conditions. The action plan outlines policies, regulatory and institutional issues to be overcome to help Africa's business environment. The COMESA-EAC-SADC Tripartite shows however that countries favour regionally based policies to boost intra-African trade. African regionalism places the emphasis on harmonisation and co-ordination of policies and regulatory environment to improve the business environment and scale up industrialisation and trade. Given the low share of intra-African trade the benefits of this approach have not been tested against the autonomous action taken by some countries. But it could improve cross border trade and hence regional value chains.

Successful development of global value chains requires a subtle balance between trade and industrialisation policies yet in many regional communities these are sometimes contradictory. Under free-trade-area-based regional integration, trade and tariff liberalisation is a crucial part of creating a single economic space. However, concerns over customs revenue losses and macroeconomic imbalances have resulted in policy reversals and non-implementation of regional policies in some countries. While many regions, particularly East Asia, initiated global value chains through "industrial catch-up policies" that entailed protectionism, discrimination, use of subsidies, controversial local content policies, disregard for intellectual property rights and infringement of competition policies, African countries, at national and regional level, are increasingly bound by contemporary multilateral rules.

Difficulties in developing the knowledge economy and weak decision-making have also hindered attracting investment for global value chains in the higher value stages of manufacturing or services. Despite prerogatives under free trade area arrangements that would allow participating countries to discriminate against third countries through deliberate "industrial catch-up policies", there is a lack of capacity among African countries to create an enabling environment by adapting global and multilateral rules. There is inadequate national and regional competition to stimulate technological upgrading and enterprise development. While uneven policies might not be a major problem nationally, at the regional level, it has constrained global value chains. Imbalances manifest themselves in terms of capacity, technological prowess and export drive that constrain cross-border trade as member countries impose non-tariff barriers.

Even though regional communities are perceived as the main policy and institutional vehicles, they have not helped member countries to meet their potential on global value chains. There is a lack of incentives and absence of, or limited institutional structure for, supporting global value chains. Despite developing regional investment frameworks for the private sector, the COMESA, EAC and SADC regions are unable to enforce implementation. EAC states have a common Investment Code but no one is implementing it. The COMESA Common Investment Area framework is also not being applied. Countries struggle to align national policies with regional ones. But regional communities also lack capacity to mobilise political goodwill to facilitate implementation of their programmes to upgrade and standardise research and development and improve links between institutions and business.

Africa’s dynamic products create global value

This section looks at areas, such as the need for new technology, which could boost Africa’s presence in global value chains. Perhaps the continent needs to work on regional and global value chains to make progress. Stronger institutions and policies that bring down protective barriers are also needed.

Employment and income statistics show that the primary sector has played a role in economic diversification and unlocking opportunities for global value chains. In Africa, however, national and regional comparative advantages can be found in low labour costs and low-tech activities. Cocoa, rice, cassava, pineapples, peanuts, and cotton are all dynamic products that have created value chains in Africa. The activities are smallholder based and labour intensive. Upgraded technology is needed however. Regional mobilisation could create sizeable markets and innovative policies are needed to strengthen indigenous smallholder activities that could grow into the medium-sized enterprises that are needed to fill the gap between multinational corporations and smallholder enterprises.

Over-reliance on external investors, foreign technology and capacity has limited the expansion of global value chains. Unlike the East Asian countries that have higher shares of regional value chains – such as Japan investing in Chinese Taipei, Malaysia, Singapore, Thailand in the early 1980s – Africa does not have robust clusters to foster regional value chains. Regional communities may need to develop regional and global value chains at the same time. As they deepen their capacities for global chains, the regional versions can create complementarities and benefits for member countries in terms of local sourcing, productivity, capacity growth, economies of scale, dismantling of monopolies and the reduction of external shocks associated with global chains.

National and regional competitiveness on global value chains are dependent on structural factors that require attention. There must be strong national and regional institutions to support policy implementation while collecting critical data to share with policy makers and economic operators across the region. Regional communities could help countries scale up value chains by enacting regional policies that remove excessive protectionism and promoting incentives for upgrading such as tax-breaks for new technology.

Notes

1. For the sake of uniformity and for ease of comparison, the data in this chapter is drawn from the AfDB's research data, the authors' calculations based on UN ComTrade, http://wits.worldbank.org/wits/ and the WTO's *World Trade Report 2013 and International Trade Statistics 2013* available online at www.wto.org.
2. The African Development Bank measures intra-African trade at 16% rather than the 12% commonly cited.
3. For more details on the status of African integration see AUC (2013), *Status of Integration in Africa IV*, Available online at www.au.int/. See also UNECA and AUC (2014), *Assessment of Progress on Regional Integration in Africa*; Report on the Meeting of the Committee of Experts of the Sixth Joint Annual Meetings of the ECA Conference of African Ministers of Finance, Planning and Economic Development and AU Conference of Ministers of Economy and Finance, Abidjan, Côte d'Ivoire, 21-24 March 2013, available online at www.uneca.org; various decisions of the AU Executive Council and Assembly of the Union, 21-31 January 2014; draft Decision on the Report of the High Level African Trade Committee on Trade Issues; Committee on Trade Issues Decision on the Sixth Conference of African Ministers in Charge of Integration; Decision on 20th Ordinary Session of the Conference of AU Ministers of Industry.
4. See www.eac.int and Trade Mark East Africa, www.trademarkea.com.

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Chapter 4

Human development in Africa

This chapter recognises progress in human development in Africa, notably reducing poverty and improving education and health outcomes, and the role trade plays. It highlights the impacts of exclusion, gender inequality and unsustainable development. It also discusses the need to exploit the opportunities that value chains offer and to mitigate the risks they bring, using technology and innovation; doing so can help achieve greater human rights, sustainable economic development and social progress for all – goals of the post-2015 agenda. The chapter illustrates good practices and lessons learned in advancing equitable and sustainable human development.

In brief

Africa has been making substantial progress in human development. Poverty levels are falling, incomes are rising, and education and health outcomes are improving. The Human Development Index shows 1.5% annual growth, and 15 countries are now considered to have medium to very high human development. African countries with high and rising levels of human development are well integrated into global markets with diversified exports that create employment.

There is room for more progress in the areas of inclusion, gender equality and environmental sustainability. Exclusion and unequal access to economic and social opportunities continue to inhibit human rights, improved livelihoods and the expansion of skills. Environment-related challenges – climate change, natural resource depletion and energy access – are also hindering sustainable human development. In response, the post-2015 development agenda for Africa targets equitable and socially-inclusive economic growth and structural changes, focusing on empowerment, governance, social transformation and gender equality.

Integrating further into value chains can increase human development in Africa. New technology and innovation are critical for ensuring the benefits of greater integration into local, regional and global value chains and managing the associated risks for the poor and marginalised. Developing value chains to raise agricultural productivity can generate jobs and increase social cohesion, particularly for countries recovering from conflict. More efficient value chains should profit small producers, the poor and women. Governments, the private sector and co-operatives should protect their rights by promoting resilience, streamlining and competitiveness.

Human development in Africa is on the rise

This section looks at poverty, comparing economic and social levels of individual countries, and describes how trade can help improve livelihoods.

Poverty levels are gradually falling, but deprivation continues

Poverty, income, education and health

Africa's poverty rates are declining, according to the Millennium Development Goals Report (AUC et al., 2013a). The proportion of people living in extreme poverty (on less than USD 1.25 a day) in the regions of Central, East, Southern and West Africa fell from 56.5% in 1990 to 48.5% in 2010. However, due to the slow pace of poverty reduction, the actual number of people living in extreme poverty in those four regions increased from 289.7 million to 413.8 million over the same two decades.

One of the Millennium Development Goals is to halve the population in extreme poverty by 2015. Some countries have already attained this goal; these include Cameroon, Egypt, Guinea and Tunisia. Countries close to meeting the target are Senegal, The Gambia, Ghana, Mali, Mauritania, Niger, South Africa, Swaziland and Uganda. Other countries are falling behind; they are Côte d'Ivoire, Kenya, Madagascar, Morocco and Nigeria.

While progress has been made to reduce poverty, it remains vulnerable. Poverty has been reduced by improved governance and accountability; enhanced access to physical infrastructure; mitigated economic, social and environmental risks; increased wage employment; higher agricultural production; and greater access to social protection. However, the progress that has been made in some countries is subject to reversal;

this is due to rising inequality, institutional weaknesses and ongoing vulnerability to shocks. These problems emanate in part from climate variability. But they are also the result of economic, political and social instability. Examples of instability include food insecurity, disruption of livelihoods and deteriorating social conditions. Specifically, the Great Lakes Region, the Horn of Africa, North Africa and the Sahel have suffered from instability due to a complex interplay of demographic, ecological, security and political factors.

Improvements to income and to non-income components, notably education and health, have reinforced human development, as shown by the Human Development Index (HDI). The index is a composite measure of indicators covering three dimensions: life expectancy, educational attainment and command over the resources needed for a decent living. The HDI reveals improvements in these dimensions averaging 1% in the 1980s, 0.7% in the 1990s and 1.5% since 2000 for all African countries. Growing access to health and education outpaces the improvements in incomes per capita. For instance, the health and education indices grew by 1.4% between 2005 and 2012 compared to 1% improvement in the index's income component.

Deprivation and multidimensional poverty

Deprivation leads to multidimensional poverty. The Multidimensional Poverty Index helps identify areas of deprivation that contribute to overall poverty, based on the latest household survey data available. This information can help policy makers address deprivation by providing a social protection framework that protects the most vulnerable and reduces the risks of those on the poverty threshold from falling into extreme poverty.

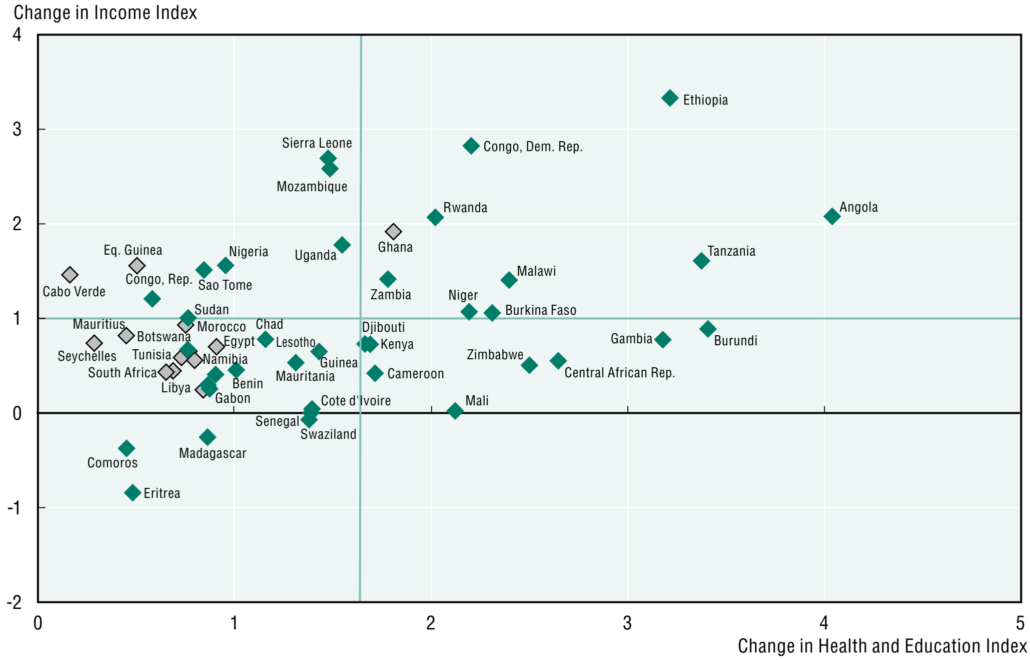
The Multidimensional Poverty Index points specifically to education, health and standard of living as contributing most to poverty. Deprivation related to education is the leading contributor to multidimensional poverty in Burkina Faso, Chad, Djibouti, Egypt and Morocco. Deprivation related to health contributes most to multidimensional poverty in the Republic of Congo, Côte d'Ivoire, Senegal, Tunisia and South Africa. In the Democratic Republic of Congo, Kenya, Lesotho, Tanzania and Zimbabwe, deprivation related to standard of living is a leading contributor; examples include having access to energy, clean water and sanitation, or using biomass for cooking.

In 2012, the highest levels of overall multidimensional poverty were experienced in Burkina Faso, Burundi, Ethiopia, Mali and Niger. Taking into account population size, the highest number of people living in multidimensional poverty was found in Congo, Ethiopia, Nigeria, Tanzania and Uganda.

Human development levels may be converging as lower human development countries grow faster

Human development can be measured according to progress in both economic and social development. As illustrated in Figure 4.1, since 2005 some countries have made headway while others have fallen behind. The figure compares income with the non-income components of the Human Development Index: education and health outcomes.

Figure 4.1. **Average change in income and non-income human development indices, 2005-12**



Note: The green lines represent the average values across the sample. The units represent the average annual percentage change over the period 2005-12.

Source: UNDP (2013) and World Bank (2014).

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A leading group of countries have improved both their income and non-income components. They are led by Angola, Burkina Faso, Democratic Republic of Congo, Ethiopia, Ghana, Malawi, Niger, Rwanda, Tanzania, Uganda and Zambia. These countries appear in the top right-hand quadrant above the blue lines that show the average values. The majority of these countries do not export oil and are poor in minerals. This indicates that the drivers of economic and social development are economically diverse and oriented toward exports.

For a second group of countries, the income index is rising faster than improvements in education and health outcomes. This is captured in the top left-hand quadrant. These include Cabo Verde, Congo, Equatorial Guinea, Nigeria, São Tomé and Príncipe, Sierra Leone and Mozambique. Most are resource-rich countries that depend highly on the capital-intensive extractive sector. This is at the expense of productivity in more labour-intensive sectors of the economy with the potential for improving livelihoods, such as agriculture and manufacturing. The experience of these countries suggests that growth in incomes, while being a primary driver of human development, might not actually increase human development unless the growth is broad-based (Bandara et al., 2014).

In contrast, a third group of countries has been able to improve social outcomes at a faster pace than their increasing income opportunities. This group comprises Burundi, Cameroon, the Central African Republic, Djibouti, Gambia, Kenya, Mali and Zimbabwe. Their investments in social capital create conditions that can accelerate economic development. In addition, the demonstrated ability to improve social outcomes with a limited rise in incomes indicates the potential for even higher rates of social improvements once the weaknesses in economic growth are addressed.

Both the income and non-income measures of human development are increasing slowly for a fourth group of countries. This includes many that already have high human development, such as Botswana, Gabon, Libya, Mauritius, Morocco, Seychelles, South Africa and Tunisia. In these countries, where economic and social outcomes are already high, change is expected to be slow.

For the remaining countries, slow – and even in some cases negative – economic growth and social development indicate that they are falling farther behind. Countries that require a concerted effort to raise both economic and social indicators of human development are Benin, Chad, Comoros, Côte d'Ivoire, Eritrea, Lesotho, Madagascar, Senegal and Swaziland.

Trade can potentially improve livelihood opportunities

The channels for poverty reduction include broad-based growth that creates jobs for growing populations through economically diversified and export-oriented economies as well as enhanced agricultural transformation and reduced food insecurity.

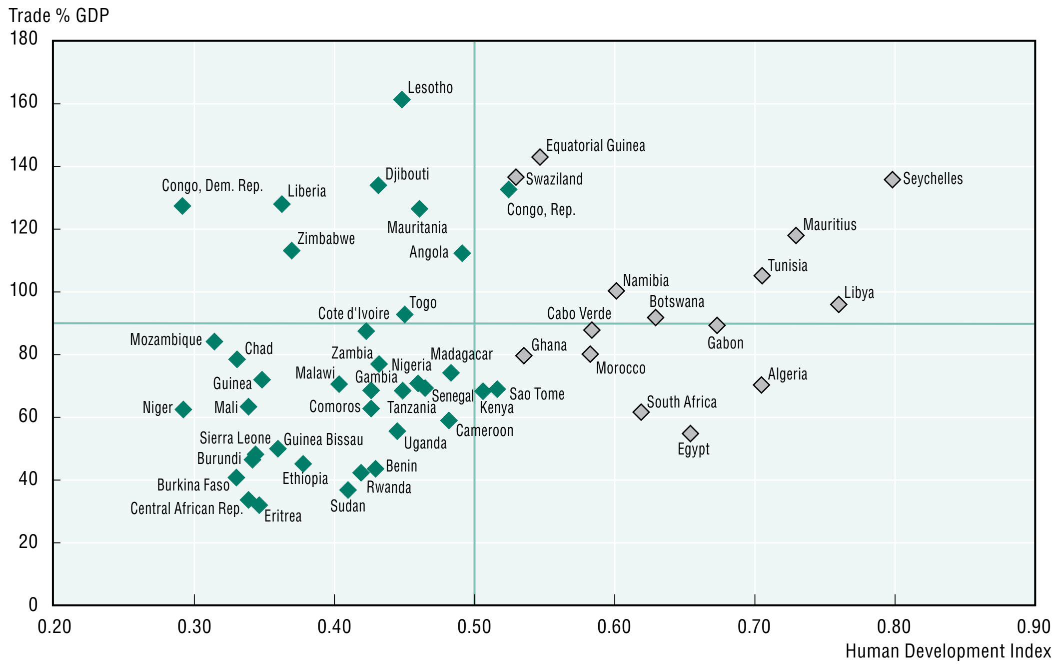
African countries with high levels of human development are well integrated into global markets, as imports and exports represent a rather high proportion of their gross domestic product (GDP). In Figure 4.2, all the 15 countries in Africa considered to have medium to high levels of human development are relatively open economies with trade contributing between 55% and 161% of GDP. The blue lines represent the averages across the sample. In this regard, the most successful countries in terms of human development – Libya, Seychelles, Mauritius and Tunisia – represented in the top right quadrant, have the highest proportion of imports and exports as shares of their GDP.

However, seven countries in the low human development category are fairly integrated into the international economy; they are Angola, Djibouti, Lesotho, Liberia, Mauritania, Togo and Zimbabwe as represented in the top left quadrant. For the majority of these countries, the income opportunities from exports are not yet translating into higher economic and social development.

This may result from a lack of diversity in exports and the development of enclave economies around the export of natural resources and raw materials rather than processed or manufactured goods which have the potential to provide livelihood opportunities and drive increases in labour productivity. This concentration of exports in a few sectors is compounded by a limited translation of revenues from core exports into investment in social services and human capital development.

In 2012, there was a high concentration of imports and exports from Africa as revealed by a trade concentration index of 0.45 (UNCTAD, 2013). The index ranges from 0 to 1, from low to high levels of concentration. East and Southern African countries showed the lowest levels of trade concentration at 0.14 and 0.17 respectively, followed by North Africa (0.45). The highest concentration was found in West (0.61) and Central African (0.83) countries.

Figure 4.2. **Average levels of human development and trade integration, 2007-12**



Note: The green lines represent the average values across the sample.
Source: UNDP (2013) and World Bank (2014).
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Inclusion, gender equality and environmental sustainability are on Africa's agenda

This section explores the negative effects of exclusion and gender inequality on human development and presents the adoption of new technologies as a way to combat them. It also examines links between environmental sustainability and human development. Finally, it presents goals for inclusion, equity and sustainable growth for post-2015.

Exclusion and gender inequality hamper human development, but technologies can help

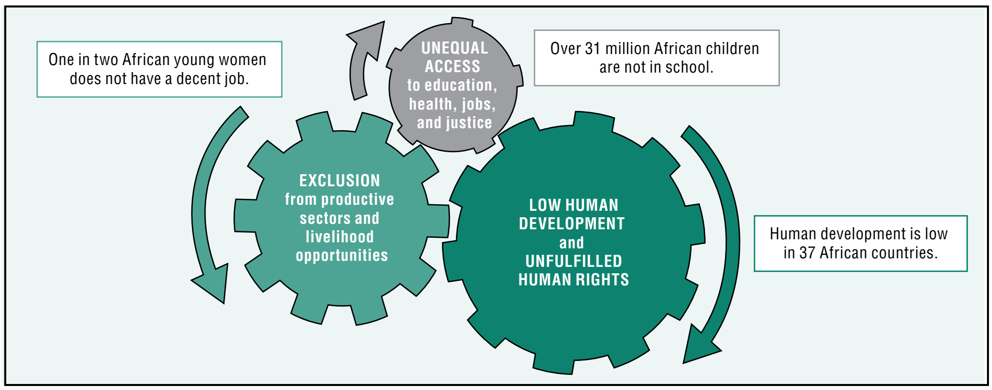
Innovations to promote inclusion should target the poorest and most disadvantaged: youth, women and people with disabilities. New technologies offer one solution.

As illustrated in Figure 4.3 below, exclusion and unequal access to economic and social opportunities inhibit human rights and thwart both improvements to livelihoods and the development of skills that economic expansion can offer. For instance, unequal access to education and barriers to the labour market exclude young people living in rural or urban low-income areas, women and the disabled from lucrative jobs in productive sectors that require skilled labour.

This locks young people, for example, in a cycle of low-skilled jobs in low-productive sectors with low remuneration, fuelling poverty. Only 51% of 15-24 year olds participate in wage-earning jobs (WDI, 2014). The lack of a growing skilled-labour force in turn reduces national competitiveness and opportunities to attract investment that can promote economic diversification and technological advancement.

New communication technologies are playing a leading role in reaching previously marginalised groups. Technology can benefit many people who have previously been excluded by improving access to financial services, health services, education and knowledge. Examples of best practice include increased access to financial services in Kenya and to health services in Rwanda.

Figure 4.3. **Unequal access, exclusion and low human development**



Source: Authors' elaboration.

Gender inequality persists, despite advances

Gender inequality is one of the most important structural and root causes of Africa missing its Millennium Development Goals on poverty reduction and other development targets. Structural barriers and social norms continue to limit women's potential to contribute to Africa's economic growth and sustainable development. Women's economic and social empowerment should be placed at the centre of strategies toward building cohesive and dynamic economies.

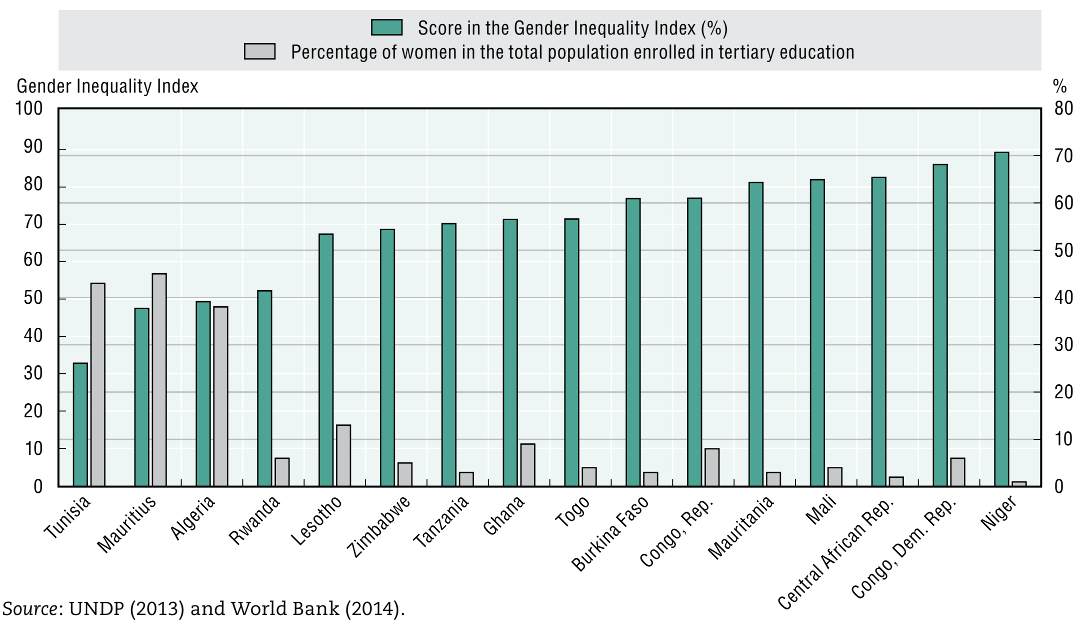
There have been impressive advances in reducing gender inequalities, which testify to how sustained political investments in this area can produce wide-ranging benefits for all. In terms of political participation, for example, with an average of 21% of women in national parliaments, sub-Saharan Africa is the only sub-region that has doubled the proportion of seats held by elected women in just one decade (Inter-Parliamentary Union, 2014). Rwanda remains the country with the highest percentage of female parliamentarians in the world (IPU 2014). In terms of educational attainment, the number of girls out of school has dropped significantly. While over half of the children out of school in sub-Saharan Africa are still girls, their number had fallen to 9 million in 2013 from 24 million in 2000 (UIS, 2014). Nearly half of the African countries achieved gender parity in primary school enrolment in 2012.

Gains in certain indicators have not yet translated into a sharp reversal of long-lasting inequalities between women and men in access to and control over economic resources. Women still constitute the majority of people with vulnerable jobs, characterised by inadequate earnings and exploitative working conditions (ILO, 2012). Women often work unpaid for families or are self-employed without employees. In sub-Saharan Africa, 84% of jobs held by women in 2012 were considered vulnerable compared to 70.6% for men (ILO, 2012).

The UNDP Gender Inequality Index results for 2012 highlight the efforts required in Africa to address the challenges to ensuring women's equal rights and promoting their social and economic empowerment. The index reflects gender-based disadvantages in empowerment (political participation and access to higher education), the labour market (participation rates) and reproductive health (maternal mortality and fertility rates).

Better access to education for women, particularly to post-secondary and higher education, can contribute to enhanced livelihood options and improved human development. Figure 4.4 shows that countries with low gender inequality have higher rates of enrolment by women in higher education than countries with high gender inequality. It compares the latest Gender Inequality Index with the participation by women in tertiary education for a subset of countries for which data is available.

Figure 4.4. **Gender inequality and tertiary education enrolment, 2012**



Source: UNDP (2013) and World Bank (2014).

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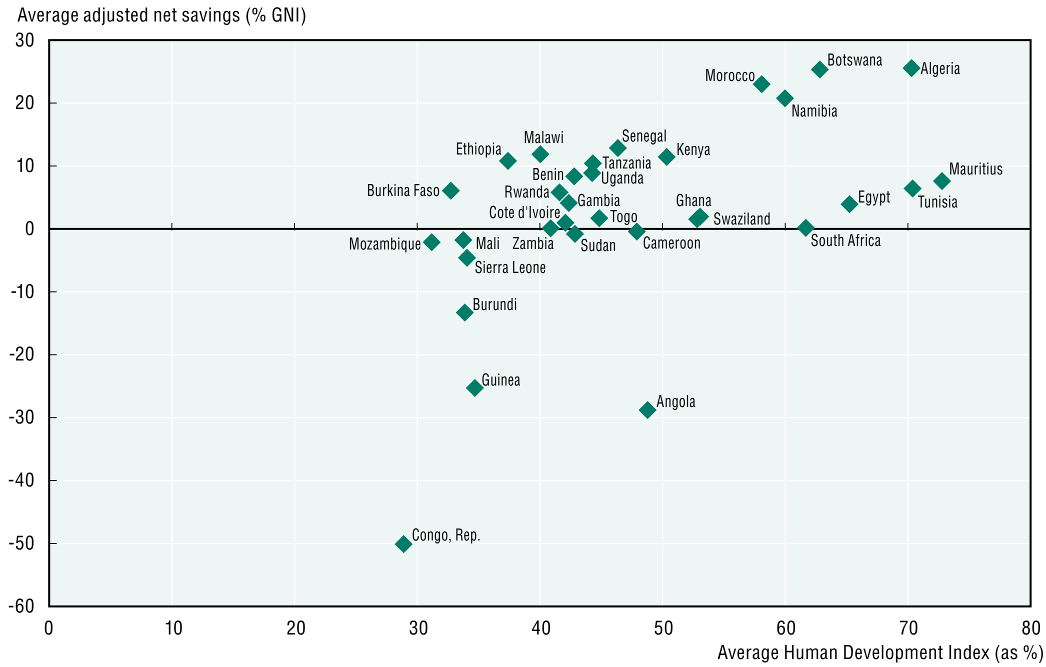
Enhancing environmental sustainability is important for human development

Environmental sustainability goes hand in hand with sustainable human development. Currently, human development is accompanied by the depletion of environmental resources and is increasingly vulnerable to the impact of climate change. Africa needs access to modern energy sources and, as described below, multifunctional platforms offer an efficient solution.

There is significant room for improving sustainable human development in Africa. The UNDP defines sustainable human development as expanding the substantive freedoms of people today while making reasonable efforts to avoid seriously compromising those of future generations (UNDP, 2011).

Figure 4.5 compares the average levels of human development in African countries to their average levels of adjusted net savings between 2007 and 2011. Adjusted net savings demonstrate the residual national savings in an economy after investing in human capital and netting out the depletion of natural resources and damage caused by pollution. Most African countries have positive adjusted net savings; however, some countries with relatively high levels of human development have low levels of adjusted net savings. Low levels of adjusted net savings indicate that these economies may be underinvesting in human capital development and overexploiting environmental resources.

Figure 4.5. **Human development and environmental sustainability, 2007-11**



Source: UNDP (2013) and World Bank (2014).

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Africa is particularly vulnerable to the effects of climate change. The increasing frequency of environment-related natural disasters, such as changing rainfall patterns, floods and droughts, affect society and the economy. The Horn of Africa, the Sahel and Southern Africa are particularly prone to variability in rainfall. Between October 2010 and September 2011 severe droughts in East Africa caused 50 000 fatalities and touched 13.3 million people (CDKN, 2012). Climate-related events highly impact poor and vulnerable communities that have few coping mechanisms or alternative livelihoods. It is estimated that African countries need to invest USD 7 billion to 15 billion annually by 2020 in order to manage the risks and negative impacts of climate change. These costs are expected to rise, even if the world can hold warming below two degrees. By 2050, adaptation costs could rise to USD 35 billion per year and up to USD 200 billion by 2070 (UNEP, 2013). Mobilising financial, human and technical capacity to build resilience to shocks and adapt to climate change is thus a key policy imperative for ensuring long-term human development in Africa.

Providing access to modern energy sources for domestic and productive use remains a key development priority for Africa. 77% of the continent's population lack access to electricity, and 80% rely on charcoal and firewood for cooking (CDKN, 2014). Equitable access to energy affects agricultural production and other economic activities, as well as basic services including health care and education. These challenges call for urgent investment in developing reliable, efficient and sustainable energy services, particularly in rural areas.

Investing in multifunctional platforms is one inexpensive way to improve access to rural energy for domestic and productive use. This has been demonstrated in Burkina Faso, Senegal and elsewhere in Africa. A multifunctional platform is a small engine to which a variety of end-use pieces of equipment can be attached, including as mills, alternators and oil presses. In Burkina Faso, introducing these platforms reduced by two to six hours a day the time women devote to domestic chores, such as agro-processing and food preparation. The platforms also increase agricultural production, particularly of shea butter, rice and maize. In addition, they help promote income-generating activities, mobilise local banking systems and introduce micro-financing, and create employment opportunities (UNDP, 2009).

Equity, social inclusion and sustainable growth are goals beyond 2015

Africa has articulated a common position on the post-2015 development agenda based on regional, sub-regional and national reviews and consultations. A new global development framework should encompass the following:

- Inclusive economic growth, structural transformation and the effective exploitation of natural resources.
- Equity and social inclusion, along with ways to measure progress in terms of the availability and quality of service delivery.
- The African Union's Agenda 2063, outcomes of Rio+20, Africa-wide initiatives and UN forums.
- Development enablers as well as proposed development outcomes including structural economic transformation and inclusive growth; innovation and technology transfer; human development; and financing and partnerships (AUC et al., 2013b).

African youth and women's organisations are influencing the debate on the post-2015 agenda. Both are calling for national and international actors to give priority to promoting human rights and better access to social protection and justice.

The youth emphasise the need to address significant development issues such as human rights, peace and security, good governance, and tackling corruption. Their recommendations for a forward-looking development agenda include a focus on equity, youth empowerment, youth participation in decision making, sustainable development, climate change responses, and improved and equitable access to social services. Of major significance are youth employment, entrepreneurship development and innovation (African Youth Declaration, 2012).

African women's organisations highlight the importance of gender equality in eradicating poverty and promoting sustainable development as part of the post-2015 agenda at global, regional and national levels (FEMNET, 2013). Pursuing social transformation that empowers the most marginalised entails targeting the underlying causes of gender inequality. Women's organisations propose a goal that focuses on eradicating violence against women, enhancing women's economic power and promoting women's leadership. All the goals of the development framework, they maintain, should integrate gender equality and women's empowerment, should include specific gender targets and should use indicators disaggregated by sex.

Value chains can improve or damage human development

This section describes ways value chains, particularly agricultural value chains, can enhance livelihoods and transform society. It also reveals how value chains threaten vulnerable groups.

Technology and innovation can improve livelihoods connected with value chains

Technology and innovation are important to Africa's integration into value chains. They can improve livelihoods for poor and marginalised individuals and communities that are part of local, regional or global value chains. Embracing new technology, such as access to information about market trends and pricing, can enhance collective bargaining positions of weaker elements of value chains. Technology can also allow suppliers and buyers to cut out middle-men and appropriate larger shares of profits to producers and suppliers. Adopting modern technology and making science-based improvements to agriculture can increase productivity and thus generate farm employment, decent wages and income for rural communities (UNDP, 2012). Innovation can provide access to domestic and export markets, increasingly ensuring quality assurance and differentiating markets.

Research and development activities should target agricultural innovation in inputs, practices, post-harvest processing and storage. Innovations at various points along the growing agricultural value chains can give small-scale producers and processors competitive advantages that can translate into larger market shares and larger profits. For poor farmers, for instance, innovation in crop and livestock technology or in harvesting and storage methods can increase yields and productivity. Innovation thus can help reduce poverty for small holders and rural farm workers, allow farmers to diversify production, and expand the non-farm rural economy.

The difference in capacity to innovate explains the ability of some producers to overcome competition and benefit from participation in the global economy and realise sustained growth (KIT et al., 2006). Promoting innovation requires focusing on the ability to continually learn, improve products and develop new processes faster than competitors. This capacity to innovate can be stimulated by concentrating on core areas of competence where there is a comparative advantage.

Technical innovation in African agriculture can be enhanced by strengthening institutions that bring together private, academic and public sector actors both along and beyond agricultural value chains. An important complement is organisational innovation, which promotes collective action, co-ordination, continuity of supply, process efficiency and adaptation to changing markets.

Agricultural value chains can contribute to social transformation and community resilience

Africa's potential for integrating further into global markets, particularly to increase agricultural productivity, is great. According to UNCTAD (2013), Africa remains a marginal player in world trade, accounting for only 2.8% of world exports and 2.5% of world imports in the decade from 2000 to 2010. African countries account for only a small share of global agricultural exports, and most commodities are exported in their unprocessed form.

Value chain approaches are an important part of initiatives in Africa that promote export-oriented agricultural transformation and industrialisation. Developing robust agricultural value chains for diversified commodities can help reduce vulnerability and mitigate the effects of fluctuating commodity prices. Agro-enterprise and agro-food chains could significantly raise agricultural productivity, multiplying livelihood opportunities and raising rural incomes.

Generating jobs through value chain development can rebuild livelihoods and promote access to productive activities and social cohesion. This applies in particular to countries recovering from recent or long-standing conflicts. New jobs can provide economic opportunities for women, youth and other marginalised groups. Examples from Africa and Asia show that a proactive approach to private sector development using a value chains approach effectively reduces poverty, builds community resilience and helps resolve local-level conflicts (Dudwick and Srinivasan, 2013).

The development of agricultural value chains in Northern Uganda and Rwanda have contributed to economic growth and conflict mitigation. In Northern Uganda, cotton production and sales expanded despite local insecurity. In Rwanda, exports from coffee processing increased. These experiences demonstrate the significant potential for value chain development, especially in agriculture, to promote poverty reduction and community resilience.

Success is based on responding to market demands and providing support to communities, including financial, advisory and business development services and training. Business associations and community groups are useful avenues for bringing together public and private sector services. However, in order for value chains to effectively integrate the poor and marginalised – including women – these services must be accompanied by increased access to assets such as land, strengthened property rights and a reduction in women's domestic burden.

As countries become more integrated into global value chains, there is a danger that producers will be trapped in a cycle of producing low-skill, low-value products and services (Weber, 2010). This is the case in agricultural value chains, for example, as they are increasingly driven by private sector operators in complex relationships that transcend national boundaries. This approach ends up benefitting a limited number of individuals, communities, selected commodities, countries and geographic regions. Evidence shows that most chains favour better-off farmers, processors and traders, while poor actors get squeezed out (Hartmann, 2012). This indicates unrealised potential for a more systematic process that would benefit more actors in urban and rural areas, as agricultural value chains in Africa shift beyond primary production to products that add more value and provide higher incomes. Growing local and regional markets could offer new opportunities for agribusiness and farmers, especially related to staple foods.

Global value chains can threaten small producers, the poor and women

Participating in value chains exposes small producers, poor people and women to risks and lower incomes due to differences in power and control over resources. Within Africa, outcomes differ depending on the opportunities and constraints that producers face and on national and international trade regimes that are subject to price variability and other shocks. The dynamics of value chains determine whether small producers, the poor and vulnerable are rewarded or marginalised from greater market integration (Ponte, 2008).

Access to the economic opportunities and to employment from global value chains is embedded in structures, rules, power relations and labour markets; these reflect socially-constructed gender divisions and gender-related inequalities and determine the distribution of costs and benefits generated (DIIS, 2008). Analysing global value chains from a "gendered economy" perspective as opposed to "gender-neutral economy" perspective is an effective way to determine prospects for men and women. Mapping where women are and where they are not in sectoral value chains can help identify both opportunities and constraints for women, whether they are socially constructed or grounded in unequal economic rights. For example, women farmers and entrepreneurs face gender-specific disadvantages that hinder their potential to fully benefit from the global value chains. Women frequently lose income and control as a product moves from the farm to the market. Men often take over production and marketing when a product, even a traditionally women's crop, becomes financially lucrative. This adversely impacts household welfare. (See Box 6.4 on tackling gender inequalities to boost profitability and quality.)

The manner in which integration into value chains is carried out and the capacities of various actors either create wealth and improve livelihoods or exacerbate poverty and diminish livelihoods. By creating competitive advantages for actors along value chains, it may be possible to alter the power balance and distribution of benefits between producers, processors, traders and buyers.

Governments, the private sector and co-operatives have important roles to play in maximising the benefits and reducing the risks generated by value chains. At local and global levels they should ensure that marginalised and vulnerable groups integrate into the complex networks of economic production in a manner that empowers them and mitigates their exposure to risks. Governments should provide social infrastructure and services and defend the rights of marginalised groups. Private sector actors should manage the functioning of value chains. Co-operatives should facilitate collective action and capacity development. Regulatory frameworks, private companies, and worker and consumer co-operatives should promote stability in chain functioning. They should improve the conditions of people with limited power, such as producers and processors. They should mitigate the adverse impacts of market-based shocks to aid recovery and the poor in general. Finally, they should strengthen the ability of the marginalised to participate in value chains and to control the nature of their own integration.

Changes in global market conditions and the concentration of power over supply chains by a few retailers and brand managers tend to increase the costs and risks for vulnerable men and women. For example, fluctuating prices and unbalanced negotiations with producers affect employees and farmers through lower wages, short-term contracts and unsustainable targets, long hours and no income security (Oxfam, 2004). Effective policies and institutions should be put in place to equitably integrate the poor men and women into trade. They should ensure better working conditions to reduce chronic poverty and spur sustainable growth and investment. Government and non-state actors should empower workers and their organisations, protecting workers from exploitation. They should provide property rights, tenure security, social services and safety nets, including health, education and access to child care.

Resilience, streamlining and competition can increase the benefits of value chains

Maintaining market shares and protecting the livelihoods of the poor require resilience, streamlining and competitiveness. One way to build resilience is to develop financial markets that promote export survival, for example that allow small producers to adapt to changes in conditions imposed for exporting. This applies particularly to products that face strong fluctuations in price and demand in destination markets, such as high-value food products.

Streamlining regional trade procedures could directly improve trade competitiveness and reduce poverty. Certain trade policies at local, national and regional levels can create barriers to effective engagement in value chains; these include certification and inspection procedures and transport costs. Keyser (2012) documents the recent proliferation of mandatory standards for food staples in East Africa where regulators introduced various product specifications having little or no bearing on public health but mainly related to milling outturn and private financial returns.

Competitiveness in light manufacturing sectors can help integrate a large number of poor producers, processors and traders. However, competitiveness is hampered by limited entrepreneurial capabilities, both technical and managerial, inadequate worker skills and restricted trade logistics. Examples from Ethiopia and Tanzania, as well as China, show that the main constraints of light manufacturing in textiles, leather, wood and agro-processing are entrepreneurial skills, land, inputs and finance (Dinh and

Monga, 2013). Governments and the private sector can assist actors in value chains to acquire new competencies. With improved access to knowledge and a greater technical capacity, individuals can benefit from additional functions in the value chain. Moving skilled workers between sectors and geographic locations can promote knowledge and technology transfer, providing competencies in new areas. Governments can also contribute to continuous learning, access to information and adaptation to changes in the value chain by promoting basic education, developing technical skills and rewarding innovation.

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Chapter 5

Political and economic governance in Africa

Democratic governance in Africa has improved overall since 2000. Helped by robust international responses, a deepening democratic experience may also be reducing the space for governments to engage in armed conflicts. In 2012 there were fewer than in 2000, and they were much less deadly. At the same time, public protests increased in recent years, centred on demands for jobs, better wages and government accountability. Government response has been limited and in some places repressive. In economic governance, initiatives to fight illicit capital flows and to increase transparency in extractives are encouraging, and the business environment is improving.

In brief

Africa's political governance has improved since 2000. Elections have increasingly become peaceful, and the participation of women in political life has increased. Governments have improved the collection and management of tax revenues. There is a greater determination to fight corruption and illicit outflows of much needed cash – even though both still thrive. However, there are still many challenges ahead. Public protests have increased in recent years, largely in countries undergoing democratic transition. People want jobs and better wages, and they are keeping a closer eye on their leaders, including through digital media. Violence by non-government actors decreased in 2012 but still remains high compared to levels recorded between 1996 and 2010. Recent surveys indicate that more than a dozen African countries are among 65 globally at an elevated risk of social unrest.

The number of armed conflicts on the continent has been reduced and become less deadly since 2000. But new threats have sprung up. Today's conflicts are mainly internal in nature but increasingly spill across borders. The international community has begun to adapt its responses to these threats. This can be seen in the collaboration between the African Union, European Union and United Nations in setting up peacekeeping missions and the tougher mandates given to these missions.

Better governance and social peace are essential for growth and development. A number of initiatives to stop illegal capital outflows and improve the management of revenues, especially from mining, are promising. The business environment is improving, although according to the World Bank report *Doing Business* 2013, 15 of the 20 countries where it is hardest to do business were in Africa.

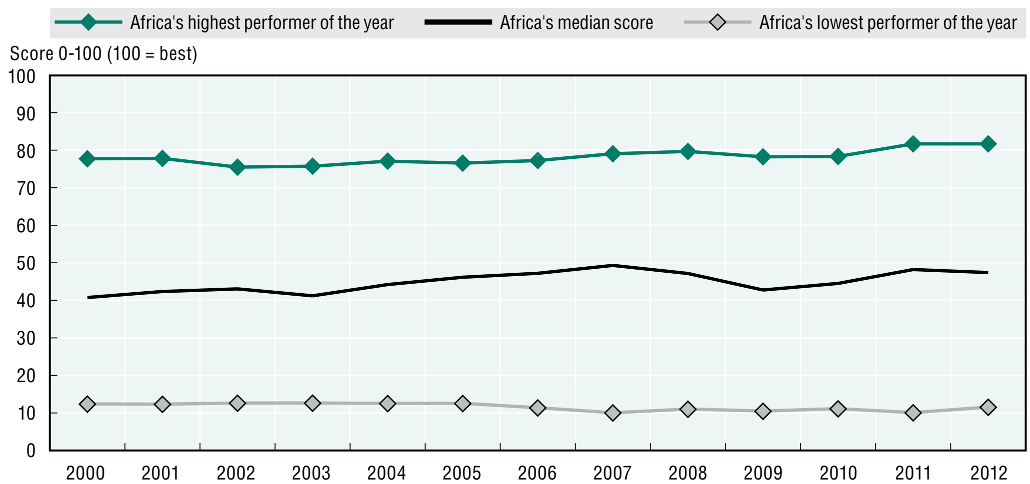
Democratic governance in Africa is uneven yet steadily progressing

Most elections across Africa were peaceful and considered credible in 2013. Although women remain under-represented, their presence as voters, leaders and elected officials has increased. The youth constituency is also increasingly important. In 2014-15, 18 countries, which together account for half of Africa's 1 billion population, will elect leaders. In a continent where half of the population is aged under 19, many people will be voting for the first time. The recent elections held in Angola and Liberia, countries that have emerged from bloody and protracted conflict, highlight resilience and determination of Africans to forge political and economic governance on the foundations of democratic principles.

Democratic outcomes on the continent are mixed

Africa's score on the Ibrahim Index for "political participation and respect for human rights" changed little between 2000 and 2012 (Figure 5.1 and Box 5.1). Thirty-four countries made progress, but 17 lost ground in governance indicators. This mixed picture was confirmed by the Economist Intelligence Unit Democracy Index, which measures the quality of electoral processes and pluralism, civil liberties, government functioning, political participation and democratic political culture (EIU, 2013a). Its 2013 index showed that 35 African countries have improved while 17 countries have seen a reversal in democratic gains. Although the number of leaders ousted unconstitutionally has decreased over the last two decades, five have been forced out since 2010.

Figure 5.1. **Scores on participation and human rights across Africa, 2000-12**



Source: Mo Ibrahim Foundation (2013).
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The 2011 Arab Spring uprisings had a mixed impact in North Africa (see Box 5.1). Progress in Tunisia has been gradual and less violent than other countries. But Egypt saw more violent protests, particularly after the ousting of President Mohamed Morsi in July 2013. Libya's democratic progress has also been faltering.

Box 5.1. **After the Arab Spring**

Tunisia. The assassination of two leaders of the opposition and sluggish recovery of the Tunisian economy cast a shadow over the legacy of the country's Jasmine Revolution. Recently events have turned around for the better. An accord between the opposition and the Ennahda-backed government made way for a transitional technocrat government until 2014 elections. In January 2014, a major breakthrough occurred when the National Constituent Assembly approved a constitution enshrining freedom of conscience, gender equality and a separation of powers, while including general references to Tunisia's Islamic and Arab identity.

Libya. The government is seeking to establish its legitimacy amid multiple security challenges. Structural reforms have started, inter-ministerial dialogue and public financial management have improved, and parliament and civil society are playing an increasing role. The press is freer, and reforms have been made to the security forces. In spite of this, the formulation of a new constitution has been delayed since the enactment of a "political isolation law" in May 2013 which bans anyone who held a senior post in Muammar Gaddafi's administration from the government.

Egypt. The transition to democracy has been marred by protests after the ouster of the Morsi government in July 2013. An interim government appointed a body to draft a new constitution, which was approved by a referendum in January 2014. Presidential and parliamentary elections scheduled for 2014 provide an opportunity to confirm democratic aspirations expressed in 2011.

Two factors may explain the varied outcomes of the Arab Spring. The first is whether there is a strong and organised civil society to hold governments accountable. The second is the ability of youth movements and the middle class to find allies, set clear political priorities and organise themselves effectively (Diwan, 2013; Fukuyama, 2013).

Mali saw constitutional order re-established in 2013 after an international armed intervention against militant groups who had taken over much of the north of the country. A two-round presidential poll in July-August 2013 went ahead peacefully and elected President Boubacar Keita. The government held a national reconciliation conference to discuss social cohesion, governance and the development of the northern regions. Security in the north has generally improved. However, militant attacks in Tessalit and the killing of two French journalists in Kidal highlighted remaining challenges. These events have limited the delivery of humanitarian assistance and restoration of basic services in the north.

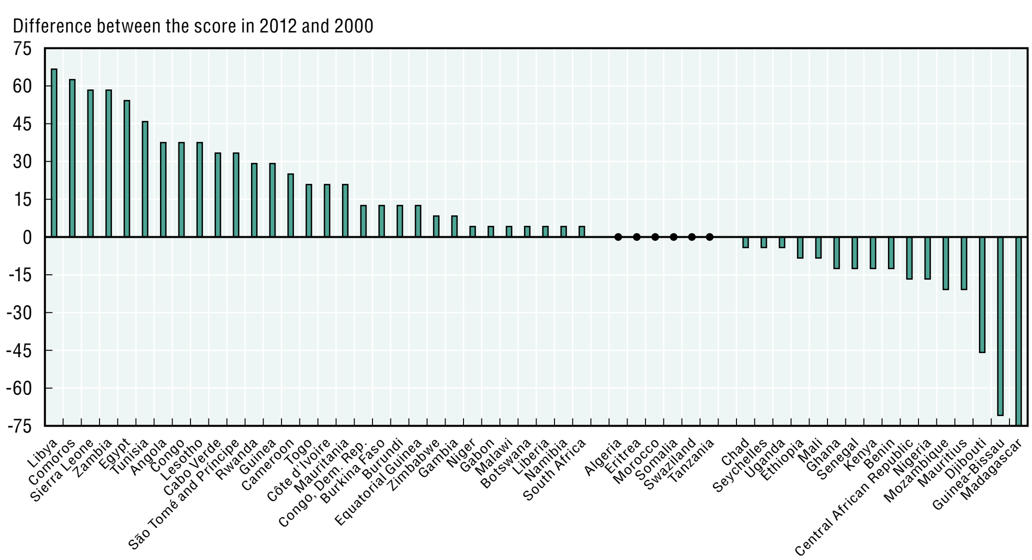
Half of the continent's population is called to the polls in 2014

There were 15 presidential elections in 2011 and five each in 2012 and 2013. The 2013 elections were in Ethiopia, Kenya, Madagascar, Mali and Zimbabwe. Kenya, Mali and Zimbabwe held legislative elections in parallel. Cameroon, Djibouti, Equatorial Guinea, Guinea, Mauritania, Rwanda, Swaziland and Togo also elected parliaments (Table 5.1). Africa's democracy has largely improved through the holding of regular elections. Since 2000 these have been increasingly approved as free and fair by the international community (IREEP, 2013).

The 2013 votes confirmed the reduction in election-related violence in Africa. Votes in Kenya and Zimbabwe were notably trouble free, in sharp contrast to those held in 2007 and 2008, respectively. The preliminary results of Madagascar's presidential election were contested, but the event was peaceful.

Stronger democracy has helped once-marginalised sectors of society. Women's participation in public life has increased in recent years across a number of African countries. Women now make up two thirds of Rwanda's parliament, the highest proportion in the world. In the Seychelles, Senegal and South Africa, women make up at least 40% of deputies, according to the Inter-Parliamentary Union. The 2013 elections in Kenya were hailed as "a turning point" for gender equality, thanks to a new constitutional, legal and institutional framework enhancing women's role in political and electoral processes (FIDA, NDI and USAID, 2014).

Figure 5.2. **Free and fair elections, comparing 2000 to 2012**



Note: The scores reflect the extent of opposition participation, adherence to electoral procedures, citizens' access to information, levels of violence, acceptance of results and hand over of power.

Source: IREEP (2013).

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Young voters could play a decisive role in the 18 countries to hold elections in 2014-15 (Table 5.1). These include populous countries such as Nigeria, Ethiopia, Egypt and South Africa. However, the extent and nature of youth participation varies. In Kenya, over half a million young people joined a *bunge* community parliament that monitored electoral violence during the 2013 elections (Gienger, 2013). However in South Africa, by February 2014, only 22% of those aged 18 or 19 were registered to vote in a May 2014 general election (South Africa Independent Electoral Commission, 2014).

Table 5.1. **Overview of national elections in Africa, 2013-15**

2013				2014			
	Parliament	**President**	**Date**		**Parliament**	**President**	**Date**
Djibouti	X		22/02	Egypt	Referendum		14/01
				Somalia (Puntland)		X	January
Kenya		X	04/03	Guinea-Bissau		X	16/03
Kenya	X		04/03	Guinea-Bissau	X		16/03
Zimbabwe	Referendum		16/03	Algeria		X	17/04
Cameroon	X		14/04	South Africa	X	x	May
Equatorial Guinea	X		26/05	Malawi	X		20/05
Togo	X		25/07	Malawi		X	20/05
Mali		X	28/07	Mozambique	X		15/10
Zimbabwe	X (Senate)		31/07	Mozambique		X	15/10
Zimbabwe		X	31/07	Botswana		X	October
Zimbabwe	X		31/07	Namibia	X		November
Mali		X	11/08	Botswana	X		TBD
Rwanda	X		16/09	Egypt	X		TBD
Swaziland	X		20/09	Egypt		X	TBD
Guinea	X		28/09	Libya	Constituent Assembly		TBD
Cameroon	X		30/09	Namibia	X	x	TBD
Ethiopia		X	07/10	Niger	X		TBD
Madagascar		X	25/10	Tunisia	X	X	TBD
Mauritania	X		23/11	Central African Republic	TBD	TBD	TBD
Mali	X		24/11	2015			
Mali	X (run-off)		15/12	Chad	X		February
Madagascar		X	20/12	Nigeria	X	X	April
Madagascar	X		20/12	Ethiopia	X	X	May
Mauritania	X		21/12	Mauritius	X		May
				Burundi	X	X	June
				Togo		X	July
				Côte d'Ivoire		X	October
				Tanzania	x	X	October
				Burkina Faso		X	November

Source: NDI (2014); IFES (2014); EISA (2014).

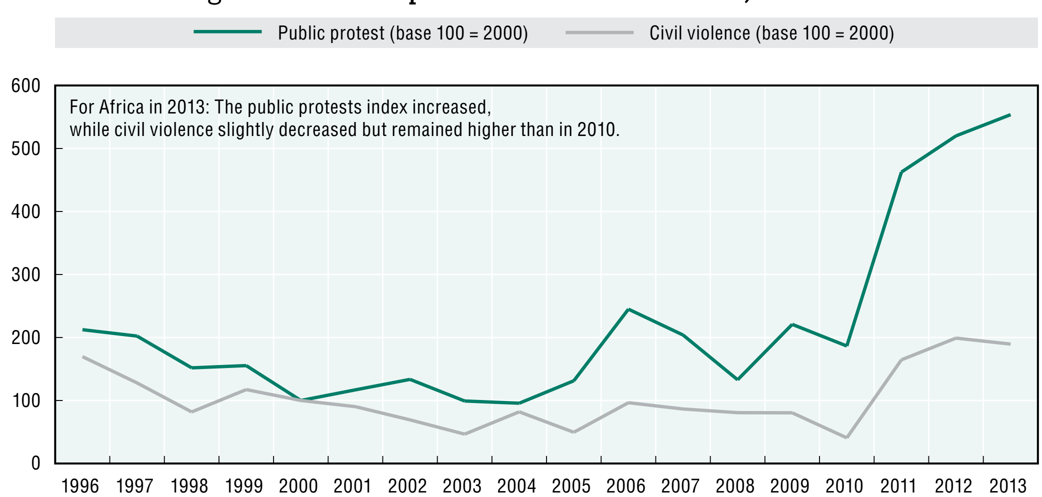
Civil tensions are driven by citizens' political and economic aspirations

A limited number of countries accounted for the continued rise in public protests in 2013. The main drivers were demand for higher wages and jobs. New channels to express grievances, such as digital media, may have also played a role. Civil violence – violence by non-government actors – decreased between 2012 and 2013, but remains much higher than at any point between 1996-2010. Looking forward, 18 countries on the continent are considered at high or very high risk of social unrest in 2014, out of 65 globally. Similarly, political hardening – government violence, arrests, bans, curfews and states of emergencies – increased since 2000, and sharply so since 2010. The state of human rights is slightly worse than in 2000, in spite of notable progress in Tunisia, Libya, Liberia and Kenya. Perceptions of service delivery also declined between 2000 and 2012, in spite of bright spots in healthcare.

Public protests continue to rise, peaking in countries undergoing democratic transitions

Public protests increased in Africa in 2013, with limited economic opportunities and unemployment as the two key factors driving social unrest, according to the International Labour Organisation. Protests seen in Egypt, Libya and Tunisia were an extension of frustrations over the slow pace of reforms that led to the Arab Spring uprisings. In Egypt, the instigators of the 2011 protests that ousted President Hosni Mubarak took to the streets against President Morsi with the same "bread, freedom and social justice" slogan. In Tunisia, rallies were in reaction to the assassination of two opposition leaders and to protect freedom of expression. Figures 5.3 and 5.4 show the trend in public protests and the main drivers, respectively. Box 5.2 shows the methodology for computing scores on public protests and other indicators used in this chapter.

Figure 5.3. **Public protests and civil violence, 2000-13**



Note: See the detailed methodology and country data 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 2006-13).

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Demands for higher salaries accounted for a quarter of the public protests recorded in 2013 (Figure 5.4). Demand for higher wages was again the main cause of labour unrest in South African mines and in the agriculture, construction and automobile industries. Governance comes on a par with demands for a government or head of state to stand down in protest rankings. Unemployment ranks fourth in the causes of protests.

Box 5.2. **Methodology for public protests, civil violence and political hardening indexes**

Scores for public protests, civil violence and political hardening have been produced by detailed monitoring of daily press reports from the Agence France-Presse (AFP) and Reuters news agencies. The scores aim to take into account daily events and decisions that show the political attitudes and reality in African countries. The methodology was first developed by Dessus et al. (1998).

Figures 5.3 and 5.6 show how these indicators have changed from 2000 to 2013 for 52 African countries. The scores of individual countries can be found in Tables 22 to 24 of the AEO Statistical Annex and on www.africaneconomicoutlook.org. The methodological note of the statistical annex explains how the indicators are calculated.

While slow reforms caused public protests in many Africa countries, in others they were mainly to show anger at poor services or wage levels. An independent research project by Afrobarometer, comprising a 16-country survey on health, education, water and sanitation, and electricity indicated that many protests since the food, fuel and financial crisis of 2008 and the Arab Spring of 2011 were over poor services (see Figures 5.4 and 5.5).

Figure 5.4. **Top drivers of public protests, 2013**

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

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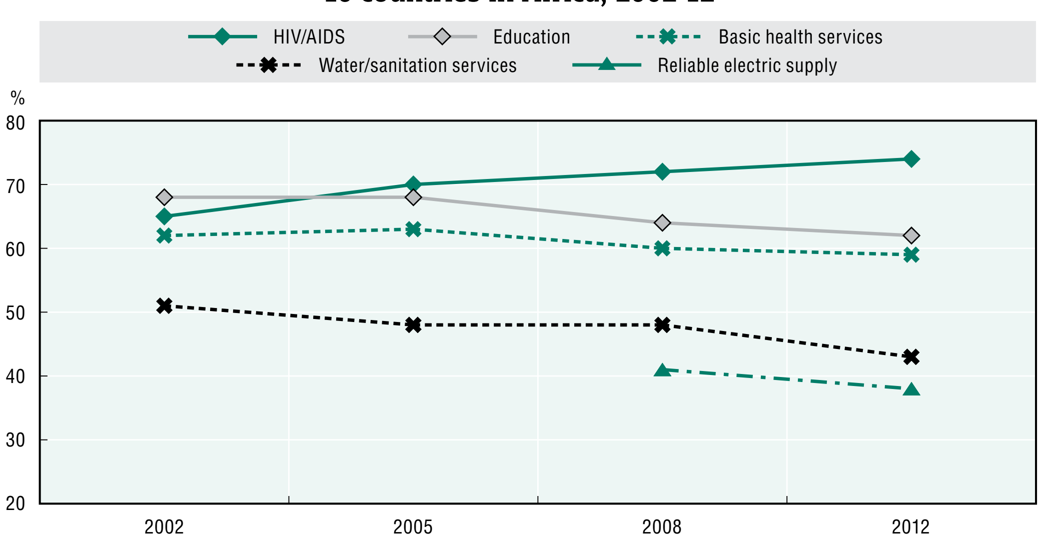
Figure 5.5. **Assessment of government performance in service delivery in 16 countries in Africa, 2002-12**



Source: Asunka (2013).

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The survey shows that from 2002 to 2012, several countries, including South Africa, Zimbabwe and Malawi made significant improvements in healthcare. Kenya and Mozambique made gains in education, water and sanitation. The approval rating on government performance regarding the quality of public services was lowest in Egypt and Tunisia. In Ghana, despite recent economic and democratic gains, the public has a low perception of the quality of education, health, water and sanitation. This was shown in protests over electricity price rises and strikes by doctors, pharmacists and teachers. About 265 million people in Africa rely on agriculture for their livelihood and discontent has also been shown in rural areas over a lack of access to inputs, finance, and technology.

Civil violence is slowly decreasing

Violence by non-government groups and individuals decreased between 2012 and 2013 although it remains higher than at any point between 1996 and 2010. Egypt, Libya and Nigeria have seen most civil violence in 2010-13. Much of this reflects a fallout from the unmet aspirations of the Arab Spring uprisings, and in Nigeria, attacks carried out by the Boko Haram militant group are taking an increasing human cost and could deter investment. Democratic Republic of Congo, Kenya, Mali and Tunisia have also suffered. An attack by insurgents on the Westgate Mall in Nairobi, Kenya on 21 September 2013 highlighted the need for concerted action to tackle militant attacks in the Horn of Africa. Surveys indicate that 18 African countries out of 65 globally are at risk of social unrest in 2014 (EIU, 2013b).

Box 5.3. **Can digital media promote better governance?**

Much has been made of the impact of digital media in the Arab Spring and in promoting better governance around the world, mainly through crowd sourcing and crisis mapping. However, recent evidence shows a more complex picture (Howard and Hussain, 2013; Aday and Himelfarb, 2014):

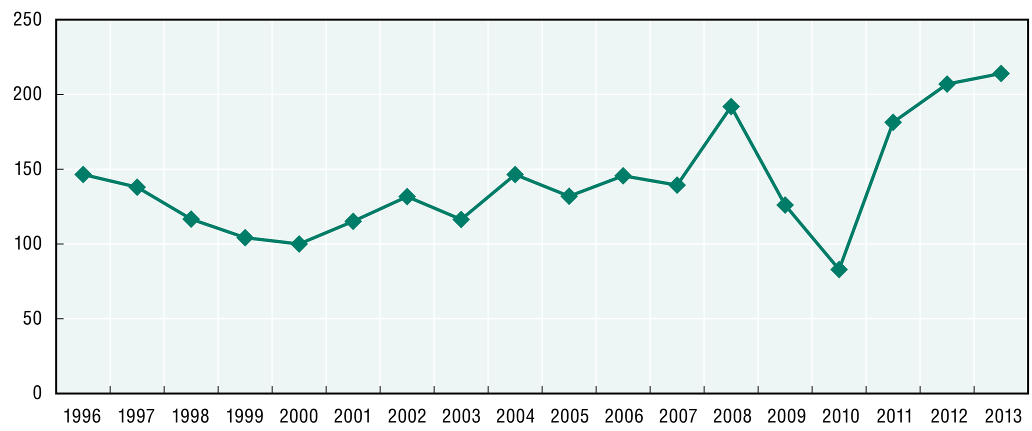
- Digital media's main contribution may be the international attention it can draw to issues of concern. The Ushahidi ("testimony") platform in Kenya (www.ushahidi.com) is a good example. Ushahidi came to prominence monitoring election-related violence in 2008. The Conflict Early Warning and Response Mechanism (www.cewarn.org) similarly warns about the risks of conflict over land and water in the seven member states of the Inter-Governmental Authority on Development (IGAD). Digital media has also warned about mass violence in Benghazi, Libya.
- Digital media can also be influential in mobilising collective action and shaping public policy. It has helped fight for increased transparency in revenues from extractive industries and to recover lost funds. Digital media was also used in Morocco to create mass audiences to discuss constitution-making. Bellver and Kaufman (2005) and Fukuda-Parr et al. (2011) show there is a positive correlation between transparency and human development.
- Digital media can also be used by repressive regimes to target activists and influence public opinion by using fake identities and fake communities. Extremist groups have also used digital medial to promote hate speech and violence.

However, as practices are still evolving, it may be difficult to accurately assess the ability of digital and social media to influence social and political outcomes (Aday and Himelfarb, 2014).

Political hardening is stabilising at an all-time high

Political hardening – actions by governments and their agencies through violent acts, the arrests of citizens, bans, curfews and states of emergencies – remains a worry, even as other governance areas progress. Since 2000, political hardening has been on the increase in a number of countries and it rose sharply after 2010 (Figure 5.6). Much of the increase is attributed to fallout from the Arab Spring as governments react to growing popular dissent. Although political hardening stabilised in 2013 against the previous year, the index remains at an all-time high since 2000.

Figure 5.6. **Political hardening index, 2000-13**



Note: See the detailed methodology and country data 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 2006-13).
StatLink http://dx.doi.org/10.1787/888933033099

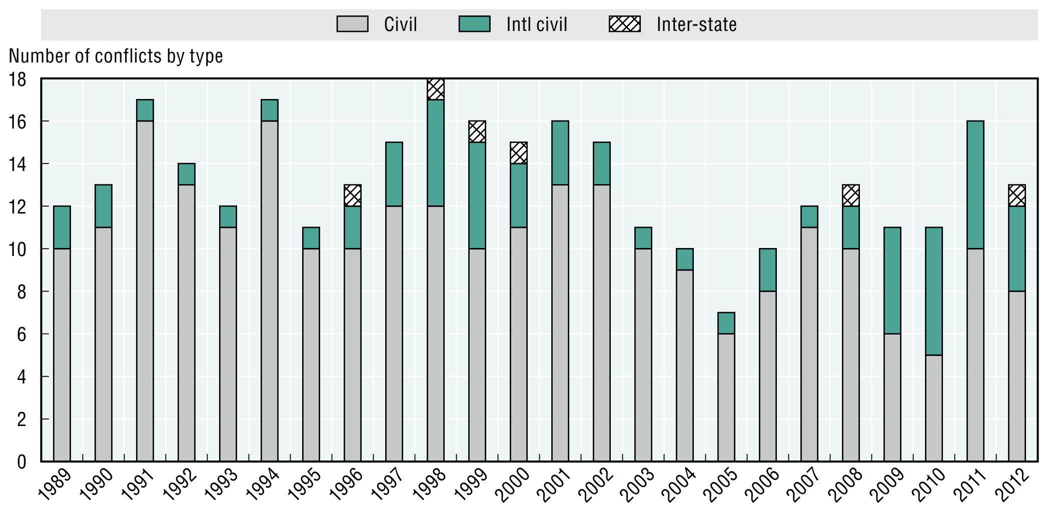
Respect for human rights, civil liberties, political rights and freedom of expression has shown little progress across Africa since 2000. There have been improvements in a number of individual countries, including Tunisia, Libya, Liberia and Kenya, while Cabo Verde and Mauritius are considered star performers. The Ibrahim Index on African Governance indicates however that human rights have actually worsened in Africa.

The 2013 Ibrahim Index showed little change in Guinea-Bissau, Guinea, Madagascar, Mali and Rwanda. Rights violations reported include restrictions on freedom of assembly and free speech, lack of judicial independence, lengthy pre-trial detentions, abusive use of force by security forces, and violence and discrimination against women (US Department of State, 2013). In several cases, political hardening may be a sign of weak institutional capability and poor checks and balances.

Armed conflicts face stronger regional and international responses

A stronger democratic culture in Africa has reduced the space for governments to become involved in armed conflicts, either with another state or against an armed group at home. Current conflicts have taken a more civil dimension, but with increasing international ramifications. In 2012, there were 13 such conflicts, double the 2005 number, which was the lowest since the end of the Cold War in 1989 (UCDP, 2013 and Figure 5.7).

Figure 5.7. **Armed conflicts in Africa, 1989-2012**



Source: UCDP (2013).
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Although intrastate, half of the armed conflicts in 2012, involved more than one African country and international allies fighting insurgents. For example, in Somalia, the government and allies in East Africa and beyond are fighting the Al-Shabaab militant group. Central African Republic's government is being helped by its allies to disarm rebels and armed groups. Most armed conflicts in Africa that were active in 2012 or 2013 erupted before 2000. These include four that started in the 1970s: Sudan, Somalia, Ethiopia and Nigeria. Internal conflicts that dragged in other countries were rare until 2008. Since 2009 however, they have become prevalent, with five or six cases each year (UCDP, 2013).

Nonetheless, the number of conflicts declined to 13 in 2012 from 16 in 2011, even with three new outbreaks. Fighting involving the Lord's Resistance Army in Uganda, the *Forces de défense et de sécurité impartiales de Côte d'Ivoire*, AQMI in Mauritania and Casamance rebels in Senegal subsided. M23 rebels in Democratic Republic of Congo and neighbouring countries launched attacks in the east of the country before being defeated by government forces with international support late in 2013. In Mali, an international intervention in 2013 also helped end an offensive by the MNLA, Ansar Dine, AQMI and other militant groups.

For the continent as a whole, the total number of casualties declined between 2000 and 2012. However, insurgencies are still violent in some cases. In 2012, conflicts in Somalia and Sudan caused a high number of battle-related deaths. Available data for 2013 shows that an Islamist insurgency in northern Nigeria, and violence in Central African Republic and South Sudan, may have caused more than 1 000 casualties each (AFP, 2014a and 2014b). The number of casualties in the Darfur region of Sudan and in fighting in Democratic Republic of Congo also rose markedly.

A growing number of international peacekeeping and peace enforcement missions are operating in Africa (CIC, 2013). The most prominent African-led operation is the African Union Mission in Somalia (AMISOM), which receives significant United Nations and international support.

An African force was first to help the Malian government but this has become a United Nations peacekeeping mission. The Economic Community of Central African States Mission first sent troops to Central African Republic, but the International Support Mission in the Central African Republic now has a mandate from the African Union and the UN Security Council. The Economic Community of West African States has several hundred troops in Guinea-Bissau bolstering a transitional government.

There has been strong international support for the peacekeeping operations. The European Union (EU) has nine Common Security and Defence Policy missions in conflict regions across Africa, including Central African Republic, Democratic Republic of Congo, Libya, Mali, Niger and Somalia. The Atalanta mission aims at strengthening the maritime capacity of five countries in the Horn of Africa to combat piracy.

The United Nations has major political missions in Libya and Somalia. The number of UN peacekeeping missions increased to eight in 2013 with the addition of the UN Multidimensional Integrated Stabilisation Mission in Mali (MINUSMA). The other seven are in Western Sahara, Liberia, Côte d'Ivoire, Democratic Republic of Congo, Darfur in Sudan, South Sudan and the Abyei region between Sudan and South Sudan.

More than 6 000 troops are deployed in MINUSMA taking the total number of UN peacekeepers across Africa to more than 64 000. The budget of more than USD 5 billion is 72% of the global UN peacekeeping budget. African countries – particularly Egypt, Ethiopia, Ghana, Nigeria and Rwanda – provide the bulk of the troops in the African missions.

Co-operation such as shared financing of peacekeeping operations and targeted training for African-led operations is now common, particularly at missions with a joint UN-African Union mandate as in Darfur. In Central African Republic, there are parallel but co-operating missions with 4 400 troops from EU countries and about 1 600 troops from France. The EU approved sending another 600 troops in January 2014.

In 2013, the UN Security Council approved Resolution 2086 recognising the multidimensional nature of peacekeeping. It said the missions should include "peacebuilding tasks and address root causes of conflict".

Economic governance shows progress since 2000

Economic governance has a direct bearing on the quality and sustainability of growth and on public protests and civil violence. Over the past decade, 41 of 52 African countries with data available saw improvements in domestic revenue mobilisation and public administration. Substantial progress was made in Democratic Republic of Congo, Togo, Angola, Mozambique and Zambia (Mo Ibrahim Foundation, 2013).

It is estimated that with more effective institutions, African states could double their tax revenue (AfDB, 2013b), which would make governments more responsive to the needs of the population and improve policies and services. States also need to improve transparency in budget decisions so they can be seen to be meeting people's expectations. Burkina Faso has been one of the most improved countries for budget transparency from 2010 to 2012. But Zambia and Egypt are among countries that have shown most decline over the same period (International Budget Partnership, 2013).

Liberia, Zambia and Cameroon are among states that stepped up the battle against corruption between 2000 and 2012, but across Africa only modest progress has been made (AfDB, 2013a). Corruption is still having a negative effect on growth and development and disproportionately hitting the poor, who are forced to pay bribes for basic services. Transparency International's 2014 Corruption Perceptions Index shows some modest improvements between 2012 and 2013, particularly in Senegal and Lesotho (Table 5.2); however it still ranks four in five African countries at below the world average.

Table 5.2. **Corruption Perceptions Index**

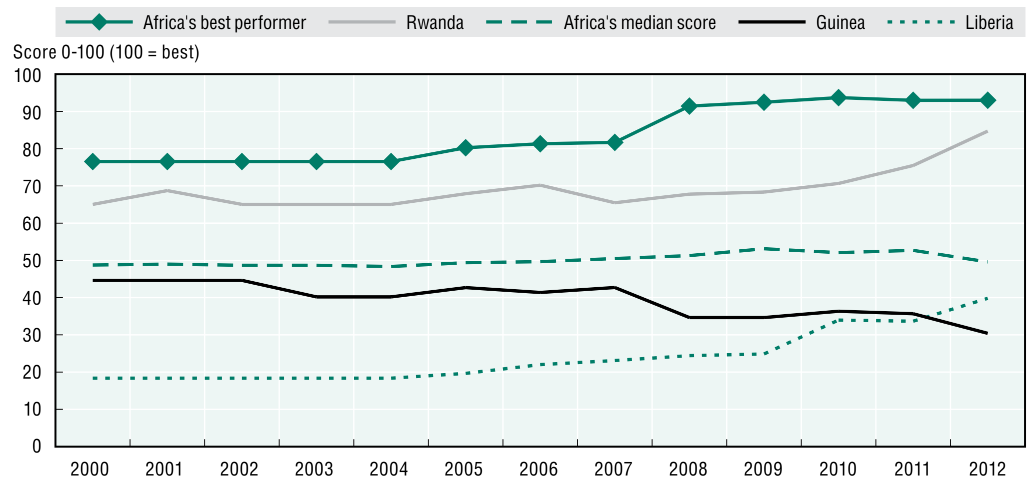
Performance of the top 25 African countries			Performance of the other African countries		
Country	**Rank 2012**	**Rank 2013**	**Country**	**Rank 2012**	**Rank 2013**
Botswana	65	64	Egypt	32	32
Cabo Verde	60	58	Mauritania	31	30
Seychelles	52	54	Mozambique	31	30
Rwanda	53	53	Sierra Leone	31	30
Mauritius	57	52	Togo	30	29
Lesotho	45	49	Comoros	28	28
Namibia	48	48	Madagascar	32	28
Ghana	45	46	Gambia	34	28
São Tomé and Príncipe	42	42	Mali	34	28
South Africa	43	42	Kenya	27	27
Senegal	36	41	Côte d´Ivoire	29	27
Tunisia	41	41	Uganda	29	26
Swaziland	37	39	Cameroon	26	25
Zambia	37	38	Central African Republic	26	25
Burkina Faso	38	38	Nigeria	27	25
Liberia	41	38	Guinea	24	24
Malawi	37	37	Angola	22	23
Morocco	37	37	Congo, Dem. Rep.	21	22
Algeria	34	36	Congo, Rep.	26	22
Benin	36	36	Burundi	19	21
Djibouti	36	36	Zimbabwe	20	21
Niger	33	34	Eritrea	25	20
Gabon	35	34	Chad	19	19
Ethiopia	33	33	Equatorial Guinea	20	19
Tanzania	35	33	Guinea-Bissau	25	19
			Libya	21	15
			South Sudan	NA	14
			Sudan	13	11
			Somalia	8	8

Source: Transparency International (2013).

Africa's business climate is getting better

Africa's business environment (investment, competition, rural financial services and customs procedures) has also improved since 2000, with the biggest gains in Liberia, Rwanda, Sierra Leone, Mauritius and Senegal. In 2013, countries with the best business environment include Mauritius, Rwanda, Botswana, Morocco and South Africa (Figure 5.8). However, there has been a dip since 2010, driven by deteriorating business environments in Burkina Faso, Egypt and Niger (Mo Ibrahim Foundation, 2013). Of the 20 countries globally where it is hardest to do business, 15 were in Africa (World Bank, 2013). These include Somalia, Eritrea, Zimbabwe and Democratic Republic of Congo – although the Democratic Republic of Congo has improved since 2010, particularly in terms of access to credit and protecting investors (Mo Ibrahim Foundation, 2013; World Bank, 2013).

Figure 5.8. **The business environment across Africa, 2000-12**



Source: Mo Ibrahim Foundation (2013).
StatLink http://dx.doi.org/10.1787/888933033137

The fight against illicit capital outflows and promising initiatives in the mining sector could go a long way towards inclusive and sustainable growth

The continent loses twice as much in illicit capital outflows as it receives in international aid. Africa is the source of less illicit outflows than other continents, and the top 15 exporters of illicit outflows include only two African countries, Nigeria and South Africa. However, Africa has the highest average illicit outflows to GDP ratio (5.7%), which means the impact is greater, and also the highest rate of growth in illicit outflows over 2002-11 (AfDB et al., 2012; Africa Progress Panel, 2014; Global Financial Integrity, 2013).

Illicit financial flows from Africa diminished in 2008 and 2009, the latest years for which data is available. This could be mainly due to the contraction of trade: an estimated 60% of these illicit flows stem from trade mispricing (AfDB and Global Financial Integrity, 2013). Cases to recover stolen assets are being pursued in Egypt, Kenya, Libya, Nigeria, Uganda and Zambia. An Arab Forum on Asset Recovery was set up in 2012 to foster asset recovery efforts for Arab countries in transition. Libyan assets allegedly held by former Libyan leader Gaddafi have been freed for humanitarian use (StAR, 2014).

The Intergovernmental Action Group against Money Laundering in West Africa, the Eastern and Southern Africa Anti-Money Laundering Group and the African Tax Administration Forum are regional bodies that promote standards on tax and fighting money laundering. However, several countries such as Chad, Côte d'Ivoire, Democratic Republic of Congo, Madagascar and Republic of Congo do not take part in the main global bodies that fight illicit financial flows, such as the Financial Action Task Force or the Global Forum on Transparency and Exchange of Information for Tax Purposes (OECD, 2014).

Box 5.4. **African and international initiatives for better governance in mining**

Seventeen countries in Africa are mineral-dependent (minerals representing 25% or more of their exports. This dependency has increased with the surge in commodity prices over the past decade. In Burkina Faso, mining represented 2% of exports in 2005, but 41% in 2010 (Haglund, 2011). As underscored in the 2013 *African Economic Outlook*, Africa's natural resource wealth holds great potential for accelerating structural transformation and creating inclusive and sustainable growth.

This increased mineral-dependency is significant for growth, but also for governance: natural resources have a well-documented tendency to improve governance when governance is good enough and vice-versa when it is weak (Auty, 1993; Bannon and Collier, 2003; Collier, 2007).

In the extractive sector, a range of African and global initiatives aim to foster increased legitimate trade in minerals, increased revenue flows and more responsive states:

- The 2002 Extractive Industry Transparency Initiative (EITI) focuses on transparency of payments made by multinationals to countries of origin. In early 2013, 15 African countries were EITI-compliant, four were implementing EITI but not meeting all requirements, and four were suspended.
- The 2003 Kimberley Process focuses on stopping the trade in "blood diamonds", diamonds used to finance wars against legitimate governments. In early 2013, 17 African countries were Kimberley Process-compliant.
- The 2009 Africa Mining Vision and related 2011 Action Plan sets out how mining can be used to drive development.
- The African Union has adopted an African Peer Review Mechanism as the main framework to monitor natural resource management.
- The 2010 Dodd-Frank law in the United States contains two sections relating to supply chain integrity and transparency of payments. Section 1502, the "Conflict Minerals Statutory Provision", requires firms to disclose the use of conflict minerals, with a focus on minerals that originate from or near eastern Democratic Republic of Congo. Section 1504, "Disclosure of Payments by Resource Extraction Issuers", requires resource extraction issuers to disclose payments made to a foreign government in oil, natural gas, or minerals exploitation.
- The 2012 Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas has been adopted by the International Conference of the Great Lakes Region (ICGLR), by the OECD Council at ministerial level, and at the United Nations. This guidance helps more than 100 companies ensure minerals are sourced responsibly from Africa's Great Lakes region. Democratic Republic of Congo and Rwanda have translated these standards into national legislation or regulations.

Africa's resource-rich countries have outperformed others in reversing the situation prevalent in the 1990s, and several have recorded progress in poverty reduction (Tanzania, Mozambique, Ghana). In Nigeria, enhanced transparency helped identify a loss of USD 2.6 billion in revenues and a failure by oil companies to pay USD 9.9 billion in royalties. Nigeria recovered USD 2.4 billion. Sierra Leone's legitimate diamond exports have increased 100-fold since the end of its civil war in 2002 (Wall Street Journal, n.d.). In Democratic Republic of Congo, government revenues in 2011 were up 60% from 2010 (EITI, 2013).

However, commodity-led growth is not producing development results in many countries, notably Angola, Equatorial Guinea and Gabon (Africa Progress Panel, 2013). Greater coherence across these initiatives; reforms in mining and related sectors, notably security and tax administrations; and continued dialogue between government, the private sector and civil society are needed to bring structural change and greater accountability.

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PART TWO
Global value chains and Africa's industrialisation

Chapter 6

Global value chains in Africa: Potential and evidence

Global value chains (GVCs) are driven by firms that optimise their sourcing strategies through the separation of production stages. GVC integration could accelerate structural transformation in Africa if combined with upgrading. Trade in value added serves to measure global value chains. Africa so far captures a small but growing share of them. Productivity gains from value chains have been easier to achieve than employment growth.

In brief

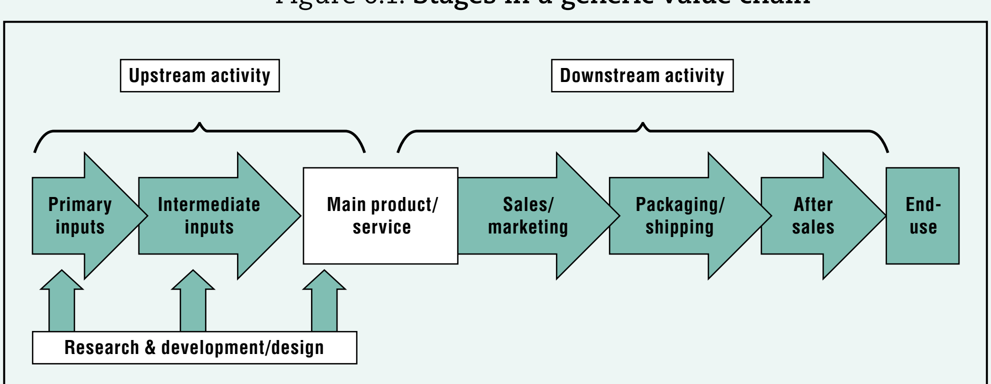
Globalisation has changed the way goods and services are produced. The country-centric view of trade no longer reflects reality. Instead production networks, even for just a single product, span many countries, often the entire globe. We call these networks global value chains (GVCs) (see Box 6.1). They are driven by firms which use the advances in communication and regulation to optimise their sourcing strategies through geographic re-organisation and the separation of production stages. Global value chains offer new opportunities for structural transformation in Africa. Countries can integrate into global value chains at a specific stage, usually assembly in manufacturing and commodity production in agriculture. Ideally this leads to opportunities to upgrade through knowledge transfers, product differentiation and the addition of adjacent stages of the value chain. Measures of trade in value added – as opposed to traditional gross measures of trade – can provide insights into integration into global value chains and the benefits this entails. Africa so far captures only a small share of global trade in value added terms, but its total level of GVC integration is high compared to other regions. However, a good part of it is forward integration of Africa's commodity exports as inputs in foreign manufacturing, which creates relatively little additional value added in Africa. In terms of gains from global value chains, export and productivity growth has been easier to achieve than employment growth. Success depends on a country's ability to respond to external demand, as well as on the nature of the value chain and the lead firm.

Box 6.1. **What is a global value chain?**

A value chain identifies the full range of activities that firms undertake to bring a product or a service from its conception to its end use by final consumers (Figure 6.1). At each step in the chain, value is added in some form or other. Driven by offshoring and mounting interconnectedness, the activities that make up the value chains of many products and services have become increasingly fragmented across the globe and between firms. Various tasks along the production chain can be carried out in distant locations, depending on the respective comparative advantages of different countries. The interconnected production process that goods and services undergo from conception and design through production, marketing and distribution is often referred to as a global value chain or an international production network (Gereffi and Fernandez-Stark, 2011; OECD, 2013).

Each stage carries, to varying degrees, opportunities for new local activities, jobs and corporate profits, as well as the associated new skills, technology and public revenues in the form of taxes. Successful integration into a value chain potentially allows a country to seize a bigger share of those benefits and accelerate its industrialisation process.

Figure 6.1. **Stages in a generic value chain**



Source: Authors' elaboration.

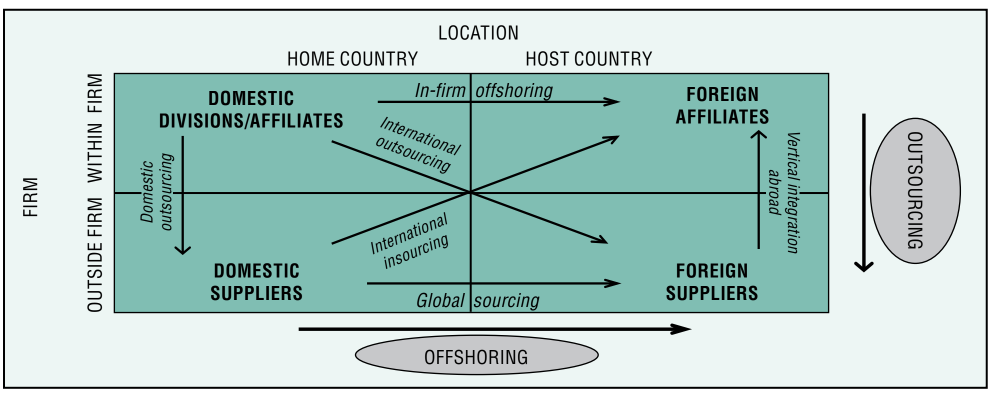
Global value chains allow for growing opportunities

How goods are traded has evolved along with the means needed to produce them. Respecting private standards and joining specific global value chains can improve African countries' capacities, employment and social structures. A country's position in a chain and its ability to upgrade its participation determine success, as do adequate services and governance, innovative entrepreneurs, and the requirements specific to the chain.

Modern transport and communication technology have rapidly expanded global value chains

International trade in goods on a large scale emerged with modern transport in the 19th century. Before the invention of fast large volume transport by train, steam ship or truck, each town and region had to produce most of what it consumed. From the middle of the 19th century onwards, transport enabled large volume trade; towns, regions and eventually countries began to divide labour and to focus on the production of some goods that could be consumed and sold while buying the rest elsewhere. As transportation costs have fallen, trade has continuously expanded (Baldwin, 2012).

Figure 6.2. **Outsourcing and offshoring**



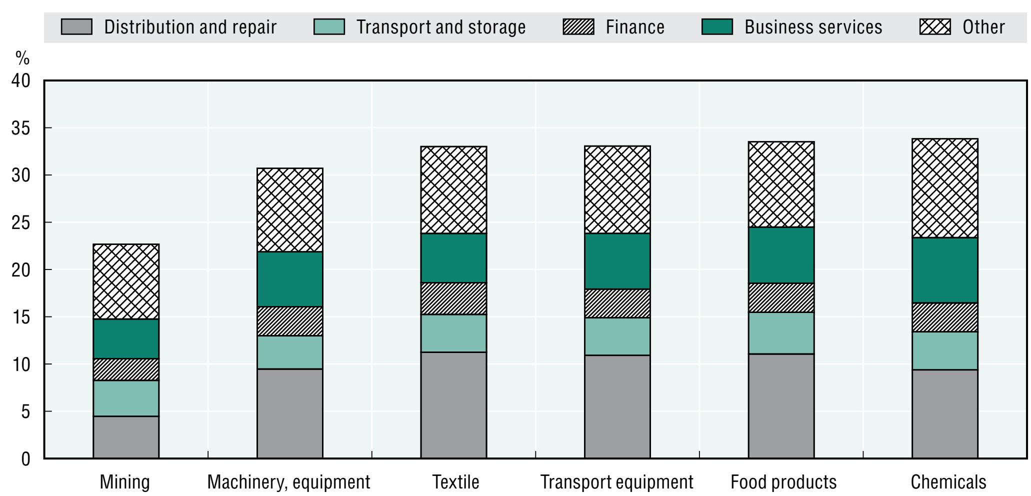
Note: The geographic dimension or offshoring changes from left to right. Outsourcing or the organisational location of the activity within or outside the firm changes from top to bottom.
Source: OECD (2013, p. 18).

Since the mid-1980s trade in final goods has given way to a global division of labour. New communication technology and rapidly falling trade and travel costs – thanks to trade liberalisation, containerisation and cheap air travel – have enabled the geographic dispersion of individual segments of a production process while still allowing for sufficient control and co-ordination (Baldwin, 2012). Today managers can be anywhere in the world within a reasonable time and at affordable cost, and communication technology allows for 24-hour work cycles spanning the globe.[1]

The increasing global division of labour is driven by firms which use the advances in communication and regulation to optimise their sourcing strategies through geographic re-organisation and the separation of production stages. For each operation and production stage firms have to identify: *i)* whether to undertake the task within the firm or outsource it to an independent supplier; and *ii)* whether to keep the tasks within the firm's country of origin or to move it offshore, i.e. to another country. Figure 6.2 describes the four possible combinations of the organisational and geographical structure of production. These new sourcing strategies result in greater foreign direct investment and intra-firm trade as well as vertical arm's length trade with independent suppliers (Cattaneo et al., 2013; OECD, 2013). Today an estimated 80% of global trade is linked to multinational corporations (UNCTAD, 2013).

Services have become important in supporting global value chains. Goods and services are intertwined in global production networks. The OECD/WTO Trade in Value Added (TiVa) database reveals that the value created directly and indirectly by services as intermediate inputs represents over 30% of the total value added in manufactured goods (OECD, 2013; Figure 6.3). A significant share of these services relates to the actual operation of global value chains, particularly transport, logistics and warehousing, but also banking, insurance, business services, professional services and communications services, which are supplied at every stage of the production phase. These services play a crucial role for trade in goods by helping move components efficiently across borders (Lesser, 2014; OECD, 2013; WEF, 2012).

Figure 6.3. **Services share of value added in manufacturing trade, all countries, 2009**



Source: OECD, WTO and UNCTAD (2013).
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Furthermore, in a way similar to that of goods, services are being disaggregated and traded as separate tasks, thus creating service value chains. Knowledge-intensive services industries are at the forefront of this trend. Value can be captured and stored so that production of these services can be separated from consumption and scaled up, creating higher added value final services. Cross-border digital trade then enables these services to be used anywhere in the world, thus allowing for the development of service value chains in their own right. Although there has been little research to date on service value chains, such chains are seemingly being created in a variety of sectors, including banking, tourism, and possibly education and health services, as well as information technology and business processing services (Lesser, 2014).

Today global value chains, or international networks of production, span many countries, often the entire globe and are closely intertwined with shifting wealth and the rise of the South. Figure 6.4 illustrates this unbundling of trade, showing that intermediate goods have been the main drivers of the boom in trade since the 1990s, accounting for about 65% (USD 11 billion) of all imports in 2012, up from 57% and just USD 2.8 billion in 1995. During the same time the share of OECD countries in global imports of intermediate goods dropped from 75% to 60% while that of non-OECD countries picked up accordingly (Figure 6.5). Similarly the share of OECD countries in global manufacturing value added dropped from 80% to 60%.

Figure 6.4. **The unbundling of trade: The growth of trade driven by intermediate goods, 1992-2012**

Source: Authors' calculations based on UN COMTRADE (2014).

StatLink http://dx.doi.org/10.1787/888933033175

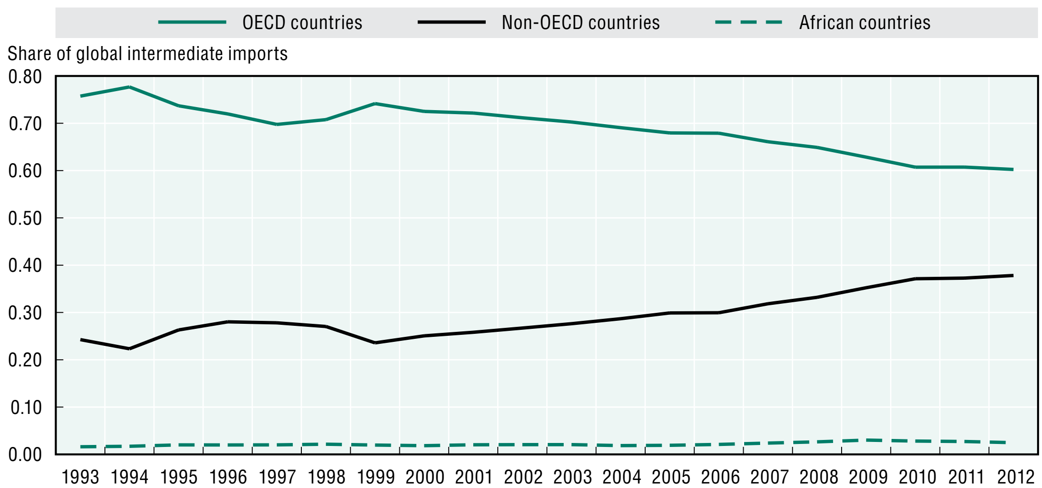
Despite their name, global value chains exhibit high regional concentration, which is shrinking slowly. Africa does not play a significant role yet. When measuring the linkages between major supply-chain traders, the strongest relationships can be found within the regional blocks of East Asia, Europe and North America (Baldwin, 2012). About 85% of global value chain (GVC) trade in value added takes place in and around these three hubs. While other regions remain marginal, their share has increased from only 10% in 1995 to 15% in 2011. Africa's share in GVC participation increased from 1.4% to 2.2% during the same time (Table 6.1). At 2% Africa's share of global imports in intermediate goods has remained the same since the 1990s (Figure 6.5).

Table 6.1. **Share of trade in value added by region, 1995 and 2011**

Region	1995	2011
Europe	57.5%	50.9%
East Asia	14.4%	16.2%
North America	13.1%	11.8%
Southeast Asia	6.0%	6.8%
Latin America	3.2%	4.2%
Middle East	2.0%	3.0%
Africa	1.4%	2.2%
Russia and Central Asia	0.9%	2.0%
South Asia	0.7%	1.7%
Oceania	0.9%	1.3%

Note: See section on measurements below.
Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

Figure 6.5. **Global imports in intermediate goods reflecting the rise of emerging markets as production hubs, 1993-2012**



Source: Authors' calculations based on UN COMTRADE (2014).
StatLink http://dx.doi.org/10.1787/888933033194

This report assumes that the trend towards global value chains will continue as internationalisation is forcing multinational corporations to become more efficient and more flexible. Offshoring and outsourcing have allowed multinational corporations to combine the advantages of various locations and to become more efficient. While the core headquarter functions usually remain the home market of the firm, labour-intensive production stages are often moved to countries with a lower wage level, while marketing and distribution are placed in the market of final consumption. As more firms optimise their networks and become more cost efficient, others will be forced to follow suit. At the same time, the internationalisation of supply chains has introduced more uncertainties and a greater need for flexibility to react (Gibbon and Ponte, 2005). Maximising supply chain effectiveness can cut costs, but weakens the ability to cope with disruption. Hence, more than 50% of the chief executive officers interviewed in PwC's Global CEO Survey 2013 want to diversify their supply chains and thereby render their operations more flexible (PwC, 2013).

However, this is not destiny. Nascent technological developments could lead to a slowing down of global value chain dispersion. The cost advantage of mass production over customised manufacturing has been among the major drivers of outsourcing and offshoring. Nascent production technologies, particularly in manufacturing, such as 3D printing and smart robotics bear the potential of reducing this cost advantage far enough to kick off a shift towards "re-shoring" of production activities towards the high-wage headquarter economies.

Global value chains offer potential for structural transformation

In a world of global value chains, countries are no longer the relevant frame of analysis, and imports of intermediate goods have changed their significance. Focusing on countries as the primary units of analysis and strategy implies that a country can successfully create the capabilities for producing complex goods that can compete in the global marketplace. Imports are then seen as signs of domestic weakness and exports as strength. However, as the competitiveness of firms depends on their ability to combine the strengths of different countries in a production process, a firm that works solely with domestic inputs can have a competitive disadvantage. Put differently, imports of intermediate goods are no longer a sign of foreign competitiveness, but a means for firms to access the most efficient inputs and thus produce more competitive goods (Cattaneo and Miroudot, 2013).

The standards and product specifications of lead firms are increasingly replacing prices and public trade standards as key determinants of GVC participation. The efficient functioning of international production networks requires the seamless combination of intermediate components from many different locations and often different suppliers. A faulty component or a product that does not meet the specifications provided by the lead firm can cause ripple effects and expensive hold-ups. Along similar lines, retailers in developed markets are under increasing pressure by consumers to certify the sourcing chain and innocuousness of their products in terms of social and environmental standards. For most firms, GVC standards in the form of product and quality specifications are therefore indispensable. Price becomes a second order criterion. Thus, while public measures such as tariffs and health and safety (phyto-sanitary) standards continue to play a role in global trade, they are increasingly secondary to private standards, often defined by the firms that control global value chains (Cattaneo and Miroudot, 2013; López González and Holmes, 2011).

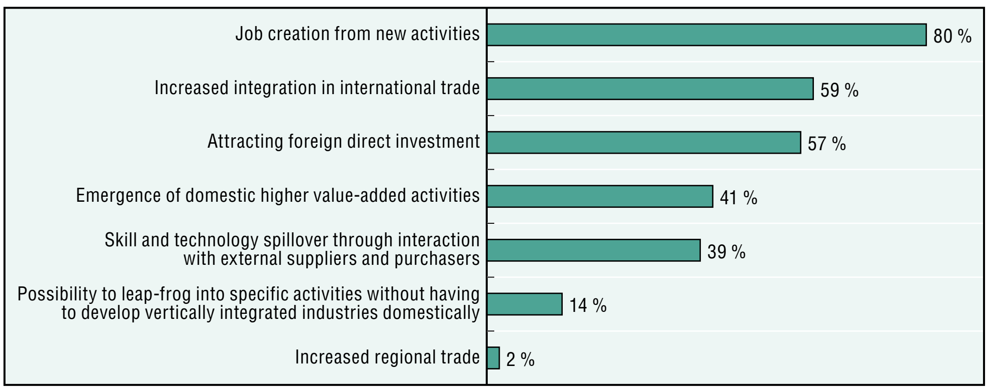
African countries can now integrate into a value chain without having all the other steps of the chain in place. In the past, for a country to industrialise it had to develop the domestic capacity to perform all major steps in the value chains of complex manufactured products. Today, through linking into an international production network, countries can establish a specific section of a product's value chain without having all the upstream capabilities in place (Cattaneo et al., 2013; Gereffi and Lee, 2012; OECD, 2013). These remain elsewhere and are linked through shipments of intermediate products and communication of the know-how necessary for the specific step in the value chain present in the country. The presence of high-tech goods in a country's export basket therefore no longer implies the presence of a wide set of industrial capabilities, but merely the presence of the respective assembly operation.

Through participation in a value chain, countries and firms can acquire new capabilities that make it possible to upgrade, i.e. to capture a higher share of the value added in a global value chain. The development experiences of several Asian countries show how industrialisation depends on linkages and on innovations arising from knowledge spillovers. For instance, China integrated into global value chains by specialising in the activities of final product assembly and was capable of upgrading its participation by building a competitive supply base of intermediate goods (developing linkages) and by enhancing the quality of its exports. At the firm level, economic upgrading is defined as "moving up" the value chain into higher-value activities, which theoretically enables firms to capture a higher share of value in the global value chain and enhances competitiveness (Gereffi et al., 2005; Humphrey and Schmitz, 2002).

Economic upgrading must be linked to social upgrading to become inclusive. Social upgrading refers to expanding employment and improving employment conditions of the local workers in a given global value chain (Barrientos et al., 2011; Milberg and Winkler, 2013; Bernhardt, 2013).

Global value chains thus hold the promise of boosting employment and structural transformation in Africa. Structural transformation entails the rise of new, more productive activities and the movement of resources from less productive activities to these newer ones, raising overall productivity.[2] Although Africa has experienced impressive growth and some structural transformation over the last decade,[3] this transformation has not been enough to make a sufficient dent in employment or poverty (AfDB et al., 2013). Global value chains can allow Africa to set up the type of new and more productive activities that are behind structural transformation. The 2013 edition of this report showed that Africa needs large numbers of low-skilled jobs in fields that are sufficiently close to existing capabilities to enable learning and effective linkages with the wider domestic economy (AfDB et al., 2013). Particularly basic manufacturing and agriculture-related GVC activities have this potential. In a survey for this report, 93% of responding experts on African countries considered global value chains to be an opportunity rather than a threat. The majority of respondents also view "job creation from new activities" as the top opportunity arising from global value chains and resulting in new trade patterns for African countries (Figure 6.6).

Figure 6.6. **The greatest opportunities arising from global value chains and resulting new trade patterns**



Note: Numbers reflect the percentage of respondents per item. The survey covered one expert for each country.
Source: AEO Country Experts Survey (2014).
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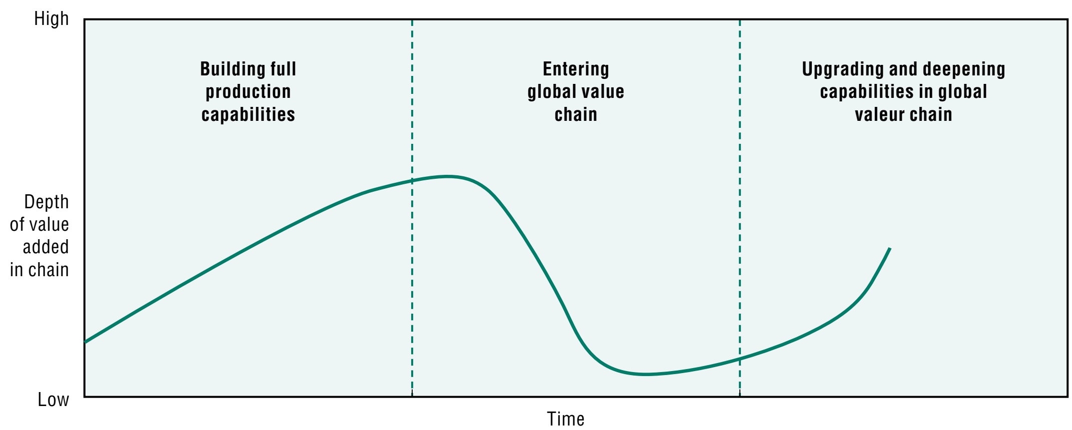
China's gradual changes might allow Africa to increasingly participate in global value chains. The Chinese population is expected to stop growing and wages are rising, eroding China's attractiveness as a labour-intensive manufacturing hub. In recognition of these changes, China's leaders have adopted the goal of rebalancing the Chinese economy towards consumption and a greater role for the service sector. This has ignited a shift in labour-intensive manufacturing investment away from China and towards other regions, especially South and Southeast Asia. The World Bank suggested in 2011 that China might soon have 85 million light manufacturing jobs to export (Lin, 2011; Chandra et al., 2012). Although it seems unlikely that these jobs will indeed be moved away from China, many international firms are looking outside of China, also towards Africa, for further expansion.

Success requires good conditions and targeted support

Where a country is located in a global value chain can affect the degree to which it benefits from the chain. Economies can be positioned upstream or downstream in global value chains depending on their specialisation, and their positions may change over time. Upstream economies produce the raw materials or knowledge assets at the beginning of the production process (e.g. research, design), while downstream economies assemble processed products or specialise in customer services. Activities such as research and development and design, but also certain services, tend to create more value added than assembly (OECD, 2013).

Entering into a global value chain can reduce domestic value added but growth can follow if upgrading occurs. Lead firms strive to create global value chains that combine the advantages of different locations and African producers (and countries) must specialise in discrete segments of a chain to link into a global value chain. This implies that initially a lower share of the value added can be captured locally and that exports will show a higher foreign value as GVC participation increases. Upgrading is necessary for the share of value added captured domestically to climb again, as demonstrated in Figure 6.7 (Kaplinsky, 2013).

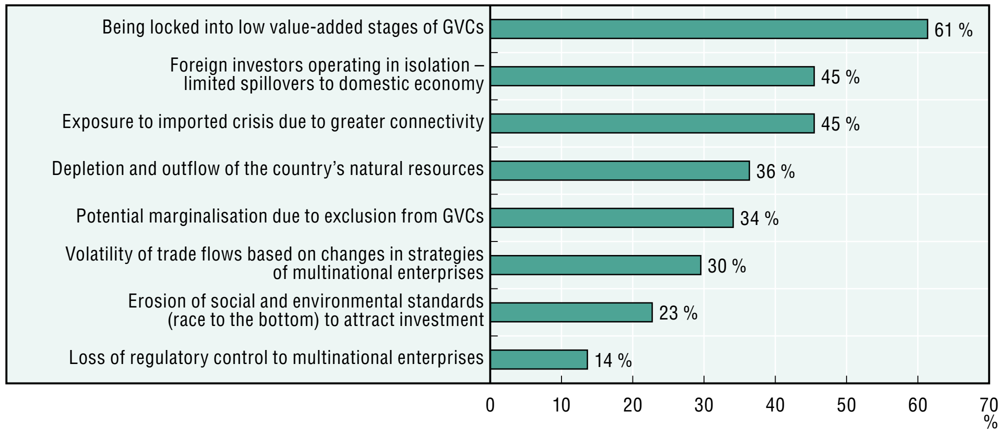
Figure 6.7. **The global value chain upgrading wave**



Source: Kaplinsky (2013).

Without upgrading and the accumulation of new capabilities, however, GVC integration risks downgrading. The initial decline in the share of domestic value added need not be a problem, as long as the participation in a global value chain allows for high growth rates of the domestic activities and employment.[4] However, in the long run local operations risk remaining confined to the low value-added segments of a global value chain if no activities generating more value added are created locally. Worse, downgrading, which describes the loss of value adding activities and employment or the worsening of labour conditions, can occur when previously existing adjacent links disappear before they can integrate into the global value chain. For example, many African countries produce both clothing and cotton but have lost their textile industries to Asian competition. Social downgrading can result from the destruction of employment or reduction of real wages due to GVC integration. It can also result from captive relationships between local value chain actors that lead to lower incomes for primary producers, such as fishermen who receive lower prices from buyers and middle men. In a survey for this report, *African Economic Outlook* country experts identified the biggest threats associated with global value chains in Africa as "being locked into low value-added stages of GVCs" and "foreign investors operating in isolation with only limited spillovers to the domestic economy" (Figure 6.8).

Figure 6.8. **The greatest threats associated with global value chains and resulting new trade patterns**



Note: Numbers reflect the percentage of respondents. The survey covered one expert for each country.
Source: AEO Country Experts Survey (2014).
StatLink http://dx.doi.org/10.1787/888933033232

The potential for upgrading within a value chain depends on the capabilities and services in place. Increasing participation in most global value chains requires efficient logistics and low barriers to importing intermediate goods, reliable energy provision as well as a sufficient supply of workers with the right skills. Once a country has joined a global value chain at the production stage of a product, moving up the value chain in either direction (towards sourcing and research and development, or towards sales, distribution and marketing) requires a range of services that must be available at competitive prices and quality. This is particularly crucial for local small and medium enterprises which need access to the necessary range of services in order to concentrate on the value chain specific activity they do best.

The potential for upgrading also depends on the chain's governance, i.e. the distribution of power within the chain. Governance refers to the "authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain" (Gereffi, 1994, p. 97). Governance structures of value chains depend on whether the lead firm in the chain is primarily a buyer (and marketer) of products or a producer. Beyond this basic distinction, governance structures vary by the complexity of the information between actors in the chain; how the information for production can be codified; and the level of supplier competence (see also Chapter 7; Frederick and Gereffi, 2009; Gereffi et al., 2005). More open chains with low complexity such as clothing are easier to integrate into, but upgrading can be difficult as competition between providers at each stage is stiff and most value added is captured by the lead firm which controls distribution and marketing. More complex and information-intensive chains such as pharmaceuticals or automotive manufacturing are more difficult to enter into, but the potential for building relationship and transferring skills between local and international firms is significantly higher. Captive relationships need to be closely monitored as they often bestow highly asymmetric power on intermediary buyers. In Africa, captive governance forms are particularly prevalent in agricultural value chains.

Seizing the opportunities offered by global value chains requires competent and innovative entrepreneurs who are committed to the country. Entrepreneurs combine market knowledge with a vision of new ways of solving problems, either through new products or better processes. As this report shows, many opportunities for upgrading are to be found in product differentiation – making a similar, but slightly better product for a consumer base that is similar but has a higher willingness to pay. It takes entrepreneurs to see these opportunities and accept the risks involved with trying to seize them. For entrepreneurs to reap long-term benefits from global value chain participation they must be committed to developing in the local market even in the face of economic difficulties. Following the 2008 financial crisis, the Egyptian apparel industry was capable of sustaining its export levels owing to the fact that the industry was locally embedded. In contrast, the Jordanian apparel exports dropped more than 30% between 2008 and 2010 given its composition of footloose Asian investors (Azmeh, 2013 in Kaplinsky, 2013).

Using global value chains for development requires providing the best environment **for value chains with the greatest identified potential**. The objective of development policy can no longer be to create an industry that captures all stages of production but should be to identify the country's best position in a global value chain and the most competitive supply of business functions (Cattaneo and Miroudot, 2013). Education and other basic services, infrastructure and an environment conducive to doing business are without question essential. The importance of a value chain lens, however, lies in appreciating the requirements for integrating into and upgrading within a specific global value chain; beyond the basics the necessary infrastructure, skills and services vary by chain. Dairy products for example require dense and reliable cold chains and collection structures; manufactures, textiles and many fruits necessitate efficient access to sea freight; whereas fresh-cut fruits, vegetables and flowers need efficient air freight.

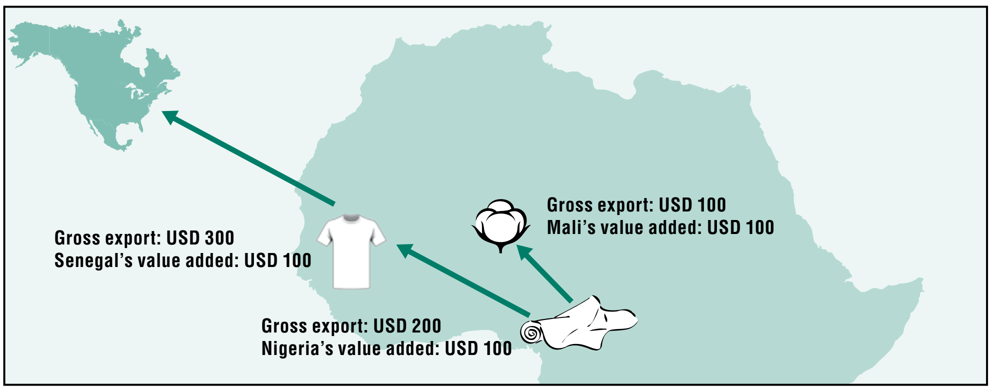
Measurements show increasing participation in global value chains, with regional variations, due largely to the manufacturing sector

Conventional trade statistics have tended to give an ever more distorted view of world trade, as intermediate goods are counted each time they cross international borders. Measuring trade in value-added terms gets around that problem, but data on trade in value added have only recently started to be compiled. The share of foreign value added in a country's exports – termed "backward integration" – and the share of a country's value added in other countries' exports – known as "forward integration" – are the main measures of a country's participation in global value chains. Africa's share of global trade in value added is small but growing. Africa is rather highly integrated into global value chains, albeit more as a source of primary inputs than as a production hub. But backward integration has been growing far faster than forward integration and faster than that of other regions. Southern Africa is the region most integrated into global value chains. Asia and Europe are the main source of foreign value added in African exports and Europe the main destination. Intra-African value added is more prevalent in the more integrated regions of Southern and East Africa. South Africa is the only country in Africa so far that is playing the role of headquarter economy in its region. The manufacturing sector is the most integrated into global value chains and agriculture the least. Financial intermediation and business services have the highest proportion of intra-African value added.

Africa's participation in global value chains can be measured in terms of trade in value added and of backward and forward integration

Measuring GVC participation requires new approaches, as conventional trade accounting suffers from double counting. By measuring international trade in gross terms, conventional trade statistics often record intermediate inputs more than once along the value chain. Double counting of trade occurs when intermediate inputs cross borders and are then used to produce other goods for export, whether for further processing or final consumption. The simple example in Figure 6.9 illustrates this. In the example Mali exports cotton at a value of USD 100 to Nigeria, where it is spun and woven into textiles. This adds a value of USD 100. The textiles are exported to Senegal for USD 200. Senegal then produces t-shirts, adding another USD 100 and exports them for USD 300 to the United States. Conventional trade statistics would show transactions worth USD 600 and Senegal's exports worth USD 300, although only USD 100 of value added was created there, while USD 200 were imported. As trade in intermediate inputs is a large and growing part of cross-border trade flows owing to the increasing geographic fragmentation of production, a significant part of international trade is thus affected, giving a distorted picture of overall trade flows.

Figure 6.9. **Traditional vs. value-added trade statistics – understanding double counting**



Source: Authors' elaboration.

Measuring cross-border trade flows in terms of value added enables separating the domestic and foreign value-added content of exports, thus mitigating or eliminating the problem of double-counting. Measures of trade in value added reflect the value added embodied in a product and the origin of this value added. The foreign value added in a country's exports refers to the amount of goods and services that a country imports from abroad to produce its own exports. Using the example above, Senegal would show clothing exports of USD 100 in domestic value added and USD 200 in foreign value added. Nigeria's trade in value added would show exports of USD 100 of domestic value added and USD 100 of foreign value added.

Accounting for trade flows in terms of value added is data intensive. The OECD, World Trade Organization (WTO) and United Nations Conference on Trade and Development (UNCTAD) have recently created databases to compile such data. Value added accounting requires regularly updated national input-output and supply-use tables that are combined with data on trade flows to establish the use of supply in production and the subsequent value added by sector. The OECD-WTO TiVA database provides these data on the basis of the most recent available information for OECD countries and a number of developing countries; however, owing to data constraints, South Africa is the only African country covered in this database. The UNCTAD-Eora GVC database also uses available information but, to produce measures of trade in value added for all countries, interpolates for countries which do not have the necessary data. The UNCTAD-Eora dataset is used here to analyse Africa's GVC integration. Box 6.2 gives an overview of recent data initiatives.

Box 6.2. **Tools measuring international trade in value added**

The way international trade has traditionally been accounted for may no longer be sufficient. A growing body of work aims to net out the double-counting effect of global value chains on global trade, determine value added in trade and map how value added moves between countries along global value chains before the final consumption of end products. But measuring trade in value added is subject to significant methodological challenges and is still in its infancy. The table below summarises the characteristics of the main initiatives to measure trade in value added undertaken by different organisations to date:

Table 6.2. **Tools measuring international trade in value added**

Project	Institution	Data sources	Countries	Industries	Years
Joint OECD-WTO Trade in Value Added (TiVA) initiative	OECD, WTO	National I-O tables, complemented by BTDIxE, TIS and STAN industry databases	57	18	1995, 2000, 2005, 2008, 2009
UNCTAD-Eora GVC database	UNCTAD, Eora	National Supply Use and I-O tables, and I-O tables from Eurostat, IDE JETRO and OECD	187	25-500 depending on the country	1990-2010
Asian International I-O Tables	Institute of Developing Economies (IDE-Jetro)	National accounts and firm surveys	10	76	1975, 1980, 1985, 1990, 1995, 2000, 2006
Global Trade Analysis Project (GTAP)	Purdue University	Contribution from individual researchers and organisations	129	57	2004, 2007
World Input-Output Database (WIOD)	Consortium of 11 institutions, EU funded	National Supply Use tables	40	35	1996, 2009

Note: (I-O) input-output.
Source: Authors' elaboration.

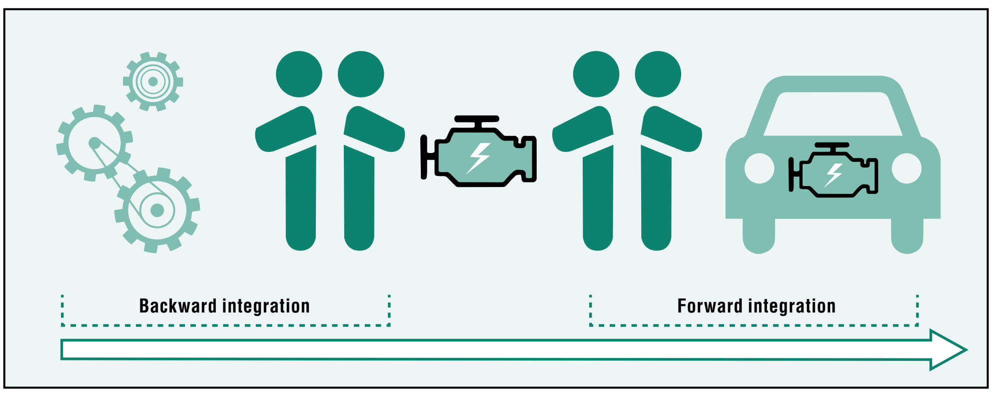
These initiatives differ in terms of data sources, countries and years, as well as in their industry coverage and methodology. The joint OECD-WTO TiVA database is recognised as the most comprehensive effort to set a common standard for estimating value added in trade by emphasising methodology and statistical rigour but sacrificing coverage. In contrast, the primary objective of the UNCTAD-Eora Database is extended coverage in order to provide a developing-country perspective. To obtain this extended coverage, the UNCTAD-Eora database includes a degree of interpolation and estimation in some places to provide a contiguous, continuous dataset for the period 1990-2011. Given its focus on Africa, which is relatively absent from the OECD/WTO TiVA database owing to data limitations, this report makes primary use of the UNCTAD-Eora database.

The UNCTAD-Eora database uses input-output (I-O) tables to estimate the import-content ratio in exportable products and value-added trade. The value-added trade data are derived from the Eora global multi-region I-O (MRIO) table, which brings together a variety of primary data sources, including *i*) national I-O tables and main aggregates data from national statistical offices; *ii*) I-O compendia from Eurostat, the Institute of Developing Economies – Japan External Trade Organization (IDE-JETRO) and the OECD; *iii*) national account data (the UN National Accounts Main Aggregates Database; and the UN National Accounts Official Data); and trade data (the UN Comtrade international trade database and the UN Service Trade international trade database).

A macro view of trade in value added provides insight into a country's level of integration into global value chains; backward and forward integration offer this macro view. Integrating into a global value chain means becoming part of an international production network in which intermediate inputs are sourced in many different locations and assembled in yet another country. Backward integration is the share of foreign value added in a country's exports. It looks back from the perspective of a country's exports across foreign inputs into local production (De Backer and Miroudot, 2013; López González and Holmes, 2011; OECD, 2013).

Forward integration is the share of a country's value-added exports that are embedded in the exports of other countries. It looks forward from the country's perspective at the flow of its exports around the world, specifically those other countries use to produce their own exports (De Backer and Miroudot, 2013; López González and Holmes, 2011; OECD, 2013). Returning to the example above, Mali's exports of cotton and Nigeria's exported value added embedded in its textile are both later embedded in Senegal's exports of t-shirts and as such constitute part of Mali's and Nigeria's forward integration into global value chains. See Figure 6.10 for an illustration of backward and forward integration.

Figure 6.10. **Illustration of backward and forward integration**

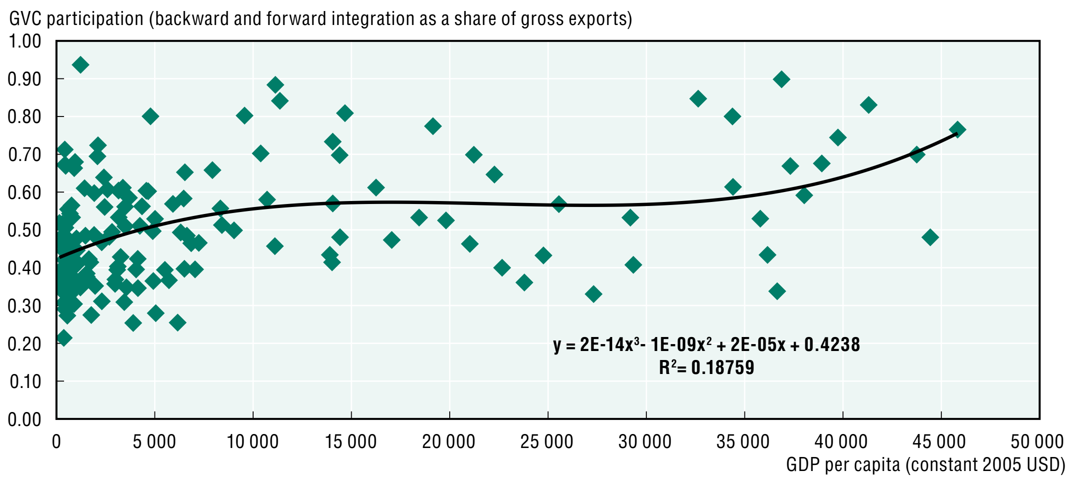


Source: Authors' elaboration.

Combining backward and forward integration gives a measure of a country's total GVC participation. Both concepts are expressed as a percentage of a country's gross exports. Although GVC participation is roughly similar across African countries, large economies show lower values as they rely less on international trade production, whereas small open economies are more integrated in global production networks. Small open economies such as Lesotho or Mauritius source more inputs from abroad and produce more inputs used in global value chains than larger economies such as Nigeria or South Africa, where a larger share of the value chain is domestic. Nevertheless, total GVC participation is less related to country size than backward integration (foreign value-added content of exports), as it also looks forward at the use of inputs in third economies (OECD, 2013).

Income seems to follow a wave, leading from forward to backward to forward integration. Countries with low levels of development, here measured by gross domestic product (GDP) per capita, mainly export primary inputs into production processes such as agricultural base products, ores and base metals. To the extent which these products are embedded in the exports of the first importer, they account for a country's forward integration into global value chains. As a primary country develops and successfully integrates into global value chains at the production stage, it imports more intermediate products. Since these intermediate products are embedded in the country's exports, they account for its backward integration into global value chains. As a country climbs further in the value chain through upgrading and establishing headquarter functions, it exports more intermediate goods with high value added, such as machine or electronics components that are assembled into final products in other countries (López González and Holmes, 2011; Baldwin and López González, 2013). Figure 6.11 shows this pattern.

Figure 6.11. **The global value chain participation wave, 2011**



Note: Each point represents one country.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014) and World Bank (2014).

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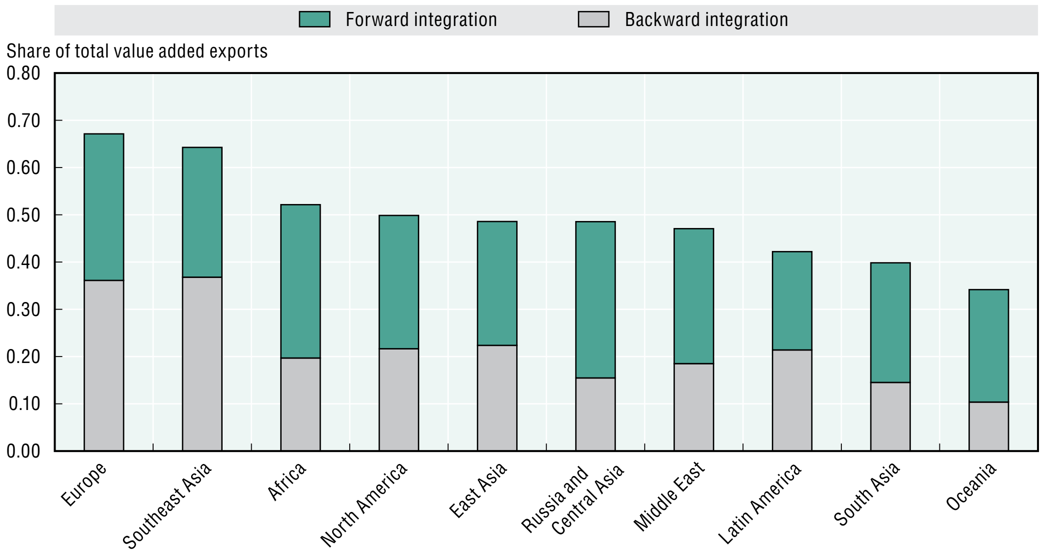
Africa's participation in global value chains is growing, particularly in primary goods and in backward integration

Africa captures a small but growing share of GVC trade. Africa's share in global trade in value added grew from 1.4% in 1995 to 2.2% in 2011. This represents an increase of almost 60%, whereas the established GVC regions in America, Asia and Europe saw a relative decline in their shares. Africa's growth was also higher than that of Latin America and the Middle East, which play small roles in global value chains similar to Africa, but lower than South Asia's (Table 6.1).

Despite its low share of global GVC trade Africa's total level of GVC integration is high compared to other regions, but more so for forward than backward integration. Figure 6.12 shows Africa in third place for overall participation in global value chains with about half of its gross exports either consisting of foreign value added or being used to create intermediate goods elsewhere that will be exported onwards. Only Europe and Southeast Asia, two dense and highly interlinked regions, are significantly more integrated into global value chains. In both regions, embedding foreign value added in a country's own exports plays a more important role than exporting intermediates. However, only Russia and Central Asia, the Middle East and South Asia have lower values of backward integration than Africa.[5] Africa's low and so far constant share of 2% of global imports of intermediates equally points to its still marginal role in global assembly (Figure 6.5).

Figure 6.12. **Integration of world regions into global value chains, 2011**



Note: Backward integration is measured by the share of foreign value added embedded in a country's exports. Forward integration is measured by the share of a country's exported value added that is further exported by the importing country.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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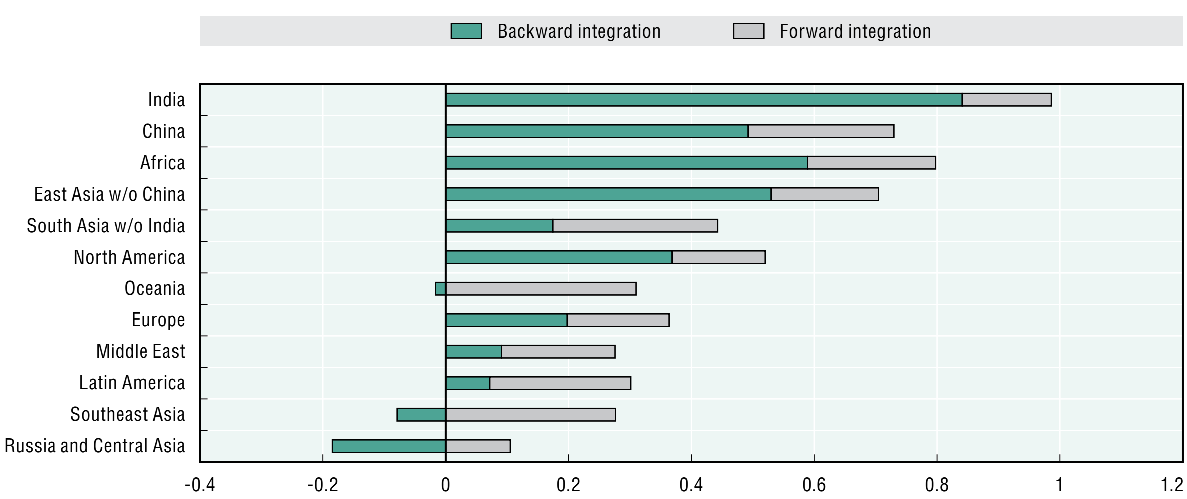
However, this seems to be changing as Africa's backward integration has been growing faster than its forward integration and faster than that of other regions. Africa's GVC integration increased by 80% between 1995 and 2011.[6] Almost three-quarters of this growth was driven by backward integration. The growth of Africa's GVC integration looks particularly impressive compared to that of Latin America or the Middle East which both saw their integration grow by no more than 25% over the same period (Figure 6.13). Only India has shown a higher growth rate among the country groupings examined here.

Figure 6.13. **Growth of global value chain integration, 1995-2011**



Note: Backward integration is measured by the share of foreign value added embedded in a country's exports. Forward integration is measured by the share of a country's exported value added that is further exported by the importing country.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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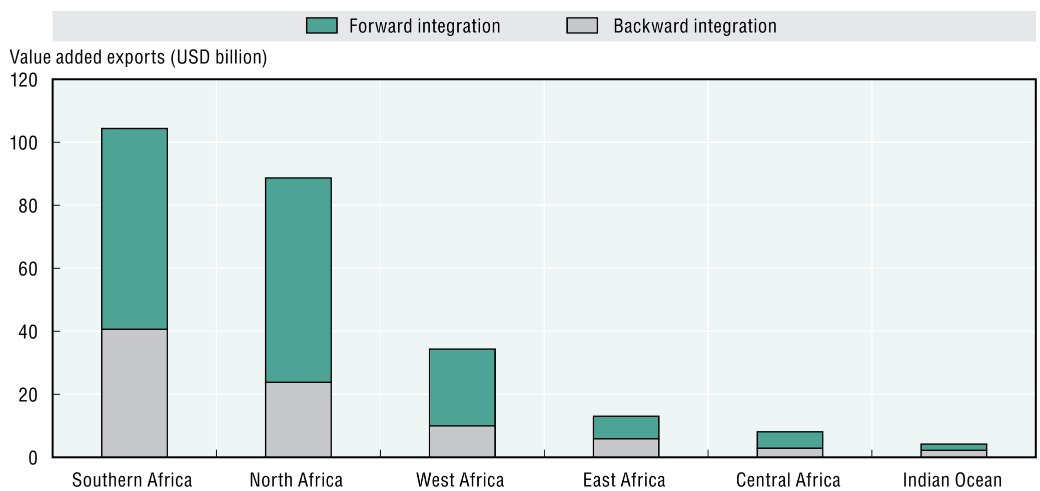
Volumes, sources and destinations of value chain trade vary across Africa's regions and countries

Southern Africa is the leading region in Africa in terms of GVC participation; North and West Africa follow but are strongly driven by forward integration. With just above USD 100 billion in 2011, Southern Africa accounts for about 40% of Africa's GVC participation, one-third of which is backward integration. North Africa accounts for 35%, but only a quarter stems from backward participation. West Africa accounts for 15% and has a profile similar to North Africa, with the use of foreign inputs in exports only making up a quarter of total participation. East Africa and the island states in the Indian Ocean together account for 6% of Africa's GVC participation and have the most balanced profile with half forward integration and half backward (see Figure 6.14).

Figure 6.14. **Integration of African regions into global value chains, 2011**



Note: Backward integration is measured by the share of foreign value added embedded in a country's exports. Forward integration is measured by the share of a country's exported value added that is further exported by the importing country.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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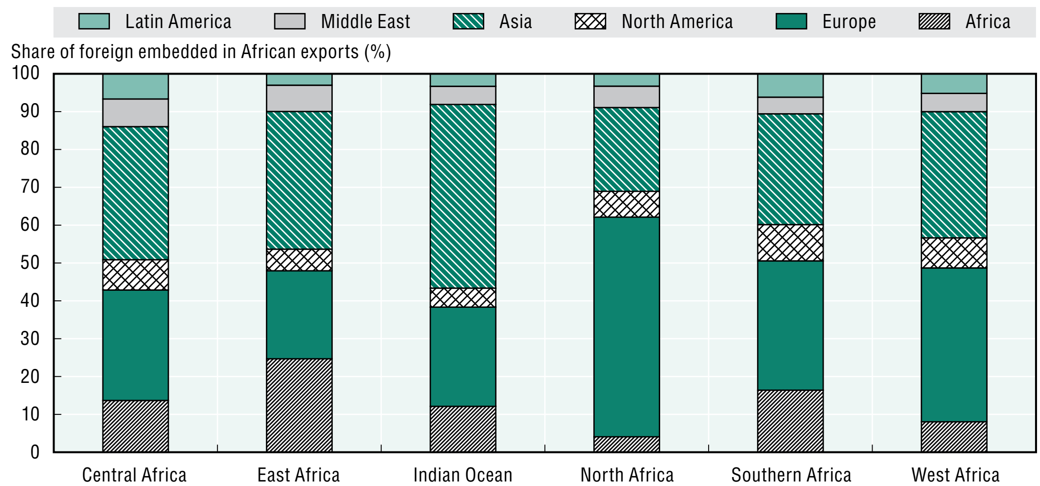
In terms of backward integration, Europe and Asia are the main sources of foreign value added embedded in African exports. Intra-African value chains play a role in the more integrated regions of East and Southern Africa. Europe accounts for 40% of foreign intermediates embedded in African exports, Asia for 30%. For North, West and Southern Africa, Europe is the main source of intermediates, whereas Asia is the leader in East Africa and the Indian Ocean island states as well as in Central Africa. Backward participation between African countries is highest in East Africa, where it reaches 25%, followed by Southern and Central Africa, where intra-African GVC participation remains at about 15%. In North and West Africa, African products account for less than 10% of foreign value added embedded in exports (see Figure 6.15).

Figure 6.15. **Sources of foreign value added in African exports**



Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).
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Indications are that South Africa is playing the role of a headquarter economy in its region, following the pattern observed in Asia, Europe and North America. Overall, South African use of intermediates from other economies in the region increased nine-fold between 1995 and 2011 (from USD 78 million to USD 686 million). In turn, South African intermediates embedded in the exports of other economies in the region increased five-fold in the same period (from USD 675 million to USD 3 487 million). Table 6.3 shows the share of intermediates sourced from regional trade partners for each country in Southern Africa in 2011. Botswana, Namibia, Swaziland, Zambia and Zimbabwe all source more than 10% of intermediates from South Africa.

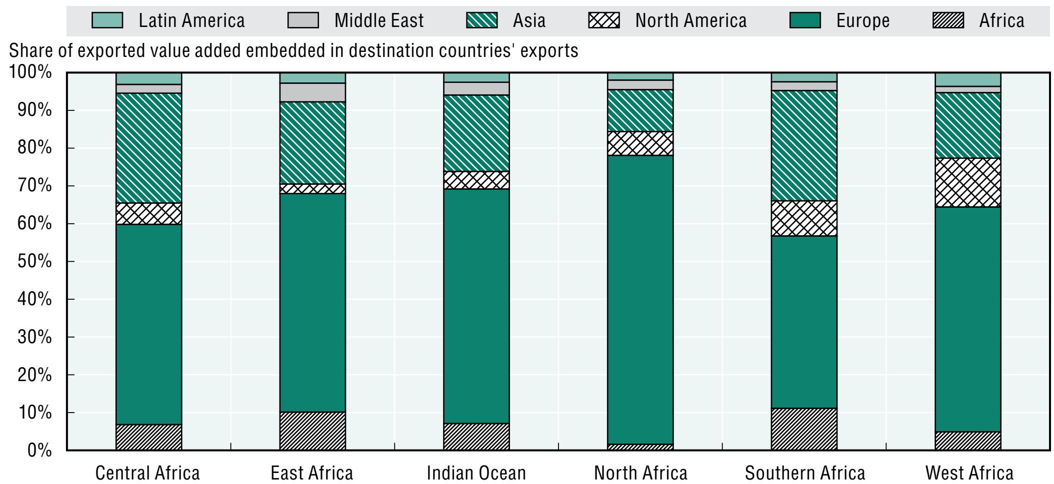
Table 6.3. **Backward integration matrix for Southern African economies, 2011**

	AGO	BWA	LSO	MOZ	MWI	NAM	SWZ	ZAF	ZMB	ZWE
AGO		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BWA	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LSO	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
MOZ	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
MWI	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00
NAM	0.01	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00
SWZ	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
ZAF	0.01	0.12	0.00	0.03	0.02	0.12	0.26		0.10	0.13
ZMB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01		0.00
ZWE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Note: Rows represent exported value added. Columns represent imported value added that is then embedded in exports. Zeros indicate values of less than 0.01% of exports.
Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

In terms of forward integration, Europe remains the main destination of African intermediates that are bound for global value chains. Africa plays a much smaller role as a destination than as a source. Asia is also less prevalent as a destination for African value added than as a source.

Figure 6.16. **Destinations of African intermediates for further exportation**

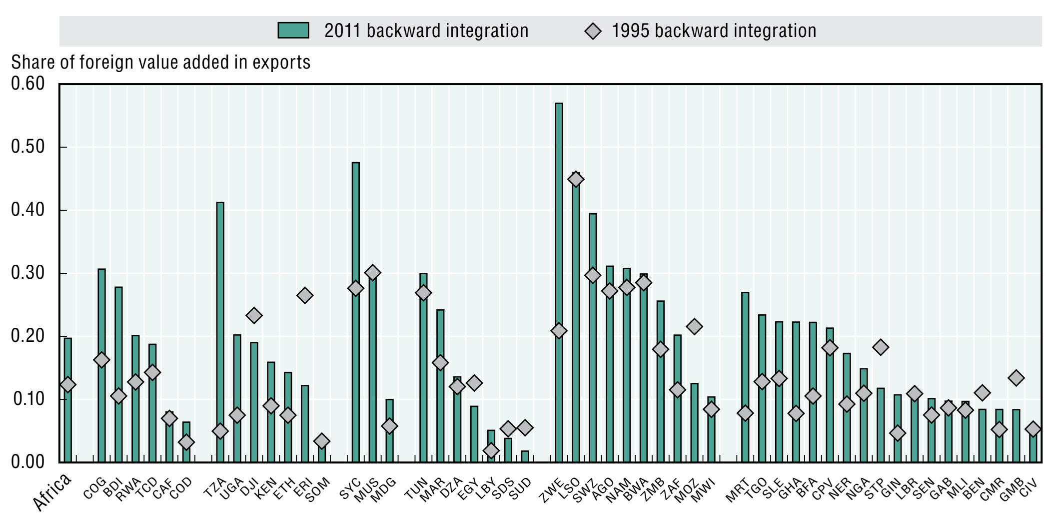


Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

StatLink http://dx.doi.org/10.1787/888933033346

The African average participation in global and regional African value chains masks a great deal of variety between countries. Five African countries — Lesotho, the Seychelles, Swaziland, Tanzania and Zimbabwe — are among the world's top 30 countries in terms of GVC participation; 13 countries, predominantly located in Western and Central Africa, are among the bottom 30 globally.[7] Six of the ten most integrated countries are located in Southern Africa. Figures 6.17 and 6.18 show the levels of backward and forward integration of African countries in 1995 and 2011: most countries increased both. Notable exceptions are Egypt and Mozambique whose exports contained relatively less foreign value added in 2011 than in 1995. Their forward participation, on the other hand, increased, indicating a move towards more resource exports.

Figure 6.17. **Backward integration of African countries into global value chains, 1995 and 2011**

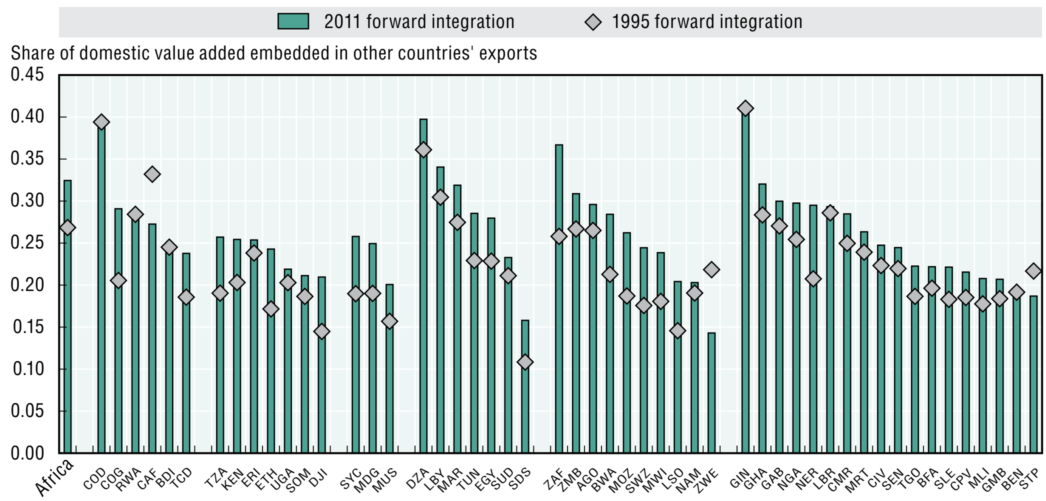


Note: Backward integration is measured by the share of foreign value added embedded in a country's exports.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

StatLink http://dx.doi.org/10.1787/888933033365

Figure 6.18. **Forward integration of African countries into global value chains, 1995 and 2011**



Note: Forward integration is measured by the share of a country's exported value added that is further exported by the importing country.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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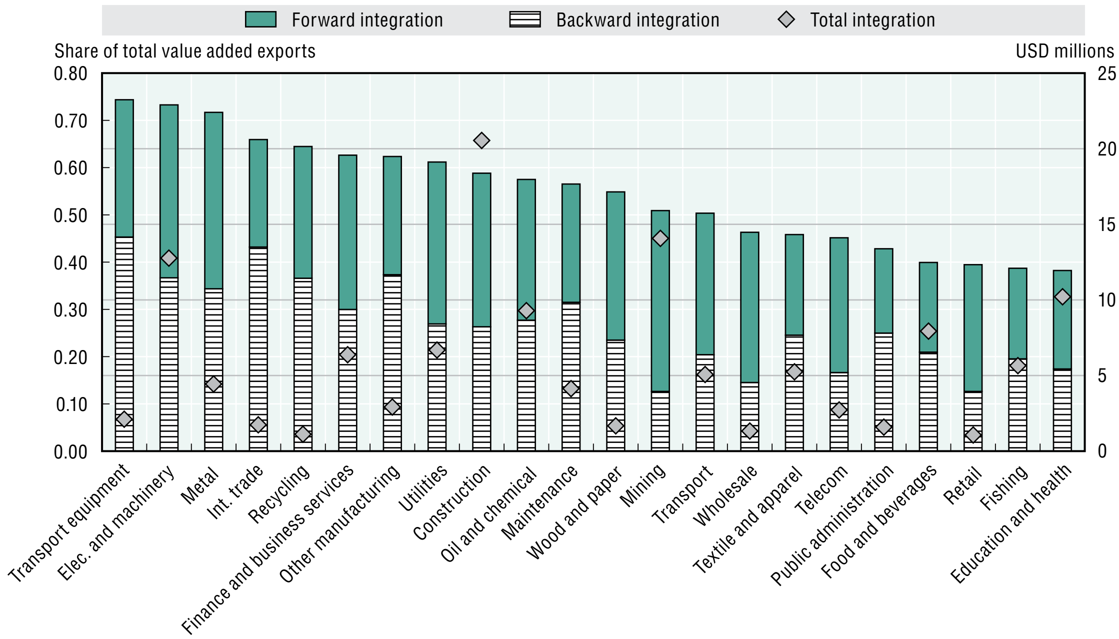
The manufacturing sector leads Africa's integration into global value chains, ahead of business services and agriculture

Manufacturing shows the highest level of global and regional value chain participation, agriculture the lowest. Vehicle manufacturing leads in terms of foreign value added embedded in exports, reflecting the structure of Africa's automotive operations as assembly hubs in the production networks of the large international car companies. This is the case mainly for Egypt, Morocco and South Africa. Other medium to high tech manufacturing in Africa follows a similar structure, given the high content of foreign value added embedded in the exports of electrical machinery and metal products. Although its share has been declining, mining and quarrying remains the sector with the greatest foreign value added in African exports in absolute terms, followed by petroleum, chemical and non-metallic mineral products. In 2011, these two sectors accounted for about a third of all foreign value added in African exports, down from about 43% in 1996 (Figures 6.19 and 6.20).

Among services, finance and business have the highest GVC participation rates and the highest share of African value chains. Africa's high value added service sectors seem well integrated into global networks. Especially in finance, regional African value chains are of particular importance and the sector shows a much higher share of value added from other African countries in a country's exports than any other sector, attesting to the strength of regional banking groups (Figure 6.20). Less sophisticated and more traditional service sectors such as the hospitality sector and trade show much lower rates of foreign value added in exports.

Figure 6.19. **Africa's integration into global value chains by sector, 2011**



Note: Backward integration is measured by the share of foreign value added embedded in a country's exports. Forward integration is measured by the share of a country's exported value added that is further exported by the importing country.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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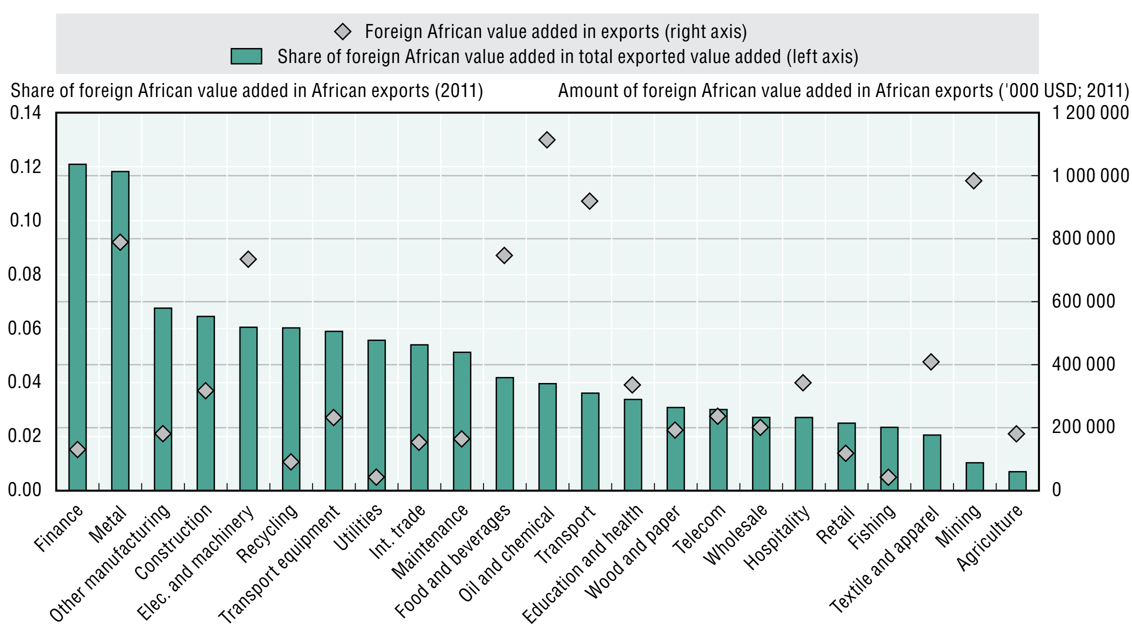
Figure 6.20. **Regional value chain integration by sector, 2011**



Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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Export and productivity growth has been easier to achieve than employment growth

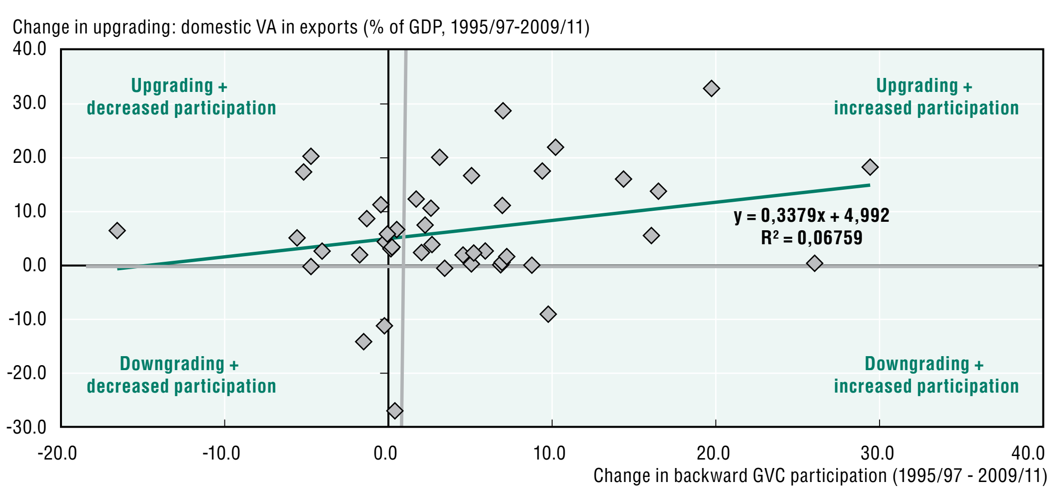
Participating in global value chains is an important first step that must be turned into economic gains and social gains. This section proposes measures for those gains and analyses their relationship to GVC integration in Africa. It looks specifically at productivity, domestic value added in exports, employment and other social benefits.

Domestic export content and productivity have grown alongside global value chain participation in most African countries

Growth rates of domestic value added embedded in exports and productivity serve to measure economic upgrading. While GVC participation can be measured at any point in time, any measure of upgrading, which is a dynamic process, must consist of growth rates. The growth in domestic value added embedded in a country's exports scaled by GDP is used as a specific measure of GVC upgrading. Growth rates of productivity at the national and firm levels are used as a standard indicator for economic development.

Most African countries experienced growth in domestic value added embedded in exports alongside growth in GVC participation from 1995 to 2011. Figure 6.21 shows the relationship between changes in GVC participation and domestic value added embedded in exports as a share of GDP. GVC performance can be plotted in four quadrants. Most African countries fall in the upper right-hand quadrant, i.e. they have increased their participation and the economic gains from this participation. The countries in the lower right hand quadrant are largely petroleum exporters that have seen some change in their participation but have not been able to increase GVC-related domestic value added as part of their GDP which is heavily determined by the price of oil. The correlation between GVC participation and growing domestic value added in exports was stronger in the 2000s than in the 1990s,[8] suggesting that global value chains are becoming more important in world trade.

Figure 6.21. **Linking global value chain participation to growth in domestic value added in exports as a share of GDP, 1995/97 compared to 2009/11**



Note: Domestic value added embedded in exports as a share of GDP is used here to measure how much a country has benefitted from GVC participation. Backward integration is measured by the share of foreign value added embedded in a country's exports. Three-year averages are used for the base and comparison periods to account for year-to-year volatility.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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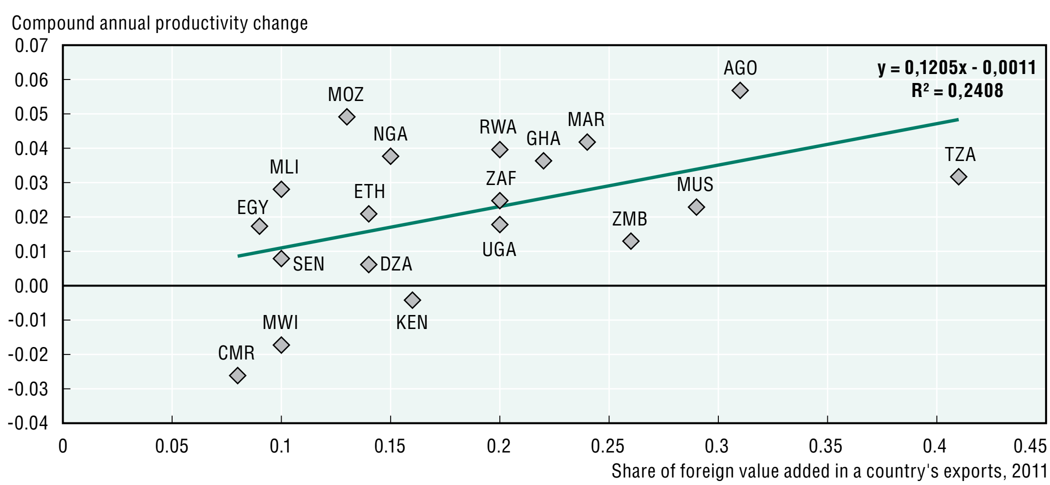
Beyond the share of domestic value added in exports, however, backward and forward integration have opposite effects, reflecting widespread dependence on natural resources. Backward integration (the share of foreign value added in a country's exports) links strongly with a number of measures of structural transformation as the following paragraphs will show. Forward integration (the share of a country's exports that is transformed into further exports by the importer), on the other hand, shows negative links with measures of structural change and diversification, reflecting the negative impact of dependency on natural resources[9] (see also AfDB et al., 2013; Rieländer and Traore, forthcoming). Going forward the analysis presented will therefore concentrate on backward integration.

African countries with a higher share of foreign value added in exports on average experienced higher productivity growth and positive structural change. In addition to the basic link with growing domestic value added in exports, GVC participation has also been linked to productivity growth in African countries. Following the methodology laid out in last year's report (AfDB et al., 2013), Figure 6.22 depicts compound annual productivity growth for the countries for which these data were available, compared to the share of foreign value added embedded in their exports. This suggests that a larger share of foreign value added in exports on average comes with higher annual productivity growth. The relationship with the structural change term, i.e. the share of productivity growth driven by movement of labour from the less to the more productive sectors of an economy, also seems to be linked to the foreign share of value added in exports.[10]

Figure 6.22. **Compound annual productivity change (range of different years per country during the 2000s) and foreign value added in exports in 2011 in Africa**



Source: Authors' calculations based on UNCTAD-EORA GVC database (2014), productivity data from McMillan and Rodrik (2011) and AfDB et al. (2013).
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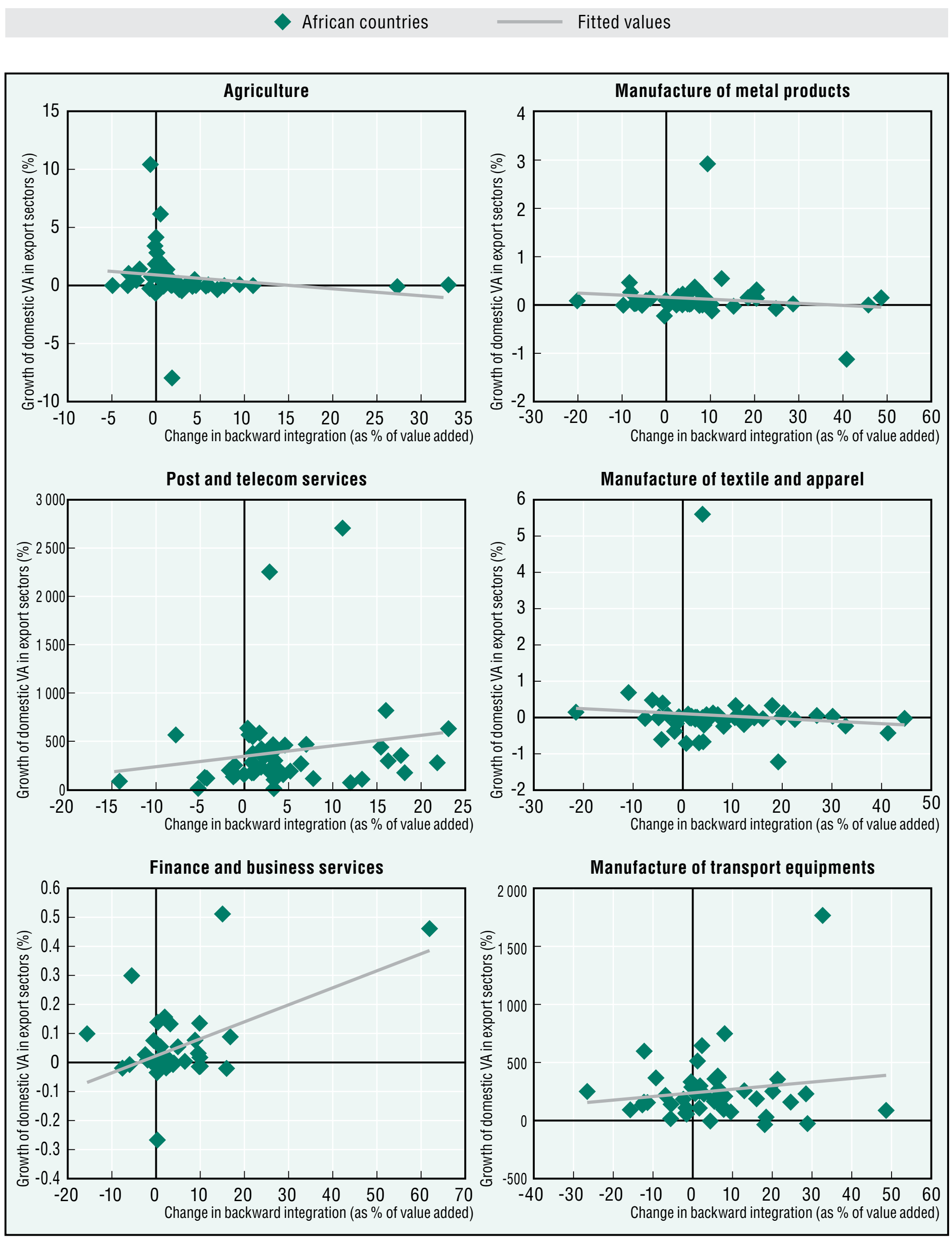
The share of foreign value added in exports is also strongly positively related to diversifying and discovering new export items. Diversification is strongly correlated with GDP per capita levels (Imbs and Wacziarg, 2003; Klinger and Lederman, 2006; Cadot et al., 2012) and a key driver of structural transformation (AfDB et al., 2013; Rieländer and Traore, forthcoming). Measures of export diversification and discoveries of new products are strongly correlated to a country's measures of GVC participation.

Analysis suggests that the gains made at national level do not follow a clear pattern at the sector level. Although the relationship between GVC participation and growth of domestic value added is overall positive at the national level, this is not reflected in sector level results. Most countries show no clear link between the expansion of a sector's GVC integration, measured by the share of foreign value added in the sector's exports, and growth in the domestic value added generated by the sector; this is the case particularly in manufacturing, but also in services. In agriculture the relationship between the change in backward integration and the change in domestic value added seems to be negative (Figure 6.23). This pattern suggests that African countries do benefit from global value chains at large, but that the opportunities for upgrading and growth differ by country and value chain.

Figure 6.23. **Growth in backward integration into global value chains and domestic value added in exports by sector, 2000/02 compared to 2009/11**



Note: Backward integration is measured by the share of foreign value added embedded in a country's exports.
Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).
StatLink http://dx.doi.org/10.1787/888933033479

Even in countries that show success with GVCs, linkages between firms and sectors that are integrated into global value chains and the rest of the economy are not straightforward. Tunisia, one of the best performers in Figure 6.21, is a good example. It has thriving export sectors in textiles and apparel, electrical machinery, business services and tourism that are well connected to European production networks and markets. However, owing to strict regulations separating the offshore and onshore sectors, most of these activities operate in isolation from the broader local economy, limiting the potential for further upgrading and employment creation (Box 6.3 and Tunisia Country Note in this report). Cabo Verde has been able to boost its integration into global tourism value chains, increasing this sector's share of GDP to 20%. However, few linkages exist between the resort-style hotels and the local economy because of an unfavourable geography and the isolated operation of the hotel complexes (Cabo Verde Country Note).

Box 6.3. **Tunisia: Successful but limited by insufficient links between participators in global value chains and the rest of the economy**

Benefitting from its geographic and cultural proximity to Europe, Tunisia has progressively strengthened its relations with the EU, its main industrial partner and main client. The association accord signed in 1995 established, over time, a free-exchange zone between the two sides, which took effect on 1 January 2008 for industrial products. The start of the national programme for upgrading industry at the end of the 1990s allowed Tunisian industries to become more competitive for better integration into global value chains. In this context, major international donors set up branches in the country and/or developed subcontracting agreements, leading to greater Tunisian participation in the world economy. In 2013, there were 2 614 wholly exporting enterprises, the source of 323 262 jobs. Two sectors are particularly significant in this regard:[11] textile and clothing since the 1970s and, more recently, the electrical, engineering and electronics industries. If textiles are declining somewhat as a result of international competition, notably from Asia, the electrical, engineering and electronics sector has seen major evolution over the last 15 years, with the development of automotive and aeronautics component activities. The sector's exports increased by an average of 18% per year from 2000 to 2012. Since the early 2000s, the development of information and communication technologies has allowed the rise of new service activities and greater integration of Tunisia into GVCs. Call centres have developed, as have other forms of outsourcing to a lesser degree (outsourcing of accounting services, for example).

This progressive integration into GVCs has fostered growth in Tunisia, contributing to the creation of many jobs and exports. In 2012, the textile sector accounted for 22% of exports, and the electrical, engineering and electronics sector more than 36%. However this development model is running out of steam and its impact on the Tunisian economy appears limited today. The jobs created involve activities with little value added and therefore with unskilled personnel. And the location of the majority of exporting enterprises near logistical export zones (ports and airports) has accentuated regional disparities.

The low management-staff ratio has not been beneficial to technology transfers and the rise of value chains, limiting the development of these activities. Imported inputs constitute a significant portion of Tunisian exports, although this varies according to the products involved, and the exports mainly consist of intermediary products. According to a study by the AfDB (2012), the level of sophistication of Tunisian exports has been declining for several years.[12] Finally the constraints of the 1972 law on companies that export their entire production strongly limited their impact on the rest of the economy, the local market being barely considered as a client or potential supplier.

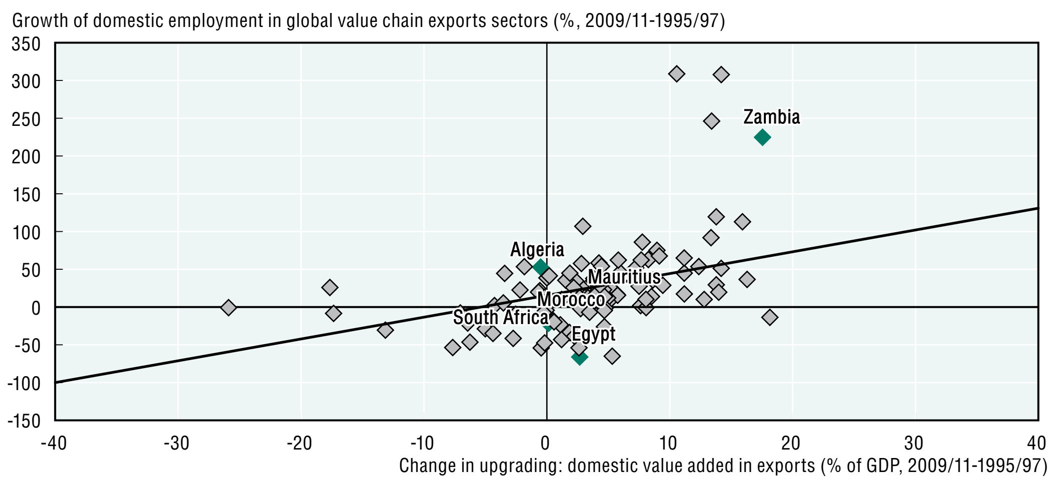
Source: Tunisia Country Note in this report.

Social benefits have been more elusive and dependent on economic benefits

Employment, including vulnerable employment, and wages can denote social upgrading at the macro level. Case studies (Goger et al., 2014) can shed light on the specific effects of value chain governance on the outcomes of social upgrading and elements such as working conditions, workers' rights and discrimination.

It has been difficult for African countries to increase employment through participation in global value chains alone; gains in domestic value added in exports are necessary. Unfortunately, comprehensive employment data on the impact of global value chains on employment only exist for a few African countries. Those countries show[13] no relationship between employment gains and GVC participation. However, a positive relationship emerges between employment and gains in domestic value added in exports. Countries which increased the domestic value added embedded in their exports as a percentage of GDP also successfully increased the domestic employment linked to global value chains. The same relationship holds at the global level. In other words, employment has increased only in countries where GVC participation has significantly raised domestic value added for exports (see Figure 6.24).

Figure 6.24. **Economic and social upgrading in Africa and the world, 1995/97 compared to 2009/11**



Note: Grey markers represent non-African countries.

Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).

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Despite the weak link with employment, backward integration into global value chains is linked with other measures of social progress. Countries with a higher share of foreign value added in exports suffer less from inequality (Gini coefficient) and have a higher share of women in the labour force (see Box 6.4).

However, case studies suggest that social gains from GVC participation have been limited in Africa by several important factors, such as gender imbalances, skills deficits, increasing informal employment and unequal power relationships within value chains. In fruit, flower and vegetable value chains for example, the fact that most of the workforce is composed of women[14] places additional barriers to social improvements. In general women face tougher barriers to social upgrading than men owing to lower comparative wages, a higher propensity for casual work, sexual harassment, less access to training and education, and stereotypes of patriarchy (see also Box 6.4). Additionally, increasing informal employment is problematic because informal workers have much less access to decent work, secure employment, and social protections than formal workers. The fact that the African workforce is largely unskilled and lack access to training programmes further prohibits social gains.

Box 6.4. **Tackling gender inequalities in women's labour force participation to boost productivity and quality of global value chains**

Global value chains reflect gender inequalities and discriminatory social norms. While women's presence is critical at different stages of global value chains, their opportunities for economic empowerment are limited owing to a gendered division of labour and the low economic value attributed to their contributions (Barrientos, 2013). Women are often relegated to low-skill and low-wage employment, as informal or seasonal workers or as unpaid domestic workers (World Bank, 2013). Women producers dominate in export-oriented agricultural global value chains. Women represent 90% of producers in Senegal's fruit and vegetable industry and 75% in Kenya's banana industry (FAO, 2011), but they represent a minority in the management, distribution and marketing sections of the chain. Discrimination against women's access and control of land and economic assets also limits female agricultural producers' access to tools, technology or credit (Coles and Mitchell, 2011). Gender gaps in education, literacy and skills explain the higher concentration of women in the lower-value segments of the chain; social norms and perceptions also influence the gender-segregation of tasks and the low value attributed to them (Coles and Mitchell, 2011).

Women face a dual challenge of upgrading within a chain and alongside a chain. First, the unequal division of care and domestic responsibilities reduces women's opportunities to undertake skills training or join business networks, key to upward mobility within a chain. Second, women's lack of access to decent work and relegation to lower-skill jobs make them vulnerable when a GVC upgrading increases demand for high-skilled labour (Barrientos et al., 2004). While companies may benefit from short-term competitive gains from women's vulnerable employment, incentives to better value their contribution and to invest in their skills can support long-term upgrading objectives and maximise the use of existing human capital.

Gender equality can increase GVC sustainability and productivity. In the cocoa-chocolate industry in Ghana, women are responsible for the fermentation and drying of pods that, while undervalued, are critical for increasing quality and quantity, as well as the sustainability of production (Barrientos, 2013). Companies in the horticultural and agricultural industries also prefer to employ women for tasks that require both greater dexterity and high productivity (Barrientos et al., 2003). This feminisation of employment has consistently raised women's labour force participation in most countries, as women are being drawn in large numbers into flexible employment. Though women remain locked into their role as seasonal labourers, they form the core of a semi-permanent skilled labour force, which is central to the smooth functioning of value chains at both the production and retailing ends (Barrientos, 2001).

Upgrading women's roles in value chains can be an important long-term sustainability strategy. Interventions in the Ghanaian shea butter sector effectively increased women's control of resources, skills and presence in decision-making sections of the chain, demonstrating the mutual benefits for women's economic empowerment and the quality and productivity of a global value chain (Laven and Verhart, 2011). The *Cafe Femino,* a successful female coffee brand, benefits from consumer interest to buy a product which was produced, processed and sold only by women in the context of "fair trade" (FAO, 2011).

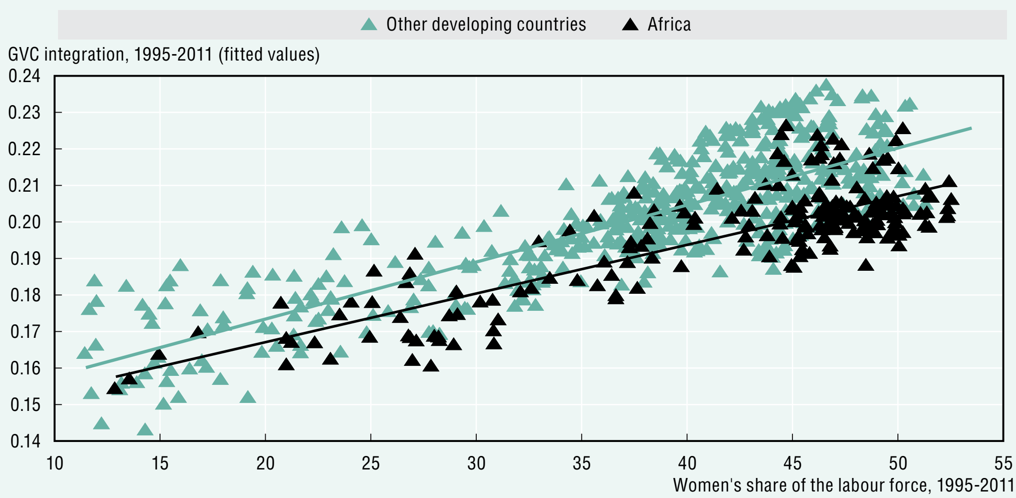
Promoting decent work for women can improve countries' participation in global value chains. Increasing the number of women in the labour force may be a way to upgrade a country's integration (Figure 6.25). This positive relationship holds stronger for developing countries other than African countries, however the two groups only marginally differ. The OECD Social Institutions and Gender Index 2012 (SIGI) shows that

Box 6.4. **Tackling gender inequalities in women's labour force participation to boost productivity and quality of global value chains** (cont.)

gender discrimination in social institutions is highly correlated with vulnerable female employment. Less discriminating social institutions often increase women's economic contribution through both a higher female share in the labour force and decent work. Changing discriminatory laws and practices that restrict women's choices and behaviour can strengthen GVC integration.

Everyone shares the responsibility of ensuring that women have access to decent work conditions. Countries and companies can provide childcare facilities, invest in training for women, and increase women's control over key economic resources and assets. Consumers and civil society can also play a role, for example by including gender-sensitive indicators in commercial codes of conduct.

Figure 6.25. **Estimated integration into global value chains related to women's share of the labour force, 1995-2011**



Note: This chart shows the relationship between the women's share of the labour force and the estimated values of integration into global value chains (foreign share of value added), controlling for GDP per capita, country and year fixed-effects (on a five-year basis: 1995, 2000, 2005, 2010). The black regression line and the black scatter plot describe the relationship for African countries, while the green regression and green scatter plot present those for other developing countries.

Source: Authors' calculations based on UNCTAD-Eora data and World Bank Indicators.

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Notes

1. Bathia (2012), for example, describes General Electric's global network of innovation centres that pass their work onto their colleagues in the next time zone at the end of their workday and receive it back the next morning from another team with progress made in the meantime.
2. Without the first, there is little that drives the economy forward. Without the second, productivity gains are not diffused to the rest of the economy (McMillan and Rodrik, 2011).
3. Africa's labour productivity increased by close to 3% during the 2000s, with almost half of this attributable to workers moving to new activities with higher productivity (AfDB et al., 2013).
4. In such a case even a lower share of domestic value added in a value chain captured locally represents overall growth in the amount of value added and employment generated locally.
5. The likely reason for the low value of South Asia is India's dominant position in the region. Its huge size has a strong downward pull on trade-based GVC integration. Moreover, India's participation in GVCs is mainly in the form of services, which are notoriously difficult to track with trade data.
6. Inter-temporal comparisons of African GVC participation based on UNCTAD-Eora data should be taken as indicative. Data availability has been improving leading to more data being available for the 2011 estimates than for the 1995 estimates, which might be driving some of the growth in the results.
7. The 13 countries among the bottom 30 are Benin, Cameroon, the Central African Republic, the Democratic Republic of the Congo, Côte d'Ivoire, Gabon, Gambia, Egypt, Libya, Mali, Somalia, South Sudan and Sudan.
8. These results hold when controlling for GDP, geography, country effects and time period.
9. It is important to note dependence on natural resources, not natural resource wealth, shows a strong negative correlation with measures of structural transformation.
10. The R^2 of this correlation is 0.095.
11. The industrial network counts 5 669 enterprises with a staff of ten employees or more. Enterprises are represented as follows: agro-food 18.5%, construction materials 8%, chemical industry 9.7%, electrical, engineering and electronics industries (IME) 17.6%, textile and clothing 32%, other sectors 14.2%.
12. AfDB (2012), *Comparative Study on Export Policies: Egypt, Morocco, Tunisia and South Korea,* African Development Bank.
13. The UNCTAD-Eora database links existing employment data with value added flows to translate foreign and domestic value added into the foreign and domestic employment that went into producing a country's exports.
14. Women make up as much as 73% of the workforce of the floriculture sector in Uganda (Evers et al. 2014) and as much as 90% of the workforce in the French bean and 60% in the cherry tomato sectors in Senegal (Maertens and Swinnen 2009).

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Chapter 7

How ready is Africa for global value chains: A sector perspective

Integrating into global value chains and upgrading within them depends on country-specific and value chain-specific factors. Taking this into account, this chapter examines value chains in agriculture, manufacturing and services in Africa. Lead firms play an important role in increasing domestic capacity to participate in global value chains, while regional and emerging markets may be more accessible for African producers and create opportunities for more value added.

In brief

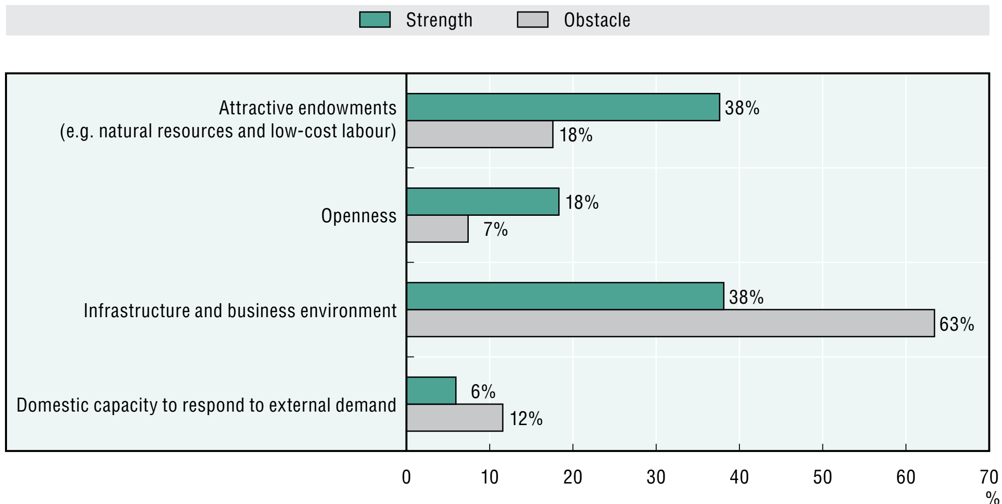
The main drivers of participating and upgrading in global value chains (GVCs) are country-specific and value chain-specific. An examination of country-specific factors shows that Africa has attractive endowments but that domestic productive capacity and infrastructure are holding it back. Regarding value chain factors, the distribution of power between lead firms and suppliers as well as lead firms' commitment to developing local linkages are determinants of success. This chapter looks closely at the factors affecting GVC participation and upgrading in the agricultural, manufacturing and services sectors. Across all sectors, although most value added currently occurs outside of Africa, GVC participation offers employment and learning opportunities, and there is great scope to increase value added within Africa. Key factors for upgrading include meeting standard requirements, promoting local entrepreneurship and enhancing domestic technical capacity. Additional opportunities can result from targeting regional value chains and emerging markets.

Africa has attractive endowments but domestic productive capacity and infrastructure are holding it back

Africans see their attractive endowments and openness as strengths for making more of global value chains, but they consider the capacity to respond to external demand, infrastructure and the business environment as obstacles. The AEO country expert survey asked respondents to identify their country's main strength and obstacles for participating in global value chains. Attractive endowments,[1] such as deposits of natural resources and low labour costs, were identified as the most important strength of African countries, accounting for 38% of all identified strengths, but only 18% of identified obstacles. Openness[2] to imports, exports and investment, including the efficiency of customs procedures and regional integration, accounted for 18% of identified strengths and only 7% of obstacles. Certain elements of infrastructure and the business environment[3] were considered a relative strength for GVC participation in some countries and accounted for as many positive responses as attractive endowments (38%); however, they also made up the majority of identified obstacles with 63% of all negative responses. Finally, the domestic capacity to respond to external demand,[4] which combines the elements that are crucial for upgrading such as a skilled workforce, the existence of local suppliers and local capacity to meet international standards, was widely regarded as a weakness, but also as less important. It accounted for 6% of voted strengths and 12% of obstacles. In other words, although capacity to upgrade seems low in most African countries, barriers to integration in the form of infrastructure and the business environment are considered more pressing in most countries (see Figure 7.1).

Investor surveys, interviews and case studies confirm that many African countries have the endowments to attract investors. Investor motivation surveys (James, 2013) in Africa show that most foreign firms that invested would have done so without the provision of tax incentives and subsidies. They invested because of what the country had to offer, such as natural resources, human capital at a competitive price and domestic and regional markets with potential. Interviews with international lead firms conducted for this report corroborate this impression. In Ethiopia, for example, the quality and price of the available workforce have been the main reasons for foreign investments in textile operations. Large food and consumer goods companies are often attracted by the consumption potential of the local market.

Figure 7.1. **Drivers of global value chain participation and upgrading: Perceptions of strengths and obstacles**



Note: The percentages represent the share of total responses received for strengths and obstacles respectively.
Source: AEO Country Experts Survey (2014).
StatLink http://dx.doi.org/10.1787/888933033536

Yet domestic capacity in the form of skills and productive capacity to upgrade and meet demanding standards is scarce. Operations often remain limited to assembly of imported products as many African countries do not yet have the productive and innovation capacity and the connectivity to markets required to become major hubs for component manufacturing and global distribution (South Africa and Morocco are exceptions as they partially play these roles in the automotive industry). Case studies carried out in the framework of the Capturing the Gains project identify the lack of skills and workforce development as a major hurdle for economic and social upgrading. International lead firms and observers also cite the difficulty of standards compliance among local firms as a constraint. This includes standards for product quality and safety, and at times also cost. Standards and the limited capacity of local firms were identified as the top reasons for the low level of inclusion of domestic suppliers in the extractive industries in Africa in the last edition of this report (AfDB et al., 2013) and came third (after infrastructure and finance) in the OECD/WTO survey on aid for trade measures (OECD and WTO, 2013).

A sufficiently large base of local entrepreneurs is a key component of a country's domestic capacity to build on global value chains, but it is sorely lacking in many African countries. Local entrepreneurs are more committed to the local market even in the face of economic difficulties. Goger et al. (2014) showed that while East Asian investors in some African countries tend to establish assembly-only operations and make limited investments in workforce training, domestically owned firms (as well as European) would engage in more complex activities and invest more in upgrading workforce skills. These firms were also more likely to be locally embedded (Staritz and Morris, 2013). The success of Mauritius' garment industry is mainly attributed to the strong local entrepreneurial capacity that counterbalanced the withdrawal of Asian investors after the expiration of the Multi Fibre Agreement. However, entrepreneurs and entrepreneurial skills are lacking in many African countries. Enterprise maps for four African countries (Sutton and Kellow, 2010; Sutton and Kpentey, 2012; Sutton and Olomi, 2012) show that only 51 of 200 leading firms started as domestic privately owned firms (Gelb et al., 2014). The average management scores for firms in Ethiopia, Ghana, Kenya, Tanzania and Zambia fall substantially below the average score for firms in other developing countries (World Management Survey, 2014; Bloom and Baker, 2014).

Surveys, case studies and regression analysis confirm the importance of and challenges with infrastructure and the business environment. African countries must compete with each other and many other developing countries for investments and opportunities to join most global value chains. Even in the extractive sector, contrary to common perception, international investments do not come automatically but require the right conditions to make risky investments in exploration (AfDB et al., 2013). Surveys among firms and governments (OECD and WTO, 2013), case studies, and regression analysis with the UNCTAD-Eora GVC data used so far in this report confirm the crucial importance of good infrastructure (transport and utilities), logistics capabilities, a stable political and macroeconomic framework, and the ease of doing business for integrating into global value chains. Local firms in particular need better access to finance to make the necessary investments in quality to link with lead firms. Access to credit is also important for small firms to finance the mismatches in payment schedules with big firms.

Unfortunately, the business environment in many African countries is poor, and indirect costs are high. Combining rankings for gross domestic product (GDP) and business climates (measured by the Doing Business composite index), only eight African countries make it into the top 100 of 173 countries. Of the bottom 50, 38 are African; the rest are mostly microstates or countries with problematic governance conditions and special circumstances such as Afghanistan (Gelb et al., 2014). Indirect costs – electricity, transport, communications, security, rent, business services and bribes – form a larger share of the costs of firms in African countries than elsewhere (Gelb et al., 2007).

Most of Africa is far away from major end markets, and transport and logistics are particularly expensive in Africa, making GVC integration difficult. Most global value chains depend on sea freight for transporting intermediate inputs to assembly centres and final goods to markets. African countries, except for those in North Africa, face disadvantages due to the high cost and the time required to reach major end markets in Europe and the United States; they also suffer from inefficient transportation and logistics infrastructures (Pickles, 2013). For example, the cost to export a 20-foot container is USD 2 055 in Kenya, USD 1 680 in Lesotho and USD 1 531 in South Africa, while it is only USD 737 in Mauritius, USD 577 in Morocco, and USD 500 in China (Pickles, 2013; World Bank, 2012). Likewise, export time-to-market from Kenya, Lesotho and South Africa are two-to-three times that of Morocco, which is 11 days (Goger et al., 2014). Inefficiencies play a major role; in many African ports cargo sits for about two weeks, compared to under a week in Asia, Europe and Latin America[5] (Raballand et al. 2012; Gelb et al., 2014). Port management and the availability of competitive logistics companies play a key role. Once goods have arrived, road and rail transport is necessary and often immensely expensive, especially to reach landlocked countries.

Corruption and cartels in the transport sector are also responsible for keeping costs high. According to a study by the Rwandan government, for example, to get from the port of Mombasa to Kigali via Kampala, a lorry has to pay USD 864 in bribes and stop at 36 roadblocks (*The Economist*, 2012; AfDB et al., 2012). Dismantling cartels in the transport sector could reduce transport costs, particularly for agricultural goods in rural areas (AfDB et al., 2013).

On the upside, the level of telecommunication services is increasing fast in many African countries and strongly associated with economic upgrading in global value chains. Mobile phone networks have expanded rapidly in Africa, today reaching 80% of the population, up from only 2% in 2000 (Lomas, 2012). Africa is also building on mobile technology to leapfrog into new services. East Africa was the first region in the world to offer entirely mobile-phone-based money transfers. Internet connections have greatly improved as well since East, Southern and West Africa were connected to subsea cables in the late 2000s. A recent study of the determinants of upgrading in manufacturing value chains found telecommunications infrastructure and a competitive telecoms sector to be strongly associated with economic upgrading (Nordås and Kim, 2013).

Governance and openness to linkages determine opportunities for integrating into and upgrading in value chains

GVC governance influences potential paths to upgrading and can be classified into five structures. Governance describes the "authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain" (Gereffi, 1994, p. 97). Depending on the complexity of the information between actors in the chain, on how the information for production is codified and on the level of supplier competence, global value chains can be classified into five governance structures: market, modular, relational, captive and hierarchy (see Box 7.1; Frederick and Gereffi, 2009; Gereffi et al., 2005). The five governance structures can be broken into two broader categories: producer-driven chains and buyer-driven chains.

Box 7.1. **The five global value chain governance structures**

Gereffi and Fernandez-Stark identify five types of structures that apply to governing global value chains.

Market: Market governance involves transactions that are relatively simple. Information on product specifications is easily transmitted, and suppliers can make products with minimal input from buyers. These arms-length exchanges require little or no formal co-operation between actors, and the cost of switching to new partners is low for both producers and buyers. The central governance mechanism is price rather than a powerful lead firm.

Modular: Modular governance occurs when complex transactions are relatively easy to codify. Typically, suppliers in modular chains make products to a customer's specifications and take full responsibility for process technology using generic machinery that spreads investments across a wide customer base. This keeps switching costs low and limits transaction-specific investments, even though buyer-supplier interactions can be complex. Linkages (or relationships) are more substantial than in simple markets because of the high volume of information flowing across the inter-firm link. Information technology and standards for exchanging information are both key to the functioning of modular governance.

Relational: Relational governance occurs when buyers and sellers rely on complex information that is not easily transmitted or learned. This results in frequent interactions and knowledge sharing between parties. Such linkages require trust and generate mutual reliance, which are regulated through reputation, social and spatial proximity, and family and ethnic ties. Despite mutual dependence, lead firms still specify what is needed and thus have the ability to exert some level of control over suppliers. Producers in relational chains are more likely to supply differentiated products based on quality, geographic origin or other unique characteristics. Relational linkages take time to build, so the costs and difficulties required to switch to a new partner tend to be high.

Captive: In these chains, small suppliers depend on one or a few buyers that often wield a great deal of power. Such networks feature a high degree of monitoring and control by the lead firm. The power asymmetry in captive networks forces suppliers to link to their buyer under conditions set by, and often specific to, that particular buyer, leading

Box 7.1. **The five global value chain governance structures** (cont.)

to thick ties and high switching costs for both parties. Since the core competence of the lead firms tends to be in areas outside of production, helping their suppliers upgrade their production capabilities does not encroach on this core competency but benefits the lead firm by increasing the efficiency of its supply chain. Ethical leadership is important to ensure suppliers receive fair treatment and an equitable share of the market price.

Hierarchy: Hierarchical governance describes chains characterised by vertical integration and managerial control within lead firms that develop and manufacture products in-house. This usually occurs when product specifications cannot be codified, products are complex or highly competent suppliers cannot be found. While less common than in the past, this sort of vertical integration is still an important feature of the global economy.

Source: Gereffi and Fernandez-Stark (2011).

Whether a global value chain is controlled by a producer or a buyer strongly impacts the opportunities for African firms to move into higher value-added activities. Producer-driven value chains are dominated by large manufacturing firms whose competitive advantage lies in a specific production methodology that is not widely available. Typical examples are the automotive and microchip value chains in manufacturing and the chocolate and coffee value chains in agriculture, as well as the extractive industries. Buyer-driven chains are dominated by large firms that control marketing, distribution and sales but not the production of the actual core product. Often these firms own a brand with high market value. Apparel and horticulture are typical examples for buyer-driven value chains.

Producer-driven chains tend to offer opportunities for learning, for participating in the supply chain and for creating additional varieties of goods rather than upgrading into adjacent stages of the value chain. In producer-driven chains, the potential to build relationships and transfer skills between local and international firms is significantly higher than in most buyer-driven chains. However, producers control most higher-value activities in processing along these chains, making them difficult to enter. Producer-driven chains are conducive to upgrading by participating in the supply chain, particularly in manufacturing and extractive sectors, and by producing additional varieties of goods that command a higher value, for example organic products (see AfDB et al., 2013 for examples on extractives and Box 7.9 on South Africa's automotive value chain).

Buyer-driven chains are more open and easy to access allowing for a wider range of upgrading pathways, but they also tend to be competitive and can be captive. Retailers prefer to deal with finished products that are ready for sale. Thus these chains can present opportunities for African firms to incorporate additional stages of the value chain into their activities, such as making flower bouquets, cutting and packaging fresh fruit (see Box 7.4 on Blue Skies) or designing garments for apparel producers. The further the distance between the producer and the final customer, however, the more captive the chain can become, offering fewer opportunities for such upgrading. In large volume apparel for example, marketers and branded manufacturers control global production networks and dictate supply specifications, leaving little space for upgrading in design or distribution (Gereffi, 1999; Morris and Barnes, 2009). Product differentiation and the production of inputs are better means to upgrade in buyer-driven chains (see Box 7.2).

Box 7.2. **H&M in Ethiopia**

In 2013, the Swedish clothing retailer H&M started to source from Ethiopian garment producers. Traditionally, it sourced 80% of its production from Asian countries. As H&M does not have a hierarchical governance structure, rather than building factories in Ethiopia, the company established its offices in Addis Ababa to be close to its suppliers.

H&M "made in Ethiopia" illustrates a buyer-driven chain where retailers retain control over their supplier's production. The company's presence in the country strictly serves to ensure that its suppliers comply with quality standards. Suppliers not only need to meet quality requirements but are also responsible for shipping the final product to the end market.

The link to H&M can increase employment and output in Ethiopia's apparel sector. However, opportunities for upgrading into higher value-added stages of the value chain are limited. Instead suppliers can increase their incomes by offering multiple options of the same product for different customers or by linking upstream (for example, sourcing Ethiopian textiles) which increases the value added in the country.

Irrespective of the chain's governance structure, lead firms differ in their willingness to engage local suppliers and to institutionalise their commitment to local development. Strong local relationships can serve to gain access to local knowledge, ensure a "social licence to operate" in the face of social and political controversies, and improve the firm's image in the eyes of local consumers. Suppliers located at lead firms' doorsteps can also help reduce costs and increase flexibility (Jenkins et al., 2007; IFC and Engineers against Poverty, 2011). However, in many cases local conditions are such that linkages with local suppliers are not profitable instantly and require explicit commitment from the lead firm. Therefore efforts for linkage development need to be embedded in long-term strategies so that they can be sustained long enough to bear fruit (see Box 7.3). An increasing number of lead firms consider creating connections to local suppliers as part of their core business strategy, which is the strongest form of commitment and implies the existence of a business case. Many other firms work with local suppliers for reasons of corporate social responsibility and philanthropy (Figure 7.2).

Box 7.3. **Institutionalised commitment to local linkages: ExxonMobil and Anglo American**

Procurement regulations provide formal frameworks for managers on the ground to strengthen relationships with local suppliers. These local procurement policies can be backed up with performance measures and incentives to help managers make day-to-day decisions. Further to these overarching procurement strategies, lead firm business practices can be adapted to better accommodate local businesses. Examples include breaking up contracts to be more manageable for small and medium enterprises (SMEs) and introducing shorter payment cycles to account for SMEs' difficulties in accessing finance (Jenkins et al., 2007).

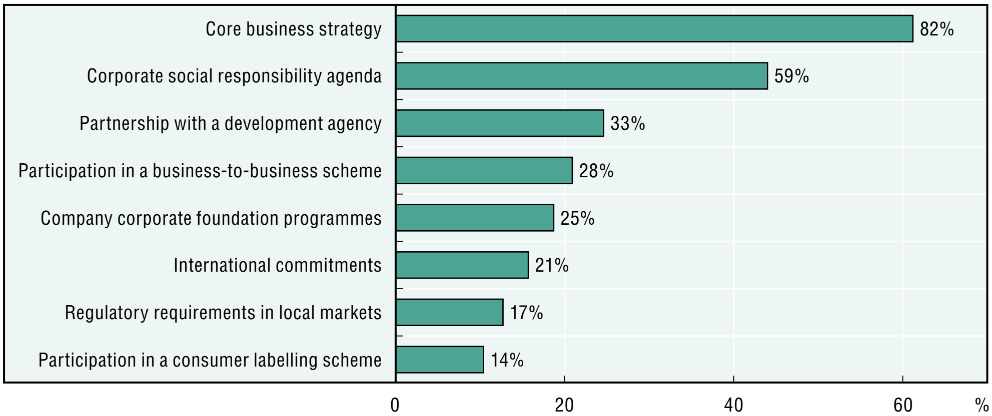
ExxonMobil in Chad: National content strategy

In Chad, a consortium of oil producers led by ExxonMobil institutionalised its commitment to integrating into the local economy as part of a national content strategy. The overarching strategy establishes a mandate for managers to reach out to local businesses and communities. It encompasses the Local Business Opportunity programme, which focuses on developing local suppliers (IFC, 2009).

Anglo American: Local procurement policy

Anglo American has a local procurement policy which explicitly states that staff and stakeholders are accountable for its active pursuit. According to the policy, Anglo American commits to allocating resources and building internal capacity to drive its local procurement agenda and embed it into the work process. Further, the policy recognises specific challenges faced by SMEs, and pledges to adapt sourcing practises and payment cycles in order to minimise obstacles (Anglo American, 2010).

Figure 7.2. **Reasons for lead firms to better connect developing country suppliers to their value chains**



Note: The figure shows the responses by international lead firms present in developing countries (not only Africa) when asked why they invest in better connecting suppliers from developing countries to their supply chains.
Source: OECD and WTO (2013).
StatLink http://dx.doi.org/10.1787/888933033555

Agriculture, manufacturing and services value chains offer upgrading opportunities in Africa

Based on case studies, this section takes a closer look at the main factors that contribute to GVC participation and upgrading in agriculture, manufacturing and services. The analysis confirms that infrastructure, the business environment and domestic productive capacity can restrict upgrading, particularly in the manufacturing sector. The strong growth of telecommunication, business and financial service value chains, on the other hand, attests to their relatively lower needs for infrastructure as their products are intangible. The governance structures that determine upgrading opportunities vary by value chain, rather than by sector, with buyer and producer driven chains present in all sectors. In agriculture, the increase of direct sales to supermarkets has had a profound impact on agricultural value chain dynamics, with an increase in niche-markets and buyer-driven chains. The recent rise of supermarkets across Africa amplifies these developments. Quality and process standards can help African firms and farmers to acquire skills and access large markets, but they can also exclude many owing to the high costs of compliance. Regional value chains and emerging markets outside of Africa offer an important alternative as standards are lower and growth rates higher. This section does not consider the extractive sector in detail as the *African Economic Outlook 2013* treated it at length.

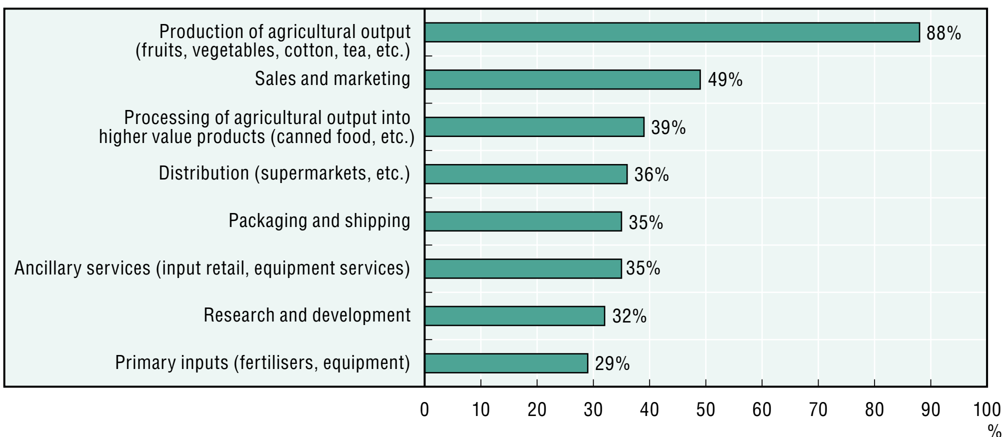
At the value chain level, four types of economic upgrading exist:

- *Functional upgrading* entails expanding the range of activities that a country already performs within a specific value chain. If the initial link to a global value chain is in production only, for example in cutting, sewing and trimming shirts, functional upgrading could entail upstream stages of the value chain such as the sourcing of textiles.
- *Product upgrading* refers to the production of more sophisticated products, such as going from whole pineapples to freshly cut ones.
- In *chain upgrading*, the skills acquired are used to enter a new value chain, for example entering textile production based on the knowledge and skills gathered in the apparel value chain.
- Finally, *process upgrading* refers to increasing productivity in a given stage of a value chain through local innovation (WTO et al., 2013; Morris and Barnes, 2009).

Upgrading in agricultural value chains requires new product varieties, shortening the distance to consumers and boosting smallholder capacity

Global value chains offer many market opportunities for the agriculture sector although at present most value added occurs outside of Africa. The agriculture sector employed 65% of Africa's labour force and accounted for 17% of growth in African GDP between 2001 and 2011 (World Bank, 2013; AfDB et al., 2013). Thus global value chains related to the agricultural sector arguably have the most profound impact on the largest number of people. At present, Africa's involvement in global agricultural value chains is primarily in the production of raw agricultural output, where value added is low (see Figure 7.3). As such, value added in African global agricultural value chains tends to occur predominantly downstream, outside of Africa.

Figure 7.3. **Global agricultural value chain activities currently performed in African countries**



Note: The results are based on a survey of AEO country economists. Respondents were asked to identify up to six activities that are currently performed within value chains in their respective countries. Production of raw agricultural output was the most frequently cited activity, indicated in 88% of cases.

Source: AEO Country Experts Survey (2014).

StatLink http://dx.doi.org/10.1787/888933033574

Most cash crop chains are characterised by hierarchical and captive governance structures which offer limited opportunities for moving up the value chain. Value chains of export crops that require heavy processing, such as cocoa, cotton, coffee, sugar, tea and tobacco, tend to be producer-driven chains which typically fall under the categories of captive and hierarchical governance structures as defined by Gereffi et al. (2005). African agriculture is dominated by the production of these crops, which collectively account for 50% of the continent's total agricultural output (Diao and Hazell, 2004). As these chains are tightly controlled by lead producer firms, higher-value activities such as processing and manufacturing are most often performed outside of Africa, leaving little opportunity for functional upgrading (AfDB, forthcoming).

Product differentiation and quality upgrading are essential for value added in producer-driven, agricultural value chains. Opportunities for increasing income from traditional agricultural commodity exports lie in product differentiation, for example the branding and grading of speciality coffees. Many countries can also secure higher prices by raising the average quality of the products they export, establishing grading systems and segregating different qualities for export (Diao and Hazell, 2004). For example, in Côte d'Ivoire, the *Qualité-Quantité-Croissance* programme has resulted in a new standard of quality *Origine* Côte d'Ivoire, such that in 2013, 81% of cocoa exports from Côte d'Ivoire were in the highest Grade 1 category and a national brand of quality assurance was created (see Côte d'Ivoire Country Note). Moreover, improvements in access to markets, inputs and credits, combined with low labour costs, could enable African farmers to better compete with other countries in international markets for traditional export crops (Humphrey and Memedovic, 2003).

Buyer-driven chains in the agricultural sector may offer more scope for expanding along the value chain. Buyer-driven chains are more prevalent in exports of fresh products that require little processing such as fruits, vegetables, fish and flowers. Exports in these products have undergone phenomenal growth[6] due to supermarkets seeking to consolidate their supply networks in order to exert more control over production processes (Lee et al., 2012). Functional upgrading can occur in such chains as retailers want ready-to-sell products, thereby pushing processing and packaging activities further upstream along the value chain. An example of a buyer-driven chain in this regard is the cut-flower value chain in Ethiopia, Kenya and Uganda. European retailers increasingly seek to deal directly with African growers, bypassing the Dutch auction houses. This shift in the value-chain structure allows for an increase in value-adding activities (such as bunching, bouquet-making and sleeving) to occur in African countries (AfDB, forthcoming). Blue Skies, which produces fresh-cut fruits in Ghana, Egypt and South Africa is another good example of upgrading opportunities prevalent in buyer-driven agricultural chains (see Box 7.4).

Box 7.4. **Blue Skies Ltd. in Ghana**

In Ghana the case of Blue Skies Limited is a successful example of functional and product upgrading in an agricultural value chain directly involving smallholder farmers. Blue Skies exports freshly cut fruits such as pineapples, mangos, papayas, pomegranates, coconuts, melons, grapes and berries, which are sold primarily in European supermarkets. Blue Skies has recently begun to target US markets.

Rather than shipping fruit by boat, Blue Skies cuts and packages it locally and then flies the produce to retailers, reaching the consumer within 48 hours of harvesting. While pineapples are traditionally exported unripe to be processed and packaged abroad, the Blue Skies business model increases value added in Ghana by having local suppliers cut and package the ripe fruit. Currently, Blue Skies employs over 1 500 people in Ghana, making it one of the country's biggest private sector employers (McMillan, 2012). The company also sells to local markets in Ghana, where its fresh pineapple juice has been particularly successful.

To comply with standards in Europe, Blue Skies must be selective about its suppliers. A team of agronomists pays weekly visits to Blue Skies farmers in order to ensure the farmers' capacity to adhere to international safety standards and produce high quality fruits. Blue Skies farmers are certified in GLOBALGAP and EUREPGAP requirements. GLOBALGAP consists of four main areas: Integrated Farm Assurance; Plant Propagation Material; Risk Assessment on Social Practice and Chain of Custody. The traceability of each piece of fruit is of paramount importance (McMillan, 2012).

The strong commitment of management, staff and farmers has contributed significantly to Blue Skies' success. Strong managerial skills and social security benefits for employees contribute to a friendly, favourable working environment. Prompt payments on receipt of fruit provide a strong incentive to farmers to maintain regular supplies. As Blue Skies specialises in cut fruit, the size of the fruit does not matter and rejection rates are lower. Dedicated farmers receive interest-free loans which encourages good performance. An education in EUREPGAP and GLOBALGAP standards also fosters commitment among farmers (Dannson et al., 2004).

The strict entry requirements in the form of standards make participating in buyer-driven chains difficult. As retailers demand high-quality products that require little processing, standard requirements are generally high, and therefore those markets tend to be highly competitive and specialised, with rigorous quality standards. Generally, farmers are required to comply with requirements imposed by Good Agricultural Practices, while niche standards, such as organic, Rainforest Alliance and Fair Trade, may also be difficult and costly to meet. Further downstream, processing and packaging activities must adhere to strict health and safety standards such as Hazard Analysis and Critical Control Points. Additionally, private social standards have proliferated in the absence of adequate national inspection and certification systems, with a multitude for different purposes.[7] In this regard, buyer-driven chains are more suited to larger farms capable of reaching the standards of foreign retailers, while smallholders face barriers in meeting the production requirements of such chains.

Given the large number of smallholders in African agriculture, their integration into global agricultural value chains is of crucial importance. The Food and Agriculture Organization estimates that smallholders supply up to 80% of food in sub-Saharan Africa (FAO, 2012), therefore the interactions of smallholders with global value chains are of particular interest. Smallholders face many obstacles in accessing global markets, most notably in terms of meeting strict standards of production, but also in ensuring continuous supply. However, increasingly smallholder farmers participate successfully in global value chains through the initiatives of lead firms and entrepreneurs that have sought to include them. Indeed, some supply chains, such as cocoa and coffee, depend heavily on smallholder farmers, owing to the particular nature of the crop in question. Similarly, as larger farmers integrate into global value chains, formal employment opportunities are created in rural areas, which may have a positive impact on development in the surrounding region (OECD 2013; UNCTAD, 2013).

Box 7.5. **Opportunities and constraints to integrate Ghana's smallholder farmers into global value chains**

A study on farmers' decision to upgrade their production or participate in global value chains examined factors that influence Ghanaian pineapple smallholders. The data show that economic development is determined by investments and good business relationships. The farmers' choice depended foremost on investments in agricultural productivity, e.g. physical inputs and know-how, and on relationships based on mutual trust, which can be built, for example, by fulfilling a contract despite difficulties. Business relationships in the study group ranged from contract-farming to smallholder co-operatives, with varying degrees of formality and involvement of intermediaries. The main findings of the study include the following:

- Trust and reliability between value chain actors are decisive in keeping transaction costs low.
- Farmers who prefer rapid payment and have low trust are less likely to join a global value chain, because of the delay between delivery and payment (in contrast to selling locally).
- Farmers who experienced an income shock in the past or have little information about the functioning of a global value chain are less likely to join, because both factors are adverse to trust and long-term planning.
- Importantly, more productive farmers are more likely to participate in global value chains while farmers with less experience and small or remote fields are less likely, due to higher production and transportation costs.
- For productive investments (e.g. using a new variety, fertiliser and mulch) confidence and capital are the critical factors.
- Factors that encourage farmers to participate in global value chains include improved access to credit; insurance and information; clear land rights; a feeling of agency; a relatively lower aversion to risk; a reliable income; linkages with lead firms that encourage and support the investments.

Box 7.5. **Opportunities and constraints to integrate Ghana's smallholder farmers into global value chains** (cont.)

- Networks are of crucial importance as farmers tend to make most of their decisions within their farming groups, especially when the decisions concern more radical options.
- Risk is a major concern for farmers in making productive investments (such as investing in fertiliser or machinery), while the delay in receiving payments was of more concern in deciding to participate in global value chains.

The findings underline that poverty is a barrier to benefitting from global value chains. Overall, a strong focus on short-term gains and an aversion to taking risks negatively impact smallholder farmers' decisions to participate in global value chains. Potential policy targets include *i*) securing incomes and land; *ii*) improving access to credits, insurance and information; *iii*) demonstrating beneficial agricultural practices; *iv*) developing more trust and co-operation among the stakeholders.

Further to these findings, Lee et al. (2012) have noted that while smallholders in traditional markets have more autonomy with wider control of their activities, the decision to remain in traditional informal markets may not be entirely sustainable, as developing country markets are adopting similar standards to those in the export markets.

Source: Wuepper (2014).

Contract farming, also known as out-grower schemes, is a means to assist farmers in meeting production requirements so they can participate in global value chains while lead firms are guaranteed a supply. Contract farming usually involves a large agribusiness firm entering into contracts with smallholder farmers, providing farmers with inputs on credit and extension in return for guaranteed delivery of produce. The assistance to farmers in such cases goes beyond the realm of corporate social responsibility, as it is directly related to the sustainability of supply. These arrangements are close to hierarchical governance structures, although the smallholder remains an independent agent within the chain. Such arrangements have become increasingly common throughout Africa as lead firms react to supply side shocks amid an exodus of youth from the agricultural sector. Large firms such as Olam International and Unilever deal with African farmers through such contractual arrangements. The case of SABMiller in Uganda and Zambia is also a good example of how an out-grower scheme allowed a lead firm to capitalise on market opportunities by assisting smallholder farmers to meet their supply requirements.

Box 7.6. **Examples of mutually beneficial contract farming arrangements: Olam International, Mars and SABMiller**

Olam International shows how contract farming can benefit both a lead firm and smallholder farmers. While cashew exporters traditionally operate far from port cities, Olam's business model brings the exporter to the farmer, who may be 1 000 km away. Olam deals directly with smallholders, offering micro-finance assistance and short-term advances for crop purchases. It also assists farmers in meeting Good Agricultural Practice requirements, while providing a market for farmers. In this regard, Olam can trace its produce and be certain that standards are met, such as organic, Fair Trade and Rainforest Alliance, depending on the particular desires of its customers. This contractual arrangement increases the capacity of the smallholder farmer to meet the production demands of Olam and their clients, giving Olam a competitive edge (Olam, 2013).

Mars has undertaken a similar approach to ensure the sustainability of their cocoa supply in West Africa. An exodus of farmers from rural areas in cocoa producing countries, such as Côte d'Ivoire, reduced supply.

Box 7.6. **Examples of mutually beneficial contract farming arrangements: Olam International, Mars and SABMiller** (cont.)

At the same time, farmers sought to move away from growing cocoa, because of the four-year delay of return on investment between planting and harvest. Fearing a future supply shock, Mars, along with Cargill, the International Finance Corporation and in partnership with local government and farmer groups, set up a multi-stakeholder initiative to assist smallholder farmers in meeting international production standards, accessing finance and participating in the global cocoa value chain (TCC, 2012). Mars started by raising farmer incomes, paying an extra EUR 200 per tonne to their suppliers. Mars has a target to source 100% of their cocoa from certified producers by 2020, and already more than half their global usage (over 200 000 tonnes) is from certified sources. This case shows that programmes aimed at increasing farmers' participation in global value chains are most successful when all stakeholders are on board (OECD, 2013).

SABMiller breweries decided to substitute imported barley with sorghum sourced from local smallholder farmers in Uganda; high production costs, driven by expensive imported barley and high levels of taxation, prevented the company from selling at retail prices suitable for local consumers' purchasing power. Appreciating the company's effort, the government agreed to cut taxes. The retail price of a new beer variety, Eagle Lager, was reduced by roughly a third, increasing the brand's market share to 50% in Uganda, as well as to 15% in Zambia where the concept was applied later on. More than 10 000 farmer families have become part of the supply chain, and farmer income has increased by 50% on average (Jenkins et al., 2007).

High costs associated with stringent European standards increasingly contribute to the expansion of South-South and regional agricultural trade (Goger et al., 2014) Bamber and Fernandez-Stark, 2013; Evers et al., 2014; ACET, 2009). Standards in these emerging value chains are less stringent, normally cover far fewer elements,[8] and thus are generally less expensive and time-consuming to adhere to (Barrientos and Visser, 2012). For example, Morocco's citrus supply is increasingly shifting from traditional European Markets to the Russian Federation where standards are lower and less costly to monitor (Bamber and Fernandez-Stark, 2013). Additionally, South African producers selling to other African countries and Asian and Middle Eastern supermarkets that pay lower prices than European supermarkets, are often able to secure equivalent margins taking into account the reduced costs of inputs, audits and monitoring afforded under less stringent standards (Barrientos and Visser, 2012).

Table 7.1 offers interesting insights into these shifting end markets. Crucial here is that for the products covered, all export shares to Africa, Asia and the Middle East increased, while nearly all export shares to the European Union and United Kingdom fell (the one exception being grapes to the UK which registered a small increase). Studies indicating that this trend has escalated since the 2007 economic downturn (Evers et al., 2014) fit well with other studies witnessing increasing South-South trade over this period (Akyüz, 2012; Goger et al., 2014).

Table 7.1. **Export destinations for South African fresh fruits and vegetables, 2001-11**

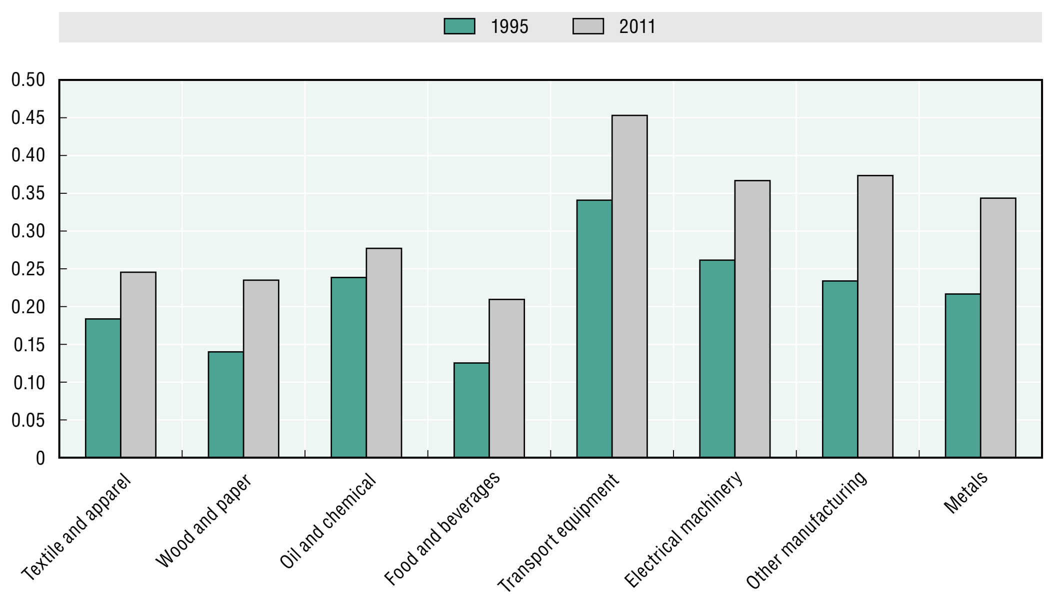
Country	Grapes		Apples, pears and quinces		Stone fruits		Tomatoes		Onions, garlic and leeks	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
EU (excluding UK)	63.83	49.94	14.13	9.69	46.71	40.94	2.39	0.00	21.34	14.6
UK	20.30	20.65	32.97	20.66	37.68	32.69	9.04	0.00	4.33	3.33
AEC	4.11	19.21	11.93	20.55	3.59	6.43	0.00	0.96	0.72	1.35
Africa	1.15	2.25	12.45	22.98	2.13	2.66	88.3	98.76	70.28	79.02
Middle East	2.73	5.72	2.51	7.41	9.29	16.38	0.00	0.90	0.24	1.00
Other	7.88	2.23	26.01	18.71	0.60	0.90	0.27	0.28	3.09	0.70

Note: Percentage values of total exports from South Africa. (AEC) ASEAN Economic Community.
Source: Goger et al. (2014), based on ITC trade database 2012.

Successful upgrading in manufacturing value chains depends on local capacity, domestic and regional markets, knowledge transfer and openness to imports

African manufacturing covers a wide variety of industries and has grown alongside increasing participation in global and regional value chains. It ranges from low tech industries such as apparel and textiles in Ethiopia, medium-tech industries such as the automotive in South Africa and to high tech industries like aerospace in Morocco or electronics in Nigeria. Africa's manufacturing exports nearly tripled over the last decade, from USD 72 billion in 2002 to USD 189 billion in 2012. Although only four countries – Egypt, Morocco, South Africa and Tunisia – account for two-thirds of these exports, the growth rates have been evenly spread and many African countries have seen their manufacturing output rise. As shown in the previous chapter, manufacturing activities exhibit a fairly high share of global and regional value-chain integration (see also Figure 6.20). The medium- to high-tech sectors have seen particularly strong growth of the share of foreign inputs embedded in exports (Figure 7.4).

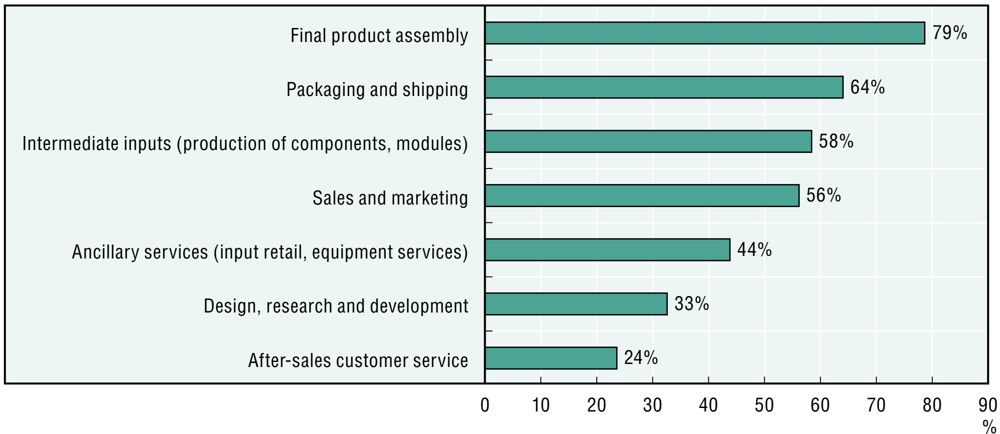
Figure 7.4. **Africa's manufacturing industries by foreign share in exported value added, 1995 and 2011**



Source: Authors' calculations based on UNCTAD-EORA GVC database (2014).
StatLink http://dx.doi.org/10.1787/888933033593

Product assembly is the most common entry point into global value chains for African manufacturing and offers opportunities for low-skill employment and upgrading along the value chain. The bulk of African participation in global manufacturing value chains is in the form of final product assembly; generally in labour-intensive low- to medium-tech industries. Integrating into international manufacturing production systems has been an important stepping stone to structural transformation in many developing economies. It can create the large numbers of low-skilled jobs needed to employ Africa's population and can raise the general level of capabilities in the economy through knowledge spillovers and training of workers (Dinh, 2013; AfDB et al., 2013). Participating in manufacturing value chains can also help upgrade into adjacent stages in both directions of a value chain, such as packaging (downstream) and production of intermediate inputs and components (upstream). Such activities are already present in Africa to a much greater extent than it is the case in agriculture (Figure 7.5).

Figure 7.5. **Global manufacturing value chain activities in Africa, 2014**



Note: Based on a survey of AEO country economists. Respondents were asked to identify up to six activities that are currently performed within manufacturing value chains in their respective countries. Final product assembly was the most frequently indicated activity, citied in 79% of responses.

Source: 2014 AEO Experts Survey (2014).

StatLink http://dx.doi.org/10.1787/888933033612

Despite employment growth in some countries, the overall potential of global value chains for the manufacturing sector remains far from being realised. Middle-income countries in particular struggle with downgrading in low-tech industries. Within the apparel sector, GVC participation has created employment opportunities and sustained output growth in some low income countries such as Ethiopia. In contrast, middle-income countries such as Lesotho and South Africa – whose wages are higher compared to other African countries – have experienced social and economic downgrading through the loss of market share (Goger et al., 2014). Across Africa, the manufacturing sector accounts for about 8.3% of the labour force (De Vriers et al., 2013), which is far below the share attained by the successful manufacturing-based developing countries at their peak.[9]

Buyer-driven value chains dominate most low-tech manufacturing. They offer employment opportunities but limited scope for upgrading along the value chain. The case of the textile and apparel industry provides a telling example. In Ethiopia, the 2010 relocation of the Turkish company Ayka Addis Textile and Investment Group created more than 10 000 jobs in the country. It triggered the relocation of 50 other Turkish textile and apparel companies which, according to the Ethiopian Investment Agency, are expected to create more than 60 000 jobs (EIA, 2013). However, the governance structure of textile and apparel chains prevents African producers from influencing the production processes since buyers' specifications include quality, price, reliability and "speed to market". Put differently, African producers are left with little room to upgrade along the value chain as buyers dictate where products are made, with which fabric, at what price and how quickly, as well as their destination.

Upgrading opportunities exist in product differentiation. As buyers determine production lines, differentiating products depends on the suppliers' capacity to identify new buyers and customise their products. For instance, in the apparel value chain, new product varieties could involve making garments with unique kanga fabrics or organic cotton textiles. In the textile value chain, upgrading could involve processing new types of fibres (synthetic for example) and producing specialised fabrics. Developed countries' growing interest in Africa's cultural traditions could also help the apparel and textile industries participate more and upgrade (see Box 7.7).

Box 7.7. **African cultural traditions are in fashion**

The growing interest of developed countries in Africa's cultural traditions could help African countries capture more of the value within global apparel value chains. Fashion and craftsmanship are potential comparative advantages for Africa. African fashion designers are capitalising on the continent's tradition of colourful and flamboyant clothing and on the high degree of craftsmanship in African cultures. Demand for African fashion is likely to be further boosted by the continent's growing urban middle class, opening up the perspective of sustainable growth for the African fashion industry.

A notable donor initiative is the International Trade Centre's Ethical Fashion Initiative. Launched in 2009, the initiative aims to link skilled artisans to global value chains through a partnership with leading fashion brands. Beneficiaries are mostly women from disadvantaged communities, many based in Kenya's slums. Ethical Fashion Africa Limited, a social enterprise with a hub in Nairobi, works as an intermediary between communities of women artisans and the global fashion market, co-ordinating, training, controlling quality and packaging. The products are marketed under globally recognised brand names, such as Vivienne Westwood, and sell in many instances for hundreds of euros to the final consumer. So far, 7 000 jobs have been created for women in marginalised communities in East Africa as a result of the initiative, and the project is being extended to Burkina Faso, Ghana and Mali.

Source: ITC (2011).

Better technology and production systems could open new markets as well. "Just-in-time" production systems, which decrease waste and reduce inventory costs by cutting down warehouse space, are one option. Although economies of scale are harder to achieve in this type of production organisation, if suppliers are capable of taking smaller orders from an array of different buyers, they can achieve economies of scale and raise value added. Large retailers such as Zara and H&M have adopted such systems, giving rise to "fast fashion" strategies. The retailers rely on their suppliers to source fabrics, manufacture garments and ship them within just a few weeks. Although a promising strategy for economic upgrading, social gains from such upgrading are not automatic (see Box 7.8).

Box 7.8. **Mixed outcomes of social and economic upgrading: The Moroccan garment industry**

Since the mid-1980s, the Moroccan garment industry has changed dramatically as it has become a key supplier for fast fashion supply chains, such as Zara. Fast fashion introduced a new logic into garment supply chains, giving higher priority to demand-sensitive just-in-time production, production in smaller quantities, higher quality and increased flexibility of suppliers. Under this logic, proximity to market is highly valued, owing to the importance of speed and responsiveness of suppliers to meet changes in demand effectively. Therefore, as a country close to Europe, Morocco has a geographical advantage in global fast fashion value chains.

The Moroccan textile industry association created a sector-led code of conduct and social label called Fibre Citoyenne, which the fast fashion retailers found attractive.

Despite Morocco's successful economic upgrading into global fast fashion value chains, the social upgrading outcomes were mixed. One of the biggest determinants was worker status. Overall, regular workers shared in the gains from economic upgrading, gaining skills and benefitting from measurably improved standards. However, focus groups revealed widespread use of an informal, irregular workforce that experienced social downgrading in many respects. These workers were concentrated in lower skilled, lower paid positions and lacked access to social protections, and higher job insecurity.

Source: Rossi (2013) and Goger et al. (2014).

Local supply of commodity-based materials could become a strength for African manufacturing but currently presents a bottleneck in most countries. The growing demand for product differentiation and just-in-time production increasingly requires a diversified and reliable local supply of intermediate materials. Morocco and South Africa have been able to move into the fast fashion segment of the apparel market because they have local textile industries capable of supplying the desired quantities and qualities and of being a responsive partner. Ethiopia's combination of local cotton and textile supply was among the reasons for H&M and its suppliers to invest there. In most other African countries, however, the lack of a local textile industry is among the major constraints to expanding or upgrading the existing apparel operations (Goger et al., 2014). In fact, only about 15% of sub-Saharan cotton is processed in Africa. Insufficient finance and reliable electricity supplies are among the main reasons for the absence of textile production, which is capital and energy intensive (Gherzi and UNIDO, 2011).

Medium- and high-tech manufacturing is dominated by producer-driven chains with tightly controlled stages of the value chain. They offer learning opportunities and the potential for global reach. South Africa's automotive sector is an example. The country has attracted many of the large international car manufacturers to set up assembly operations, including General Motors, Mercedes Benz, Nissan and Toyota. The automotive value chain offers limited opportunity to upgrade into branding, marketing or design, which are tightly controlled by the lead firms. However, it has allowed South African suppliers to access global markets. By 2011, the average share of South African value added in an exported vehicle was about 35%, reaching 75% for exported components (NAACAM, 2011). Catalytic converter suppliers, and to a minor extent leather seat suppliers, have been particularly successful in accessing global markets, and by 2011 South Africa's global market share for catalytic converters reached 15% (Alfaro et al., 2012). Removing explicit local content requirements and barriers to imports helped South Africa's automotive sector to integrate into and upgrade in global value chains (see Box 7.9).

Box 7.9. **The South African automotive sector**

The development of South Africa's automotive sector began in the 1960s under a framework of protectionism and of direct and indirect subsidies with the aim of serving the local market (UNCTAD, 2010). The country was characterised by a number of assembly and production operations producing a range of vehicles at low volumes. However, a major policy change post-1994 saw a turnaround in the automotive industry.

In 1995, the government implemented an explicit GVC policy in relation to its automotive industry. With the Motor Industry Development Programme (MIDP), South Africa dramatically reduced tariffs on imports of vehicles and components, from 115% pre-1995 to 30% in 2007, and abolished minimum local content provisions (Humphrey and Memedoviv, 2003). Original equipment manufacturers (OEMs) and, subsequently, component producers returned to South Africa. Since 1995, major international assemblers and manufacturers have established operations in the country, including OEMs from traditional manufacturing powerhouses in Europe, Japan and the United States (Alfaro et al., 2012).

At present, the automotive industry is the largest manufacturing sector in the South African economy, accounting for 7% of GDP in 2012. The number of vehicle exports has increased significantly, from 15 764 units in 1995 to 277 893 units in 2012. More importantly, the ratio of exports of vehicles to production is now more than 50%, compared to a mere 4% in 1995. In addition, while exports to Africa have formed the largest destination market, the share of exports to Asia has been increasing.

Box 7.9. **The South African automotive sector** (cont.)

Looking ahead, the South African government aims to ensure that the automotive industry remains a premier supplier of high quality, competitive original equipment parts, accessories and vehicles to international markets. To sustain the industry's growth, policies should be enhanced to broaden South Africa's supplier chain, increase manufacturing depth, improve infrastructure and supplier competitiveness, and upgrade the skills of the workforce (NAACAM, 2011).

Manufacturing quality products poses challenges for many producers, due largely to a lack of skills. Addressing knowledge gaps is crucial to increase opportunities to upgrade. Strict requirements in the form of ISO standards for accessing developed markets, such as the European Union, exclude many African producers that are incapable of complying with the quality provisions. The lack of quality is generally observed in the level of rejection rates. In the clothing industry, when comparing Ethiopia, Tanzania, China and Vietnam, product rejection both in-factory and by clients averages higher in Africa than in Asia (World Bank, 2011). Developing skills and introducing modern management practices through in-factory training or the establishment of training schools is essential to raise valued participation in the chain.

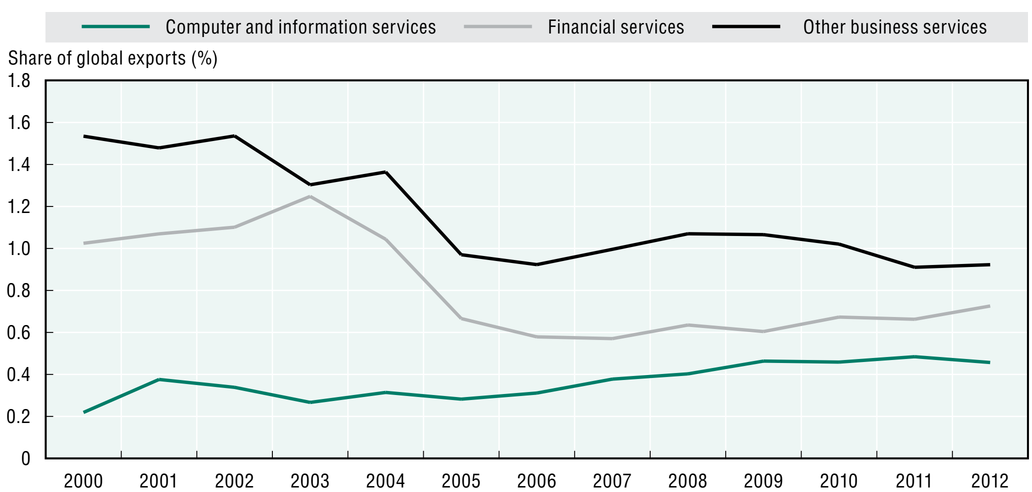
Lacking domestic factors that attract global manufacturing value chains, African countries tend to overly depend on fickle external factors such as trade preference regimes. Domestic pull factors such as a strong local supply base, a large internal market, a good location *vis-à-vis* major markets and a skilled workforce. Trade preference regimes have had a powerful effect on the geography of apparel production. With the disappearance of the Multi-Fibre Agreement (MFA) – a global system of quotas that curtailed large-scale producing countries such as China – exports and employment declined across African countries as many Asian investors relocated their production to their home countries. Since the African Growth and Opportunity Act (AGOA) was passed, many countries have attracted Chinese and Chinese Taipei investors, seeking quota-free access to the US market. Yet, the future of these industries is uncertain as AGOA ends in 2015 (Goger et al., 2014).

Looking ahead, Africa's increasing consumer demand and regional integration are attracting market-seeking investments. African consumer spending is predicted to almost double in the next decade. While Nigeria and South Africa lead this expansion of consumer demand, other countries such as Angola, Ethiopia, Kenya, Uganda and Zambia will also see a substantial increase of their domestic demand (AfDB, 2012). These developments are attracting numerous market-seeking companies. Unilever, for example covers a market of 19 African countries and has identified Africa "as the next growth market" (Zwane, 2013). Manufacturing activities are now carried out in Côte d'Ivoire, Ghana, Kenya, Nigeria, South Africa and Zimbabwe, and the vast majority of goods are produced for African markets, especially South Africa. As companies like Unilever expand throughout Africa, facilitating trade between African countries is crucial. Regional agreements such as the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) are helping build a more attractive business environment by promoting measures which enable vertical specialisation e.g. removing tariffs on intermediate inputs and machinery, simplifying rules of origin, and harmonising customs and procedures (Lesser, 2014).

Service value chains offer easier integration and provide crucial support for global value chain operations in Africa

Although Africa exported about USD 100 billion worth of services in 2012, its total share in world service exports remains low, particularly in high value-added services. At around 2.2%, Africa's share of world service exports has remained relatively stable since the 1990s. In 2012, travel (43%) and transport (27%) made up about 70% of the total. Exports in these two sectors have grown more rapidly in Africa than in developed economies for the past decade, while growth in other service exports has been slower in Africa. Growth in overall service exports accelerated considerably in the past decade relative to the previous decade (UNCTAD, 2014). Africa's medium to high skill services, on the other hand, are only slowly regaining the market share that was lost during the early 2000s. Africa's share in global financial service exports is down to 0.7% from a peak of 1.2% in 2003 and its share of other business services is down to 0.9% from 1.5% in 2000. Computer services have experienced a more positive trend of stable growth, but at a much lower level. In 2012 Africa accounted for roughly 0.5% of global exports in computer and information services, up from 0.2% in 2000 (Figure 7.6).

Figure 7.6. **Africa's share of global exports in high value-added services, 2000-12**



Source: Authors' calculations based on WTO Trade Statistics (WTO, 2014).
StatLink http://dx.doi.org/10.1787/888933033631

Services offer a promising avenue for upgrading in Africa, and regional value chain formation is proceeding apace. Three sectors – financial intermediation and business services, retail, and tourism – stand out in terms of their potential for economic and social upgrading. Furthermore, the improved information and communication technology (ICT) infrastructure and greater access to information technology (IT) are helping expand global and regional value chains in African services sectors, enabling upgrading and opening up opportunities in IT and IT-enabled services (ITES).

Regional value chain formation has been most pronounced in financial intermediation and business services sector. African value added in exports in the sector more than doubled between 1995 and 2011, outpacing all other sectors in that period in terms of growth. This reflects the strong regional financial sector integration that has been occurring in Africa over the past two decades. African regional banks, which play a more prominent role on the continent than banks from developed countries, have been a driving force behind this integration. In the period 1987-2008, intra-African foreign direct investment accounted for around 42% of mergers and acquisitions in the African financial sector and 24% of greenfield investment in 2003-07 (UNCTAD, 2013; UNECA, 2013). Africa is the only world region where regional banks are driving financial sector integration to this extent (AACB and World Bank, 2012).

Retail services are another sector where the formation of regional value chains is advancing at a rapid pace. Large African supermarket chains – especially from South Africa – are integrating the retail sector into regional value chains by expanding into new markets on the continent. Africa's biggest grocer, Shoprite of South Africa, now has more than 260 supermarkets in 16 African countries. The growing African retail market is increasingly drawing interest from Western retail chains.

Global value chains in the African tourism sector remain relatively captive and producer-driven, with a few large Western travel agencies controlling the market. This is exacerbated by the fact that a much higher proportion of tourists to sub-Saharan Africa use tour operators than in other parts of the world because of the greater complexities involved in making travel arrangements. Nonetheless, national and regional travel agencies – especially from Kenya and South Africa – are emerging that could capture more of the value added in the sector (Goger et al., 2014). The World Bank estimates that by 2021, 75% of travellers in sub-Saharan Africa will be from Africa (World Bank, 2013), which is likely to further reinforce this trend.

Upgrading and downgrading are both occurring in the African tourism sector. Upgrading opportunities tend to depend heavily on placement within the value chain, with mass tourism operators more likely than smaller ethnic or community operators to experience upgrading. Firms with easier access to finance have a greater ability to secure the necessary permits and licences to operate in the wildlife parks and protected areas most popular with tourists (Goger et al., 2014).

More intensive use of information technology constitutes an opportunity for upgrading. The increasing use of IT has greatly expanded regional value chains in the financial intermediation and business services sector, where African lead firms have been playing a key role. In the tourism sector, significant opportunities exist for upgrading, for instance through the development of websites and online booking facilities that enable direct marketing access for local operators and reduce reliance on large international operators. But more IT skills are needed to exploit these opportunities.

Services have taken on greater importance as they make the manufacturing sector more competitive. OECD/WTO data show that the value created directly and indirectly by services as intermediate inputs represents over 30% of the total value added in manufactured goods. Countries that have open and competitive service markets tend to be more competitive in manufacturing. This reflects the fact that the quality and cost of intermediate service inputs such as transport and logistics, utilities and telecommunications affect the competitiveness of manufacturing.

Developing services linked to manufacturing exports therefore constitutes a good way of creating domestic value added. Data from Latin America indicate that, typically, around four-fifths of the service component of manufacturing exports consists of domestic value added (OECD et al., 2013). While similar data for Africa are currently not available, this ratio is probably lower given the relatively lower level of development of service markets in Africa. There is therefore considerable scope for increasing African value added by nurturing the competitiveness of service sectors linked to both natural resource and manufacturing exports.

Telecommunications infrastructure and a competitive telecoms sector are strongly associated with economic upgrading (Nordås and Kim, 2013)**.** This finding highlights the central importance of adequate telecommunications facilities in co-ordinating complex, geographically dispersed production chains. The relatively strong, market-driven investment in telecommunications infrastructure on the continent therefore constitutes an important enabler of future economic upgrading in the African manufacturing sector.

ICT-intensive service exports offer opportunities where transport infrastructure holds back other sectors. The private sector participates to a greater extent in developing telecommunications infrastructure in Africa than transport infrastructure. About 72% of the capital invested in telecommunications infrastructure in Africa is partly or wholly in the hands of the private sector (Jerome, 2008). This means a lesser need to rely on cash-strapped governments to put in place the necessary infrastructure for ICT-intensive service as opposed to goods exports (see Box 7.10).

Box 7.10. **Growth opportunities in IT-enabled service value chains**

Several African countries have identified IT and IT-enabled services (ITES) as a key growth sector in their development strategies and are actively working to put in place an appropriate enabling environment and to stimulate investment.

Linking corporate social responsibility and ethical sourcing with the fledgling African IT/ITES sector is a promising avenue for both global value chain integration and social upgrading. The concept of "impact sourcing", pioneered by organisations such as Digital Divide Data (DDD) and conceived initially to replicate the Indian development model in other countries, could provide an impetus to the sector. DDD operates business process outsourcing centres in three developing countries, including one in Kenya which currently employs 250 people. Impact sourcing aims to provide opportunities for youth in developing countries by linking up ethically conscious markets with a relatively low-cost labour force trained to supply a variety of IT and IT-enabled services. These include the conversion of non-digital content into digital and searchable form, media tagging, online research and service centre support.

Donors are taking note and are scaling up basic ICT training and linking it with the development of the necessary infrastructure and enabling environment. The Rockefeller Foundation recently announced a USD 100 million initiative that aims to provide jobs for one million African youth by developing the skills needed for the IT/ITES industry. Digital Jobs Africa focuses on training youth in practical skills that businesses demand, which is often a weakness of African university systems. The idea is to create a self-sustaining business model that can later be co-ordinated by government and business and thus boost the IT/ITES industry. The project focuses on Egypt, Ghana, Kenya, Morocco, Nigeria and South Africa, all of which have a potentially comparative advantage in the area.

Nonetheless, in light of the relative dearth of high-skilled workers in Africa, high-skilled services will likely remain a niche, not a vehicle for broad structural transformation. Many tasks in the business service sector require high levels of education, which remain relatively scarce in most African countries.[10] Achieving broad-based growth on the basis of business service sectors in Africa seems unrealistic, except, potentially, for small countries with a well-educated labour force such as Botswana or Mauritius.

Notes

1. Attractive endowments are the pull factors that attract lead firms to invest or seek relationships with a particular country. They include deposits of natural resources that investors might seek, as well as the size of the local market, the cost of labour (as an attractive factor for labour-intensive industries) and the distance to consumer markets (for consumer goods industries in search of an assembly location).
2. Openness includes here barriers on importing intermediate goods, inward investment regulations, export restrictions, efficiency of customs regulations and border administration, the level of regional integration and trade barriers in partner countries.
3. Infrastructure includes here access to transnational infrastructure (roads, ports, airports and railways connecting to foreign markets), access to and reliability of telecommunications and power supply, and internal transport infrastructure. The business environment beyond infrastructure includes regulatory certainty, ease of doing business (red tape, administrative hurdles), access to finance and corruption.
4. Domestic capacity to respond to external demand includes here availability of local supply, domestic businesses' ability to meet international standards and certification requirements, integration between multinational enterprises and local businesses, innovation capacity and availability of adequately skilled labour.
5. Inefficient ports will become an increasingly severe obstacle as more and more lead firms move to "floating warehouse" strategies in their supply chains. Instead of storing goods in warehouses, shipping is used not only to transport but also to store goods. Instead of taking the direct route, a container of car components leaving Germany for South Africa, for example, could be routed via a distant port in Latin America to save on warehouse space in both Germany and South Africa. Such practices make the efficiency of ports even more important.
6. Horticulture exports from Africa have increased by more than six-fold, from USD 1.51 billion in 2001 to USD 9.74 billion in 2011, outpacing global growth averages and doubling its world share from 3% to 6% (Evers et al., 2014; ITC, 2011; UNCTAD, 2012).
7. The full range of standards in operation can be fully appreciated using the International Trade Centre Standards Map, which attempts to categorise them (www.intracen.org/itc/market-info-tools/voluntary-standards/standardsmap/).
8. Woolworths is noted as the only known exception of African supermarkets to require social standards (Barrientos and Visser, 2012).
9. India had a share of 12% in 2002, and China had 16% in 1996 (Rodrik, 2014).
10. Even in India where this sector directly employs only around 2% of the labour force, the business sector has not been a force for the kind of employment growth that would allow for large numbers of people to move from the agricultural sector (out of poverty) into more productive sectors and higher-paying jobs.

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Chapter 8

What policies for global value chains in Africa?

Global value chains magnify the need for a good business environment, for openness to trade and investments, and for skilled workers and capable firms and entrepreneurs. Policies for global value chains must maximise economy-wide opportunities while creating the optimal environment for the sectors with the greatest potential.

In brief

Global value chains (GVCs) amplify requirements for structural transformation in Africa. The shortcomings in the business environment, infrastructure, productive capacity and skills in Africa constitute major bottlenecks to structural transformation (see for example AfDB et al., 2013 and 2012; ACET, 2012; WEF, 2012; World Bank 2013; OECD, 2013a; OECD, 2013b; Ramachandran et al., 2009). The accelerating spread of global value chains amplifies these challenges, as they put African countries at a disadvantage in the competition for GVC investments, especially in manufacturing. Any policy that aims at benefitting from global value chains must effectively address these shortcomings, especially in infrastructure and skills, the environment given to entrepreneurs, and effective openness to trade, including with other African countries. This chapter addresses these needs in a summary fashion. For countries that do not tackle them, integration into global value chains will remain marginal and upgrading highly unlikely. Low road strategies that risk "races to the bottom" on social and environmental conditions would be the only option.

Five key considerations must guide policies for global value chains

Analysis reveals five key considerations that should guide policy makers in using global value chains for development. First, policies must be value-chain specific: Using global value chains for development requires providing the best environment for the value chains with the greatest identified potential. The objective of development policy is to identify the country's best position in a value chain and the most competitive supply of business functions (Cattaneo and Miroudot, 2013). Manufacturing assembly operations require efficient logistics and import/export procedures that facilitate bringing in components and exporting the fully manufactured product. They also require reliable energy provision as well as a sufficient supply of workers with the right skills. Once a country has joined a global value chain at the production stage of a product, moving up the chain or developing additional product varieties requires a range of services that must be competitive both in price and quality. This is particularly crucial for local small and medium enterprises which need to have access to a range of services in order to concentrate on the specific value-chain activity they do best. The requirements in terms of infrastructure, skills and services are often specific to the value chain. Dairy products, for example, require dense and reliable cold chains and collection structures; manufactures, textiles and many fruits efficient access to sea freight, whereas fresh-cut fruits, vegetables and flowers need efficient air freight. Last but not least, in many global value chains the main players are a few international lead firms. Integration requires attracting these firms to the country, and upgrading requires working with them to identify opportunities. In some cases policy dialogue must therefore be firm-specific.

Second, making the most of global value chains implies trade-offs: Providing the best environment for the value chains with the greatest identified potential must be done without harming the development of other chains. As budgets and resources are constrained, the choice of prioritising infrastructure development, training programmes or preferential access to one sector over another creates policy winners and losers. A ground rule for formulating policy is therefore to ensure that no other sector or value chain is disadvantaged through the enactment of a sector-specific GVC strategy but that economy-wide opportunities are maximised.[1] For African countries increasing diversification within the economy is essential for achieving structural transformation (AfDB et al., 2013) and for protecting the economy against market shocks (ACET, 2013). Furthermore, even within sectors, there may be trade-offs concerning the targeting of investments. For instance, setting up a policy supporting foreign commercial farmers needs to be weighed against the potential of the same policy for smallholders (ACET, 2009). Analysing the strengths, weaknesses, opportunities and threats of potentially successful value chains may assist in assessing such trade-offs.

Trade-offs also exist between strategies for integration and upgrading: policies that promote one may not be appropriate for the other and vice versa. For example, using tax incentives to attract foreign investment can facilitate integration into global value chains, however the loss of revenue may inhibit upgrading possibilities, as fewer resources are available for investing in infrastructure and education. Similarly, special economic zones may allow for GVC integration, because they attract exporting companies with preferential arrangement; but they can also prevent linkages and upgrading because they separate exporting firms from domestic non-exporting firms (Brautigam et al., 2010; see Box 6.3 in Chapter 6 and the Tunisia Country Note in this report). Furthermore, while localisation requirements can create linkages between local firms and foreign lead firms that lead to upgrading, they may deter foreign firms from investing in the first place and therefore may actually limit possibilities for integrating into global value chains.

Third, entrepreneurship and collaboration between public and private actors is crucial for using global value chains for development. Effective collaboration requires strong business associations. Entrepreneurs play a critical role in identifying value chain opportunities with high potential and accepting the risks involved in trying to seize them. Using global value chains for development requires public institutions to help build and support the country's entrepreneurial base. This includes entrepreneurial training and access to finance, as well as partnering with local firms when formulating global value chain strategies. Domestic business associations are essential for this process. Their role is to identify the needs of firms in a given value chain and communicate them effectively to government. They also work as partners in capacity building and training for firms and can be interlocutors for international investors. The Ethiopian textile and garment manufacturers association, for example, has become a critical partner for government and for international lead firms such as H&M. The association has helped shape the government's set of policies supporting the sector and been a partner to H&M in building capacity for meeting quality standards among local firms. The Kenyan Flower Council plays a similar role in Kenya's horticultural sector. Actively supporting the creation of such associations must be among the first steps towards using global value chains for development.

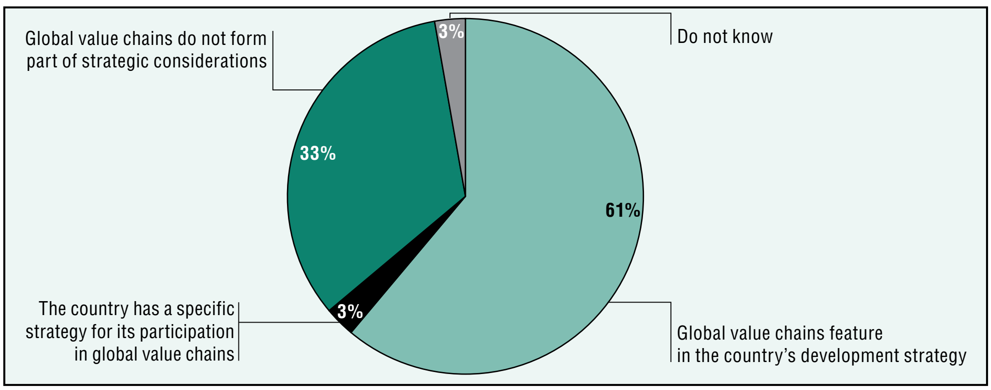
Fourth, the power and ownership structure of a global value chain can determine which pathways to increasing domestic value added are open and which are not. The previous sections on the agriculture and manufacturing sectors as well as the section on assessing Africa's readiness explain in detail the links between chain governance and upgrading opportunities. For example, upgrading to higher-value processing activities may not be feasible in certain producer-driven chains (e.g. coffee, cocoa) owing to the tight control over processing activities that is retained by large manufacturers. Promising options are instead found in product differentiation into higher quality varieties and in identifying additional buyers for them. Strategies must take into account which pathways to upgrading seem the most promising and which ones have low chances for success given the value chain's governance structure.

Finally, global value chains are no panacea for structural transformation and inclusive growth. Low road strategies risk "races to the bottom". African countries need to create 10-12 million new jobs every year just to absorb the young people entering the labour market (AfDB et al., 2012). Governments can tackle this challenge by making a national priority of attracting foreign lead firm investments and integrating into global value chains. This must be combined with a strong focus on creating the skills and domestic productive capacity necessary for upgrading and linking the rest of the local economy to the GVC presence in the country. Without such efforts, countries risk competing with each other for GVC investments with low social and environmental standards and with the generosity of their tax incentives. Such low road strategies tend to deliver limited gains for a few while the price is paid by many.

A four-step framework can help formulate effective and targeted policies

Global value chains already feature in the overall development strategies of many African countries. However, there are few examples for specific strategies for participation in global value chains. A country's overall development agenda should facilitate GVC participation and meet specific value chain requirements. Individual industries and value chains require tailored policy responses to optimise upgrading opportunities. Figure 8.1 shows that 61% of African countries surveyed have incorporated global value chains into their development strategies[2] but that specific GVC policies are not yet common in Africa countries.

Figure 8.1. **Global value chains and national development strategies**



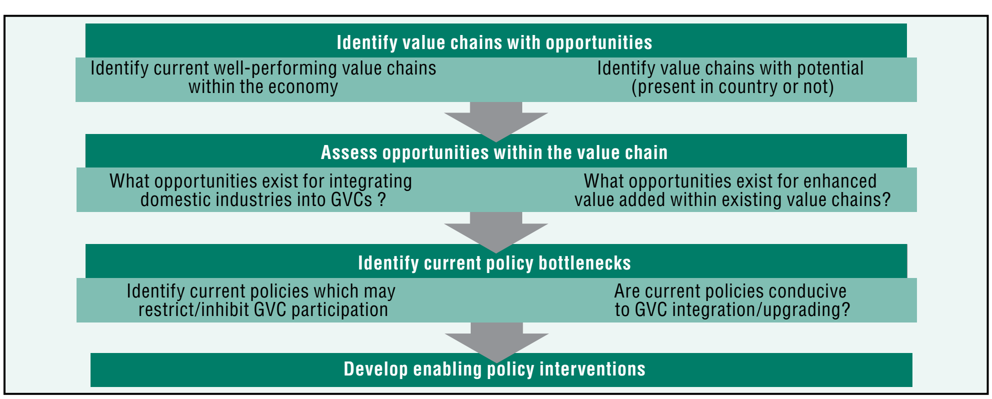
Note: The percentages reflect the share of countries in each category out of all responses to the question, "How are global value chains considered in the country's national development strategy?"

Source: AEO Country Experts Survey (2014).

StatLink http://dx.doi.org/10.1787/888933033650

This section outlines four steps that policy makers can take to ensure effective GVC participation (Figure 8.2). The four-step process emerges from the findings in this report and from recent literature on global value chain policy formulation (UNCTAD, 2013; ACET, 2013; Bamber et al., 2014).

Figure 8.2. **A four-step framework to formulate policies for global value chains**



Source: Authors' elaboration.

The first step in formulating policies is to appraise value chains that offer potential for integration and those that are currently operating within the economy. A baseline of current economic activities helps to identify areas of comparative advantages and disadvantages with respect to both sets of value chains.[3] Such an analysis must consider the position of local actors within the value chains and identify the role of lead firms so that effective collaboration can enhance upgrading opportunities.

The second step is to assess ways to increase value-added or participation in the value chain. This involves identifying opportunities for expanding current activities or even upgrading to higher value activities within a value chain. Opportunities should be prioritised based on the potential net gains, feasibility and risks. It is necessary to consider the governance structures and power dynamics of the value chain, as well as the technical feasibility and capabilities of domestic stakeholders. Some questions to consider at this stage include:

- **What are the opportunities for value added with respect to positioning along the value chain?** These vary depending on the country's activities. For example, apparel value chains in Africa tend to involve final product assembly. Although limited for functional upgrading, opportunities for upstream participation may exist, particularly for linking with the domestic textile industries.
- **What is the governance structure, and who are the key players within the chain?** The governance structures of the chain determine the opportunities for upgrading. For example, in producer-driven cocoa chains where chocolate producers control the processing stages, further processing is limited. However, ways to upgrade can lie elsewhere, such as in product differentiation and quality upgrading.
- **What is the technical capacity for upgrading within the country?** Even where governance structures permit upgrading, a lack of technical capacity within the country can hamper feasibility. This can be due to inadequate skills or infrastructure or to the distance from final markets.
- **What value-added opportunities exist in new or alternative markets?** It is necessary to look beyond the current structure of the value chain in question in order to fully assess market opportunities for upgrading. There may be new and alternative possibilities in regional, as well as emerging economy markets.

The third step is to analyse the potential barriers that existing policies might pose to the value chain development. Policy barriers can include time-consuming customs procedures that affect the competiveness of time-sensitive and perishable products. High tariffs on the import of intermediate goods and requirements to procure locally can hamper the overall competitiveness of the value chain activity, while existing international trade agreements can restrict effective GVC participation and therefore require renegotiation. Policies that affect the efficiency of the domestic business environment (such as information and communication technologies (ICT), infrastructure and education) should also be reviewed.

The final step is to develop appropriate policies based on the preceding analysis. The policy choices will depend on the product and the country's resources. Certain measures may involve trade-offs to consider when designing and implementing an adequate GVC policy response.

Having a good infrastructure and business environment is fundamental for integrating into and upgrading in global value chains

Sufficient infrastructure and an adequate logistics capacity are essential to participating in global value chains and attracting lead firms. The literature demonstrates that poor infrastructure impedes trade due to the resulting high costs (OECD, 2012). Despite the lower labour costs of some Africa countries, inadequate transport links can translate into higher costs for foreign investors and therefore reduce their productivity.

- Improving transport capacity – road, rail and air – should be a priority. Enhancing the links to ports and airports can enable a faster delivery of goods and make African economies more attractive to foreign investors. Moreover, African ports should direct their efforts to solving severe efficiency and capacity problems that result in long waiting times for export-oriented businesses.[4]
- Establishing rapid import/export processes is essential to integrate the global supply networks that heavily rely on imports for assembling activities. Ultimately, these policies should be accompanied by a commitment to improve transport governance through regulatory and administrative arrangements to fight corruption in the transport sector.
- Ultimately, these policies should be accompanied by a commitment to improve transport governance through regulatory and administrative arrangements to fight cartels and corruption in the transport sector.
- Furthermore, expanding nationwide electricity generating capacity should continue to be on the top of African policy makers' agendas. Without a reliable energy supply, countries will not be able attract substantial investment either in extractive industries or in manufacturing activities.

Value chain analysis should identify the specific needs of key value chains. Most value chains stand to benefit from improvements in infrastructure, yet even within the same sector, the requirements vary. In agriculture, fresh fish, dairy products and flowers require air freight and cold chain facilities, whereas coffee and cocoa demand efficient port facilities. In manufacturing, "just-in-time" clothing orders can require airfreight capacity, while automotive production necessitates port facilities. Manufacturing and assembly, on the other hand may be attracted by the presence of cluster parks and special economic zones (see also Box 8.2).

The wider business environment beyond infrastructure equally needs attention. Red tape, long procedures and corruption continue to deter investments by foreign lead firms. They also hold back local entrepreneurs and farmers from making the most of the opportunities presented by global value chains. Improvements are essential to successfully compete in a globalised world.

African countries should further develop regional integration and increase openness to trade

Overall, trade liberalisation measures can make African countries more competitive in international supply chains. Measures restricting access to foreign intermediate goods and services increase the costs of production and negatively impact on value chain participation (OECD et al., 2013). For instance, import barriers need to be low in order to attract multinational enterprises that rely on imported intermediate inputs to export manufactured goods. In particular, import liberalisation of intermediate inputs and of machinery required for assembly processes is key. As global value chains tend to accentuate the negative aspects of protectionist strategies, countries that seek to protect domestic production networks can become locked out of globalised trading opportunities (Lesser, 2014).

Measures that facilitate trade can benefit African countries in their role as exporters as well as importers. Reforming customs and border procedures can ease trade transaction costs and contribute to development. In Ethiopia, for example, national customs reforms increased imports and exports by 200% and tax revenues by over 51% (Lesser, 2014). Trade facilitation measures are particularly important for helping African small and medium enterprises participate in global value chains, since they often lack the financial resources and human capacity to deal with complex border-related administrative requirements (Lesser and Moisé-Leeman, 2009). Reforms in this area need not depend on international agreement.

Accelerating regional integration and fostering regional value chains can unlock opportunities and lead to more effective participation in global value chains (ACET, 2013; AfDB, forthcoming). As shown in the previous sections on agriculture, manufacturing and services, regional markets and regional value chains provide significant opportunities for growth as consumer markets across Africa are rapidly developing. Additionally, emerging economy markets and regional value chains tend to be characterised by less stringent requirements which can act as stepping stones to stricter, more demanding requirements. The less stringent standards required to participate in regional and South-South value chains may not offer sufficient social and environmental protection; but African firms can enhance their productive capacities and gradually upgrade in the value chain (Evers et al., 2014; Cadot et al., 2012).

Regional trade agreements could help raise the low levels of regional integration. As shown in Chapters 3 and 6, the levels of regional trade and regional value chains in Africa are growing but remain low. Many trade agreements exist between African countries, but the reality at the border post or in the customs office is often still far from what the agreements stipulate. Deepening regional trade agreements could create more opportunities within value chains that focus on regional production for regional markets or for interconnected regional operations that supply global markets (Bamber et al., 2014). Trade agreements between African countries should include more simplified and flexible rules that allow the following:

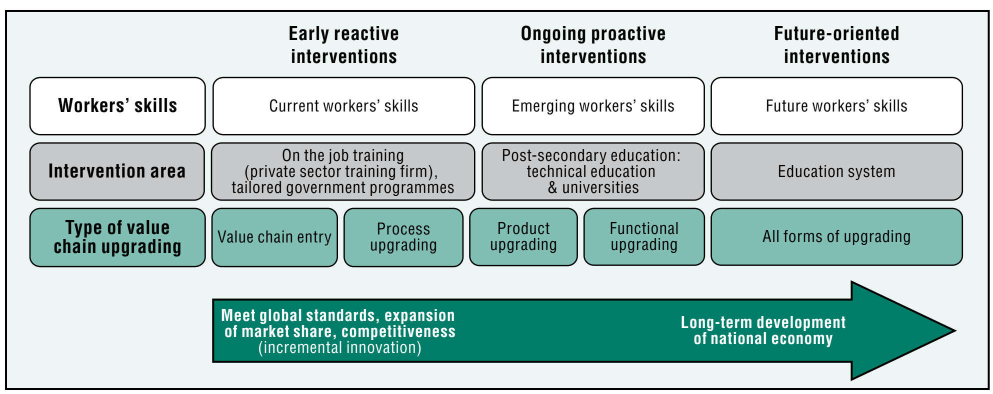
- greater use of imported inputs,
- regional rules of origin,
- less costly compliance-related procedures (Draper and Lawrence, 2013; OECD, 2013c; Lesser, 2014),
- liberalisation of key services sectors beyond what is stipulated by the World Trade Organization,
- more co-operation in infrastructure development,
- open competition,
- enforcement of international contracts between buyers and suppliers,
- movement of capital and the temporary movement of business people (Lesser, 2014; UNCTAD, 2013; see also Chapter 3).

African countries must boost their capacity to respond to global value chains

The ability to respond to global value chains requires skills, productive capacity and entrepreneurs. Given the rising complexity and competition in global supply networks, multinational enterprises increasingly choose locations based on the presence of skilled labour forces (Noorbakhsh et al., 2011; UNCTAD, 2013). Even in industries as apparently low-skilled as apparel production, the lack of a skilled labour force prevents countries such as Ethiopia from participating more fully in global value chains (ETGAMA, 2014). Concerted efforts to provide the necessary skills are crucial for Africa's future participation in global value chains. A sufficiently dense presence of firms capable of delivering supplies that meet lead firms' requirements for quality and timeliness is equally important. This is increasingly a binding condition for lead firms' locational choices, particularly in the manufacturing sector (George et al., 2014). Local entrepreneurs are essential for creating this productive capacity. Furthermore, they constitute an indispensable base of commitment to the local market that is needed to overcome swings in the global environment that can cause international firms to leave the country.

Developing education and skills is crucial to integrate into and upgrade in higher value-added activities in global value chains. As outlined above and in the preceding chapters, skills are essential for GVC participation and upgrading. Governments should improve access to universal basic education and ensure its quality. In sub-Saharan Africa, for example, 50% of children risk reaching adolescence without learning to read, write or do basic arithmetic (Van Fleet et al., 2012). Investment in technical and vocational training programmes should complement investment in basic education to enhance specific skill-sets related to individual industries and value chains (AfDB et al., 2008 and 2012; OECD 2013b). Fernandez-Stark et al. (2012) have elaborated a typology of the educational policies necessary to move up in global value chains (Figure 8.3.).

Figure 8.3. **Typology of skills development policies for upgrading in global value chains**



Source: Fernandez-Stark et al. (2012).

While reforms to the education system are necessary in the long-run, they will not deliver the skills needed for the near future; therefore, sector-specific training is essential. Activities in the services sector require broad improvements to the national education systems, whereas the other sectors demand more technical skills. In agriculture, many African smallholders are prevented from integrating into global value chains due to their inability to comply with international food standards and certifications. Delivering products that comply requires setting up schools and training institutes specialised in the field as well as establishing multi-stakeholders programmes to develop skills. Furthermore, establishing testing laboratories and improving technical and managerial skills are essential to move into higher value-added activities, such as processing and packaging. The situation is similar in the manufacturing sector where many producers lack the skills necessary to meet international quality standards. They need technical and business administration courses to be able to upgrade their productions. The technical and skills demands are even higher in extractive industries. Technical training and local employment requirements should bridge the gap in technology and skills,. Governments should support research and development, as the capacity to innovate is essential in the extractive industry. Conversely, as the service sector relies almost entirely on human capital, the educational demands are much broader, from communication skills to foreign languages.

To bridge the gap in skills and technology, both governments and lead firms have an important role to play. Governments should encourage the training initiatives of lead firms in order to maximise technological spillovers and capacity development (AfDB, forthcoming). Lead firms within value chains should be encouraged to support small and medium enterprises and domestic producers by introducing training requirements and corporate responsibility initiatives. Governments should also consider co-financing training and capacity-building activities in order to maximise the technological spillovers of GVC participation.

Capacity building with respect to meeting standard requirements is a crucial aspect of GVC participation and upgrading. Both lead firms and governments play important roles in helping local producers meet international standard requirements. Governments need to develop national inspection and testing infrastructure, while lead firms can provide technical assistance and capacity building. The requirements for public enforcement of standards vary according to the nature of the value chain; public certification may be more necessary in fragmented, less integrated chains, whereas for certain highly customised value chains, buyers help ensure adherence to production standards (Humphrey and Memedovic, 2003). Governments can also assist by developing local certification bodies and corresponding domestic standards of production. Such standards may be more suited to the local context and therefore more accessible than stringent international standards. However, governments should avoid proliferating standards with overly idiosyncratic national ones.[5]

Attracting large amounts of foreign investment make countries vulnerable to the volatility of multinational enterprises' locational choices. Therefore, local entrepreneurship needs to be encouraged. Indeed, the shifting of multinationals' sourcing strategies can reverse "hard-fought upgrading successes" (Bamber et al., 2014). This risk is accentuated with highly mobile foreign firms seeking to profit from special access programmes or preferential trade agreements. Lesotho's experience provides a telling example: following the uncertainty of the renewal of the United States' African Growth and Opportunity Act in 2005, Chinese and Chinese Taipei clothing investors in Lesotho returned to China and India where manufacturing was cheaper, to the detriment of Lesotho's manufacturing industry. However, a similar withdrawal of Asian investors from Mauritius did not have the same effect owing to the country's strong domestic entrepreneurial capacity. Local entrepreneurs are therefore indispensable to decrease dependency on foreign investments, and policies should provide an enabling environment for them to succeed.

Entrepreneurship and innovation can be encouraged through providing education and training and improving the domestic business environment. Measures to encourage entrepreneurship include *i)* general policies related to the domestic business environment, such as facilitating access to finance and improving in infrastructure and ICT; *ii)* targeted responses, such as offering business start-up grants, incentives to explore new activities and foreign markets, and promoting success stories; *iii)* the provision of business training and start-up assistance, in the form of business-plan development, and managerial and organisational training. Policy makers should create an environment that enables innovative African entrepreneurs to bring their business ideas to fruition. In order to encourage African innovation, investments in ICT, tertiary education, and research institutions are paramount (OECD, 2013b).

Promoting associations of smallholders and small and medium enterprises can boost domestic capacity to benefit from global value chains. Effective associations can do the following:

- enhance the negotiating position of small farms and firms,
- improve inter-firm learning and technology transfer,
- increase connections between small firms and large firms and between small firms themselves,

- increase supplier capacity to comply with national, regional and global standards,
- increase access to finance,
- improve representation in projects such as infrastructure development,
- provide a forum for exchanging management strategies and market information,
- help the domestic private sector strategically identify gaps and niches in the value chain that represent opportunities for upgrading.

Box 8.1. **Supporting African firms' participation in global value chains: What role for bilateral development partners?**

Traditional development partners directly support African enterprises' participation in global value chains in the form of loans, equity and guarantees. They aid businesses operating in sectors such as mobile telecommunication networks, roads, ports, railways and other critical logistic infrastructure. The following are examples from the portfolio of European Development Finance Institutions (EDFI):

- **Large infrastructure projects.** In 2013, the Lomé Container Terminal (LCT) in Togo received financing of USD 225 million arranged by the International Finance Corporation and co-financed by several international financial institutions, including EDFIs. The Port of Lomé has been playing a major economic role for landlocked countries in the region, such as Burkina Faso, Mali and Niger. The LCT aims is to allow large containerships to enter the Port of Lomé and to stimulate the activity of trans-shipment by smaller vessels towards countries in the sub-region, reducing transport and export costs and decongesting existing ports in Togo.
- **Manufacturing and agribusiness**. Kevian, a Kenyan fruit juice producer, initially received EDFI financing in 2011 and used the patient growth funds to double production capacities and increase productivity. Technical assistance increased environmental and social standards and established renewable energy components. Today Kevian works with around 30 000 smallholders, has a strong market position and is an established exporter for the European market.
- **Vertically integrated agriculture supply chain management**. Recent EDFI investments helped expand the Export Trading Group (ETG). Founded in 1967, with its head office in Tanzania, ETG procures, processes and distributes agricultural commodities, connecting African smallholder farmers to consumers around the world. ETG procures 80% of Africa-originated stock from African smallholders. Its 7 000 employees work across 30 African countries and operate 26 processing plants and 600 warehouses. ETG also supplies fertiliser products to small farmers across Africa, using its large-scale buying power to make products available at competitive prices.
- **Agriculture exports**. Ivoire Coton was founded in 1998 in Côte d'Ivoire after the privatisation of the national cotton industry. An EDFI equity investment in 2001 with the aid of Industrial Promotion Services/AKFED allowed the company to become a leading cotton producer with positive environmental and social effects. Today, Ivoire Coton is among the most important private employers for smallholders in Côte d'Ivoire, in particular in the poorer northern region. It also contributes to alphabetisation campaigns, sets up health stations for employees and surrounding communities and constructs water wells.

The broader experience of bilateral and multilateral aid agencies in support of African economies' integration into global and regional value chains is documented by the Donor Committee for Enterprise Development (DCED, 2014).

Global value chain participation and upgrading require partnerships with international lead firms

International lead firms are essential players for integrating into and upgrading in global value chains. African countries must attract them to invest and build linkages with local firms. Recent estimates suggest that 80% of global trade is linked to the networks of multinational corporations (UNCTAD, 2013). These firms are at the centre of the drive towards global value chains as they expand their production networks in search of the best global combination of production locations and market access (see Chapter 6). To integrate into a global value chain in most cases requires attracting a lead firm to establish a presence in the country. Once the firm sets up a production facility or office, local businesses can benefit by developing new capabilities through exposure to new technologies and through meeting the lead firm's requirements.

Ideally, the co-operation between international and local firms becomes self-reinforcing, combining upgrading with continuously expanding GVC participation. In the long run local upgrading can stimulate further investments. Suppliers located at lead firms' doorsteps can tailor inputs to their needs, help reduce costs, and increase specialisation, quality and flexibility within their value chains (Jenkins et al., 2007; IFC and Engineers against Poverty, 2011). The accumulation of such local expertise can attract more foreign direct investment (FDI). This in turn can trigger additional cluster effects that further boost the capacity for domestic production. Domestic small and medium enterprises gain access to more diversified clients, and risks can be shared among local firms through joint funding or joint operations, facilitating local innovation and upgrading (Jenkins et al, 2007, Nelson, 2007; OECD, 2013b). China's success in driving development with global value chains underlines this model. Having learned from the presence of international firms over many years, today China has a deeply integrated supply base for many manufacturing activities; the supply base constitutes such a strong comparative advantage that it outweighs rising labour costs.

Research has shown that for foreign enterprises seeking to invest, incentives are secondary to more fundamental determinants, such as market size, access to raw materials and the availability of skilled labour (James, 2009; Basu and Srinivasan, 2002; Zee et al., 2002; Cleeve, 2008). An easy and open investment regime both includes measures that ease and automate procedures to start a business and offers investment-related information. Lowering investment barriers and establishing sound and predictable regimes are crucial for attracting investors (Draper and Lawrence, 2013; Lesser, 2014).

Fiscal incentives can be a strategic tool for integrating into promising global value chains, but they are costly and must be compatible with the long-term objective of upgrading. This is particularly true for countries with few comparative advantages to offer and for cost-sensitive industries, such as textile and apparel. Fiscal incentives range from temporary rebates for certain types of investment, to tax holidays, tax allowances and credits. These incentives are costly in terms of direct expenditures and – often much more importantly – in terms of forgone tax revenues. For example, the loss of tax revenues through the granting of incentives amounted to 10% of GDP in Burundi in 2006 (Chambas and Laporte, 2007; AfDB 2010) and roughly 6% of GDP in Ghana in 2011.[6] Expenditures on incentives leave fewer resources for investing in the primary factors attracting investments and driving upgrading.

Where incentives are considered necessary, investing in cost-recovery incentives offers a more targeted and effective tool than providing tax holidays. Cost-recovery incentives include investment allowances and investment tax credits and give priority to investments in productive capacity in the form of plants and equipment. They have been shown to be more cost-effective in attracting FDI than tax holidays (Zee et al., 2002). Under a tax holiday, a new firm investing in the country is exempt from paying corporate income tax (and perhaps other tax liabilities) for a specific time period. In 2004, while only 20% of OECD countries applied for tax holidays, 70% of African countries were proposing them to draw investment to their economies (Bora, 2002 in Cleeve, 2008). This is despite broad evidence suggesting that tax holidays are unnecessary to attract beneficial investment (Van Parys and James, 2010; James, 2009) and that they risk appealing to short-run projects with few long-term gains for the local economy (Cleeve, 2008; Zee et al., 2002).

Box 8.2. **The limited success of African special economic zones in global value chains**

Today, about 60% of African countries have special economic zone (SEZ) programmes (Brautigam et al., 2010). Established in a specific region, SEZs enjoy exemptions from a variety of fiscal burdens. With the exception of Ghana and Mauritius, evidence suggests that African SEZs have largely failed to deliver significant benefits. The majority of these zones struggle to attract foreign direct investment because of their modest strategic and management plans and their country's overall unappealing political and legal landscape. The incentives brought by SEZs are generally not enough to interest investors when the country's national investment climate is poor (Brautigam et al., 2010). Moreover, linkage creation between export-oriented and other local firms is difficult where regulations and tax regimes for the two differ significantly. Tunisia's difficulties to create more social benefits from its offshore sector illustrate this (see Chapter 6).

Nonetheless, SEZs remain a frequently used tool in Africa, most recently by China. The African SEZs officially approved by the Chinese government are located in Algeria, Egypt, Ethiopia, Mauritius, Nigeria and Zambia. In addition to these, subnational entities and private actors have undertaken several other projects in Africa of varying types and sizes. Although its own SEZs were established in a different economic and institutional context, China is the world leader in the field, having established more than 100. The Chinese SEZs are being implemented on a for-profit basis by private sector consortia, albeit often led by public or semi-public enterprises and with the aid of subsidies and concessionary finance from the Chinese government (Brautigam et al., 2010). Research shows that zones implemented by the private sector tend to do better than government-led SEZ schemes. Some evidence shows that the Chinese SEZ in Egypt has enabled Egypt to move along the global value chain within the extractive sector to manufacture petroleum drilling rigs and related components for use by international oil companies operating in the country.

Attracting foreign direct investment alone may not be sufficient to increase local participation in global value chains: additional measures are required to promote linkages between domestic and lead firms. As local firms interact with foreign companies, they may gain technical skills through knowledge spillovers. Governments can facilitate this transfer of skills and technology through two policy measures: *i)* facilitating the exchange of information by providing institutional support and establishing investment promotion agencies; *ii)* imposing localisation requirements to encourage investors to link with domestic firms. Complementary measures may also be necessary to strengthen the bargaining power of local producers relative to their foreign GVC partner (AfDB, forthcoming). These include establishing domestic producer associations to help balance the power between local producers and multinational enterprises and enacting specific laws for GVC activities, such as local employment quotas and preferential treatment regulations for local input suppliers (UNCTAD, 2013).

Providing enterprise maps and supplier databases on major firms in various sectors can help develop linkages. Enterprise maps contain sector profiles, detailed supply chains, in-depth information on major companies within each sector as well as their sources of inputs. This information can be useful both for domestic firms aiming to enter supply chains as well as for governments seeking to identify potential areas for promotion of local firms (Sutton and Kellow, 2010; Sutton and Kpentey, 2012; Sutton and Olomi, 2012). Supplier databases or subcontracting exchange schemes help lead firms identify local businesses with which to partner. Generally, the databases provide information on potential suppliers, their quality and their capability of delivering on specific tasks. The databases are often managed by enterprise centres, whose staff evaluates the businesses' performance to reduce the lead firm's risks when contracting with local partners for the first time.

Localisation requirements can encourage linkage development; however, they also impose additional costs on foreign investors and can therefore simultaneously inhibit upgrading opportunities further down the value chain. The requirements for foreign firms to enter a joint venture or provide equity to local partners are meant to allow local firms and investors to participate in and share the rent generated, while encouraging linkages based on local know-how. The requirements to transfer technology aim to increase technology spillovers to the domestic economy. Instruments include mandatory technology sharing, or indirect tools such as weak enforcement of property rights. Local content rules require foreign investors to source from domestic businesses, in order to force linkage development (OECD, 2005). However, the added costs of localisation requirements, coupled with a lack of domestic supply capacity, can divert investment to countries with more investor-friendly conditions. Furthermore, mandatory localisation requirements are increasingly ruled out in bilateral investment treaties and free trade agreements (OECD, 2005). As an alternative measure, lead firms can benefit from incentives to create linkages with domestic firms. If foreign investors fulfil certain conditions in terms of local employment, local procurement or training of local business partners, they are granted certain benefits. These can include the relaxation of binding requirements such as import duties, ownership rules and limitations on expatriate staff.

To ensure inclusiveness and sustainability, global value chain policies must be based on a strong social and environmental framework

Governments should consider the potential trade-offs between increased GVC participation and social and environmental concerns in order to avoid a "race to the bottom". As policy makers seek to make domestic firms more attractive to investors and increase market opportunities, they must also ensure to provide a strong environmental and social framework.

Social upgrading does not necessarily flow from GVC participation or from economic upgrading; explicit social policy is required. The challenge for African economies is to ensure that increasing GVC participation has a positive impact on socially inclusive development by providing quality jobs. Since the institutions that enforce legal standards and compliance codes are generally under-resourced and weak in African countries, informal employment, the segmentation between casual and permanent workers, and overall non-compliance in many sectors harm society. Countries that have not ratified International Labour Organization and human rights conventions should do so, and those that have should enforce them. Enforcement is particularly critical for the most vulnerable workers, such as women and migrants, who tend to be over-represented in lower-value segments of the value chain or in positions that are casual, temporary or undocumented. Policy makers can address gender inequality in global value chains by *i)* improving access to jobs (especially in non-traditional occupations); *ii)* increasing training and mentorship opportunities for women; *iii)* promoting sexual harassment policies and awareness in workplaces; *iv)* offering supportive services such as childcare and social services; and *v)* developing transport infrastructure to provide safe access to work.

Environmental safeguards are necessary to reduce the potential negative impacts of GVC participation. GVC participation can change the use of land, resulting in deforestation and generally degrading the ecosystem. Therefore effective natural resource management systems are necessary to protect local environments, biodiversity, and the quality of soil, water and the landscape. Similarly, policy makers should encourage sustainable development to line up carbon and greenhouse gas emissions with international frameworks and conventions. Lead firms are under mounting pressure to ”green” their supply chains as eco-conscious consumers increasingly scrutinise procurement practices. Therefore, collaborating with lead firms is crucial to the successful implementation of environmental policies relating to global value chains. Lead firms can play an important role in ensuring that certain environmental codes are adhered to as it is in their interests to do so.

Beyond necessity, going social and going green offer African countries with opportunities to diversify as consumers increasingly value socially and environmentally certified products. As shown in Chapter 7, developing new varieties of products is a key element of successful strategies in many global value chains. Certifications of social and environmental quality standards can provide such variation and fetch premium prices in consumer goods markets, particularly in high-income countries.

Notes

1. Multi-purpose infrastructure is a good example of combining support to a specific value chain while maximising economy-wide opportunities. A railroad that is needed for transporting mining products such as coal and iron ore, for example, should be built in such a way that it serves as many other sectors and towns as possible. Export restrictions on raw materials, on the other hand, are an example of a policy that supports a specific value chain but harms others: such restrictions can support local processing through cheaper raw material inputs but harm the raw material sector through lower prices. Such measures must be time-bound and conditional to strict performance targets in terms of effective domestic demand for the raw material in question at export price parity minus the cost of transport.
2. Examples of national development strategies that explicitly target global value chains include Rwanda's Economic Development and Poverty Reduction Strategy-2 (2013-18) and Egypt's Industrial Development Strategy 2008 (MINECOFIN, Republic of Rwanda, 2013; ERF, 2006).
3. Given the infrastructure and difficult business environment, many firms in Africa must be of higher productivity than comparable firms in countries with similar levels of development (Harrison et al., 2013). As a result many economic activities do not yet exist in Africa because they cannot be profitable; once infrastructure and the business environment improve, those activities will develop. Many future opportunities for attracting global value chains to African countries will therefore likely differ from current ones.
4. In Tunisia, a reduction in cargo delays from ten days in 2003-04 to 3.3 days in 2010 helped generate 50 000 full-time and 50 000 part-time jobs for the firms involved (OECD, 2013c in Lesser, 2014).
5. For instance, the proliferation of domestic standards in relation to fertilisers and seeds has prevented producers and importers from exploiting economies of scale across markets. Because of the small market size of many African countries, the additional costs of meeting each country's standards are spread over a small volume of sales. In the best case they increase prices for farmers and consumers and in the worst case disrupt supply if the burden of a country-specific standard renders import or production unprofitable (AfDB et al., 2013).
6. OECD estimation based on data provided by the Ministry of Finance and Economic Planning (MoFEP).

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PART THREE
Country notes

ALGERIA

- **The Algerian economy's real growth was an estimated 3% in 2013, driven mainly by domestic demand, including public investment. This growth performance was achieved with inflation slowing to 3.3% thanks to the Algerian government's efforts to control market liquidity, contain the expansion of demand for goods and services and increase supply.**
- **Algeria's good external position continued to weaken in 2013: the current-account surplus fell to 1.2% of GDP (from 5.9% in 2012) as oil and gas exports declined and imports rose. However, Algeria is pursuing its policy of low external debt and has strong foreign exchange reserves equivalent to more than three years of imports.**
- **The oil and gas company Sonatrach is the flagship of Algerian industry, dominating trade and global value chains. It is Africa's largest company, with a consolidated turnover of around USD 100 billion in 2013.**

Benefiting from political stability, Algeria's economy continued to perform solidly in 2013, growing by 3% (3.3% in 2012). Growth was driven by private demand and investment by public enterprises, which offset a downturn in public expenditure and exports, especially oil and gas. After stabilising at 10.0% between 2010 and 2012, unemployment fell slightly in 2013, standing at 9.8% in September.

Inflation returned to its pre-2012 level, falling from 8.9% to 3.3% thanks to a prudent monetary policy, fiscal consolidation and government measures to control and improve distribution channels for consumer goods.

Algeria's external position remains solid, but showed the first signs of a slowdown. The current-account surplus contracted to 1.2% of GDP (compared to 5.9% of GDP in 2012) as exports fell and imports rose. Foreign exchange reserves, however, remain solid, amounting to USD 196 billion (more than three years of imports) at the end of the year, while external debt remained low at USD 3.2 billion, or 1.5% of GDP.

China has become Algeria's largest supplier, providing 12.0% of Algerian imports, compared to France's 11.4%. Algeria's other main suppliers are Italy, Spain and Germany. Spain, Italy, the United Kingdom and France are Algeria's main export markets, with the United States – the main export market in 2012 – falling to sixth place.

In 2014 oil and gas are set to recover and public expenditure is forecast to rise by 11.3%, mainly for investment to support domestic demand. As a result, forecasts predict growth of 4.3% and inflation of 4.2%.

Analysis of global value chains (GVCs) shows that the reforms to and dismantling of the public industrial sector have several consequences: assets were privatised, imports were replaced by domestic production, productivity was low, and the informal sector grew. The government sought to break this dynamic by adopting a policy for the recovery and industrial integration of sectors of the economy to increase and diversify domestic production and create jobs.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.3	3.0	4.3	4.2
Real GDP per capita growth	1.4	0.8	2.5	2.4
CPI inflation	8.9	3.3	4.2	4.0
Budget balance % GDP	-4.8	-0.2	-2.1	-2.6
Current account balance % GDP	5.9	1.2	0.3	0.4

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

ANGOLA

- **Angola's GDP grew 5.1% in 2013, below the target figure, but a new burst is expected from 2014.**
- **Despite good economic indicators, policies are needed to lift Angolans out of poverty.**
- **Investment is needed in skills and infrastructure to improve human development.**

The economy of Africa's second biggest oil producer grew by 5.1% in 2013, below the hoped for 7.1%. Angola's extra gross domestic product (GDP) came mostly from the non-oil energy, agriculture, fisheries, manufacturing and construction sectors. Growth is projected to reach 7.9% in 2014 and 8.8% in 2015 as major public infrastructure investment kicks in.

Social indicators have not kept pace with the strong economy though. About 36% of the population lives below the poverty line and unemployment remains high at 26%. The government has taken steps to improve living conditions. Major investment is being made to expand access to electricity, water and transport. To boost business, financial sector policies are being modernised with the introduction of a new foreign exchange currency law for the oil sector and a mining law. Though the structural policies are positive, Angola needs to accelerate economic diversification and reduce the dependence on oil which accounts for about 46% of GDP, 80% of government revenues and 95% of Angola's exports.

Virtually all major inputs for the oil industry are imported. The country has to get a foothold in the global oil industry's value chain and broaden its participation into sectors such as liquified natural gas, methanol and other high potential sectors. But poor roads, ports, airports and railway connections hinder efforts to reach foreign markets, and there is a poor power supply. Difficulties accessing finance and administrative barriers to free movement of goods and labour are also obstacles. The government has used the Petroleum Activity Law and local content decrees to advance national interests in the oil sector. This legal framework also serves to promote the creation of local skills through the "Angolanization" of human resources and boost the participation of local companies by giving preferential treatment to national firms in the supply of goods and services.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	5.2	5.1	7.9	8.8
Real GDP per capita growth	2.1	2.0	4.9	5.8
CPI inflation	10.3	9.3	8.3	7.8
Budget balance % GDP	8.7	2.4	-5.0	-6.9
Current account balance % GDP	9.9	5.7	4.3	4.0

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

BENIN

- **Driven by agriculture and trade, real GDP growth is estimated at 5.0% in 2013, down from 5.4% in 2012.**
- **Reforms have continued in public finances and in the port sector, but a clear national strategy remains to be defined for managing the cotton sector.**
- **Global value chains (GVCs) are embryonic in Benin, but some activity sectors may be integrated into them provided the constraints weighing on the private sector are eased.**

After having risen from 3.5% in 2011 to 5.4% in 2012, real gross domestic product (GDP) growth is estimated to have been secured at 5.0% in 2013, confirming a trend towards recovery. Economic activity has been fuelled in particular by: *i)* an increase in agricultural production due both to incentives to farmers and to the reinforcement of the regulatory framework for agricultural production and the distribution of inputs; and *ii)* an increase in port traffic following port modernisation measures. The impact of growth on poverty reduction remains, however, insufficient. Inflation, estimated at 2.6% in 2013, returned below the 3.0% threshold set by the West African Economic and Monetary Union (WAEMU) after having been exceptionally high in 2012 (6.6%) because of Nigeria's reduction in subsidies of fuel prices. Growth is projected at 4.9% in 2014 and 5.3% in 2015 thanks to the vigour of the agricultural and the port sectors and to the entry into production of a new cement plant and a number of agricultural processing units.

Macroeconomic stability should be strengthened by the ongoing reforms, particularly in the agricultural and port sectors and in public finances. It is, however, crucial to develop, in consultation with all the stakeholders, a clear strategy to achieve sustainable management of the cotton sector in order to ensure its maximum profitability; the sector provides a source of income for one-third of the population. To support growth in Benin and reduce poverty incidence, there are also major stakes in developing the private sector, which is largely dominated by the informal sector. In this respect, in addition to ongoing efforts to make the business climate better and facilitate access to funding, public-private sector dialogue should be improved and investor confidence strengthened by implementing the recommendations of the round table on the development of the private sector held in October 2012.

The private sector is in fact in a good position to exploit the country's potential, notably agricultural, to the full, and its development is essential for Benin's integration into global value chains (GVCs). Although GVCs are embryonic in the country, certain activity sectors could be integrated into them, provided they are structured through appropriate policies. These include in particular: the cotton-textile industry, with market opportunities in West Africa; the cashew-nut, maize, rice and pineapple subsectors; tourism, with the development of tourist areas based on public-private partnerships (PPPs); and transport, with the establishment of a multi-modal hub to optimise the country's position as a trade corridor (modernisation of the port of Cotonou with dry ports, construction of the Glo-Djigbe airport, Cotonou-Niamey railway).

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	5.4	5.0	4.9	5.3
Real GDP per capita growth	2.7	2.3	2.3	2.7
CPI inflation	6.6	2.6	2.3	2.9
Budget balance % GDP	-1.3	-1.2	-1.1	-1.2
Current account balance % GDP	-8.5	-8.2	-7.9	-7.8

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

BOTSWANA

- **Botswana's economic performance improved in 2013, with real GDP growth estimated to have increased to 5.4% from 4.2% in 2012, with short-term forecasts through to 2015 remaining sound, premised on improved prospects in the predominant diamond industry.**
- **On the political front, the focus is currently centred on the general elections due to be held in 2014 that are expected to be conducted peacefully, in line with the country's track record of political maturity exhibited in past elections.**
- **Despite its middle-income status, Botswana continues to grapple with significant social challenges including unequal distribution of wealth, high levels of poverty, unemployment and HIV/AIDS prevalence.**

Botswana's economic performance improved in 2013, continuing the recovery that set in after the 2008/09 global economic crisis. Real GDP growth is estimated to have increased to 5.4% in 2013 from 4.2% in 2012, mainly driven by service-oriented sectors, notably trade, transport and communication, public and financial services. In addition, the country's predominant mining sector registered a rebound in spite of the impact of the sluggish global prospects. These positive developments were, however, somehow counteracted by water shortages and electricity outages arising from a severe drought. The sound performance of the non-mining sectors is laudable as it suggests nascent steps towards economic diversification. Short-term prospects are robust with economic growth expected to remain at around 5% per annum through to 2015, mainly premised on downstream manufacturing due to the recent relocation of De Beers' diamond-sorting and sales activity from London to Gaborone, as well as the attraction of a range of complementary activities.

Despite its middle-income status, Botswana has to contend with challenges emanating from its narrow economic structure and the attendant over-dependence on the mining sector, in particular diamonds. While the government has a reputation for the prudent management of mining revenues and also boasts a good governance record and stable democracy, the need for diversification remains critical. On the social front, the distribution of resources and level of development remain major concerns. With a Gini coefficient of 0.61, Botswana portrays a relatively unequal distribution of wealth. The incidence of poverty is also high, with 18.4% of the population living below the poverty line. Other challenges include a high unemployment rate of 17.8%, and relatively low Human Development Index (HDI) ranking and score mainly due to the high HIV/AIDS prevalence of 23.4% that drags down life expectancy.

With regard to global value chains (GVCs), official data reveal that by value, the sectors most engaged in these are mining (diamonds, copper nickel, soda ash and gold), vehicles, textiles, beef and tourism, with the diamond subsector playing the most visible role. The relocation of the Diamond Training Company from London to Botswana in 2013 and the government's decision to reserve a proportion of Botswana's diamonds for local processing are expected to consolidate the country's role as a major player in the diamond GVC. With regard to the other commodities and services, there is significant scope for Botswana to enhance its positioning within other mineral, beef and tourism value chains in view of ongoing reforms to address the existing challenges. These are articulated in a number of strategies to enhance private sector competitiveness and growth such as the Excellence Strategy, the Economic Diversification Drive, the National Export Strategy and the Private Sector Development Strategy. In addition, other efficiency-enhancing measures that are in place include investment in broadband width and the modernisation of the payment system.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.2	5.4	5.1	5.0
Real GDP per capita growth	3.3	4.5	4.3	4.1
CPI inflation	7.5	6.1	5.7	5.4
Budget balance % GDP	-0.4	-0.2	0.5	1.1
Current account balance % GDP	0.2	1.8	2.2	-0.9

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

BURKINA FASO

- **Burkina Faso suffered from lower gold prices in 2013. Despite difficult economic circumstances, real growth remained strong at 6.9%. It was down, however, from 9.0% the previous year. Agriculture and mining remained the main engines of growth in 2013.**
- **The weak capacity to absorb public investment is the main problem with state finances. This constitutes a growth constraint and could harm Burkina Faso's chances of reaching the Millennium Development Goals by 2015.**
- **Burkina Faso struggles to participate in global value chains (GVCs) because of poor infrastructure and access to energy and a lack of skilled labour. The country needs to put in place a coherent strategy to develop GVCs.**

Burkina Faso saw dynamic economic growth in 2013 despite a fall in gold prices on international markets. The GDP is estimated at 6.9% in 2013 after 9.0% the previous year. Growth of 7.0% is predicted for 2014. Agriculture and mining should be the main growth generators. The agricultural sector could benefit from measures to speed up productivity gains, particularly through access to agricultural inputs and equipment. Mining should be boosted in 2014 by increased gold production.

Inflation should be controlled through lower food prices. The government has set up special stores across the country to sell consumer products at prices accessible to low-revenue households. Inflation is expected to remain under 3% in 2014 and 2015, below the average for West African Economic and Monetary Union (WAEMU) member states.

The government is also launching a vast infrastructure building programme as part of its accelerated growth and sustainable development strategy, known under the French acronym SCADD. Work will concentrate on buildings and roads, events for the commemoration of Burkina Faso's independence and paving major roads, particularly from Dédougou to Nouna and the Mali frontier, Ziniaré to Zitenga and Boromo to Skeins. Work is also about to start on Ouagadougou's new Donsin airport. Major work on the runways should start in 2014 and the airport should be finished in 2017. The government is also pushing ahead with development programmes and growth zones, including at Bagre, Sourou and Samandéni. Low capacity to absorb public investment is a key obstacle, so the country must reform the way it prepares and executes projects to improve results.

The social climate remained tense in 2013 because of the authorities' intention to revise the country's constitution to allow the president to serve a fifth term, and also because of the high cost of living.

After major political tensions in 2011, legislative and municipal elections were held in December 2012 without any major incidents, and a normalisation of the social-political atmosphere was expected in 2013. However, the adoption in May 2013 of a law creating a senate set off a new peak in tensions, with protest marches organised by opposition political parties and civil society groups.

In a bid to calm protests, the government slowed the process towards creating a senate and, in September, took social measures to counter the high cost of living. The government still intends to set up the senate and revise Article 37 of the constitution on the limitation of mandates. The period up to the next presidential election in 2015 is certain to be a risky one for the country. The main political challenge will be to ensure a smooth political transition in 2015.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	9.0	6.9	7.0	6.3
Real GDP per capita growth	6.1	4.1	4.2	3.5
CPI inflation	3.8	2.1	1.7	1.9
Budget balance % GDP	-3.1	-3.2	-3.6	-4.7
Current account balance % GDP	-0.8	-0.7	-1.5	-1.4

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

BURUNDI

- **Burundi's growth accelerated to an estimated 4.6% in 2013, up from 4.2% in 2012, thanks to increased activity in the secondary and tertiary sectors.**
- **Government finances improved, but the country is still faced with major constraints due to the poor mobilisation of domestic resources and the volatility of external aid; meanwhile, political tensions have grown in the run-up to 2015 elections.**
- **Progress in implementing the policy of free primary-school tuition and free health care, education for children under five and pregnant women moved Burundi seven places up the Human Development Index (HDI) in 2013.**

A series of exogenous shocks (a rise in world oil prices and food prices and a decline in revenue) struck economic activity in 2013. Growth in GDP accelerated slightly from 4.2% in 2012 to 4.6%, inflation dropped from 18.2% to 7.8%, the fiscal deficit narrowed from 9.1% to 2% and the Burundian franc (BIF) depreciated by 5% against the US dollar (USD) from January to December.

The primary sector contracted by 2% in 2013, mainly due to the effects of rainfall on coffee production. The economy has slowly recovered over the past two years as services and the secondary sector have expanded, the latter having benefited from investment in industry, construction and public works.

The government has continued to implement the Extended Credit Facility (ECF) concluded with the International Monetary Fund (IMF) in January 2012. The programme was hit by the poor mobilisation of government revenue after legislation passed in 2013 significantly reduced the tax base on personal income tax. As a result, the government was forced to approve a supplementary budget in July 2013, with new measures to strengthen the mobilisation of tax revenue and reduce current expenditure.

Despite the tough economic climate, Burundi's economic policy aims to provide the country with the necessary infrastructure and promote rapid, sustained growth in line with the strategic framework for growth and poverty reduction (*Cadre stratégique de croissance et de lutte contre la pauvreté, CSLP II*) adopted in February 2012. Major energy, transport, water, electricity and telecommunications projects began in 2013, and new programmes were presented to technical and financial partners at industry conferences in July and October 2013.

Given the uncertainty surrounding foreign aid over the next few years, the government intends to focus on mobilising domestic revenue by pursuing its taxation reforms. The measures it plans include simplifying procedures, introducing a flexible tax system, broadening the tax base, decentralising and modernising collection structures, and harmonising the tax system with the regulations of the East African Community (EAC).

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.2	4.6	5.2	6.7
Real GDP per capita growth	1.0	1.5	2.1	3.6
CPI inflation	18.2	7.8	5.4	7.0
Budget balance % GDP	-9.1	-2.0	-3.6	-3.9
Current account balance % GDP	-15.3	-14.6	-15.0	-15.3

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

CABO VERDE

- **Economic growth has been slowing over recent years and Cabo Verde has been less resilient to the euro area crisis than previously thought.**
- **In order to reduce the budget deficit and curb the high indebtedness trend, the government is shifting the focus from accelerated capital accumulation to improvements in the quality and efficiency of public infrastructure.**
- **Cabo Verde is on track to reach most of the Millennium Development Goals but significant challenges remain, particularly high unemployment and persistent inequality.**

Since 2012, the economy has been hit by the weak international economic situation. GDP growth dropped from 4% in 2011 to 2.5% in 2012 and to 1% in 2013. Business and consumer confidence indicators have deteriorated while foreign direct investment (FDI) flows have pursued their declining trend in the balance of payments. However, public sector demand continued to provide support to the economy. Growth is likely to be around 3.1% in 2014 if the current recovery of the euro area, Cabo Verde's major trading partner, is sustained. If the slowdown in tourism revenue persists, however, this would dampen the main engine of growth.

As a result of the increase in the public sector's borrowing requirements to finance large investments in infrastructure, the total nominal government debt has increased from 69% of GDP in 2009 to an estimated 93% in 2013. In 2014, the government will focus on medium-term fiscal consolidation to rebuild policy buffers and lower debt related risks, but some temporary fiscal and monetary easing may be considered in line with the economic cycle if weakness persists. In this context, it will be critical to accelerate reforms in the business environment to improve competitiveness, particularly in the labour market. In parallel, returns to the impressive investments in infrastructure will need to be raised by strengthening the management of the public capital stock. In the financial sector, credit to the economy is likely to remain limited as banks have grown increasingly cautious given high levels of nonperforming loans and the need to build provisions, limiting the potential for growth.

Cabo Verde limited production base connects to global value chains mainly through the services sector: tourism and people working abroad. The sector of tourism is the most engaged in global value chains, having become an important engine of growth in the Cabo Verdean economy after 2005. The large diaspora connects the country to global value chains through their work abroad. Exports of sea products, which are mostly canned and frozen seafood, also engages the country in value chains abroad, albeit the impact on GDP is very modest. Going forward Cabo Verde is seeking strategies that can position the country at higher-value stages of the global value chains by stimulating new exports of goods and services and expanding existing ones, especially around the creative sector.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	2.5	1.0	3.1	3.3
Real GDP per capita growth	1.7	0.1	2.2	2.4
CPI inflation	2.5	1.5	1.8	2.0
Budget balance % GDP	-9.8	-7.9	-7.7	-8.0
Current account balance % GDP	-11.7	-5.7	-10.1	-10.0

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

CAMEROON

- **GDP growth in 2013 reached 4.9% and should stay around this level in 2014 and 2015.**
- **Cameroon has remained stable in a region marked by political and security crises, but must use growth to reduce poverty.**
- **Cameroon has a limited role in global value chains but has a proactive policy to develop the promising agriculture, forestry and livestock and fisheries sectors.**

Despite a difficult global context marked by lower commodity prices and deteriorating terms of trade, domestic economic activity has remained solid. Domestic demand has continued to grow, driven by major infrastructure projects and measures to revive production in several sectors. Growth recorded in 2012 was consolidated in 2013, although it was slightly lower than forecast. This growth was driven mainly by the tertiary sector, which accounted for 47.8% of gross domestic product (GDP), one percentage point higher than in 2012, thanks to strong performances by the transport, telecommunications, trade and hotel and catering industries. Growth was also supported by a recovery in certain branches of the secondary sector, with strong performances by the construction and extractive industries (oil and gas) and investments in basic infrastructure. This growth trend is forecast to continue in 2014 and 2015.

In 2013, Cameroon produced a medium-term budgetary framework in line with a directive issued by the Economic and Monetary Community of Central Africa (CAEMC) on programme budgets. The framework is in line with the growth and employment strategy paper for 2010-20 (*Document de stratégie pour la croissance et l'emploi*, DSCE), emphasising growth and employment and focusing action on developing infrastructure through major energy, transport and telecommunications projects. In addition to these actions to reduce production-factor costs, measures have been taken to support the modernisation of Cameroon's production equipment, especially in the agricultural sector (tractor assembly plant in Ebolowa), and to support the development of manufacturing industries (leasing). The aim is to ensure that natural resources are exploited judiciously – especially in the agriculture, forestry and livestock and fisheries sectors – by growing the value chain of promising sectors (cotton, textile and clothing; timber; cocoa; rubber; etc.) through the promotion of agri-business. This strategy contributes to fiscal sustainability by reducing the country's strong dependence on export revenue and oil prices. The strategy also aims to strengthen competitiveness by incorporating a larger market share into intra-regional trade. Achieving this objective will be helped by additional roads leading to the main sub-regional markets in CAEMC countries and Nigeria.

Parliamentary and local elections ran smoothly, bolstering socio-political stability in a region plagued by political and security crises. These elections redistributed the roles of the president's ruling party and the opposition, but the president still holds a comfortable parliamentary majority, allowing his party to legislate without risk.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.4	4.9	5.0	5.1
Real GDP per capita growth	1.9	2.4	2.5	2.7
CPI inflation	2.4	2.3	2.5	2.5
Budget balance % GDP	-1.9	-3.7	-4.1	-4.6
Current account balance % GDP	-3.3	-3.3	-3.4	-3.6

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

CENTRAL AFRICAN REPUBLIC

- **A rebel uprising led to the overthrow in March 2013 of Central African Republic's president and conflict in which thousands have died.**
- **Despite an international military operation, there is a huge humanitarian crisis, state institutions have collapsed and the economy has come to a standstill.**
- **The transitional government has virtually no revenue sources and the country faces an uncertain future.**

Armed groups overthrew President Francois Bozizé, who had been in power since 2003, on 24 March 2013, plunging Central African Republic into the most serious crisis in its history. The rebellion by the groups known as Seleka, meaning "alliance" in the Sango language, has been condemned by the international community and the conflict has caused a massive human tragedy. Under an accord brokered by the Economic Community of Central African States (ECCAS) a transitional executive has been in place since April 2013 aiming to bring the country through the crisis. Michel Djotodia, a leader of the rebellion who named himself president, at first declared a three-year transition period, but under the accord agreed to hold elections within 18 months. He named Nicolas Tiangaye, from the traditional opposition, as prime minister, but the two could not stabilise the country.

"Anti-Balaka" self-defence militias were set up to counter Seleka attacks and large-scale inter-communal violence erupted. From 1 August 2013 the African Union began deploying forces as part of the international support mission, MISCA (*Mission internationale de soutien à la Centrafrique*) that would eventually number 3 500 soldiers but to little effect. Operation Sangaris, a French military intervention comprised of 1 600 troops operating under a UN mandate, followed on 5 December 2013. Every state and public institution has been affected by the crisis and the State has effectively collapsed.

An escalation of the violence at the start of December 2013 worsened the humanitarian situation. The following month, the United Nations (UN) reported that the crisis had displaced more than 800 000 people, with more than 500 000 in the capital Bangui. More than half the population of 4.6 million people were in need of urgent assistance and 245 000 had fled to neighbouring countries. Public finances collapsed with the public management system and financial bodies in disarray. Public revenues fell by more than 50% and the authorities had to make use of systematic off-budget operations.

Despite the resignation of Djotodia and Tiangaye on 10 January 2014 and the installation of new transitional authorities, who have international support, the economic outlook for 2014 is bleak. Insecurity persists and the heavy economic and financial damage will be difficult to repair in the short term. The challenge for 2014 and 2015 will be to restore security, facilitate access to humanitarian assistance and organise elections. The crisis has jeopardised all prospect of economic development, economic structural transformation or sustainable development. Even before the crisis, however, Central African Republic had not succeeded in transforming its economy or promoting activities to get into regional or global value chains.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.1	-34.2	1.5	5.7
Real GDP per capita growth	2.1	-36.2	-0.5	3.7
CPI inflation	5.9	6.5	5.8	2.9
Budget balance % GDP	0.0	-5.7	-8.2	-5.3
Current account balance % GDP	-5.6	-9.4	-13.1	-9.1

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

CHAD

- **The economy may surge a projected 11.2% in 2014, mostly thanks to new oilfields coming into production.**
- **The government will have to step up budget discipline to comply with the monitoring agreement signed with the International Monetary Fund in July 2013 and to reach completion point under the HIPC debt-relief facility by 2014.**
- **More efficient and profitable global value chains and their extension to sectors with high potential will contribute to more inclusive growth and sustainable development.**

The economy, which grew an estimated 3.4% in 2013, is expected to surge 11.2% in 2014, as new oilfields begin production and the outlook for harvests is good. Inflation began falling in 2012 and was 0.4% in 2013.

The government's major challenge will be to proceed to proper implementation of the monitoring agreement signed in July 2013 with the International Monetary Fund (IMF). Good compliance with the recommendations will give access to a programme supported by the Fund's Extended Credit Facility (ECF) and, if that goes well, completion point could be reached under the Heavily Indebted Poor Countries (HIPC) initiative by the end of 2014. This very much depends on credible budget reform and consolidation to make spending more effective and public finances more viable. Budget discipline will also help execution of the new 2013-15 national development plan, the priority programmes of which aim to improve living standards significantly, especially those of the poorest.

The government also needs to reduce the country's dependence on fluctuating oil production, which was about one-third of gross domestic product (GDP) and provided more than 70% of tax revenue at the beginning of 2014. Greater diversification of growth sources is required, especially through creation of value chains in sectors where the country has clear comparative advantages, such as livestock, cotton, tourism, petrochemicals and gum arabic. This would help create many more jobs and also broaden the tax base through the higher budget revenue and better tax collection it is likely to induce.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	9.1	3.4	11.2	8.9
Real GDP per capita growth	6.1	0.4	8.3	5.9
CPI inflation	7.7	0.4	4.2	3.0
Budget balance % GDP	0.5	-2.1	-0.5	0.1
Current account balance % GDP	-4.7	-6.5	-4.0	-2.9

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

COMOROS

- **The return of political and institutional stability in the Comoros has allowed economic growth to resume, averaging 3% a year between 2011 and 2013. The outlook for 2014 is positive, but the employment situation is not expected to improve, especially among new graduates.**
- **Control of public expenditure has enabled the Comoros to conclude the sixth and final review of the IMF's Extended Credit Facility (ECF), approved on 13 December 2013.**
- **Despite the structural deficit in the current account balance, the country still has a comfortable external position, with more than seven months of import reserves, mainly thanks to remittances from emigrants (USD 147 million in 2012, or 23% of GDP).**

The Comoros has recorded positive growth since 2011. Growth was estimated at 3.6% in 2013, driven mainly by agriculture (representing almost half of GDP), retail, tourism, construction (above 4.0%), and banking and other services (around 8.0%).

The return to growth was aided by an expansionary fiscal policy thanks to major multilateral external financing, and especially bilateral financing from Arab countries. The Comoros has thus been able to run fiscal surpluses since 2011, increasing the surplus each year. A 5.6% surplus is projected for 2014 thanks to ongoing grants and programmes in the pipeline with the African Development Bank (AfDB), the World Bank and the European Union (EU).

Nevertheless, the country's economic impetus since 2011 has not led to structural changes in the economy. It remains dominated by the agricultural sector (agriculture, forestry and fisheries), which represents almost half of GDP. The secondary sector, including construction, has grown slightly since 2010, remaining above 12% of GDP. The services sector, meanwhile, has declined since 2008 and now accounts for less than 40% of GDP.

The telecommunications sector has driven economic growth in many franc-zone countries. In the Comoros it remains a state monopoly. With support from the World Bank, the authorities are expected to sell a second licence in the near future and to open up the capital of Comores Télécom to create a competitive environment.

With the country's population growing at a rate of 2.1% a year, the level of economic growth is too low to increase real per capita income and reduce poverty and youth unemployment. Poverty remains high, estimated at 45.6% in 2012, well above the Millennium Development Goal (MDG) target of 31.5% by 2015. The economic growth has done little to create jobs, with unemployment estimated at 14.3% and youth unemployment (under 25s) at 44.5%.

As part of the SCA2D strategy for accelerated growth and sustainable development (*Stratégie de croissance accélérée et de développement durable*) currently being drawn up for the period 2015-19, the government has set a growth objective of 6%, which will be driven by the development of basic infrastructure, improvements to the business climate and private-sector financial support.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.0	3.6	3.8	4.1
Real GDP per capita growth	0.6	1.2	1.4	1.8
CPI inflation	6.3	2.5	4.2	4.4
Budget balance % GDP	3.6	5.5	5.6	5.7
Current account balance % GDP	-7.2	-7.3	-7.1	-8.7

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

CONGO, DEM. REP.

- **Growth of 8.1% in 2013 should continue in 2014, driven by investment in the mining sector, improved agricultural productivity and infrastructure reconstruction.**
- **Improved budget planning and a flexible monetary policy should lead to a strengthening of the economy's foundations.**
- **Despite its natural resources, the country remains one of the poorest in the world, with low participation in global value chains. Faced with a fragile social context, the economy should be contributing to human development.**

The economy remained strong in 2013 with growth in gross domestic product (GDP) of 8.1% (against 7.2% in 2012), thanks to mining, trade, construction and agriculture. Growth has benefited from the improvement in some aspects of the business environment, the reconstruction of infrastructure and strong demand. Mining has been the main driver of growth, and several mining companies have passed from exploration to production since 2013.

Rationalisation of macroeconomic policy and stable commodity prices helped to contain inflation, which stood at 1.1%, against 2.7% in 2012 and a target of 4.0% in 2013. The exchange rate has depreciated slightly (0.3%). Proper co-ordination of fiscal and monetary policies and the rally in export earnings have also increased foreign exchange reserves at the central bank (BCC). These rose from 2012 to 2013, from CDF 1 213.70 million to CDF 1 766.45 million (Congolese francs), covering 9.4 weeks of imports.

Macroeconomic indicators are positive, but the social situation remains worrying. The labour market remains very small and real wages are not increasing. Rampant malnutrition is one of the leading causes of death. Many children remain outside the education system, the quality of which is also questionable. The major challenge facing the country is to ensure the economy contributes to human development.

The security situation has improved a little but some armed groups remain active in the east of the country. In November 2013, after heavy fighting during the first ten months of the year, the armed forces (FARDC) succeeded in ending the rebellion by the 23 March Movement (M23). Areas formerly controlled by the armed group are yet to be secured and their infrastructure still to be rebuilt.

Growth is expected to remain at 8.5% in 2014 and 8.6% in 2015. It will be driven by mining (copper, cobalt and gold), reconstruction of roads and energy infrastructure as well as the impact of the agricultural campaign launched in 2012. Under the pressure of overall demand, inflation is expected to increase but remain below the target of 4%. These prospects are vulnerable to the possible resurgence of conflict in the east of the country and its potential impact on public finance sustainability and the business climate. Lower growth in emerging markets could result in a fall in foreign direct investment and a decline in demand for minerals.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.2	8.1	8.5	8.6
Real GDP per capita growth	4.6	5.6	6.0	6.1
CPI inflation	2.7	1.1	3.2	3.8
Budget balance % GDP	-1.7	-3.7	-5.9	-7.2
Current account balance % GDP	-6.2	-9.1	-10.1	-10.4

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

CONGO, REP.

- **Lower oil production – the economy's main driver – and weaker domestic demand caused growth to weaken to 3.4% in 2013.**
- **Structural and social reforms have made progress but not fast enough for Congo to reach its goals of economic transformation.**
- **Although the country is rich in natural resources, which give it a substantial comparative advantage in integration into global value chains (GVCs), Congo's role in international production networks is mainly confined to the export of primary inputs because of substantial structural obstacles.**

Congo's performance and economic outlook remain generally satisfactory, but structural change is still a major challenge. Real gross domestic product (GPD) growth fell to 3.4% in 2013, compared to 3.8% in 2012, as a result of falling oil production due to ageing oil wells. Even so, GDP growth ought to be 6.1% in 2014 and 6.5% in 2015. This macroeconomic outlook is supported by continuing state investment, the entry into production of mines, and the vigour of the non-oil sector. Inflation, thought to be 2.9% in 2013, should stay below the regional convergence level of 3% until 2015, thanks to a careful monetary and fiscal policy. The budget and the current account were in surplus in 2013, at 12.1% and 4.9% respectively, and should consolidate in 2014-15. But the biggest challenge is still that of transforming the economy with a view to enhancing significantly the impact of growth on social indicators.

Not only has growth been inadequate over recent years and not inclusive enough to greatly reduce poverty, there has been no deep structural change in the economy. Though poverty fell from 50.7% in 2005 to 46.5% in 2011, it is still high for a medium-income country. Unemployment too is still high, especially among young people aged from 15 to 29, for whom it reaches 25%. A speeding up of the reform programme, particularly in key areas such as the private investment environment, skills acquisition and infrastructure as well as managing public finances, is crucial for meeting these challenges. Moreover, these reforms are vital if Congo is to play a bigger part in GVCs, a role that is currently limited despite the country's major assets.

Apart from oil and sugar, Congo has not been very active in GVCs. The country's main activity in GVCs has been mostly confined to exporting primary inputs. Finished goods, mainly refined oil products, account for no more than 5% of total exports. With respect to forestry, where there is an undoubted comparative advantage, the share of timber production with high added value stands at just 3%. Congo's integration into GVCs runs up against failing infrastructure in terms of decent transport and availability of energy; the lack of a qualified workforce; the lagging technological and productive capacity of small and medium-sized enterprises (SMEs) and an uncongenial business climate. To remove these obstacles, the government, through its National Development Plan (NDP) 2012-16, is stressing: *i*) increasing infrastructure investment and skills acquisition; *ii*) improving the business climate; *iii*) improving access to credit for SMEs; *iv*) setting up special economic zones (SEZs); and *v*) strengthening regional integration.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.8	3.4	6.1	6.5
Real GDP per capita growth	1.1	0.7	3.4	3.8
CPI inflation	4.7	2.9	2.5	2.5
Budget balance % GDP	15.3	12.1	10.5	12.1
Current account balance % GDP	-1.3	4.9	4.2	2.0

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

CÔTE D'IVOIRE

- **The economy continues to expand – by a robust 8.8% in 2013 (9.8% in 2012) – in a steady recovery from the 2010-11 post-election crisis with the help of major public works and resumption of private investment. Structural challenges still prevent growth from being inclusive and long-lasting.**
- **The business climate has improved with various reforms but the private sector needs more energetic and inventive financial institutions. Banks have excess liquidity and could help with more savings.**
- **The capacities of small and medium-sized enterprises need to be strengthened, especially in agro-industry, to take better advantage of global and regional value chains.**

Côte d'Ivoire's prospects are quite good. The economic recovery, through major public works projects, produced estimated growth of 8.8% in 2013, which should hold up (at about 9%) in 2014 and 2015, with further social reforms and a better business climate. Plentiful funding from domestic and foreign sources, along with social and political peace, will also help.

The budget situation was much better in 2013, after declines in 2011 and 2012. Revenue increased after a reorganisation of the tax administration. Spending was steady as a percentage of gross domestic product (GDP), even if still burdened by reconstruction and the cost of national cohesion efforts such as recruiting teachers and former soldiers.

This positive view must not hide the big challenges, such as per capita GDP still being much lower than in 2000. The first priority is to make growth inclusive and long-lasting to respond to the pressing needs of a young population looking for jobs. National competitiveness needs to improve, with better roads, less rigid customs procedures and much simpler taxation (currently 62 taxes have to be paid compared with the African average of 36, according to *Paying Taxes 2014*). The workforce is still not very tuned to business needs, and the financial sector, with excess liquidity, is not very active in funding small and medium-sized enterprises (SMEs). Co-ordinated efforts between the government and the various economic operators will be needed to avoid new rounds of high inflation, especially involving food prices.

Political normalisation, under way since the end of the 2010-11 post-election crisis, continues even though national reconciliation and social cohesion are not proving easy. The government has begun a calm dialogue with the opposition, along with reconciliation measures, and many top-level meetings between the two sides were held in early 2014. Efforts are needed to strengthen national security, disarmament and protection of property (threatened by looting).

Global value chains (GVC) are good opportunities for the country's growth as it has many natural and human resources, as well as quite good infrastructure for the sub-region. Industrialisation could boost GVCs that have a strong regional potential. Targeted policies are needed to get SMEs to play a key part by solving their funding and management-capacity problems.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	9.8	8.8	9.1	9.2
Real GDP per capita growth	7.5	6.4	6.7	6.9
CPI inflation	2.0	2.7	2.9	2.7
Budget balance % GDP	-2.6	-2.0	-2.0	-2.0
Current account balance % GDP	-3.8	-6.4	-7.2	-6.8

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

DJIBOUTI

- **Economic growth in 2013 continued the acceleration begun in 2012, driven by a huge investment programme and port activity.**
- **Budgetary discipline and debt management were major challenges in the absence of a new IMF programme to tackle them.**
- **The government needs to broaden growth to reduce the poverty that has greatly worsened over the past decade.**

Continuing the acceleration begun in 2012, the rate of growth rose from 4.5% to 5.5%. Its two traditional pillars remained foreign direct investment (FDI) and port activity. FDI was a record USD 277 million, topping the figures between 2006 and 2008 during construction of the Doraleh container port, and accounted for 18.6% of gross domestic product (GDP). This trend should continue over the next few years, boosted by a vast ongoing investment programme, especially for infrastructure.

The programme is a big turning point for Djibouti, whose leaders want to make the country a regional hub for trade, handling and financial services. Major investment is planned to strengthen the country's comparative advantage in goods trading. The government has been trying in recent years to reduce the structural obstacles to adequate electricity and water supply that handicap growth of the private sector, and raised funding in 2013 for several projects which aim to improve supplies.

The USD 6 billion programme includes building new ports, railways and roads, an aqueduct, a desalination plant and housing, and is funded mainly by Chinese investors and the international aid community.

The programme's success depends on close monitoring of the government's budget and the national debt. The country's budget deficits in recent years have been around 2% of GDP despite projections of a balanced budget or even a surplus. Djibouti has a high risk of over-indebtedness and the infrastructure projects will increase the government's recurrent spending as well as debt, through agreed guarantees.

High unemployment and endemic poverty have heightened social tensions since 2011. The victory of the ruling coalition in parliamentary elections in April 2013 was vigorously challenged by the opposition parties, who won their first-ever seats but boycotted parliamentary sessions in protest against the election results.

The economy's major focus on maritime goods transport puts Djibouti low down in the global value chain (GVC). Investment in new port facilities will strengthen this sector by taking advantage of specialised activity such as exporting salt, potash and livestock and trade in oil and liquefied gas. Lower factors of production costs will enable short-term expansion to other GVC sectors.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.5	5.5	6.0	6.5
Real GDP per capita growth	3.0	4.0	4.5	5.0
CPI inflation	3.7	2.5	2.4	2.1
Budget balance % GDP	-2.8	-3.1	-3.1	-1.9
Current account balance % GDP	-13.9	-12.0	-13.4	-14.2

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

EGYPT

- **The economic outlook for the rest of 2014 remains weak. Growth will remain fragile, the fiscal deficit unsustainably high, and public debt in excess of 100% of GDP, as Egypt continues to implement expansionary macroeconomic policies with the help of aid from the Gulf countries.**
- **Against the backdrop of mounting political unrest and insecurity, socio-economic conditions continue to deteriorate: the unemployment rate is rising, especially among youth (39% of the 20-24 age group are unemployed), and rural-urban income disparities remain wide.**
- **The approach of a new Constitution in January 2014 was a key milestone of the transition roadmap issued in July 2013 after the ouster of President Morsi. However, an uncertain political outlook in 2014 will continue to undermine economic recovery prospects.**

After the ouster of President Mohamed Morsi in July 2013, one year after he took office, Egypt entered another phase of political uncertainty. Economic growth has moderated, standing at just above 2% in both the 2011/12 and 2012/13 fiscal years. In 2012/13, the resilience of private consumption (81.2% of GDP) and the munificence of government consumption (11.7% of GDP) kept the economy from sliding into recession, as investment (14.2% of GDP) and exports (17.6% of GDP) remained weak. Unceasing violent protests and political instability have adversely affected manufacturing (15.6% of GDP), trade (12.9%) and tourism (3.2%). Only traditional sectors such as agriculture (14.5% of GDP) and mining (17.3%) have remained relatively unscathed.

The budget deficit, at 13.7% of GDP in 2012/13, is unsustainably high, and the highest among all emerging economies. The fiscal deficit in 2013/14 is expected to exceed 12% of GDP, well past the government's target of 9.1%, as fiscal reforms are off the table for the present. In 2012/13, Egypt's total public debt reached 99% of GDP, a level last seen in 2006/07. Public domestic debt reached 87.1% of GDP in June 2013, up from 78.6% in June 2012, resulting in interest payments of 8.4% of GDP. For the first time in four fiscal years, Egypt's balance of payments recorded a surplus (USD 237 million) in 2012/13, aided by about USD 16 billion in financial support from the Gulf countries. This has eased the pressure on the exchange rate of the Egyptian pound against the US dollar and increased reserves to USD 17 billion as of December 2013, up from USD 15.5 billion in June 2012.

International credit rating agencies have recently taken a favourable view of Egypt's economic outlook because of the massive inflow of funds from the Gulf (United Arab Emirates, USD 7 billion; Saudi Arabia, USD 5 billion; and Kuwait, USD 4 billion). A longer-term solution to restore Egypt's economic competiveness would be gradual structural reforms of its wasteful energy subsidies and taxation. By targeting subsidies to the neediest segments of its society, Egypt will bolster its social justice agenda and provide room for its fiscal policies to work better to reduce poverty. Economic reforms, however, require a stable political dispensation.

To give hope to youth, many of whom are becoming poorer, Egypt needs to implement policies that will help its small and medium-sized enterprises (SMEs) to capture the benefits of global value chains, especially in the area of information and communication technology, given the country's large market, language advantages and proximity to Europe, Asia and the Persian Gulf.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	2.2	2.1	2.1	3.6
Real GDP per capita growth	0.5	0.5	0.4	2.1
CPI inflation	8.5	6.9	11.5	9.0
Budget balance % GDP	-10.6	-13.7	-13.1	-11.3
Current account balance % GDP	-4.0	-2.1	-1.1	-1.8

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

EQUATORIAL GUINEA

- **The country has entered into recession following a decline in oil revenue. Growth was negative (-1.4%) in 2013 and is projected to remain so, at -1.8%, in 2014.**
- **The authorities maintained investment expenditure high at 37.9% of GDP, causing a budget deficit of 7.5% of GDP in 2013.**
- **Oil and gas revenue have allowed rapid development of basic infrastructure in recent years, but there was no attending diversification of the economy or significant improvement of the population's living conditions.**

Equatorial Guinea's economy went into recession in 2013, posting negative growth estimated at -1.4% of GDP after +5.3% growth in 2012, and is expected to continue to deteriorate in 2014 (-1.8%) and 2015 (-8.5%). The recession is the result of a fall in oil revenue and lower gas and oil output, both of these highly dominant factors in the country's economy.

Hydrocarbons excluded, growth of the economy was largely driven by public investment aimed at developing and improving basic infrastructure such as roads, ports and airports. Public capital expenditure has grown constantly in recent years, and this trend should continue into 2014 and 2015, despite the fall in oil revenue that began in 2012. The fiscal deficit, which grew from 5.4% of GDP in 2012 to 7.5% in 2013, is therefore projected to deteriorate further, reaching 11.4% of GDP in 2014 and 12.8% in 2015.

Production at the significant oil and gas deposits discovered in the 1990s has driven strong economic growth, allowing per capita income to surge to an estimated USD 29 940 in 2013. Although revenue from hydrocarbon production has enabled rapid development of basic infrastructure in recent years, growth has not yet been supported by a process to diversify the economy, and improvements in the population's living conditions have been very slow. The country's Human Development Index (HDI) stood at 0.554 in 2013, ranking it 136th out of 187 countries, while it is ranked 59th in terms of per capita GDP. The oil and gas sector currently amounts to nearly 90% of GDP and provides almost all of the country's exports, while agriculture, the population's main source of income, is limited to subsistence farming and covers only 30% of the country's needs.

Aware of the need to make growth more inclusive and to broaden its bases, the authorities have developed a national economic and social development plan, the PNDES (*Plan Nacional de Desarrollo Económico y Social*), aimed at turning Equatorial Guinea into an emerging economy by 2020. The first phase of the plan (2008-12) focused on developing transport and electricity infrastructure and public buildings (hospitals and schools) at the cost of substantial capital expenditure financed by oil and gas revenue. The second phase, begun in 2013, plans to maintain high public investment in infrastructure while targeting the development of five priority sectors that offer the country untapped comparative advantages and could generate wealth and jobs: agriculture and livestock farming; fisheries; petrochemicals and mining; tourism; and financial services. The authorities wish to improve the business climate in these areas to attract foreign investment and move up the global value chains (GVCs).

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	5.3	-1.4	-1.8	-8.5
Real GDP per capita growth	2.5	-4.2	-4.5	-11.2
CPI inflation	3.4	5.0	5.8	5.2
Budget balance % GDP	-5.4	-7.5	-11.4	-12.8
Current account balance % GDP	-12.6	-7.9	-10.8	-0.5

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

ERITREA

- **Economic growth is estimated to have fallen sharply to 1.1% in 2013 from 7% the previous year and is projected to progress slightly to 1.9% in 2014, reflecting shrinkage of economic activities in many sectors, except in mining.**
- **Improvements are under way in the education and health sectors thanks to increased investments in those sectors, but significant challenges remain, especially with respect to creating an enabling business environment.**
- **Eritrea is currently not well-integrated into global value chains, but there is potential for an increased internationalisation of production and trade for mineral and agro-food exports.**

Eritrea has faced considerable challenges over the years, including variable climate conditions. This has been compounded by restrictive economic policies, political isolation, a significant decline in remittances and scarcity of foreign exchange. Reflecting these factors, estimated real GDP growth for 2013 fell sharply to 1.1% from 7% the previous year and is projected to increase marginally to 1.9% in 2014. This growth will largely be driven by: copper production at the Bisha mine; the start of gold production at the Zara mining project in 2014; and continued exploration activity and investment in the mining sector. In the medium term, Eritrea sees further prospects in oil production, fisheries and tourism.

The budget deficit improved to an estimated 10.3% of GDP in 2013 from 15.5% in 2010, and is projected to narrowly improve as a result of higher mineral revenues.

Exports are projected to grow in 2014, driven by the onset of copper and gold mining at three mines. This may be offset by growth in imports as investments in mining boost demand for imported capital goods. Remittances from the Eritrean diaspora declined significantly, reflecting the impact of the 2011 United Nations Security Council sanctions restraining UN member countries from facilitating transfer of the 2% "recovery and development tax" paid by Eritreans living abroad. Taking these factors into consideration, the current account is projected to deteriorate from an estimated 0.3% of GDP in 2013 to -0.3% of GDP in 2014.

Eritrea has considerable potential to generate growth in agricultural production and agro-processing, livestock production, fisheries and fish processing, and mining, as well as through the development of small and medium-sized enterprises, tourism and related hospitality services and infrastructure. The country is currently focusing on developing its tourism industry around the Red Sea port of Massawa and the export potential of its mineral reserves. There is already one active mine, and two more mines are in advanced stages of development. In addition, geological studies have confirmed the presence of oil and natural-gas reserves in commercial quantities.

A number of factors will influence Eritrea's medium-term economic prospects: *i*) regional insecurity, especially related to the unresolved issues between Eritrea and Ethiopia; *ii*) enforcement of UNSC sanctions; *iii*) recent confirmation that the country will participate in the AfDB's Drought Resilience and Sustainable Livelihoods Program; *iv*) discovery of substantial mineral deposits in parts of the country and large foreign investments for their exploitation; and *v)* the country's growing commercial relationship with Russia, the United Kingdom, China, India and South Africa.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.0	1.1	1.9	2.2
Real GDP per capita growth	3.7	-2.1	-1.3	-0.9
CPI inflation	12.3	12.3	12.3	12.3
Budget balance % GDP	-10.3	-10.3	-10.7	-9.4
Current account balance % GDP	2.3	0.3	-0.3	-1.5

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

ETHIOPIA

- **In 2012/13, Ethiopia's economy grew by 9.7%, which made Ethiopia one of Africa's top performing economies.**
- **Through co-ordinated, prudent fiscal and monetary policies, the Government of Ethiopia (GoE) has brought down inflation to single digits.**
- **Trade and industrial policies are not yet attuned to global value chains; such policies should address all obstacles and opportunities linked to each level of the global market.**

In the 2012/13 fiscal year,[1] Ethiopia's economy grew by 9.7%, the tenth year in a row of robust growth. In 2012, Ethiopia was the twelfth fastest growing economy in the world.[2] Average annual real GDP growth rate for the last decade was 10.9%. Agriculture, which accounts for 42.7% of GDP, grew by 7.1%, while industry, accounting for 12.3% of GDP, rose by 18.5% and services, with 45% of GDP, increased by 9.9% in 2012/13. This momentum is expected to continue in 2013/14 and 2014/15, albeit at a slower pace because of constraints on private-sector growth.

In an effort to combat inflation, the government pursued a tight monetary policy stance using base money as the nominal anchor to control monetary expansion. This measure, in the context of a slowdown in global commodity prices, resulted in annual consumer price inflation of 7.9% in November 2013, compared to 39.2% and 15.6% in November 2011 and 2012, respectively. The government's determination to reduce inflation was further reflected in the pursuance of prudent fiscal policy focused on strengthening domestic resource mobilisation and reducing domestic borrowing. The strong fiscal stance, particularly measures to improve tax administration and enforcement, contained the fiscal deficit at 2.0% of GDP in 2012/13 compared to 1.2% of GDP in 2011/12.

Between 2011/12, merchandise exports totalled USD 3.1 billion, posting a 2.3% decline from the previous fiscal year and decreasing from 7.4% to an estimated 6.5% as a share of GDP. The value of imports, mainly from Europe and Asia, increased from about USD 11.1 billion in 2011 to USD 11.5 billion in 2012/13. With imports rising faster than exports, the trade deficit deteriorated to USD 8.4 billion in 2012/13, from USD 7.9 billion in the previous year. However, the overall balance of payments deficit in 2012/13 decreased significantly, down by 88% compared to the previous year, mainly due to a good performance in other accounts (surplus in the non-factor services trade, huge private transfers and the surplus in the capital account).

Though the stock of external debt as a ratio of GDP increased from 21.6% in 2011/12 to 24.3% at the close of 2012/13, the country remains at low risk of external debt distress. Rebuilding gross official foreign reserves has, however, resurfaced as a challenge because foreign exchange reserves fell to less than two months' of import coverage.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	8.8	9.7	7.6	7.2
Real GDP per capita growth	6.2	7.1	5.0	4.7
CPI inflation	20.5	7.4	7.9	7.6
Budget balance % GDP	-1.2	-2.0	-0.4	-0.3
Current account balance % GDP	-6.5	-5.4	-9.4	-10.9

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

1. Ethiopia's fiscal year runs from 8 July to 7 July of the next year.
2. World Bank (2013), *Ethiopia Economic Update II: Laying the Foundation for Achieving Middle Income Status,* Addis Ababa).

GABON

- **Gabon's economic indicators are good, including a growth rate of 5.5% in 2013 and inflation at 0.4%. This performance is projected to improve, with growth rates of 6.7% in 2014 and 7.2% in 2015.**
- **The planned 2014 budget reflects the government's goal of accelerating diversification of the country's economy.**
- **Despite the resurgence in growth since 2010, driven by the non-oil sector, unemployment remains high, particularly among young people.**

Gross domestic product (GDP) grew by an estimated 5.5% in 2013, down slightly from 2012 (5.7%). Gabon enjoys macroeconomic stability and healthy finances, thanks to its membership of the franc zone, rising oil prices and its forestry and mining revenue, and supported by vigorous public and private investment. At the regional level, Gabon has been in compliance with the four convergence criteria set by the Economic and Monetary Community of Central Africa (CEMAC) as part of the multilateral oversight of the economies in the zone, namely the debt-to-GDP ratio, the fiscal deficit, payment of debt arrears and containment of inflation.

Growth prospects for 2014 and 2015 will depend on how international oil prices and manganese production and prices will evolve. Timber processing, which as yet contributes little to GDP (4% in 2013), should see a steady increase, benefiting from both sharply rising world prices and the public policy of processing raw materials domestically in three "special economic zones" (SEZs) currently being established.

GDP growth should remain robust at the projected rates of 6.7% in 2014 and 7.2% in 2015, while the annual inflation rate should flatten out at about 2.5%. This strong performance will be driven by public investment, revenue from the country's main mining resources and revenue from timber processing. In the primary sector, oil production is expected to fall off, as many existing fields are mature and no new economically viable deposits have been discovered.

In developing its strategic plan for "emerging Gabon", the *Plan stratégique Gabon émergent* (PSGE), the government seeks to accelerate the diversification of the national economy through a strategy based on domestic processing of raw materials and facilitation of foreign direct investment (FDI). Gabon's industrialisation strategy is mainly based on the timber sector. Forest covers nearly 85% of the country's territory and offers Gabon an opportunity to reduce its dependence on oil, fight poverty and improve the living conditions of its people.

The PSGE is accompanied by a sweeping programme of reforms aimed at diversifying the economy and making the industrial and services sectors more competitive, while preserving the country's huge environmental wealth. Since 2011, implementation of the plan has led to massive public-investment programmes and the formulation of an industrial policy involving the establishment of SEZs to attract FDI, public-private partnerships and acquisition of equity stakes in domestic subsidiaries of large international corporations. In line with this policy, Gabon issued USD 1.5 billion in Eurobonds on 5 December 2013 in order to reduce its borrowing costs and to finance infrastructure in the port, airport, road and energy sectors.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	5.7	5.5	6.7	7.2
Real GDP per capita growth	3.3	3.1	4.3	4.9
CPI inflation	2.8	0.4	2.7	2.8
Budget balance % GDP	-1.0	-1.8	-4.2	-6.3
Current account balance % GDP	8.5	7.2	4.3	1.5

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

GAMBIA

- **Economic growth is still driven by a recovery in agriculture and by a strong start up to the tourist season.**
- **Incoherent macroeconomic policies have caused major disruptions to the Gambian foreign exchange market and created fiscal imbalances, increasing the country's vulnerability to external shocks.**
- **Despite the Gambia's significant progress in reducing the overall incidence of poverty, inequality and high unemployment, especially among the youth, remain a challenge.**

Recovery in agriculture and healthy gains in tourism supported GDP growth in 2012 and 2013. Real GDP is estimated to have grown by 6.1% in 2012 and 5.6% in 2013 compared to a contraction of 4.3% in 2011. The outlook is optimistic as real GDP is projected to grow by 7.5% and 6.7% in 2014 and 2015, respectively. Inflation increased to 5.3% in December 2013 from 3.9% at end 2012, largely due to a weakening of the Gambian dalasi.

The fiscal deficit is projected to fall from an estimated 3.3% of GDP in 2013 to 2.5% in 2015. Tax revenues are projected to decline by 0.8% of GDP over the period despite value added tax (VAT) and other tax measures. On the expenditure side, a decline in interest payments on domestic debt, along with other factors, is expected to contribute to a decline in outlays from an estimated 17.9% of GDP in 2013 to 17.3% in 2015. The government needs to control domestic borrowing and provide for a consistent and appropriate macroeconomic framework. This will help to stabilise the economy and rebuild market confidence, as well as to diminish crowding out of private sector activity and to create space for development spending. The government should strive to maintain a flexible exchange rate policy and to tighten monetary and fiscal policies to ensure stability and preserve adequate foreign reserve levels.

The Gambia is connected to global value chains through two main sectors: tourism and nuts. Tourism and nut production are the main foreign exchange earners outside the re-exports sector. Though the country has achieved a relatively high multiplier effect from tourism, such returns are mainly limited to coastal areas. By promoting up-country eco and cultural tourism, the Gambia can expect greater benefits to the poor. In order to promote investment in such opportunities, an enabling environment needs to be created through land and river networks and information and communications technology (ICT) to increase accessibility. Furthermore, the economic environment of the Gambia is ideal for investing in cashew nuts. Currently, cashew processing in the Gambia is negligible. The Gambian cashew nuts value chain includes several different stages between the farmers and processors capable of delivering wealth creation opportunities.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	6.1	5.6	7.5	6.7
Real GDP per capita growth	2.9	2.4	4.3	3.5
CPI inflation	3.9	5.3	5.7	5.3
Budget balance % GDP	-4.4	-3.3	-2.5	-2.5
Current account balance % GDP	-16.4	-16.0	-15.8	-14.7

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

GHANA

- **Ghana's economy is expected to maintain robust growth over the medium term, bolstered by improved oil and gas production, increased private-sector investment, improved public infrastructure development and sustained political stability.**
- **Promoting the integration of Ghana's industrial sector into regional value chains could underpin the country's structural transformation on condition that authorities take measures to improve agricultural productivity, and address challenges in infrastructure and in the business environment.**
- **With the exception of maternal and infant mortality, sanitation and employment, Ghana has made substantial progress in meeting the Millennium Development Goals (MDGs), as targets for the reduction of extreme poverty and access to safe drinking water have been achieved, while targets on hunger, education and gender are on track.**

Ghana's economy has maintained commendable growth trajectory with an average annual growth of about 6.0% over the past six years. In 2013 growth decelerated to 4.4%, considerably lower than the growth of 7.9% achieved in 2012. Growth has, however, been broad-based, driven largely by service-oriented sectors and industry, which on average have been growing at a rate of 9.0% over the five years up to 2013. Over the medium term to 2015, the economy is expected to register robust growth of around 8%, bolstered by improved oil and gas production, increased private-sector investment, improved public infrastructure development and sustained political stability.

The continued widening of the budget deficit has been a major constraint to fiscal and debt sustainability. Following an expenditure overrun in 2012, marked by an unprecedented budget deficit of around 12% of GDP, the situation persisted in 2013, with about the same level of budget deficit. Revenue enhancing and expenditure consolidation measures underway in 2014 are expected to ease the fiscal deficit to 9%. In conjunction with fiscal constraints, inflation has been on the rise resulting from a number of factors including the removal of subsidies on petroleum prices and a gradual rise in electricity and water tariffs. It is also worth noting the rise in public debt from 43% of GDP in 2011 to 48% in 2012, and further to 53.5% in September 2013, resulting from a widened budget deficit. The external sector will continue to experience a widened current-account deficit of around 12% of GDP in 2014, exacerbated by a decline in commodity prices of major export commodities, particularly on gold and cocoa.

With the exception of some food processing and significant exports of gold and unprocessed cocoa, Ghana is relatively less integrated into global value chains due to its infant industry. Yet, compared to its regional peers, Ghana has the industrial capabilities to export and drive regional value chains in Economic Community of West African States (ECOWAS) countries. Ghana's geographical proximity to ECOWAS markets, projected rise in consumption and lower standard requirements offer Ghanaian industrial firms opportunities to scale up and increase their productivity. For the industrial sector to grow, authorities need to tackle the constraints relating to the cost of credit and to the unreliable supply of energy, in order for leading industrial sectors in construction materials, textile, agro-processing, plastics and pharmaceuticals to expand. Non-tariff barriers also add a significant burden to the development of these regional value chains.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.9	4.4	7.7	8.0
Real GDP per capita growth	5.8	2.3	5.7	6.0
CPI inflation	9.2	11.7	9.9	8.6
Budget balance % GDP	-5.8	-7.8	-8.7	-6.9
Current account balance % GDP	-12.4	-12.3	-12.5	-16.9

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

GUINEA

- **Political instability, due to tough negotiations over holding parliamentary elections along with problems with mining investment, slowed growth to about 2.0% in 2013 (from 3.9% in 2012).**
- **The September 2013 parliamentary elections ended the political transition and ushered in better prospects for jobs and investment.**
- **A conference of Guinea's partners and investors in November 2013 in Abu Dhabi focused on agriculture, infrastructure and human resources development. The promised USD 6 billion of funding will aim to create jobs, reduce poverty and boost the country's inclusion in regional and international trade.**

Economic growth was estimated at 2.0% in 2013 (down from 3.9% in 2012), due to political unrest linked to holding parliamentary elections and a drop in mining investment. Growth should increase to 4.2% in 2014, driven by agriculture, construction and better electricity supply.

The economic recovery plan backed by the International Monetary Fund (IMF) Extended Credit Facility (ECF) continues satisfactorily. Inflation fell to 11.9% in 2013 (from 20.8% in 2010) and should fall further in 2014 and 2015. The budget deficit is expected to be curbed and monetary funding of it ended. Required minimum bank reserves, despite being a high 20% of deposits, will be monitored.

Successful macroeconomic stabilisation and the start of reforms to boost the productive sector and the business climate have not been enough to register clear economic and social gains. Poverty still affects 55.2% of the population more than half a century after independence (1958), and governance is still inadequate. Guinea ranks 164th out of 182 countries in Transparency International's Corruption Perceptions Index and 178th out of 187 countries in the United Nations Development Programme (UNDP) Human Development Index (HDI). Infrastructure, public utilities and government services remain insufficient and the private sector is still small.

The government adopted its third poverty reduction strategy paper (PRSP 3) in 2013 aimed at speeding up reforms in natural resource management and the productive sector (agriculture, energy and water supply, mining, investment and business) to remove economic transformation obstacles such as low farm labour productivity. The primary sector employs three-quarters of the workforce but only provides a fifth of GDP. A weak industrial sector, unsuitable infrastructure and poor energy supply limits the country's inclusion in global value chains (GVC). Low capital productivity and a large, inefficient and unmotivated bureaucracy are other blocks. The end of the political transition and a new quest for social cohesion seem promising for the success of the PRSP 3.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.9	2.0	4.2	4.3
Real GDP per capita growth	1.3	-0.5	1.7	1.8
CPI inflation	15.2	11.9	9.9	6.8
Budget balance % GDP	-3.2	-5.2	-2.5	-0.4
Current account balance % GDP	-33.9	-20.2	-18.3	-24.7

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

GUINEA-BISSAU

- **Guinea-Bissau returned to positive growth of 0.3% in 2013, compared to -1.5% in 2012, but the economic consequences of the military coup in April 2012 persist. Growth is expected to rise to 2.8% in 2014 and 2.6% in 2015. These forecasts depend strongly on the socio-political climate and on how the general elections turn out in 2014.**
- **The budget balance fell by 4.7% of GDP in 2013. In the short term, renewed co-operation with donors should contribute to an improvement in public finances.**
- **The social and human context has deteriorated, in particular due to a general lack of state resources and physical difficulties of accessing health care services.**

The April 2012 military coup caused a certain amount of economic turbulence. In 2013, the growth rate was 0.3%, an improvement over 2012. This return to growth, however, hides serious structural problems, which have only worsened with the interruption of most of the reforms introduced before the coup. In 2014, the growth of gross domestic product (GDP) is expected to reach 2.8%, thanks to an anticipated economic recovery following the scheduled elections.

At the fiscal level, the suspension of operations by most technical and financial partners slowed reforms and interrupted financing. Budget cuts were felt in 2013 in expenditure on provision of public goods. This led to a halt in investments and to an increase in arrears. At the end of 2013, internal arrears had reached XOF 7.7 billion (CFA Franc BCEAO), including XOF 4 billion in wages. The fiscal deficit widened to 4.7% of GDP in 2013 from 2.7% in 2012. For 2014 and 2015, the socio-political climate is expected to return to normal and international co-operation to resume, thus allowing public finances to improve and arrears to be paid. Inflation fell from 2.1% in 2012 to 1.0% in 2013, mainly due to a slump in domestic demand.

The social situation remains precarious, with one of the lowest scores on the Human Development Index (HDI) in Africa. Given the fragility and low level of government resources, health care provision is far from satisfying needs. The number of technical staff members working for the Ministry of Health fell by 16% between 2007 and 2012. The cholera epidemic declared in 2012 continued in 2013 due to a lack of resources to stem the tide. Food insecurity also spiked, with more than one-third of the population undernourished.

Generally speaking, Guinea-Bissau is only weakly integrated into global value chains, in particular due to an unfavourable business environment and a lack of infrastructure to support production.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	-1.5	0.3	2.8	2.6
Real GDP per capita growth	-3.9	-2.1	0.4	0.3
CPI inflation	2.1	1.0	1.5	1.8
Budget balance % GDP	-2.7	-4.7	-3.6	-4.9
Current account balance % GDP	-9.5	-6.6	-5.8	-5.7

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

KENYA

- **Economic growth is estimated at 4.9% in 2013 and is projected to accelerate to 5.7% in 2014.**
- **Having witnessed drastic currency depreciation and rapid inflation in 2011, the economy experienced stability for both indicators in 2012 and 2013 with inflation dropping to a single digit. This stability is expected to continue in 2014.**
- **International Criminal Court proceedings against six Kenyans dominated the political scene in 2012 and 2013 and will likely be the focus again in 2014 as cases against three people continue.**

Kenya's economy continued to recover in 2013 from the slowdown experienced in 2011. Real GDP growth in the year accelerated to 5.2%, 4.3% and 4.6% in the first three quarters of 2013 primarily driven by financial intermediation, tourism, construction and agriculture.

Real GDP growth is estimated at 4.9% and 5.7% in 2013 and 2014 respectively. Similarly CPI inflation is expected to remain single digit over the same period. The economy's short- to medium-term forecast is for sustained and rising growth based on: increased investor and business confidence in the wake of peaceful March 2013 elections; increased rainfall; a stable macroeconomic environment; lower, stable international oil prices; stability of the Kenya shilling; and reforms affecting security, governance and justice.

Political activity in 2013 mainly centred on trials at the International Criminal Court (ICC) and the general elections held on 4 March 2013. Trials of three Kenyans, including the president and his deputy, continued at the ICC in The Hague, The Netherlands. They are accused of committing crimes against humanity during the post-election crisis of 2008. The March 2013 elections saw intensive competition between two main coalitions seeking the presidency, various gubernatorial seats and seats in parliament and county assemblies. Eventually, the Jubilee Coalition led by Uhuru Kenyatta and William Ruto was declared the victor after a fierce legal challenge before the Supreme Court from the Cord coalition, led by former Prime Minister Raila Odinga and former Vice President Kalonzo Musyoka.

Kenya is integrated into a number of global value chains – e.g. floriculture, textiles, leather, manufacturing and tourism – but economic and social benefits have been limited due to insufficient or unsustainable linkages with other sectors.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.6	4.9	5.7	5.9
Real GDP per capita growth	1.9	2.2	3.1	3.3
CPI inflation	9.4	5.7	5.0	5.1
Budget balance % GDP	-4.7	-4.8	-3.8	-3.3
Current account balance % GDP	-10.4	-8.8	-8.2	-6.4

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

LESOTHO

- **Lesotho's economy grew by 3.4% in 2013 and should average 4.4% in the next two years.**
- **With a 57% poverty level and a 25% unemployment rate, policies need to make growth more inclusive.**
- **Textiles and livestock are key value chains with considerable growth potential.**

The outlook for Lesotho in 2014 and 2015 remains moderately positive with average growth of 4.4% expected, though there are risks over global demand for diamonds and the renewal of the United States' African Growth and Opportunity Act which runs out in 2015. The economy is estimated to have grown by 3.4% in 2013, well below the strong 6.5% recorded in 2012. Lesotho suffered from economic uncertainty in Europe which constrained production activity in the mining sector. Growth was supported by booming construction activities, a strong recovery by textile and clothing, transport and communications, and financial intermediation.

Growth so far has not been inclusive enough and there is widespread unemployment, inequality and poverty, particularly in rural areas. The proportion of households living below the poverty line has increased from 56.6% in 2003 to 57.1% in 2013. The Gini inequality index coefficient remains high at 0.51. HIV/AIDS continues to have a serious impact on the young. These factors mean increasing numbers in need of social protection.

The fiscal policy stance in 2013 remained tight because of the need to curb high spending. However, the fiscal consolidation, in the absence of strong private sector support, is likely to compromise the country's growth. Coupled with this is the government's weak capacity to implement a sound capital programme aligned to its development objectives. The government needs to undertake deep reforms to improve capacity, accountability and efficiency.

Clothing, textiles and livestock are the most important value chains with considerable potential to contribute to economic growth and poverty reduction. The livestock sub-sector can develop important value chains mainly focusing on wool and mohair by exploiting trade connections with South Africa.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	6.5	3.4	4.5	4.3
Real GDP per capita growth	5.4	2.3	3.4	3.2
CPI inflation	6.1	5.0	4.9	4.5
Budget balance % GDP	-5.7	1.5	-8.0	-7.6
Current account balance % GDP	-9.4	-4.4	-3.7	-6.3

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

LIBERIA

- **Celebrating the tenth anniversary of the end of its civil war in August 2013, Liberia has maintained stability and supported economic growth but the country's youthful population is still waiting for the creation of more skilled jobs.**
- **Economic growth continued in 2013 at a rate of 8.1% led by iron ore exports, construction and services while investments are being made in energy and transportation to enable more broad-based growth.**
- **Public sector reforms continued in 2013 although implementation faces severe capacity challenges that will have to be overcome before Liberia can fully leverage natural resource revenues to address its critical poverty.**

Liberia's economy grew at 8.1% in 2013, led by increasing iron ore exports, construction and a robust services sector. Real GDP is projected to expand by 6.8% in 2014 and 8.2% in 2015. Increasing iron ore production and concession-related foreign direct investment (FDI) will continue to support this growth. However, growth in concession sectors, particularly forestry and palm oil, continues to face governance challenges that are slowing expansion and employment. Progress with public investment in energy and transportation infrastructure will be necessary to enable growth outside of the extractive sectors. The Mount Coffee Hydropower Plant and other major energy and road rehabilitation projects under preparation will significantly reduce the cost of doing business when they are completed in 2015 and 2016.

The government continues to make progress in public sector reform and improving institutions, but this is slowed by capacity constraints. Improving budget execution and public investment will rely on containing current expenditure, largely the wage bill, while also improving cash management and preparing realistic revenue forecasts. Timely approval of the budget by the legislature as well as improved inter-agency co-ordination will also be necessary. The phased drawdown of UN forces also calls for increased spending in the security sector. The government has established units to improve project management and oversight of state-owned enterprises and concessions, while the creation of the Liberia Revenue Authority in 2014 will help improve tax administration. Nonetheless, governance constraints in managing the natural resources sector continue, holding back progress and creating tensions with the local population that would like to see increased benefits from growth. Improvements are needed in the education sector to develop a workforce for the future. Mid-term legislature elections are scheduled for October 2014, which will likely increase political discourse concerning government effectiveness and increased employment growth.

Liberia has benefited from over USD 16 billion in FDI commitments since the end of the war in iron ore, forestry, rubber and palm oil. The government is promoting increased local business linkages with these global value chains in order to increase the capacity and value added of the local private sector while also increasing employment and the skills base. However, the capacity of the local private sector currently limits participation, while it is also bound by severe infrastructure constraints. Investment to address infrastructure bottlenecks is moving forward. The business environment, which is being supported by increased dialogue with stakeholders and improved information sharing, will also need further enhancement.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	8.3	8.1	6.8	8.2
Real GDP per capita growth	5.6	5.6	4.4	5.8
CPI inflation	6.8	7.7	6.6	6.3
Budget balance % GDP	-2.3	-2.6	-4.6	-5.3
Current account balance % GDP	-33.9	-48.0	-49.1	-37.1

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

LIBYA

- **Libya recorded an economic downturn in the second half of 2013, mainly due to disruptions to oil production caused by the mounting protests at the country's major oilfields and export terminals. Oil production should gradually resume and boost GDP growth in 2014/15.**
- **Regional and tribal factions, as well as expanding militia activities, pose an increasing challenge to the authorities and their management of strategic hydrocarbon earnings, as well as diverting attention away from constitutional and socio-economic reforms.**
- **Participation in global value chains is hampered by lack of diversification, a poorly developed private sector, infrastructure limitations and the regulatory environment.**

Following rapid economic recovery in 2012, based on the resumption of hydrocarbon production and exports after Libya's 2011 civil war, the economy faced major challenges in 2013. During the second half of the year, mounting protests and shut downs at major oilfields and export terminals resulted in oil production's declining to well below its long-term average of 1.6 million barrels per day (bpd). Production levels reached as low as 200 000-300 000 bpd in October 2013. With income from hydrocarbons sales constituting over 95% of government revenues, this has resulted in substantial budgetary pressure. According to the Libyan Ministry of Economy, the oil blockades cost the Libyan economy over USD 10 billion in 2013. As a result, GDP declined sharply in 2013 but is expected to rebound during 2014/15, on condition that the security situation and, in particular, the incidents at the oil terminals do not worsen compared to 2013.

Fiscal sustainability could be an important challenge in 2014 if the disruptions to oil production continue, especially in light of the government's commitment to increasing the salaries of public-sector workers by 20% from early 2014. The government's fiscal stability, which has been threatened as a result of these trends, is not only essential for an effective and rapid economic transition, but also for its ability to exert effective political control across the country and to ensure a smooth political transition.

The collapse of Gadhafi's regime in Libya has opened up space for new regional tensions over greater economic power and political representation, with hydrocarbon resources often used as a bargaining chip. There have been severe tensions surrounding the possible relocation of the headquarters of the National Oil Corporation (NOC) from Tripoli to Benghazi. In recent months a spate of protests by staff and militias at key oilfields and export terminals across the country has resulted in drastic declines in oil production and exports. Some of the militia groups operating under the umbrella of various government ministries have resorted to force to ensure their agendas are followed and their interests are protected, resulting in a number of security incidents often concentrated in the east of the country and targeting high-level state officials, civilians and international/diplomatic entities.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	104.4	-12.1	4.3	22.4
Real GDP per capita growth	103.5	-12.8	3.4	21.4
CPI inflation	6.1	3.7	7.5	5.4
Budget balance % GDP	13.8	-9.3	-13.2	0.4
Current account balance % GDP	25.5	2.0	-0.5	9.8

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

MADAGASCAR

- **The still-sluggish economy grew slightly faster (2.6%) in 2013 (1.9% in 2012) thanks mostly to mining and should speed up in 2014 (3.7%) and 2015 (5.4%) as the political situation normalises.**
- **Madagascar took another step towards recovery from its five-year political crisis by holding presidential and parliamentary elections in the last quarter of 2013, opening the way to renewed international acceptance and revival of economic and social development.**
- **The country's participation in global value chains is still small despite its many assets, such as tourism, a free zone for textile factories, ICT-related services and natural resources (agriculture and mining).**

The country's political crisis since 2009 is still hampering economic and social progress. Economic growth of 1.9% in 2012 and 2.6% in 2013 was unimpressive against the International Monetary Fund's estimated sub-Saharan average of 5.1% and an annual national population increase of 2.8%. It was mainly driven by extractive industries, agro-industry, banking, transport, livestock and fisheries. Macroeconomic stability was maintained by drastic budgetary adjustments that undermined the government's ability to provide basic services and also held back economic recovery.

The budget deficit deteriorated to 3% of gross domestic product (GDP) from 1.3% in 2012. The current account deficit was held at 8.8% of GDP (close to its 8.3% value in 2012). Inflation rose to 6.9% from 5.8% in 2012. If the political situation normalises after the December 2013 presidential and parliamentary elections, growth could improve in 2014 to a projected 3.7% and in 2015 to 5.4%, largely due to agriculture, agro-industry, extractive industries, tourism and construction.

Sluggish and poorly-distributed growth has not improved living conditions for most people and has damaged efforts to achieve the Millennium Development Goals (MDGs) by 2015. A nationwide 2012/13 survey of MDG progress showed more than 70% of Madagascans (including 77% in the countryside) lived below the national poverty line. Underemployment is especially high for young people and the crisis has made jobs precarious for 81% of the workforce, especially women in rural areas.

Although global value chains (GVCs) are an opportunity for the economy to expand, Madagascar's participation is limited to exporting unprocessed goods and selling imported goods to consumers. The country does have many assets – tourism, a free zone for textile manufacturing, ICT-related services and natural resources in agriculture and mining. To participate fully in GVCs, it must end recurrent political unrest, fight corruption strongly, train the workforce and improve infrastructure.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	1.9	2.6	3.7	5.4
Real GDP per capita growth	-0.9	-0.2	0.9	2.6
CPI inflation	5.8	6.9	7.2	6.2
Budget balance % GDP	-1.3	-3.0	-3.1	-1.5
Current account balance % GDP	-8.3	-8.8	-7.5	-7.7

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

MALAWI

- **Malawi's real GDP growth is estimated to have been 5% in 2013 and is projected to accelerate to 6.1% and 6.2% in 2014 and 2015 respectively, driven by tobacco exports and continued growth in the key sectors of agriculture, manufacturing and services.**
- **The main short-term challenge for the government is to consolidate macroeconomic stability and improve governance, while strengthening the enabling environment for private sector investment for sustained and inclusive growth.**
- **While the country is on track to achieving four of the eight Millennium Development Goals (MDGs), it faces serious challenges in meeting the MDG targets relating to universal primary education and to reducing gender inequality and maternal mortality.**

Real gross domestic product (GDP) growth is estimated to have rebounded to 5% in 2013, up from 1.8% in 2012, mainly thanks to a good tobacco season and strong recovery of growth in manufacturing, construction, and the wholesale and retail trade sectors. The output of tobacco increased from 79.8 million kiIogrammes (kg) to 168.6 million kg in response to improved auction prices following the depreciation of the Malawian kwacha (MWK). Strong recovery in tobacco output boosted overall agriculture sector growth to 5.7% from a 2.3% contraction in 2012. Manufacturing output growth increased to 6.2% from -1.3%, buoyed by an improvement in the availability of foreign exchange. Expansion in agricultural production contributed to the revival in manufacturing output activities, especially agro-processing. For 2014, Malawi's real GDP growth is projected at 6.1% and is expected to accelerate further to 6.2% in 2015. This positive growth outlook presupposes continued macroeconomic stability, high tobacco prices, adequate availability of foreign exchange, favourable weather conditions and improvement in the business climate.

The macroeconomic reforms pursued by Malawi under the Economic Recovery Plan (ERP) began to yield results as evidenced by improved foreign exchange availability and better incentives for producers of export commodities. In spite of the gains, the country has continued to face macroeconomic pressures. These include inflation, exchange rate volatility and excessive government domestic borrowing. To curb inflation, the Reserve Bank of Malawi (RBM) maintained a tight monetary policy stance. While inflation has started to decline, the pace of disinflation has been slower than expected because of the sharp depreciation of the Malawian kwacha. The macroeconomic challenges faced by Malawi were exacerbated by the revelation in September 2013 of the looting of public funds through the Integrated Financial Management System (IFMIS), known as "cash-gate". Donors suspended budget support, leading to a widening of the fiscal gap. In response to the scandal, the government is implementing, with the support of donors, a comprehensive action plan to correct weaknesses in public finance management (PFM). The financial scandal has underscored the urgent need for Malawi to redouble efforts to improve accountability and transparency in the public sector. The country is preparing to hold its fifth multi-party democratic elections in May 2014, which will serve as a further test of the maturity of its democracy.

Malawi's export basket is dominated by primary commodities, but, with globalisation, opportunities for exports of processed products have emerged. The country has not yet re-positioned itself to exploit opportunities to integrate into global value chains (GVCs). Obstacles to integration into GVCs include poor infrastructure, low skills and a weak business climate. The government is implementing the national export strategy with a view to enhancing export competitiveness and promoting exports of processed agro-products to feed into regional and global value chains.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	1.8	5.0	6.1	6.2
Real GDP per capita growth	-1.1	2.2	3.3	3.4
CPI inflation	21.3	28.4	15.2	8.4
Budget balance % GDP	-7.0	-1.1	-3.6	-3.9
Current account balance % GDP	-14.9	-15.0	-14.3	-12.1

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

MALI

- **The economy returned to growth (5%) in 2013 after the economic recession triggered by the complicated political crisis of 2012. This should continue in 2014 and 2015 driven by good secondary and tertiary sector performance and favourable weather.**
- **The government maintained budget discipline in 2012 despite the recession and suspension of foreign aid. Co-operation with the country's technical and financial partners resumed in 2013.**
- **Government worked with the international community to ease the humanitarian crisis but could not prevent the poverty rate rising to 42.7% in 2012 from 41.7% in 2011.**

The macroeconomic situation markedly improved in 2013 after the food shortages and political and security crises of 2012 (including a military coup on 22 March 2012 and the start of a nine-month rebel occupation in early April of the northern two-thirds of the country) that triggered a war in January 2013.

The 2012 recession was due to a 2.2% fall in the secondary sector and an 8.8% slump in the tertiary, while the primary sector expanded by 8.1%. Real gross domestic product (GDP), having shrunk by 1.2% in 2012, grew about 5% in 2013 driven by the tertiary sector (+6.7%), and while growth slowed in the primary sector (to 5.8%) it returned in the secondary (+0.6%).

Medium-term macroeconomic prospects are good. The overall recovery should continue in 2014 (6.7%) and 2015 (5.6%) boosted by agriculture, gold-mining and a tertiary sector recovery. But these prospects are at risk from the volatile prices of the country's two main exports, gold and cotton, and the delicate security situation.

The political instability and occupation of the north quickly led to deterioration of an already fragile social situation. The UN Development Programme's 2013 Human Development Index ranks Mali only 182nd out of 187 countries, with a score of 0.36. The slight drop in the poverty rate did not reduce the number of people affected, which grew from 5.7 million to 6.4 million between 2001 and 2010. The high fertility rate (6.7 children per woman) hampers poverty reduction and results in large dependency ratios, worsens maternal mortality and entrenches gender inequality in various sectors. It also puts great pressure on the government's ability to provide basic services for all, such as education, healthcare, social protection and security.

Mali was on target to meet the 2015 Millennium Development Goals (MDGs) for universal primary education, controlling the spread of HIV/AIDS and access to safe drinking water. But progress made in recent years has been damaged by the occupation of the north and these MDGs may not now be achieved.

The humanitarian situation in the north is still very unstable, with more than 1 390 000 people needing urgent food aid, 496 000 children under five in danger of acute malnutrition and refugees and displaced people returning to their home regions in difficult conditions.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	-1.2	5.0	6.7	5.6
Real GDP per capita growth	-4.2	2.0	3.6	2.6
CPI inflation	5.3	0.3	2.1	2.2
Budget balance % GDP	-1.3	2.5	3.9	4.5
Current account balance % GDP	-3.0	-9.8	-14.3	-17.0

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

MAURITANIA

- **Mauritania's economic dynamism of 2012 continued into the following year with an estimated 6.8% growth rate for 2013 and a good outlook for the short term.**
- **Despite favourable economic indicators, the chances that the Millennium Development Goals will be achieved by 2015 are mixed. There has been progress towards education-related targets, but much remains to be done in the field of health.**
- **Mauritania will need to intensify structural reforms and develop a genuine innovation policy to diversify its production base and increase its value added in global value chains.**

The economic dynamism displayed by Mauritania in 2012 continued in 2013, fuelled by agriculture, mining and construction. Growth is estimated to have been at 6.8% in 2013 and is projected at 6.9% in 2014 and 7.3% in 2015. This favourable outlook relies on a series of optimistic assumptions: new iron deposits available to the mining sector, good climate conditions and a positive impact of the country's new fishing agreement with the European Union (EU) signed in October 2013. Benefits are also expected from the Brussels round table held in 2010 to finance the government's economic and social programme under its strategic framework to combat poverty, the CSLP III (*Cadre stratégique de lutte contre la pauvreté*). In the long run, however, the economy remains vulnerable to changes in the terms of trade.

The year 2013 was marked by a satisfactory implementation of the three-year programme supported by the Extended Credit Facility. The programme was completed in June 2013 when national authorities had met almost all the quantitative performance criteria. Official reserves had reached the equivalent of 7.3 months of imports at end-2013. In addition to good budgetary performance, macroeconomic stability was supported by a prudent monetary policy aimed at absorbing the inflationary pressures resulting from excess bank liquidity.

Strong growth seems to have created jobs, bringing unemployment down to 10.1% according to the national survey on employment and the informal sector (*Enquête nationale de référence sur l'emploi et le secteur informel,* ENRE/SI) conducted in 2012 and published in 2013. This is significantly lower than the 32% unemployment rate found in the 2008 EPCV survey on household living conditions *(Enquête permanente sur les conditions de vie des ménages)*, but these surveys each used a different methodology. The ENRE/SI results seem encouraging, but the labour market still poses structural challenges: 96% of non-agricultural, non-government employees work in the informal sector, and 53% of jobs are classed as vulnerable. In addition, some of the Millennium Development Goals (MDGs) set for 2015 seem difficult to reach, especially the health goals. Significant progress was however achieved in education, access to safe drinking water, sanitation and gender equality.

The country's participation in global value chains (GVCs) is hindered by several obstacles, including the level of infrastructure and the limited value added of exported natural resources. The priority for the authorities is to remove these constraints and to implement a genuine innovation policy to diversify the economy.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.0	6.8	6.9	7.3
Real GDP per capita growth	4.5	4.3	4.5	4.9
CPI inflation	4.9	4.1	5.0	5.8
Budget balance % GDP	0.8	-3.7	-2.1	-4.8
Current account balance % GDP	-33.4	-32.8	-27.1	-26.7

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

MAURITIUS

- **Growth slowed from 3.4% in 2012 to 3.3% in 2013 on the back of weak external demand and muted domestic investment. Forecasts for 2014 and 2015 show a rebound with the growth rate rising to 3.5% and 4.1% respectively.**
- **Benefiting from wide-ranging structural reforms since 2006 and sound macroeconomic management during the global economic crisis, Mauritius in 2013 overtook South Africa to become the most competitive economy in sub-Saharan Africa, although emerging challenges in governance and structural bottlenecks in education are a concern for investors.**
- **Having the region's best business environment and most competitive economy, Mauritius is well placed to build on the progress it has made by participating in the global industry and services value chains.**

The Mauritian economy has weathered the global slowdown relatively well in spite of its exposure to the euro area which accounts for nearly 60% of its exports and tourists. Anchored by robust countercyclical policies, the economy has maintained annual growth rates of above 3%, although the momentum has eased as the crisis has evolved. In 2013, real GDP growth rate slowed down to 3.3% from 3.4% in 2012, driven by weak sugar and textile exports and a fall in construction. Projections show a rebound to 3.5% in 2014 and 4.1% in 2015 on the back of continued strong performance in financial intermediation, information and communications technology (ICT) and a modest recovery in tourism. Consumer price index (CPI) inflation remains within the policy target having declined from 3.9% in 2012 to 3.5 % in 2013. In June 2013 the Bank of Mauritius (BoM) reduced the Key Repo Rate (KRR) by 25 basis points to 4.65% per annum to boost the slowing domestic economy as first quarter exports and tourist arrivals showed signs of slowing down.

Sustained structural reform and prudent fiscal management during the global slowdown have served Mauritius well, propelling the country to become the region's best business environment and most competitive economy. Benefiting from strong institutions that have helped the economy to withstand a protracted global slowdown, the country's sovereign credit rating at Baa1 further strengthens its competitiveness. To attain a High Income Country status, the authorities need to address a number of remaining bottlenecks to further bolster competitiveness and reinforce investor confidence. Plans to strengthen public sector implementation capacity and improve the regulatory framework for public private partnerships (PPP) need fast-tracking to help accelerate implementation of public sector investment programmes. Fiscal consolidation should accelerate in line with the medium-term macroeconomic framework so as to achieve efficiency gains in budget execution and help achieve a more sustainable current account balance. Efforts to enhance education quality and relevance and innovation capacity should accelerate to address the emerging problems of skills mismatch and structural unemployment. The continued fall in the savings rate and its structural impact on the current account deficit is a concern. The monetary policy authorities will need to consider normalising the repo rate to help accelerate savings. Anti-corruption efforts should be strengthened to recapture the public's confidence and sustain the country's strong governance record.

With trade accounting for about 120.5% of GDP, the authorities would like to deepen the country's participation in cross-border value chains to drive growth sustainably. Their on-going efforts to position Mauritius as a regional hub for manufacturing, financial services, trade and knowledge under their Africa Strategy strengthens the prospects for further developing regional industry and services global value chains.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.4	3.3	3.5	4.1
Real GDP per capita growth	3.0	2.9	3.1	3.8
CPI inflation	3.9	3.5	3.6	3.8
Budget balance % GDP	-2.1	-2.7	-1.7	-0.7
Current account balance % GDP	-10.4	-10.8	-10.4	-9.9

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

MOROCCO

- **The Moroccan economy proved resilient in 2013 with a growth rate of 4.7%, buttressed mainly by domestic consumption and public investment, but also by a good agricultural year.**
- **The reforms that have been underway for several years in favour of the private sector were strengthened in 2013 by a fiscal reform and the continuation of the reform of the compensation fund, which represents a key step in reducing public spending.**
- **Morocco has invested in consistent sectoral strategies to accompany the reforms undertaken since the early 2000s, which helped accelerate the economy's structural transformation and promote new products. New industries, such as aeronautics and automobiles, are now drivers of growth and areas of innovation for the Moroccan economy. These areas can help Morocco overcome the difficulties encountered by certain traditional sectors such as textiles.**

The Moroccan economy consolidated its growth in 2013 with GDP rising 4.7% compared to 2.7% in 2012, despite the slowdown in world growth. This was due to a vibrant agricultural sector, in particular, with non agricultural activities somewhat less dynamic, compared to 2012. Overall goods exports were down by 4% because of a decline of almost 28% in exports of phosphates and their derivatives. The only exports to benefit from the recovery of external demand were capital goods, in particular electric cables and wires.

Sound macroeconomic and fiscal management continued into 2013. A cautious monetary policy held inflation at 1.9% and the current account deficit at 7.2% of GDP, compared to 10% in 2012, while foreign-exchange reserves reached 4.5 months of imports of goods and services. The fiscal deficit, however, reached 5.3% of GDP. In response, the government undertook corrective measures to improve revenue collection and lowered public investment for 2014 with a view to bringing the fiscal deficit down to 3% of GDP by 2016. It should also be noted that the reform of the compensation fund and the application of an indexation system for petroleum products will be needed to achieve that objective.

Overall, Morocco's performance has been encouraging and benefited from a context of political and social stability. The business environment has improved and the country has moved up eight places in the annual World Bank *Doing Business* report, climbing from 95th to 87th in one year. In addition, 2013 was marked by improved tourism revenue (+2%), transfers from Moroccans living abroad and a significant increase in foreign direct investment (+20%).

Despite these positive results and the overall economic improvement, Morocco has not been able to solve the problem of youth unemployment (ages 15-24), which reached 19.1% in 2013. For 2014, Morocco is going to continue to implement its reform programme (subsidies, taxation, retirement, social protection and the fiscal system), with two objectives: *i)* to improve the efficiency of public finances; and *ii)* to support the development of an inclusive growth model supported by the private sector and that generates jobs for young people.

Morocco has invested in targeted sectoral strategies to accompany these reforms and to accelerate the transformation and diversification of its economy, leading to more employment creation. The National Pact for Industrial Emergence (PNEI, 2009-15) aims to revive the industrial sector and to boost its competitiveness, and is thus an important framework for launching industries in which Morocco can be considered more competitive. From this perspective, the objective of creating 220 000 new jobs seems feasible for 2015. The new aeronautical and automobile industries represent an important source of economic growth and innovation for Morocco.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	2.7	4.7	3.2	4.6
Real GDP per capita growth	1.3	3.2	1.7	3.3
CPI inflation	1.3	1.9	2.7	3.0
Budget balance % GDP	-8.6	-5.3	-5.5	-4.9
Current account balance % GDP	-10.0	-7.2	-7.8	-7.3

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

MOZAMBIQUE

- **In 2013 real GDP posted robust 7% growth, although lower than expected due to severe floods early in the year. The progressive increase in coal production and the implementation of large infrastructure projects, coupled with budgetary expansion, are expected to continue to drive growth, projected at 8.5% in 2014 and 8.2% in 2015.**
- **The political situation has deteriorated, largely affected by low-intensity confrontations between government and opposition, while the recent deterioration of public financial management and economic governance are of increasing concern.**
- **The capital-intensive nature of Mozambique's growth has as yet created limited jobs and has had a less-than-desirable impact on poverty reduction. Mozambique remains one of the least developed countries in the world.**

Mozambique's economy remained one of the most dynamic on the continent in 2013, with a 7% rate of real gross domestic product (GDP) growth, in spite of the major flooding which occurred during the first quarter and the politico-military low-intensity confrontations between government and the opposition movement. The main drivers of growth are foreign direct investment (FDI), focused mostly on the extractive sector, and increasing public expenditure. The fastest growing sectors in 2013 were the extractive sector, propelled by a boost in coal exports, and the financial sector fuelled by credit expansion and increased income, mostly centred on urban areas. Other dynamic sectors are construction, services, and transport and communication, broadly correlated with infrastructure development and very large-scale projects, known in Mozambique as mega-projects. The agriculture sector, employing 70% of the population, lacks the same economic dynamism, although it is growing at above 4%. Assuming a stable political environment, prospects are positive for 2014 and 2015, with growth forecast to remain above 8%, supported by increased coal production, continued public investment and the forecast start of the preparatory work for the multi-billion dollar liquefied natural gas (LNG) plant.

The Mozambican economy presents little structural transformation, relying mostly on mega-projects in the aluminium, extractive industries and the energy sectors. Its capital intensive nature does not generate enough jobs to provide sufficient opportunities for the fast growing young population. Fiscal revenues cover little more than 65% of the annual budget, while mega-projects benefit from generous fiscal incentives. The weak human capital and the country's deficient infrastructure seriously cripple economic and social development. Increasing public spending on infrastructure and salary increases contributed to the widening fiscal deficit, while the narrow tax base limits revenue collection growth. At the same time, external aid is declining. The rise in external debt levels to fund the public investment programme, particularly from non-concessional borrowing, increases the demand that public investments generate positive economic returns. The misuse of debt to fund poorly performing projects will result in medium- to long-term unbalances.

It is crucial that political stability is maintained so that the country continues to attract FDI that enables infrastructure and human development. Mozambique's current residual role in global value chains (GVCs), mostly limited to the aluminium smelter plant of Mozal, could be transformed by the development of specific industrial clusters related to natural gas and energy. Other sectors, such as the agriculture and light industries, may profit from an enhanced connection with the regional and world markets brought about by these anchor industries. Mozambique has two key opportunities in 2014 to cement its stability and future growth prospects. First is the execution of smooth and orderly presidential elections in October, and second is to attain the final investment decision on the LNG plant. However, the military and political situation is bound to remain uncertain and tense throughout 2014.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.2	7.0	8.5	8.2
Real GDP per capita growth	4.7	4.5	6.1	5.8
CPI inflation	2.2	4.3	5.6	5.1
Budget balance % GDP	-3.9	-6.9	-10.8	-11.7
Current account balance % GDP	-36.0	-43.4	-43.0	-43.1

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

NAMIBIA

- **Namibia's GDP growth slowed slightly from 5% in 2012 to 4.2% in 2013, pulled down by the negative impact of drought conditions and a weak global demand for mineral exports.**
- **The fiscal deficit is projected to increase in 2014 and 2015 because of the sustained expansionary fiscal policy.**
- **Namibia's growth prospects look promising, but downside risks associated with the global and South African economic outlook remain high.**

The Namibian economy has recovered from the global economic crisis. Growth of real gross domestic product (GDP) remained robust at 5.0% in 2012 despite the persistent global economic turbulence. It is estimated to have slowed down to 4.2% in 2013 owing to negative impacts from drought conditions and a weak global demand for mineral exports.

Real GDP growth is projected to climb moderately to 4.3% in 2014, benefiting from the continued expansion of construction activities related to new projects such as the government's launch of a massive housing project, the commencement of the expansion of the container terminal at Walvis Bay and large investment projects in mining.

The lack of an independent monetary tool has led to the active use of fiscal policy as a major countercyclical tool to sustain economic growth in the aftermath of the global economic crisis. The budget deficit for 2013/14 is estimated to be lower than expected on account of lower spending than budgeted, a recovery in the Southern African Customs Union (SACU) revenues and increased revenue collection associated with higher domestic economic growth and initiatives to improve the tax-administration regime. Nonetheless for 2014/15, total expenditure is expected to expand to 42.6% of GDP from 38% of GDP in 2013/14, leaving the overall fiscal deficit at 5.5% of GDP. This will be larger than the deficit of 4.1% originally projected for 2014/15 in the 2013/14 budget.

Inflationary pressures eased in 2013. Year-on-year inflation slowed down to 4.4% in November 2013, but increased slightly to 4.9% in December. On an annual basis, the year closed at an estimated 5.8%, lower than the annual inflation of 6.5% for 2012. The declining trend in inflation is mainly due to decelerating costs of food, while transport inflation picked up in the second half of the year.

Key risks to medium-term growth include weak global demand for mineral exports that would result in lower export earnings, adverse weather-related shocks that would further weaken growth in agriculture, delays in construction projects, and lower SACU revenues due to the economic slowdown in South Africa. Namibia's growth prospects continue to be clouded by the country's massive challenges of poverty, high unemployment and inequality.

The emergence of global value chains (GVCs) is perceived as an opportunity for Namibia, especially in view of the country's abundant natural resources. Although GVCs do not specifically form part of the government's strategic considerations, the government is aware of the need to implement innovative measures to enable the country to make the most of its comparative and competitive advantages, including policies to reduce the high cost of doing business, removing various bottlenecks in infrastructure and investing in skills as part of a broader diversification strategy.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	5.0	4.2	4.3	4.4
Real GDP per capita growth	3.1	2.3	2.4	2.5
CPI inflation	6.5	5.8	5.8	5.0
Budget balance % GDP	-7.0	-0.1	-3.0	-5.5
Current account balance % GDP	6.3	-6.0	-7.1	-8.0

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

NIGER

- **In 2013 real GDP growth reached 3.6% compared with 11.1% in 2012, as a result of a slowdown in output in the agricultural and extractive sectors.**
- **Programmes have been launched to mitigate vulnerability to climate change and to strengthen natural resource management but private sector development remains a challenge.**
- **The weakness of productive capacities rules out short-term integration into global value chains (GVCs) although some opportunities for the agro-food, extractive and manufacturing industries do exist.**

After expanding by 11.1% in 2012, driven by the start of crude oil production and a good harvest, real GDP growth reached 3.6% in 2013. This decline was due to lower agricultural production, which suffered from poor rainfall during the 2013/14 harvest, and to a slowdown in mining, attributable to temporary stoppages that occurred in some uranium and gold mines. Inflation was contained below the 3% community requirement, thanks to government social policies and to an acceptable 2012/13 harvest. With production rising at the Zinder oil refinery and in the gold and aluminium sectors, prospects for 2014 and 2015 are good, with growth likely to rebound to 6.0% and 6.2% respectively, subject, however, to a number of risks. These include the persistence of pockets of insecurity along the southern and northern borders of Niger, the economy's exposure to climate shocks and the recurrence of food crises.

Niger has launched several programmes under the 2012-15 Economic and Social Development Plan (PDES) aimed at driving sustained and inclusive growth. These include the implementation of the 3N (Nigeriens nourish Nigeriens) initiative which has contributed to increasing irrigated crop production. The country has adopted a national good governance charter for the management of mineral resources and in 2012 achieved the status of full compliance with the Extractive Industry Transparency Initiative (EITI). But the development of the private sector needed for economic diversification and inclusive growth remains a challenge. Niger has not undertaken significant reforms to improve the business environment and the private sector's share in the economy has eroded over the past two decades in favour of the informal sector.

Niger's participation in global value chains (GVCs) is weak because of its underdeveloped productive capacities. The agro-food, extractive and manufacturing industries could, however, eventually have potential for development if policies to improve the business environment and promote greater links between economic sectors are introduced, particularly between the mining sector and the rest of the economy.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	11.1	3.6	6.0	6.2
Real GDP per capita growth	7.3	-0.3	2.1	2.3
CPI inflation	0.5	1.9	2.5	1.3
Budget balance % GDP	-1.1	0.1	-1.8	-1.7
Current account balance % GDP	-15.1	-15.2	-15.3	-15.0

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

NIGERIA

- **There are prospects in Nigeria for sustained growth driven by an improved performance of the key non-oil sectors – agriculture, information and communication technology, trade and services – but decline in the contribution of the oil sector may dampen the positive outlook.**
- **Social indicators are beginning to improve as efforts to achieve the Millennium Development Goals are intensified through the implementation of social-sector reforms, but the northeast region still faces conflict-related challenges.**
- **Adding value to exports of primary products, which is the cornerstone of the Agricultural Transformation Agenda, could help Nigeria climb up the value chain towards industrialisation and provide opportunities to bring the large informal sector progressively into the formal economy, thereby making growth more inclusive and offering a high potential for job creation, increased income and poverty reduction.**

Nigeria rebased its GDP from 1990 to 2010, resulting in an 89% increase in the estimated size of the economy. As a result, the country now boasts of having the largest economy in Africa with an estimated nominal GDP of USD 510 billion, surpassing South Africa's USD 352 billion. The exercise also reveals a more diversified economy than previously thought. Nigeria has maintained its impressive growth over the past decade with a record estimated 7.4% growth of real gross domestic product (GDP) in 2013, up from 6.7% in 2012. This growth rate is higher than the West African subregional level and far higher than the sub-Saharan Africa level. The performance of the economy continues to be underpinned by favourable improvements in the non-oil sector, with real GDP growth of 5.4%, 8.3% and 7.8% in 2011, 2012 and 2013, respectively. Agriculture – particularly crop production – trade and services continue to be the main drivers of non-oil sector growth. The oil sector growth performance was not as impressive with 3.4%, -2.3% and 5.3% estimated growth rates in 2011, 2012 and 2013, correspondingly. Growth of the oil sector was hampered throughout 2013 by supply disruptions arising from oil theft and pipeline vandalism, and by weak investment in upstream activities with no new oil finds.

Going forward, there are prospects of strong economic growth although downside risks remain entrenched. Such prospects are expected to hinge on continued recovery of the global economy, favourable agricultural harvests and a possible boost in energy supply arising from the power-sector reform, as well as on expected positive outcomes from the Agricultural Transformation Agenda. Comprehensive economic and structural reforms are also expected to improve economic growth. Nevertheless, the country's ongoing GDP rebasing may influence the growth figures, possibly making them lower going forward since the expected result is a larger economy.

Risks to Nigeria's economic growth are the sluggish recovery of the global economy, security challenges in the northeastern part of the country, continued agitation for resource control in the Niger Delta and possible distraction from the ongoing reforms as a result of the upcoming 2015 general elections. Negative growth of the oil sector may also continue to drag down overall growth until a lasting solution is found to the challenge of oil theft and weak investment in exploration due to the uncertain state of play in the sector as a result of non-passage of the Petroleum Industry Bill.

Nigeria faces an ongoing challenge of making its decade-long sustained growth more inclusive. Poverty and unemployment remain prominent among the major challenges facing the economy. One reason for this is that the benefits of economic growth have not sufficiently trickled down to the poor. The national authorities are not oblivious of this reality. Thus, poverty reduction, mass job creation and protection of the most vulnerable and those in the large informal sector are the focus of current policy dialogue and initiatives. In fact, the 2014 national budget that has just been passed into law by the national assembly focuses mainly on creating more jobs and making growth more inclusive.

Increased integration of the poor into global value chains is essential for poverty reduction. Agriculture, which is largely informal, employs about 70% of the labour force, a large portion of which is poor. Adding value to agriculture tradables will create more jobs through its upstream and downstream integration with other sectors of the economy, increase export revenues, boost income of the poor and reduce poverty incidence.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	6.7	7.4	7.2	7.1
Real GDP per capita growth	3.9	3.6	4.4	4.7
CPI inflation	12.2	8.5	8.1	8.2
Budget balance % GDP	-1.4	-1.8	-1.2	-2.0
Current account balance % GDP	2.8	4.4	5.8	5.1

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

RWANDA

- **Real GDP growth slowed down to 4.6% in 2013 from 7.3% in 2012 due to the lower than programmed performance in agriculture and the aid-related delays in the implementation of strategic public investments following the suspension of budget support disbursements in 2012. Growth is projected to recover to 7% and 7.4% in 2014 and 2015 respectively due to the recovery in services, improvement in agriculture productivity and sustained implementation of the public investment programme.**
- **Major steps were taken to further enhance political rights and civil liberties. Three new media pieces of legislation were ratified to improve media regulation, promote transparency and encourage citizens' economic and political participation. Moreover, another political party was formally registered.**
- **Strong progress in human development continues to be registered. The infant mortality MDG has been achieved, and Rwanda is set to meet the targets for universal primary education, gender equality and under-five mortality. Poverty and income inequality have also decreased.**

Real GDP growth slowed in 2013 in part due to poor performance in agriculture and the lagged effects of the suspension of budget support disbursements in 2012. Estimates indicate that industry and services were the primary drivers of growth in 2013, while growth in agriculture, though modest, was stronger compared to 2012. Export earnings increased by an estimated 33% in 2013 compared to the previous year on the back of increased coffee and tea production and favourable prices for key mineral exports, particularly coltan and cassiterite. GDP growth is projected to have increased from 4.6% in 2013 to 7% in 2014. The key growth drivers in the short and medium term include recovery in the services sector, increased productivity in the agriculture sector and the sustained implementation of the public investment programme.

Headline inflation is projected to increase slightly to 4.4% in 2014 due to rising food prices. Structural reforms to improve productive capacities, particularly in agriculture, are expected to contribute to a reduction in food prices and ensure that headline inflation remains below the central bank's medium-term inflation target of 5.0%. Decisive implementation of programmes such as the National Employment Program and sustained investments in improving agricultural productivity are expected to increase jobs and drive growth in the medium term. Current account deficits are expected to persist in the short to medium term as strong demand for intermediate, capital and energy products continues to outstrip the expanding but still narrow export base. The share of export earnings to imports increased to 32.0% in 2013 compared to 27.0% in 2012.

Embedding domestic firms into global value chains (GVCs) is a priority for government and is viewed as a key vehicle for promoting export growth and diversification and contributing to the broader goal of achieving a private-sector-led economy by 2020. The potential for linking national value chains (NVCs) with GVCs exists in several industries, including exports (especially coffee, tea and minerals), food processing, dairy and beverages, ICT and Business Process Outsourcing (BPO). Most of the current value chain activities are upstream, focusing on the development and supply of primary and intermediate inputs to export markets. There is also evidence of downstream activities, for instance in tea and minerals, with key packaging and processing activities being undertaken in intermediate countries before the final products are shipped to export markets. Expanding linkages between NVCs and GVCs will require addressing three key factors: supply constraints, improving the quality of domestic raw materials and addressing infrastructure bottlenecks, particularly in energy and transport.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.3	4.6	7.0	7.4
Real GDP per capita growth	5.2	3.6	4.7	4.8
CPI inflation	6.2	4.2	4.4	4.9
Budget balance % GDP	-1.2	-5.1	-4.8	-4.3
Current account balance % GDP	-11.4	-10.2	-10.7	-10.1

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

SÃO TOMÉ AND PRÍNCIPE

- **In 2013, the real GDP growth, at 4.3%, was lower than forecast. The economy is projected to grow by 4.8% in 2014 owing to a moderate increase in foreign direct investment, in particular from bilateral partners.**
- **Positive economic performance led São Tomé and Príncipe to be classified by the World Bank in 2013 as a middle-income country because its gross national income per capita surpassed the cut-off point of USD 1 205 for the third consecutive year.**
- **The French oil company Total abandoned exploration in block 1 of the Joint Development Zone with Nigeria, creating uncertainty over oil production in São Tomé and Príncipe, but there is continued interest from other oil companies, according to the government.**

The economy of São Tomé and Príncipe grew by 4.3% in 2013, up from 4% in 2012, although growth was below initial 2013 forecasts of 5.2%. In the medium term, the economy is expected to improve slightly, with projected real gross domestic product (GDP) growth of 4.8% in 2014 and 5.6% in 2015, largely due to a moderate increase in foreign direct investment (FDI), notably from bilateral partners. The service sector remained the driving force of the economy, accounting for about 60% of GDP in 2012, followed by agriculture (22.5%). The country´s economic performance was rated satisfactory in the second review of the Extended Credit Facility (ECF) 2012-15 agreement with the International Monetary Fund (IMF), undertaken in September 2013.

In line with the government's commitment to enhance transparency and accountability in the management of public funds, the state budget was implemented through the new SAFE-e financial administration system in 2013. Infrastructure (transport and communication) accounted for 21% of total spending, although the government continued to pay special attention to expenditure in the social sector, notably on health (8.8%) and education (5.6%). Fully, 93% of capital expenditure was financed by external assistance. Fiscal performance was affected by a reduction in tax revenues, which dropped to 13.1% of GDP in 2013 from 14% in 2012. However expenditures decreased to 16.6% of GDP in 2013 from 17.4% in 2012, which helped to improve the public finance account. The domestic primary deficit is estimated at 6.3% of GDP in 2013, down from 10.1% reported in 2012. In September the government launched the ASYCUDA computerised system for streamlining customs clearance procedures and improving customs revenue collection.

The emergence of global value chains (GVCs) would represent an extraordinary opportunity for São Tomé and Príncipe, providing added value to its two main export crops, cocoa and coffee. The lack of highly qualified skilled labour in the cocoa industry has led to the export of raw materials, mainly to Europe, denying São Tomé and Príncipe of the most profitable part of the confectionary market value chain – the processing of the cocoa into chocolate. In the last few years, with the construction of a chocolate factory in São Tomé and Príncipe, local processing of cocoa beans into chocolate has begun. This not only adds export value, but also generates employment.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.0	4.3	4.8	5.6
Real GDP per capita growth	1.3	1.7	2.3	3.2
CPI inflation	10.6	8.5	7.9	8.1
Budget balance % GDP	-10.7	-6.9	-6.2	-5.1
Current account balance % GDP	-20.5	-18.4	-14.7	-13.9

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

SENEGAL

- **Growth of 4.0% of GDP in 2013, compared with 3.4% in 2012, confirmed Senegal's economic recovery. The new development strategy laid down for the period from 2014 to 2035, the *Plan Sénégal Emergent* (PSE), is based on growth of at least 5% in 2014 and 2015.**
- **The strategic guidelines relating to good governance were reflected in a better management of public resources.**
- **The emergence of global value chains (GVCs) is seen by the authorities as an opportunity. At issue is the better integration of the country into the world economy, in particular in logistics and hosting industrial activity to serve the European and West African markets.**

The recovery was confirmed in 2013 with a rate of growth estimated at 4.0%, compared with 3.4% in 2012. It is forecast to reach 4.8% in 2014 and 5.3% in 2015. This prospect depends on the implementation of the *Plan Sénégal Emergent* (PSE), the new development strategy looking ahead to 2035.

It seeks to pull together the country's public development policies and has three dimensions: structural transformation of the economy and growth; human capital, social protection and sustainable development; governance, institutions, and peace and security. It is due to be implemented in three stages. An initial phase of economic development between 2014 and 2018 is due to be followed by a surge in development until 2023, followed by a period of expansion until 2035.

The PSE replaces the national strategy for economic and social development (*Stratégie nationale de développement économique et social: SNDES 2013-17*) and is accompanied by a plan for priority actions during the period 2014-18. The launching of nine flagship projects with a strong economic and social impact was announced for April 2014. But the PSE could be hit by delays in its execution and by climatic hazards. Opening up the economy also exposes the country to the fluctuations of international markets and the effects of the economic crisis in Europe or the security situation in Mali.

In any event the country can rely on a number of comparative advantages to better establish itself as a competitive regional hub in logistics and international subcontracting. It has, furthermore, a number of positive elements to improve its local and regional supply networks of tropical fruits and vegetables with a view to re-export to markets where they are in demand. The transport infrastructure, in terms of the seaport, airport, rail and roads, is quite good and the telecommunications system is of a high quality. These advantages could help make Senegal a "business park" and a regional "campus of excellence". But access to electricity and the cost of it handicap the country. Energy is billed at XOF 115 (CFA Franc, BCEAO) per kilowatt hour, almost twice the price as in Côte d'Ivoire (XOF 63). Specific measures remain to be outlined for those active in the informal sector, where 90% of Senegalese entrepreneurs are engaged.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.4	4.0	4.8	5.3
Real GDP per capita growth	0.5	1.1	1.9	2.5
CPI inflation	2.1	0.7	1.3	1.7
Budget balance % GDP	-5.9	-5.4	-5.3	-5.1
Current account balance % GDP	-10.3	-9.0	-8.4	-9.3

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

SEYCHELLES

- **Seychelles' GDP growth increased to about 3.5% in 2013 (up from 2.8%) and is expected to be above 3.5% in 2014 and 2015 due largely to a rebound in the tourism sector that has seen a 10% rise in tourist numbers.**
- **In 2013, the country marked five years since the commencement of comprehensive economic reforms that have achieved economic stabilisation, debt reduction, liberalisation and public sector restructuring but challenges remain going forward: to make economic growth more inclusive, generate more local employment and unlock constraints for the private sector.**
- **Ranked 1st in terms of human development in Africa, the Seychelles has met most of the Millennium Development Goals (MDGs) and is looking forward to the development of a Post-2015 agenda that better integrates issues relevant to Small Island Developing States (SIDS).**

After the collapse of the economy, which saw GDP growth drop from 10.4% in 2007 to -2.1% in 2008, Seychelles' growth turned positive, averaging 2.7% per year. In 2013, the economy rebounded further, with real GDP growth estimated at 3.5%, up from 2.8% in 2012. Higher growth was due to tourism with a 10% increase in tourist arrivals as the country diversified its markets beyond Europe to new markets in Asia, Eastern Europe and Africa. Robust tourist earnings also led to a reduction in the current account deficit to 20.5% of GDP in 2013 from 24.7% in 2012. FDI inflows increased in 2013, largely in the construction sector, which also had a positive impact on growth. Private sector consumption continued to be the main driver of growth. Inflationary pressures that had plagued the country in 2012 abated in 2013 as international food and fuel prices steadied. This led to a reduction in inflation to an average of 4.4% in 2013 compared to 7.1% in 2012. The weakened demand also led to a slight appreciation of the Seychelles Rupee (SCR) in 2013.

Five years since the commencement of broad economic reforms, the government has maintained a consistent policy framework. In December 2013, the country successfully concluded the International Monetary Fund (IMF) programme that underpinned these reforms, the Extended Fund Facility (EFF) signed in 2008. The government has continued its robust fiscal consolidation in line with its objective to reduce public debt to 50% of GDP by 2018. This translated into a debt decrease from 150% of GDP in 2008 to 70% in 2013. In addition, the country experienced a primary fiscal surplus of over 5% of GDP from 2010 to 2013. At the same time, the monetary policy stance has been successful in stabilising inflation at low levels and in building up international reserves.

Going forward, the government will focus on completing regulatory reforms that are underway to improve the business environment, address access to finance and increase Seychellois' participation in the main economic sectors. This means more opportunities for local private sector investment especially in fisheries and tourism. This should also create more local employment.

In 2013, the government designed its first Public Sector Investment Plan (PSIP) to guide public investments and was mid-way in implementing its Public Financial Management (PFM) action plan that aims at enhancing value for money in government expenditure. Tourism (the main employer) and fisheries (the main foreign exchange earner) will continue to be the main drivers of growth in the foreseeable future.

Seychelles' success in benefiting from global value chains is limited by its small (semi-skilled) population, insufficient land, small market size and limited natural resources. Consequently, regional integration is seen as an important factor towards increasing such opportunities for the country. In addition, the government's conducive policies towards attracting more investment are seen as key enablers.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	2.8	3.5	3.6	4.3
Real GDP per capita growth	2.2	3.0	3.1	3.9
CPI inflation	7.1	4.4	4.2	3.1
Budget balance % GDP	2.9	2.4	0.9	1.2
Current account balance % GDP	-24.7	-20.5	-21.6	-23.1

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

SIERRA LEONE

- **The outlook for the Sierra Leone economy remains positive in the current and medium terms, with sustained economic growth, falling inflation, and improved fiscal and external positions.**
- **Sustaining the gains achieved requires enhanced service delivery and job creation.**
- **The policy focus needs to be on achieving inclusive growth through accelerated human development and good governance.**

The authorities in Sierra Leone have made reasonable progress since the end of the civil conflict in 2002, albeit under challenging economic and social conditions. The economy continues to record impressive growth rates; domestic revenue is gradually improving despite the historically low revenue effort; the deficit has been falling as a share of GDP; inflationary pressures are trending down, following a surge that had been reinforced by the global crises. Despite increased external borrowing to finance infrastructure projects, Sierra Leone's risk of debt distress remains moderate, amidst recent fiscal consolidation. The external position is also (marginally) improving following a surge in export of minerals and a growing volume of cash crops. The exchange rate is market determined and has remained relatively stable over the past few years. The socio-political situation continues to remain peaceful and social indicators are steadily improving, as poverty headcount and inequality generally declined. The outlook for the economy in the medium term is favourable with sustained economic growth, low inflation, and improved fiscal and external positions. Real GDP growth is projected in the double digits for 2014 at 13.8% and it is estimated at 16.3% for 2013. This will follow from continued increases in iron-ore production and export, increased productivity in non-mineral sectors, especially agriculture and construction, and continued public investment.

Going forward, the authorities will face some economic and social challenges mainly in the governance area. They need to sustain economic growth and entrench macroeconomic stability, create jobs and improve social indicators, support private sector development, develop social policies and enhance programmes designed to protect the most vulnerable segments of society, and above all, continue the fight against corruption.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	15.2	16.3	13.8	11.6
Real GDP per capita growth	16.9	10.2	11.0	8.8
CPI inflation	13.7	9.9	8.0	6.6
Budget balance % GDP	-5.6	-2.1	-4.6	-4.1
Current account balance % GDP	-39.4	-17.2	-11.2	-15.9

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

SOMALIA

- **Somalia's largely informal economy is characterised by major information and data gaps, making estimates of economic aggregates highly uncertain.**
- **Significant progress has been made in peace- and state-building and in the economic recovery programme, helped by substantial support from donors.**
- **Despite the long conflict, Somalia has a vibrant and dynamic private sector in its more stable regions.**

The country's GDP was estimated at USD 5.8 billion in 2010 (the last year for which official figures are available), with a per capita GDP of USD 600. According to estimates for 2013, real GDP increased by 5% to 6% and consumer prices by 2% to 3%. Agriculture is the mainstay of the economy and of livelihoods, accounting for about 60% of GDP and employing 65% of the workforce. Livestock accounts for about 40% of GDP and more than 50% of export earnings. Exports also include fish, charcoal, bananas, hides and skins, and scrap metal. Sugar, sorghum and maize are produced for the domestic market. The country is highly dependent on imports of food, fuel, construction materials and manufactured goods. Despite the long conflict, the more stable regions of Somalia boast a vibrant and dynamic private sector, including the financial sector, water, electricity and other vital services. Somalia continues to rely heavily on inflows of aid and remittances. Humanitarian and development aid in 2012 amounted to USD 750 million, or around USD 76 per capita. Annual remittances, estimated at USD 1-1.5 billion, are the largest contributor to national capital inflows and wealth. External funding and expertise also help to provide much-needed infrastructure. The main own sources of revenue for the Federal Government of Somalia (FGS) are the Mogadishu port and airport.

Total external sovereign debt to public creditors is estimated at USD 5.7 billion (around 80% of GDP), of which USD 1.5 billion is owed to multilateral creditors (79% in arrears), USD 2.5 billion to Paris Club creditors (most of which is in arrears) and USD 1.6 billion to non-Paris Club bilateral creditors.

On 16 September 2013, the FGS and the international community endorsed the Somalia New Deal Compact. The Compact lays out the critical priorities under the five peace- and state-building goals that have been endorsed as part of the New Deal principles for engagement in fragile states, which includes a special arrangement for Somaliland. Development financial assistance to the country will be mobilised and channelled through a proposed new financial architecture called the Somali Development and Reconstruction Facility. In order to rebuild the Somali economy and improve service delivery, the FGS has developed a two-year Economic Recovery Plan for 2014-15 that was presented alongside the Compact.

SOUTH AFRICA

- **Labour unrest and the persistently sluggish environment in Europe and the United States impacted on growth, but the situation should improve in 2014 as the global economy improves and a cheaper rand boosts exports.**
- **With almost 25% of the population (and 65% of young people) without work, unemployment is South Africa's largest social challenge. The National Development Plan of 2012 stipulates crucial measures for the acceleration of structural and education reforms.**
- **South Africa is an important hub in the global mining value chain, a regional assembly hub in the global automotive value chain and a key player in the regional finance and retail value chains. It should capitalise on these links as engines of growth at home.**

The labour unrest in South Africa that marked 2012 improved in 2013, proving to be less violent but more widespread, and it significantly affected output in the automotive and agricultural sectors. The slow pace of international economic growth also continued to limit South Africa's development. A year of low investment and ongoing efforts to reduce household debt have held this back further, with growth reaching 1.9% in 2013 compared with 2.5% in 2012. However, projections based on improvements to the global economy and the successful completion of major government projects (including the Medupi Power Station) suggest that growth could rise to 2.7% in 2014.

Unemployment and labour relations continue to pose challenges for the country. Unemployment remains high at 24.1% overall, and 64.8% for young people between the ages of 15 and 24. The government's newly launched employment tax incentive aims to address this challenge by encouraging private sector absorption of youth by subsidising the salaries of newly recruited workers aged between 18 and 29. However, the overall labour market remains constrained and labour unrest continued to reduce South Africa's output in 2013, especially in agriculture and manufacturing. Furthermore, output potential is constrained by a skills shortage, and calls are being made for further investment and reform of the poorly performing education system.

Broadly, the South African economy remained within the Reserve Bank's (SARB) target inflation range of 3%-6%, estimated at 5.7% in 2013. The South African rand (ZAR) remained under pressure in 2013, sliding 20% in value during the year. National government debt increased to 42.5% of gross domestic product (GDP) in 2012/13, up from 36.2% two years earlier.

In addition to functioning as an assembly hub for the automotive industry, South Africa has had some success in becoming a global supplier of components (seats and catalytic converters) capitalising on locally available skills and intermediate products. The Automotive Production Development Plan (APDP) that came into force in January 2013 is aimed at encouraging new investments in the industry, promoting use of local components and boosting annual production to 1.2 million vehicles by 2020. In the mining industry South Africa is an important global hub with deep backward vertical integration and a fully-fledged supply industry serving both South African and foreign companies that is an international player in its own right. Both South Africa's retail sector and its financial services industry are the most sophisticated on the continent and both have a significant regional presence.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	2.5	1.9	2.7	3.0
Real GDP per capita growth	1.7	1.2	2.0	2.3
CPI inflation	5.7	5.7	5.7	5.3
Budget balance % GDP	-4.2	-4.1	-4.1	-3.9
Current account balance % GDP	-5.2	-6.5	-6.4	-6.4

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

SOUTH SUDAN

- **The resumption of oil production in 2013 was projected to improve the economic outlook of the country with GDP rising as much as 40% but civil strife is casting a shadow over the prospects for economic recovery and development.**
- **For the short-term, the priority is re-establishing peace and security and seeking to address the causes of conflict. All the country's social indicators remain troubling.**
- **The country's integration in global and regional value chains remains very limited due to institutional and infrastructure constraints.**

A strong rebound during the first half of fiscal year 2013/14 seemed possible but recent unrest has casts a shadow over the prospects for economic recovery and development. Based on the existing oil production profile and expected growth in non-oil sectors, such as agriculture, construction and services, GDP percentage change was expected to pick up to 40% by the end of FY 2013/14, following two years of strong economic contraction. However, the recent civil strife casts a shadow over the prospects for economic recovery and development. Oil production and associated investments remain the key drivers of growth but civil strife has seen the production of oil cut in half. In FY 2013/14, about 70% of government revenues are derived from oil and the sector contributes over 60% of GDP in terms of direct exports, as well as associated investments.[1] Given the current political situation, the anticipated increases in government expenditure starting in January 2014 will not be possible. A projected 11% jump in inflation in the second half of 2013/14 will be mainly due to the depreciation of the South Sudanese Pound (SSP) and volatility in supply of basic goods due to insecurity. In the medium term however, if the civil war that started in December 2013 is resolved and order and security restored, South Sudan has the potential to grow its GDP by as much as 7%-8% per year.

Since 2012, macroeconomic stability, long-term fiscal sustainability and economic growth have been elusive amidst severe economic, fiscal and political crisis. The dispute with Sudan led to the shutdown of oil production in January 2012 creating a large fiscal gap and a substantial deficit in the balance of payments. To close the fiscal shortfall, the government resorted to drawing down government reserves, contracted internal and external debts, and instituted large spending cuts by nearly 40% in real terms. It also put into place reforms to increase non-oil revenues. As a result of the austerity measures, the economy contracted by about 21% and 28% in 2011/12 and 2012/13 respectively. During the same period, the overall fiscal balance deteriorated, the current account balance collapsed from 9% to 19.9% of GDP, and external reserves were depleted to less than 1.5 months' worth of imports. External debt increased from zero to 6.6% of GDP, domestic arrears accrued to about USD 150 million or 5% of total public spending for FY 2013/14 and the government had to borrow about USD 1.5 billion from domestic commercial banks and oil companies on short-term maturity of one year or less.

In the short and medium term, the country faces considerable challenges. The latter concern six key economic areas, notably: *i*) political instability and inter-tribal conflicts; *ii*) poor infrastructure; *iii*) over dependence on oil production; *iv*) strong import dependence with virtually no manufacturing or commercial agricultural base or services sector; *v*) extremely low human capital with one of the world's lowest adult literacy levels at 27%, high poverty levels, and troubling health and sanitation indicators; and *vi*) a large pastoralist, non-formal economy, with 83% of the population living in rural areas. While addressing each of the above challenges is a pressing need, the achievement of internal political stability and peaceful coexistence with Sudan seem fundamental for the development of the country.

1. The country does not officially publish data on GDP by sector because of lack of information on the agricultural sector that employs about 83% of the population.

SUDAN

- **In 2013 real GDP grew by 3.6%, up from 1.4% in 2012, driven by agriculture, oil, gold and transit fees. It is predicted to recede slightly in 2014 to 2.7% because of fiscal consolidation, and is projected to reach 3.8% in 2015. Inflation remained high at 36.2% and is forecast to drop to 26.8% in 2014 and projected at 23.2% for 2015.**
- **Private small and medium-sized enterprises (SMEs) continue to face challenges. High costs of inputs including labour and infrastructure services appear as major obstacles to the development and economic diversification of SMEs. Also Sudan's ratings on contract enforcement, protecting investors and registering property deteriorated.**
- **Integration into global value chains (GVCs) provides opportunities. But the high costs of production, together with the numerous taxes along the supply chains and the weak linkages, would undermine these prospects; nevertheless the government continues efforts with the United Nations Industrial Development Organization (UNIDO) to boost agro-industrial value addition.**

Sudan's real gross domestic product (GDP) grew by 3.6% in 2013, up from 1.4% in 2012, driven by agriculture and mining as well as the inflows from oil transit fees and the Transitional Financial Arrangement (TFA) with South Sudan. However, inflation remained high (36.2%), reflecting the combined effect of inflationary financing, the devaluation of the currency and high energy prices. It is estimated that real growth will recede slightly in 2014 to 2.7% and is projected at 3.8% in 2015. Inflation is estimated to drop by 9.4 percentage points in 2014, and projected at 23.2% for 2015. However, the credibility of the government's disinflation programme relies on addressing the contractionary effects of fiscal consolidation and boosting value addition in agriculture, manufacturing and mining.

The repercussions of the July 2011 secession continue to aggravate the challenges of economic management. The resulting high external and internal deficits, coupled with the sustained United States sanctions and the security concerns in Darfur and other 26 states, continue to threaten macroeconomic stability, the outlook for 2014 and medium-term growth. In September austerity measures were introduced to supplement the 2013 budget, including the devaluation of the currency by 29% and removal of fuel subsidies worth SDG 3.6 billion (Sudanese pounds) about 1.2% of GDP, resulting in riots. The 2014 budget is a continuation of fiscal consolidation to maintain macroeconomic stability, with the implementation of well-designed social safety nets. The 2013 finalised Interim Poverty Reduction Strategy Paper (I-PRSP) could be a vehicle for short-term policies aiming at enhancing employment and poverty reduction as well as deepening macroeconomic reform. However, high inflation and the political and economic uncertainty in the interim period leading to the presidential elections in 2015 could pose grave challenges.

Economic linkages and value addition were weakened during the period of oil-driven growth (1999-2011), particularly in agriculture (which provided 47.6% of total jobs in 2011). Also, the high taxes along the supply chains and the recent increase in tariffs on imported inputs in addition to the high costs of energy and infrastructure services raised domestic resource costs and reduced domestic value addition and integration with partners in the GVCs. During 2001-07, 41% of all factories closed because of intense competition. The government continues efforts with the UNIDO to boost agro-industrial value addition. However, further policies are required to upgrade the supply chain into value chains. Lifting the burden of high taxes on supply chain actors would promote the participation of small producers and clustering with larger firms. Additionally, increasing the quality and safety measurements of production up to international standards would enhance value addition and participation in GVCs.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	1.4	3.6	2.7	3.8
Real GDP per capita growth	-0.7	1.5	0.6	1.6
CPI inflation	35.5	36.2	26.8	23.2
Budget balance % GDP	-3.5	-1.7	-0.9	-0.5
Current account balance % GDP	-9.5	-9.6	-8.0	-7.4

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

SWAZILAND

- **In spite of an expansionary fiscal stance, economic growth is expected to decelerate to just over 2% in 2014 as private sector investments remain low.**
- **Uncertainty in Southern Africa Customs Union (SACU) revenue receipts beyond 2015 calls for accelerated fiscal reforms that would lock-in the benefits from the current high inflows.**
- **An unfavourable business environment constrains the extent to which the economy could benefit from existing links into global value chains.**

Economic growth in Swaziland is expected to weaken to just over 2% in 2014, down from the estimated 3.5% in 2013. This deceleration is largely the result of existing structural constraints, despite the large inflows from the Southern Africa Customs Union (SACU) revenue pool. The spending of SACU income means that no fiscal space has been created to enhance the government's ability to respond to potentially reduced SACU receipts in the future. The main growth drivers in 2013 were the recovery in domestic and external demand buoyed by public expenditure and stronger global demand for exports.

Price pressures have gradually been easing out, with headline inflation declining from a peak of 9.6% in May 2012 to 4.4% in December 2013. Reflecting the positive macroeconomic environment and growth of the economy, annualised private sector credit grew by 6.5% as of end-November 2013. The healthier fiscal position has also allowed gross foreign reserves to increase from an equivalent of 3.2 months of import cover at the beginning of the year to 4.8 months in November 2013.

The business environment is slowly improving but a significant number of reforms are still needed to make it conducive. Swaziland's ranking in the 2014 *Doing Business Index* by the World Bank was 123 out of 189 countries. Over the same period, the World Economic Forum's *Global Competitiveness Report* 2013-14 ranked Swaziland at 124 out of 148 countries. Swaziland's governance indicators compare unfavourably with its neighbours. In 2013 the Ibrahim Index of African Governance ranked Swaziland 26th out of 52 countries with a score of 50.8, thus registering a slight rise over the 2012 ranking of 27th. The 2013 Index ranks Swaziland poorly in participation and human rights, as well as sustainable economic opportunity attributable to weak institutional capacity and a relatively rigid political system.

Swaziland's share in global trade has fallen over the years – its share in world merchandise exports peaked at around 0.02% of world trade in 2004, but fell sharply to 0.01% in 2010. The country's contribution in global value chains, although small in absolute terms, is quite significant for the domestic economy.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	1.7	3.5	2.4	2.5
Real GDP per capita growth	0.2	2.0	1.0	1.1
CPI inflation	8.9	5.7	5.9	5.6
Budget balance % GDP	-4.4	5.6	5.3	8.2
Current account balance % GDP	3.3	5.6	-0.9	-7.8

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

TANZANIA

- **The economy is projected to grow by around 7% in 2014 and 2015, driven by transport, communications, manufacturing and agriculture and supported by public investment in infrastructure.**
- **The government is expected to maintain fiscal consolidation aimed at expenditure and debt management, as well as a tight monetary policy to anchor inflation.**
- **Preparation of the new constitution is in its final stages. The issues that remain high on the agenda include: the structure of the union between mainland Tanzania and Zanzibar, the presidential powers, natural resources management and political reforms.**

The economy has continued to perform strongly, with current growth at around 7%. This is driven largely by communications, transport, financial intermediation, construction, agriculture and manufacturing. In the medium term, growth will be supported by the ongoing investments in infrastructure and the projected good weather conditions. Also, these medium-term growth projections are backed by continued investments in the recently discovered natural gas reserves in Tanzania and the expansion in public investments (including the ongoing construction of USD 1.2 billion gas pipeline from Mtwara to Dar es Salaam), as well as the related investments aimed at stabilising power generation in the country. The main development challenge is that Tanzania's growth is not sufficiently broad-based and poverty levels still remain high. Despite high growth averaging 7% over the past decade, the recent household budget survey results indicate that 28.2% of Tanzanians are poor, and poverty remains more prevalent in rural areas than in urban areas.

Tanzania has continued to strengthen its fiscal position by embarking on fiscal consolidation measures throughout 2012/13. Its financial system remains stable and sound, underscoring several years of successful financial sector reforms. External debt grew to USD 13 billion in November 2013, an increase of about 23% over the USD 10.6 billion recorded during the same period in the previous year. However, despite such an increase in external borrowing, Tanzania's external debt remains sustainable. Export performance remained strong, largely driven by gold and services receipts, which account for a combined share of about 44% of total exports.

Tanzania has continued to promote regional integration through tariff reduction. In 2012/13, the Common External Tariff (CET) on electricity was reduced from 10% to 0%. This was intended to reduce the cost of importing electricity into East African Community (EAC) member states. The volume of trade between Tanzania and EAC partners has more than doubled, from USD 520 million in 2008 to about USD 1.2 billion in 2012.

Tanzania is currently in the advanced stages of preparing a new constitution, which is expected to be in place before the next general election in 2015. The dominant issues during the constitutional reforms have included: the structure of the union between mainland Tanzania and Zanzibar, the presidential powers, natural resources management and political reforms such as the independence of the electoral commission, greater representation for women and a provision for independent candidates to run for election.

Tanzania's participation in global value chains (GVCs) remains low, mainly on account of its economic structure. Industry accounts for about 25% of GDP, and the most important industrial sub-sectors are manufacturing, whose share in GDP is around 10%, and construction, with a share of about 7.3% in GDP. Tanzania continues to enjoy strong export growth and diversification from traditional markets and products, but it remains significantly reliant on primary commodity exports. However, manufacturing exports have grown significantly over the past decade, and export markets have been diversified. Tanzania remains a major FDI destination, with mostly greenfield investments in the extractive and tourism sectors. Its potential to integrate into GVCs lies in the successful exploitation of trade linkages with regional trading partners, as well as careful exploration of natural resources, including minerals and natural gas, to ensure economic spinoffs and employment creation.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	6.9	7.0	7.2	7.0
Real GDP per capita growth	3.9	3.9	4.2	4.1
CPI inflation	16.0	7.9	5.8	4.9
Budget balance % GDP	-4.6	-5.8	-5.2	-4.9
Current account balance % GDP	-14.2	-13.7	-15.0	-14.8

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

TOGO

- **The growth rate went down slightly in 2013 to an estimated 5.6% from 5.9% in 2012, but it is expected to increase to 6.0% in 2014 and 6.3% in 2015.**
- **The government's improvements in 2013 and the creation of the Togolese revenue office in February 2014 are expected to clean up a business environment that hinders entrepreneurship and property ownership.**
- **Togo plans to draw on the advantages of the local extractive industry, its processing plants and port and transport services to get the most out of global value chains.**

The 5.6% growth in 2013 was largely due to the primary sector, namely cotton and food crops, plus services such as retail, transport and storage, and communications. Continuing public investment and a boost to the cotton and phosphate sectors are expected to sustain growth, projected at 6.0% in 2014 and 6.3% in 2015.

Despite an 11% increase in tax revenue, the tax ratio increased only slightly from 16.4% in 2012 to 16.9% in 2013. The deficit in the overall balance improved from 5.8% of GDP to 4.6%. Inflation was 1.8%, and will be controlled in the medium term.

The 2013 legislative elections were without incident. Peaceful preparation for the 2015 presidential elections will be a key factor in the country's continued progress.

Three-quarters of the Togolese population are under 35 and just 35% are aged 15-35. The latter age group has a particularly high rate of unemployment (8.1%) and underemployment (20.5%). The poverty rate decreased 3 percentage points from 61.7% in 2006 to 58.7% in 2011. While these results are positive, they are well under the Millennium Development Goal (MDG) of 30.9% by 2015. This is exacerbated by the extreme poverty rate, which increased from 28.6% to 30.4% over the same period. The rise in extreme poverty is linked to an upturn in inequality, with the Gini coefficient increasing from 0.361 to 0.393.

In education, government measures in recent years led to a gross enrolment rate of 114.5% in 2012/13. Nevertheless, students at all levels are not completing their education. As a result, close to 85% of job seekers remain without qualifications.

Insufficient resources and governance issues plague the health sector. Child mortality increased slightly from 123 per thousand in 2006 to 124 per thousand in 2010, while infant mortality increased slightly from 76 per thousand to 77 per thousand over the same period. Maternal mortality, on the other hand, dropped from 350 per one hundred thousand births in 2008 to 300 per one hundred thousand in 2011. The HIV/AIDS infection rate also declined from 4% in 2006 to 3% in 2012.

Togo has significant mineral deposits (phosphate, limestone, iron and magnesium). It must first develop its extractive industry and processing plants in the medium and long term to take advantage of global value chains (GVCs). Port services and regional transport also hold opportunities. Other openings may develop in different industrial sectors, but they will depend on both the quality of public service and the cost and availability of utilities.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	5.9	5.6	6.0	6.3
Real GDP per capita growth	3.3	3.1	3.4	3.7
CPI inflation	2.6	1.8	2.3	1.6
Budget balance % GDP	-5.8	-4.6	-5.3	-4.4
Current account balance % GDP	-11.9	-11.7	-13.3	-13.8

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

TUNISIA

- **In the context of a political and security crisis, Tunisia registered moderate growth of 2.6% in 2013, down from the 2012 level (3.7%).**
- **Growth is likely to accelerate in 2014 and 2015 in the calmer climate brought about by the adoption of a new constitution and the formation of a transitional government composed of technocrats.**
- **Tunisia's return to durable growth will require a rationalisation of public spending and effective oversight of the financial sector, the labour market and investment.**

Tunisia registered growth of 2.6% in 2013, below the official forecast (4.5%) and the 2012 level (3.7%). This slowdown can be explained by political deadlock, the worsening of the security situation, a fragile social context, stagnation in the euro area (the country's chief client and chief supplier), and a 3.3% decline in agricultural production.

Unexpected resilience was shown by the key sectors of tourism (+2% in hard-currency revenues) and export industries (with growth of 6%), aided by the depreciation of the dinar (10% against the euro, 6.7% against the US dollar). Employment also showed timid improvement, with the unemployment rate declining to 15.7% in the third quarter of 2013 from 17 % in the same period a year earlier. Unemployment among young graduates nevertheless remains at a particularly worrisome level (34%, or one out of three), due to a widening gap between their abilities and the needs of businesses.

The chief macroeconomic indicators deteriorated and social spending, notably energy subsidies, weighed heavily on fiscal balances.

Growth is likely to resume in 2014 and 2015, bringing an end to the episode of recession that occurred in 2011 (-1.8%). And the current account deficit is likely to diminish in 2014 through economic recovery and the revival of tourism.

Tunisia is historically well integrated into global value chains (GVCs), notably in three industrial sectors: textiles and clothing; agro-industry; and the mechanical, electrical and electronics industries. The greatest evolution took place in the last, thanks to the development of automotive and aeronautics components, with exports progressing by an average 18% per year from 2000 to 2012. Tunisia's three key industrial sectors account for 75% of the country's exporting firms, and more than 65% of jobs in industry. New activities like information and communication technologies have developed recently, but their integration into GVCs has been limited to subcontracting links with limited added value, and they remain concentrated geographically along the coast. Tunisia's integration into GVCs is being stimulated by free-trade agreements with the European Union (EU), but it is handicapped by various obstacles including trade and investment policies, the business climate, logistics, transport, regional imbalances, and technology transfers.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	3.7	2.6	3.3	4.6
Real GDP per capita growth	2.6	1.5	2.2	3.5
CPI inflation	5.6	6.0	5.5	4.9
Budget balance % GDP	-4.8	-6.2	-6.4	-4.3
Current account balance % GDP	-8.2	-8.2	-7.4	-6.4

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

UGANDA

- **In 2013 Uganda saw the consolidation of macroeconomic stability and a gradual recovery of economic activity, with real GDP growth projected to reach 5.2% in 2013 and 6.6% in 2014.**
- **A fiscal and monetary policy stance focused on containing inflationary pressures has provided an enabling environment for economic growth by ensuring debt and exchange rate stability.**
- **Uganda remains on track to achieve its Millennium Development Goal for poverty reduction by 2015 with absolute poverty continuing to drop, from 24.5% in 2009/10 to 22.2% in 2012/13.**

In 2013 Uganda saw the consolidation of macroeconomic stability and a gradual recovery of economic activity, with estimates putting annual real gross domestic product (GDP) growth at 5.2%, up from 2.8% in 2012. This recovery in economic activity has benefited from a fiscal and monetary policy stance focused on containing inflationary pressures, while ensuring debt and exchange rate stability, thus providing an enabling macroeconomic environment for growth. Growth prospects, however, continue to be hampered by a relatively unfavourable investment climate for the private sector, as well as by capacity constraints in public sector investment and management. Projections for the AEO report indicate real GDP growth at 5.2% in 2013, on the back of strong exports and public investment, bringing real GDP growth closer to Uganda's underlying growth potential of 7%. Our medium-term forecasts indicate a consolidation of these trends, with GDP growth reaching 6.6% in 2014 and 7% in 2015, and improvement of the current account balance and a mildly expansionary fiscal policy.

The most recent figures available from the Uganda Bureau of Statistics paint a mixed human development outlook in Uganda. The 2012/13 National Household Survey (UNHS) indicates absolute poverty has continued to fall, from 24.5% in 2009/10 to 22.2% in 2012/13, consolidating gains made in this sphere over the past two decades. However, progress has stalled and in some cases reversed in the areas of education, health and the prevalence of HIV/AIDS. The situation is particularly worrying in relation to HIV/AIDS and maternal health. Regarding the former, HIV prevalence rates (ages 15-49) have increased from 6.4% to 7.3% between 2005/06 and 2011, a rise largely attributed to an increase in high-risk sexual activities. Progress in reducing maternal mortality has stalled, with the latest figures putting Uganda's maternal mortality rate at 438 deaths per 100 000 live births in 2011.

Value chain development is receiving increasing attention in Uganda, as a way of developing production capacities and enhancing value added generation in primary sectors. While Uganda has been relatively successful in tapping into a number of global value chains, such as those for fish, floricultural and horticultural products, growth prospects in these and other key product chains face a number of constraints. These include high production costs, including transport and energy costs, as well as weak product-specific policy and institutional frameworks that prevent the provision of adequate support to the development of selected value chains.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	2.8	5.2	6.6	7.0
Real GDP per capita growth	-0.6	1.9	3.2	3.7
CPI inflation	14.6	5.5	4.7	4.9
Budget balance % GDP	-3.0	-2.6	-4.6	-4.4
Current account balance % GDP	-9.0	-5.9	-4.4	-4.6

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

ZAMBIA

- **While Zambia's real GDP growth remains robust, it decreased to 6.5% in 2013 in large part due to a poor agriculture harvest. Investments in mining continue to drive other sectors, especially construction, transport and energy. In the medium term, growth is projected to increase to 7.1% in 2014 and 7.4% in 2015, while inflation is expected to fall below the 2013 level.**
- **Zambia has continued to strengthen governance and democratic processes, with government institutions developing and reinforcing transparency and accountability efforts.**
- **Despite robust economic performance, poverty remains high at over 60%, but there have been improvements in urban areas. Increasing youth employment remains one of the biggest challenges.**

Zambia's economic growth in real terms decreased to 6.5% in 2013, mainly due to a fall in agricultural output, particularly maize and cotton. The growth in real GDP was largely driven by manufacturing, mining, construction, transport, communications and the public sector. Copper remains the country's mainstay, contributing about 70.0% to export earnings. However, over the last few years non-traditional exports have grown substantially. Economic performance in the medium term is expected to remain strong. Real GDP growth is projected to increase to 7.1% and 7.4% in 2014 and 2015, respectively. Infrastructure investment, especially in mining, power generation and roads, with the Link 8000 project, will ensure that growth remains robust.

The main areas of policy focus are creating employment opportunities for the majority of Zambians (especially the youth), improving accountability and strengthening the fight against corruption. The government plans to create 200 000 decent jobs per year. The government will also focus on strengthening fiscal management in an effort to narrow the fiscal deficit, which doubled in 2013 due to expansion of infrastructure spending and an increase in public sector wages. The coming years will require a concerted effort to broaden the tax base and expand the pallet of potential taxes to generate additional government revenues, as well as streamline expenditures, focusing less on recurrent spending and more on priority areas. Private sector competitiveness needs to be strengthened given the pressure on demand for higher wages, especially for skilled labour, which is in short supply.

Manufacturing accounted for about one-tenth of GDP in 2013. The country is landlocked and is constrained by high costs of transport, which add up to 40% of the cost of the final product. The extractive industry is the main exporter in the country and has potential for upstream value chain development. Competitiveness of downstream activities may be constrained given the distance from the main markets for copper products. Food and beverages account for more than two-thirds of manufacturing value added. A growing market in the Katanga province in the south of the Democratic Republic of Congo (DRC) fuelled by mining activity offers opportunities for Zambian firms and farmers. Another potential consumer market is South Kivu, also in the DRC, which is accessible from Mpulungu Port on Lake Tanganyika.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	7.2	6.5	7.1	7.4
Real GDP per capita growth	4.0	3.2	3.8	4.2
CPI inflation	6.6	7.1	6.8	6.3
Budget balance % GDP	-2.8	-7.3	-6.6	-5.7
Current account balance % GDP	2.1	0.2	-0.2	-0.4

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

ZIMBABWE

- **Zimbabwe's economy remains in a fragile state, with an unsustainably high external debt and massive deindustrialisation and informalisation. The average GDP growth rate of 7.5% during the economic rebound of 2009-12 is moderating. This economic slowdown is due to liquidity challenges (e.g. the lack of and high cost of capital and revenue underperformance), outdated technologies, structural bottlenecks that include power shortages and infrastructure deficits, corruption and a volatile and fragile global financial environment.**
- **The constrained fiscal space has forced the government to adopt a contractionary fiscal policy stance, while the use of the multi-currency regime limits the use of monetary policy instruments.**
- **Much remains to be done in Zimbabwe to improve the business environment. Key challenges to doing business in Zimbabwe include policy inconsistency, funding constraints, corruption, inefficient government bureaucracy and inadequate infrastructure.**

Real GDP growth is estimated to have decelerated to 3.7% in 2013 from an estimated 4.4% in 2012. This reflects a continued slowdown in the economy as a result of limited sources of capital, policy uncertainty and the high cost of doing business. Real GDP growth is projected to marginally improve to 4.0% in 2014. In 2013, inflation averaged about 4.1% and is projected to slightly slow down to 4.0% in 2014. Inflation developments will continue to be influenced by the USD/ZAR exchange rate, international oil prices and local utility charges. Persistent liquidity shortages combined with low effective demand and a weak South African rand will dampen inflationary pressures in the economy. The country experienced a decline in money supply in 2013. At the same time, the South African rand depreciated by about 20% in 2013.

Zimbabwe is experiencing a structural regression, with the acceleration of deindustrialisation and informalisation of the economy. On an annual basis, the share of the manufacturing sector in GDP peaked at 26.9% in 1992 before collapsing to 7.2% by 2002. The various Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Surveys suggest that industrial capacity utilisation declined sharply from 35.8% in 2005 to 18.9% by 2007 and to less than 10.0% by 2008. It increased to 33.0% in 2009, 43.7% in 2010 and 57.2% in 2011, before declining again to 44.2% in 2012 and 39.6% in 2013. In 2004, 80% of jobs in Zimbabwe were in the informal sector, with the 2011 Labour Force Survey suggesting the rate had further increased to 84%.

The poor performance of domestic revenue inflows and the rise in recurrent expenditures will continue to constrain fiscal space, while the continued use of the multi-currency regime will result in monetary policy largely remaining unchanged. In 2013, the government unveiled the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimASSET, 2013-18). ZimASSET has a number of positive elements, such as the adoption of results-based management and a clear implementation matrix. The policy blueprint also correctly identifies a number of key binding constraints to development, but it does not clearly articulate the country's institutional and financial capacities to deal with those constraints simultaneously within the five-year period.

Macroeconomic indicators

	2012	2013(e)	2014(p)	2015(p)
Real GDP growth	4.4	3.7	4.0	3.7
Real GDP per capita growth	1.7	0.6	0.9	0.7
CPI inflation	3.7	4.1	4.0	3.6
Budget balance % GDP	-1.3	-1.9	-1.9	-2.2
Current account balance % GDP	-20.1	-18.5	-16.9	-14.4

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

Statistical annex

Methodology

The aggregate figures for Africa, when reported, do not include countries whose data are unavailable.

When used, the oil exporting countries group refers to Algeria, Angola, Cameroon, Chad, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Egypt, Equatorial Guinea, Gabon, Libya, Nigeria and Sudan.

Tables 1 to 6

Where indicated, the figures are reported on a fiscal-year basis. Figures for Egypt, Ethiopia, Kenya, Liberia, Malawi, Mauritius, Tanzania and Uganda are from July to June in the reference year. For Botswana, Lesotho, Namibia, South Africa and Swaziland, fiscal year 2013 is from April 2013 to March 2014.

Table 7. Exports, 2012

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 (2008-12) (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, 2007-12

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, 2007-12

The DAC countries are 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.

Table 13. Demographic indicators

Infant mortality rate: under one-year-old child deaths per live birth per year.

Total fertility rate: average number of children per woman.

Mortality under age five: probability that a newborn infant would die before the age of five.

Table 14. Poverty and income distribution indicators

National poverty line: absolute poverty line corresponding to the value of consumption necessary to satisfy minimum subsistence needs. International poverty line: absolute poverty line corresponding to a level of income or consumption of USD 1 or USD 2 a day.

Gini index: 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

The 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). The 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 in particular the characteristics of AIDS. Life expectancy at birth without AIDS is the estimated number of years a newborn infant would live under the hypothesis of absence of AIDS during its life.

Under nourishment 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://cpi.transparency.org/cpi2013.

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 all 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 2013 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 = higher than 100
- 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)

Notes

1. Dessus, S., D. Lafay et 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, 2013

	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 2005-13)
Algeria	39 208	2 382	16	273 593	6 978	3.0
Angola	21 472	1 247	17	130 238	6 066	10.8
Benin	10 323	115	90	16 653	1 613	3.9
Botswana**	2 021	582	3	31 233	15 453	4.6
Burkina Faso	16 935	274	62	27 883	1 646	6.4
Burundi	10 163	28	365	5 297	521	4.1
Cabo Verde	499	4	124	2 074	4 157	4.4
Cameroon	22 254	475	47	55 763	2 506	3.4
Central African Rep.	4 616	623	7	2 570	557	-0.9
Chad	12 825	1 284	10	27 633	2 155	4.8
Comoros	735	2	395	815	1 109	2.1
Congo	4 448	342	13	20 114	4 522	5.0
Congo, Dem. Rep.	67 514	2 345	29	57 687	854	6.4
Côte d'Ivoire	20 316	322	63	42 968	2 115	2.9
Djibouti	873	23	38	2 458	2 816	4.7
Egypt*	82 056	1 001	82	550 223	6 705	4.6
Equatorial Guinea	757	28	27	20 994	27 733	5.1
Eritrea	6 333	118	54	4 460	704	1.0
Ethiopia*	94 101	1 104	85	123 153	1 309	10.8
Gabon	1 672	268	6	28 766	17 207	4.1
Gambia	1 849	11	164	3 737	2 021	3.2
Ghana	25 905	239	109	17 184	663	7.4
Guinea	11 745	246	48	12 778	1 088	2.6
Guinea-Bissau	1 704	36	47	2 373	1 393	2.8
Kenya*	44 354	580	76	79 664	1 796	4.8
Lesotho**	2 074	30	68	3 051	1 471	4.5
Liberia*	4 294	111	39	3 294	767	7.8
Libya	6 202	1 760	4	84 575	13 638	7.3
Madagascar	22 925	587	39	21 033	917	2.8
Malawi	16 363	118	138	15 738	962	5.8
Mali	15 302	1 240	12	18 330	1 198	4.2
Mauritania	3 890	1 031	4	8 578	2 205	4.7
Mauritius	1 244	2	610	22 714	18 253	3.7
Morocco	33 008	447	74	183 529	5 560	4.4

Table 1. **Basic indicators, 2013** (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 2005-13)
Mozambique	25 834	799	32	29 975	1 160	7.3
Namibia**	2 303	824	3	17 099	7 424	4.3
Niger	17 831	1 267	14	13 881	778	5.6
Nigeria	173 615	924	188	490 857	2 827	6.7
Rwanda	11 777	26	447	14 816	1 258	8.2
São Tomé and Príncipe	193	1	201	437	2 264	5.2
Senegal	14 133	197	72	24 467	1 731	3.6
Seychelles	93	0	202	2 731	29 416	5.1
Sierra Leone	6 092	72	85	9 932	1 630	8.2
Somalia	10 496	638	16	...	...	...
South Africa	52 776	1 219	43	561 540	10 640	3.3
South Sudan	11 296	644	18	...	...	...
Sudan	37 964	1 879	20	95 082	2 505	4.5
Swaziland**	1 250	17	72	6 057	4 847	2.2
Tanzania*	49 253	947	52	77 834	1 580	6.9
Togo	6 817	57	120	6 680	980	3.7
Tunisia	10 997	164	67	102 469	9 318	3.4
Uganda*	37 579	242	156	55 605	1 480	6.7
Zambia	14 539	753	19	29 095	2 001	6.4
Zimbabwe	14 150	391	36	7 410	524	0.8
AFRICA	**1 108 966**	**30 066**	**37**	**3 447 119**	**3 171**	**5.4**

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).
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, 2005-15

	2005	2006	2007	2008	2009	2010	2011	2012	2013 (e)	2014 (p)	2015 (p)
Algeria	5.9	1.7	3.4	2.4	1.6	3.6	2.8	3.3	3.0	4.3	4.2
Angola	20.9	19.0	23.2	13.8	2.4	3.4	3.9	5.2	5.1	7.9	8.8
Benin	2.9	3.8	4.6	5.0	2.7	2.6	3.5	5.4	5.0	4.9	5.3
Botswana**	4.6	8.0	8.7	3.9	-7.8	8.6	6.1	4.2	5.4	5.1	5.0
Burkina Faso	8.7	6.3	4.1	5.8	3.0	7.9	5.6	9.0	6.9	7.0	6.3
Burundi	0.9	5.4	3.5	4.9	3.8	5.1	4.2	4.2	4.6	5.2	6.7
Cabo Verde	6.5	10.1	8.6	6.7	-1.3	1.5	4.0	2.5	1.0	3.1	3.3
Cameroon	2.3	3.2	3.3	2.9	1.9	3.3	4.1	4.4	4.9	5.0	5.1
Central African Rep.	2.5	4.8	4.6	2.1	1.7	3.0	3.3	4.1	-34.2	1.5	5.7
Chad	7.9	0.6	3.1	2.5	2.8	13.2	0.6	9.1	3.4	11.2	8.9
Comoros	2.8	2.6	0.8	0.6	1.1	2.0	2.6	3.0	3.6	3.8	4.1
Congo	7.7	6.2	-1.6	5.9	7.5	8.7	3.4	3.8	3.4	6.1	6.5
Congo, Dem. Rep.	7.8	5.6	6.3	6.2	2.8	7.2	6.9	7.2	8.1	8.5	8.6
Côte d'Ivoire	1.8	0.7	1.6	2.3	3.8	2.4	-4.7	9.8	8.8	9.1	9.2
Djibouti	3.2	4.8	5.1	5.8	5.0	3.5	4.5	4.5	5.5	6.0	6.5
Egypt*	4.5	6.8	7.1	7.3	4.9	4.8	1.8	2.2	2.1	2.1	3.6
Equatorial Guinea	9.7	1.3	18.7	13.8	-3.6	-2.6	4.6	5.3	-1.4	-1.8	-8.5
Eritrea	2.6	-1.0	1.4	-9.8	3.9	2.2	8.7	7.0	1.1	1.9	2.2
Ethiopia*	12.6	11.5	11.8	11.2	10.0	10.6	11.3	8.8	9.7	7.6	7.2
Gabon	3.0	1.2	4.8	5.3	-2.7	6.9	7.0	5.7	5.5	6.7	7.2
Gambia	-0.9	1.1	3.6	5.6	6.3	6.1	-4.3	6.1	5.6	7.5	6.7
Ghana	5.9	6.4	6.5	8.4	4.0	8.0	15.1	7.9	4.4	7.7	8.0
Guinea	3.0	2.5	1.8	4.9	-0.3	1.9	3.9	3.9	2.0	4.2	4.3
Guinea-Bissau	4.3	2.3	3.2	3.2	3.4	4.5	5.3	-1.5	0.3	2.8	2.6
Kenya*	5.9	6.3	7.0	1.5	2.7	5.8	4.4	4.6	4.9	5.7	5.9
Lesotho*	2.7	4.3	4.7	5.7	3.4	7.1	2.8	6.5	3.4	4.5	4.3
Liberia*	5.9	8.9	13.2	6.2	5.3	6.1	7.9	8.3	8.1	6.8	8.2
Libya	11.9	6.5	6.4	2.7	-7.9	6.1	-52.5	104.4	-12.1	4.3	22.4
Madagascar	4.6	5.0	6.2	7.1	-4.1	0.4	1.8	1.9	2.6	3.7	5.4
Malawi*	2.6	7.7	5.5	8.6	7.6	9.5	3.8	1.8	5.0	6.1	6.2
Mali	6.1	5.3	4.3	5.0	4.5	5.8	2.7	-1.2	5.0	6.7	5.6
Mauritania	5.4	11.4	1.0	3.5	-1.2	4.7	3.6	7.0	6.8	6.9	7.3
Mauritius	1.2	3.9	5.4	5.5	3.1	4.2	3.6	3.4	3.3	3.5	4.1
Morocco	2.8	7.8	2.7	5.6	4.8	3.6	5.0	2.7	4.7	3.2	4.6

Table 2. **Real GDP growth rates, 2005-15** (cont.)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 (e)	2014 (p)	2015 (p)
Mozambique	8.4	8.7	7.3	6.8	6.3	7.1	7.3	7.2	7.0	8.5	8.2
Namibia**	2.5	7.1	5.4	3.4	-1.1	6.3	5.7	5.0	4.2	4.3	4.4
Niger	7.2	5.8	3.1	9.6	-0.7	8.4	2.3	11.1	3.6	6.0	6.2
Nigeria	6.5	6.0	6.4	6.0	7.0	8.0	7.4	6.5	6.2	7.3	7.3
Rwanda	9.4	9.2	7.6	11.2	6.2	7.2	8.2	8.0	6.4	7.4	7.5
São Tomé and Príncipe	1.6	12.6	2.0	9.1	4.0	4.5	4.9	4.0	4.3	4.8	5.6
Senegal	5.6	2.5	4.9	3.7	2.4	4.3	1.7	3.4	4.0	4.8	5.3
Seychelles	9.0	9.4	10.4	-2.1	-1.1	5.9	7.9	2.8	3.5	3.6	4.3
Sierra Leone	7.3	7.4	6.4	5.5	3.2	5.3	6.0	19.7	13.0	13.8	11.6
Somalia	...	...	...	...	...	...	...	...	...	...	...
South Africa	5.3	5.6	5.5	3.6	-1.5	3.1	3.5	2.5	1.9	2.7	3.0
South Sudan	...	...	...	...	...	...	...	-47.6	...	...	...
Sudan	5.2	7.7	5.8	3.8	4.5	6.5	1.9	1.4	3.6	2.7	3.8
Swaziland**	2.5	3.3	3.5	2.4	1.3	1.9	-0.6	1.7	3.5	2.4	2.5
Tanzania*	7.4	6.7	7.1	7.4	6.0	7.0	6.4	6.9	7.0	7.2	7.0
Togo	1.2	3.9	2.1	2.4	3.4	4.0	4.8	5.9	5.6	6.0	6.3
Tunisia	4.0	5.7	6.3	4.5	3.1	2.9	-1.9	3.7	2.6	3.3	4.6
Uganda*	10.0	7.0	8.1	10.4	4.1	6.2	6.2	2.8	5.2	6.6	7.0
Zambia	5.3	6.2	6.2	5.7	6.4	7.6	6.8	7.2	6.5	7.1	7.4
Zimbabwe	-2.2	-3.5	-3.7	-17.7	6.3	9.6	10.6	4.4	3.7	4.0	3.7
AFRICA	**5.9**	**6.3**	**6.6**	**5.4**	**3.1**	**5.0**	**3.6**	**6.4**	**3.7**	**4.8**	**5.7**

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).
Sources: AfDB Statistics Department, various domestic authorities and AfDB (e) estimates and (p) projections.

Table 3. **Demand composition and growth rate, 2012-15**

	2012						2013 (e)				2014 (p)				2015 (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			
Algeria	32.9	20.1	12.7	24.7	37.2	27.7	2.8	3.2	0.9	1.9	5.2	8.0	2.1	8.9	4.2	8.3	1.0	7.0
Angola	42.3	21.2	2.0	12.4	63.6	41.5	7.6	11.3	-1.4	3.6	13.5	12.7	-3.0	5.6	8.0	7.4	5.5	4.7
Benin	76.5	11.3	11.7	9.2	15.6	24.3	6.1	4.7	4.4	7.8	5.8	4.7	4.3	7.2	7.2	4.7	2.9	9.3
Botswana**	53.5	19.2	25.6	7.2	44.5	50.0	1.7	7.1	7.3	2.8	-0.3	1.5	10.2	-1.2	2.2	4.6	6.7	2.3
Burkina Faso	66.2	19.7	12.5	9.6	26.3	34.3	4.1	6.6	19.0	5.7	4.6	6.6	16.4	6.0	4.9	5.5	10.8	5.1
Burundi	83.9	16.3	9.5	13.7	10.2	33.5	3.0	8.4	1.5	2.2	-0.1	24.7	3.1	6.7	9.2	4.0	5.0	9.7
Cabo Verde	58.7	18.2	30.9	13.9	31.6	53.3	0.2	-5.7	5.0	-3.5	3.5	-0.2	5.8	2.6	3.3	-1.2	7.4	2.2
Cameroon	77.0	11.5	17.0	2.3	22.8	30.6	4.2	10.0	-0.3	2.9	5.1	7.2	3.4	5.6	5.6	7.1	2.5	6.1
Central African Rep.	87.8	7.6	7.1	7.6	11.6	21.6	-19.4	-69.4	-93.1	-25.4	-9.5	22.6	799.5	-4.4	-2.7	21.1	45.0	-3.6
Chad	60.8	12.8	13.3	16.8	38.3	42.0	2.7	7.5	1.5	3.7	5.5	11.7	22.7	8.5	5.8	7.7	15.3	7.1
Comoros	102.5	25.3	7.0	5.8	15.7	56.3	5.5	4.9	1.1	7.5	5.6	6.6	2.0	8.0	6.0	5.3	2.2	8.1
Congo	24.1	8.6	23.7	18.3	90.7	65.5	5.9	8.2	-2.0	3.3	3.0	9.1	3.0	3.6	13.7	-0.1	4.1	3.4
Congo, Dem. Rep.	80.6	13.8	8.2	4.6	32.9	40.1	6.9	13.3	5.2	6.0	5.6	11.3	7.1	3.7	7.7	14.5	3.7	6.1
Côte d'Ivoire	68.4	14.2	9.7	5.4	48.1	45.8	11.0	24.7	1.6	11.4	11.8	16.2	2.2	10.6	11.8	11.1	3.3	9.6
Djibouti	69.5	23.7	13.7	13.3	34.3	54.5	2.1	20.4	1.8	5.0	2.1	21.2	2.7	6.6	2.8	20.8	2.5	7.8
Egypt*	80.7	11.4	9.6	6.8	17.4	25.8	1.0	-3.9	2.2	-4.3	0.2	8.1	2.7	1.5	2.5	8.6	3.6	4.0
Equatorial Guinea	7.8	5.9	23.9	32.0	87.2	56.7	-3.9	-2.3	-0.6	-1.6	-4.9	4.6	2.2	2.8	-4.5	0.0	-0.3	0.3
Ethiopia*	77.8	7.2	21.0	12.1	13.9	32.0	16.8	4.6	0.7	15.1	10.3	3.6	3.2	8.0	7.0	3.6	6.1	3.6
Gabon	32.7	14.4	11.1	8.6	62.1	28.9	6.0	3.4	1.3	-0.9	13.8	9.0	-2.9	6.6	12.0	8.1	-0.5	6.5
Gambia	88.4	10.3	10.4	12.3	27.5	48.9	4.5	3.4	3.4	1.2	8.1	9.0	2.6	6.7	6.5	5.5	4.2	4.4
Ghana	60.9	13.6	21.1	9.7	50.9	56.2	-0.7	6.8	3.7	-2.7	5.1	9.8	6.0	3.2	14.8	9.8	5.9	18.3
Guinea	90.8	10.3	15.1	6.8	28.2	51.2	1.5	3.7	-2.1	0.4	6.8	-0.2	-1.6	3.0	4.5	0.7	4.4	2.5
Guinea-Bissau	94.5	13.1	2.7	3.8	18.8	33.0	-1.7	2.1	5.0	-2.2	2.3	2.2	4.5	2.4	1.4	3.2	5.2	0.8
Kenya*	79.9	17.2	16.1	4.0	27.3	44.5	5.1	3.4	6.1	5.3	7.7	3.6	5.4	8.1	7.6	1.4	6.4	7.3
Lesotho**	97.3	37.7	14.7	10.9	45.0	105.6	-2.1	5.3	3.7	-3.5	-0.6	5.3	4.7	-2.3	4.3	5.4	1.8	3.5
Liberia*	87.5	26.8	38.0	4.8	27.7	84.8	6.6	35.2	11.9	21.7	1.0	13.8	18.9	9.5	-1.9	-5.1	22.5	-2.4
Libya	34.4	18.5	11.6	4.9	65.5	34.9	15.7	4.5	-27.2	11.2	11.4	7.6	0.5	11.8	8.5	12.8	36.4	10.7
Madagascar	88.0	9.6	14.8	2.5	28.9	43.8	3.1	4.5	3.4	4.9	4.0	5.9	5.1	6.3	1.3	8.2	9.9	2.9
Malawi*	64.0	18.2	14.7	4.2	24.6	45.5	1.2	4.2	3.7	-4.4	12.1	5.0	52.0	38.2	6.3	5.9	18.4	11.6
Mali	63.3	15.4	10.9	10.0	29.0	28.6	8.9	6.5	-3.7	12.0	9.9	7.2	0.4	12.9	8.3	7.9	-2.1	11.0

Table 3. **Demand composition and growth rate, 2012-15** (cont.)

	2012						2013 (e)				2014 (p)				2015 (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	71.7	17.0	38.3	8.8	71.2	107.0	5.8	7.4	2.4	4.8	1.6	1.2	13.4	1.8	8.5	4.3	4.7	5.8
Mauritius	74.0	13.4	19.0	5.5	54.8	66.7	3.6	4.2	1.4	2.4	4.0	6.0	2.5	4.1	3.0	3.8	2.2	1.2
Morocco	60.4	19.4	31.7	4.0	36.6	52.2	9.6	-13.1	4.5	0.7	3.5	7.8	2.1	5.5	5.1	7.8	2.7	5.8
Mozambique	72.7	16.5	19.9	8.5	24.5	42.3	8.7	4.6	5.7	7.6	7.2	6.7	13.0	7.7	7.6	8.6	10.5	8.9
Namibia**	62.8	25.2	14.5	7.4	42.6	52.5	1.4	3.4	4.0	-1.0	3.7	3.0	4.0	2.5	3.3	3.1	4.8	2.3
Niger	70.0	14.9	23.9	10.1	24.8	43.7	4.1	9.3	-0.5	7.2	5.5	8.9	6.8	7.6	2.5	8.6	10.7	3.0
Nigeria	47.4	11.8	5.3	2.9	55.4	22.8	10.5	7.1	0.0	2.8	7.1	7.1	6.0	4.3	8.2	7.1	5.4	5.6
Rwanda	87.1	10.6	10.2	12.7	14.3	34.8	7.1	2.5	2.7	3.7	8.2	6.8	4.5	7.6	9.1	2.4	4.5	6.7
São Tomé and Príncipe	90.1	13.5	19.9	13.2	12.7	49.5	-0.4	7.3	12.5	0.7	0.5	7.6	12.2	1.9	0.1	7.2	7.5	-1.5
Senegal	76.6	15.2	22.2	7.6	25.6	47.3	3.5	9.2	0.2	4.3	5.7	5.3	1.3	4.9	6.3	5.3	1.6	5.3
Seychelles	53.9	33.0	24.4	4.5	83.8	99.7	3.6	10.2	3.3	5.9	4.1	10.4	2.7	5.8	6.3	10.7	3.7	8.7
Sierra Leone	101.3	6.7	10.1	4.3	26.3	48.6	14.7	13.6	5.8	13.0	16.1	11.6	5.8	14.0	8.9	11.6	10.2	5.1
Somalia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
South Africa	60.8	21.8	12.2	7.2	29.9	31.8	1.3	2.8	-0.4	-1.2	2.1	4.7	1.1	1.1	4.0	6.0	2.2	7.2
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	73.3	8.0	19.3	5.8	5.8	12.2	0.1	5.2	16.9	-6.9	-0.2	6.1	7.5	-3.5	2.5	5.3	4.5	1.0
Swaziland**	83.7	21.4	5.2	4.0	57.1	71.4	1.3	2.5	2.2	-1.1	4.7	24.3	0.1	7.4	8.9	14.2	0.8	13.1
Tanzania*	65.7	15.9	26.4	8.2	29.3	45.5	6.4	9.2	2.8	5.3	7.8	9.2	3.5	7.7	8.2	9.2	5.7	10.0
Togo	79.6	12.9	18.2	8.9	41.4	60.9	7.1	9.0	3.6	7.8	6.7	9.1	3.3	6.6	6.8	8.7	5.1	7.4
Tunisia	67.6	18.2	14.7	9.0	48.4	57.8	0.8	3.4	2.1	-0.6	2.9	5.0	2.1	2.3	4.7	6.2	4.0	5.2
Uganda*	80.8	7.8	19.4	5.8	22.3	36.1	3.7	8.3	5.9	4.5	5.8	10.3	6.4	7.5	6.6	11.5	5.9	8.9
Zambia	47.5	24.1	23.1	3.4	46.9	45.0	6.3	6.1	5.1	5.1	5.8	7.0	7.8	6.1	5.4	8.7	9.2	7.2
Zimbabwe	94.9	20.4	11.8	1.7	31.1	60.0	1.1	6.0	9.5	1.6	2.4	7.8	7.8	3.7	1.5	8.0	7.6	2.7

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).
Sources: AfDB Statistics Department, various domestic authorities and AfDB (e) estimates and (p) projections.

Table 4. Public finances, 2012-15 (percentage of GDP)

	2012			2013 (e)			2014 (p)			2015 (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	40.5	45.2	-4.8	39.6	39.8	-0.2	38.3	40.3	-2.1	36.6	39.2	-2.6
Angola	45.8	37.1	8.7	42.5	40.1	2.4	38.4	43.4	-5.0	36.2	43.1	-6.9
Benin	19.9	21.1	-1.3	19.7	20.9	-1.2	19.7	20.7	-1.1	19.6	20.8	-1.2
Botswana**	36.3	36.7	-0.4	35.5	35.7	-0.2	35.6	35.1	0.5	35.7	34.6	1.1
Burkina Faso	22.7	25.8	-3.1	23.0	26.2	-3.2	23.0	26.6	-3.6	21.9	26.6	-4.7
Burundi	26.8	35.9	-9.1	33.8	35.7	-2.0	32.3	35.9	-3.6	31.0	34.9	-3.9
Cabo Verde	22.9	32.7	-9.8	23.0	30.9	-7.9	23.5	31.1	-7.7	22.2	30.2	-8.0
Cameroon	18.3	20.2	-1.9	17.8	21.6	-3.7	17.7	21.8	-4.1	17.2	21.8	-4.6
Central African Rep.	16.3	16.2	0.0	7.6	13.4	-5.7	8.6	16.9	-8.2	10.6	15.9	-5.3
Chad	23.9	23.4	0.5	22.2	24.3	-2.1	22.6	23.0	-0.5	22.6	22.5	0.1
Comoros	30.2	26.6	3.6	30.6	25.1	5.5	30.7	25.1	5.6	30.8	25.1	5.7
Congo	45.9	30.5	15.3	44.4	32.3	12.1	42.7	32.1	10.5	41.5	29.3	12.1
Congo, Dem. Rep.	20.1	21.8	-1.7	19.1	22.8	-3.7	17.8	23.7	-5.9	17.1	24.3	-7.2
Côte d'Ivoire	20.8	23.4	-2.6	22.3	24.3	-2.0	22.4	24.4	-2.0	22.5	24.5	-2.0
Djibouti	35.0	37.8	-2.8	32.7	35.8	-3.1	31.2	34.3	-3.1	30.9	32.9	-1.9
Egypt*	19.3	29.9	-10.6	18.7	32.4	-13.7	18.5	31.6	-13.1	18.2	29.5	-11.3
Equatorial Guinea	39.2	44.6	-5.4	38.9	46.4	-7.5	38.0	49.4	-11.4	38.0	50.8	-12.8
Eritrea	...	...	...	...	...	...	...	...	...	...	...	...
Ethiopia*	15.7	16.8	-1.2	16.1	18.1	-2.0	14.9	15.4	-0.4	14.9	15.2	-0.3
Gabon	28.1	29.1	-1.0	27.4	29.1	-1.8	25.9	30.1	-4.2	24.7	31.0	-6.3
Gambia	25.2	29.6	-4.4	24.1	27.4	-3.3	22.7	25.2	-2.5	21.7	24.2	-2.5
Ghana	22.8	28.6	-5.8	21.9	29.7	-7.8	21.2	29.8	-8.7	21.4	28.3	-6.9
Guinea	22.6	25.8	-3.2	20.8	26.0	-5.2	24.0	26.5	-2.5	21.7	22.0	-0.4
Guinea-Bissau	15.1	17.9	-2.7	13.4	18.1	-4.7	15.2	18.7	-3.6	13.7	18.6	-4.9
Kenya*	25.7	30.5	-4.7	26.1	30.9	-4.8	26.2	30.0	-3.8	26.7	30.1	-3.3
Lesotho**	50.3	56.0	-5.7	88.1	86.6	1.5	51.2	59.2	-8.0	50.4	58.0	-7.6
Liberia*	29.4	31.7	-2.3	29.5	32.1	-2.6	29.5	34.1	-4.6	28.4	33.7	-5.3
Libya	59.6	45.8	13.8	46.6	55.9	-9.3	42.6	55.8	-13.2	47.9	47.5	0.4
Madagascar	12.1	13.3	-1.3	12.0	15.0	-3.0	13.9	17.0	-3.1	16.2	17.6	-1.5
Malawi*	27.0	34.0	-7.0	33.2	34.3	-1.1	33.3	36.8	-3.6	34.5	38.3	-3.9
Mali	17.7	19.0	-1.3	23.1	20.6	2.5	24.8	20.9	3.9	25.0	20.5	4.5
Mauritania	37.7	36.9	0.8	33.1	36.9	-3.7	32.3	34.4	-2.1	30.6	35.4	-4.8

Table 4. **Public finances, 2012-15 (percentage of GDP)** (cont.)

	2012			2013 (e)			2014 (p)			2015 (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	21.2	23.2	-2.1	21.1	23.8	-2.7	20.8	22.5	-1.7	20.8	21.4	-0.7
Morocco	26.9	35.7	-8.7	26.0	31.3	-5.3	25.9	31.4	-5.5	25.2	30.1	-4.9
Mozambique	29.6	33.4	-3.9	27.6	34.6	-6.9	25.9	36.8	-10.8	24.9	36.6	-11.7
Namibia**	31.3	38.3	-7.0	34.3	34.4	-0.1	35.1	38.0	-3.0	33.1	37.1	-4.1
Niger	22.2	23.3	-1.1	24.9	24.8	0.1	24.7	26.5	-1.8	25.1	26.8	-1.7
Nigeria	25.9	28.2	-2.4	25.7	27.5	-1.8	25.1	26.8	-1.7	23.7	26.8	-3.1
Rwanda	25.7	26.9	-1.2	23.9	29.0	-5.1	25.2	30.0	-4.8	25.3	29.6	-4.3
São Tomé and Príncipe	33.5	44.2	-10.7	35.5	42.4	-6.9	33.3	39.4	-6.2	33.7	38.8	-5.1
Senegal	23.3	29.1	-5.9	23.5	28.9	-5.4	23.5	28.8	-5.3	23.7	28.8	-5.1
Seychelles	39.6	36.8	2.9	37.7	35.3	2.4	38.7	37.8	0.9	40.8	39.6	1.2
Sierra Leone	13.8	15.2	-1.4	13.1	13.1	0.0	12.5	11.7	0.8	12.2	11.1	1.1
Somalia	...	...	...	..	..	..	...	...	...	...	...	...
South Africa	27.8	32.0	-4.2	28.2	32.2	-4.1	28.2	32.3	-4.1	28.2	32.1	-3.9
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	9.2	12.7	-3.5	9.6	11.3	-1.7	10.3	11.2	-0.9	10.3	10.7	-0.5
Swaziland**	24.1	28.4	-4.4	35.4	29.7	5.6	35.9	30.6	5.3	40.9	32.8	8.2
Tanzania*	21.6	26.2	-4.6	21.8	27.6	-5.8	21.0	26.2	-5.2	20.3	25.2	-4.9
Togo	21.2	27.0	-5.8	22.9	27.5	-4.6	22.4	27.7	-5.3	23.1	27.5	-4.4
Tunisia	26.3	31.2	-4.8	25.4	31.6	-6.2	25.2	31.5	-6.4	25.0	29.3	-4.3
Uganda*	15.6	18.6	-3.0	15.9	18.5	-2.6	15.6	20.2	-4.6	16.1	20.5	-4.4
Zambia	21.8	24.7	-2.8	21.7	29.0	-7.3	20.8	27.4	-6.6	20.2	25.9	-5.7
Zimbabwe	28.0	29.3	-1.3	27.0	29.3	-1.9	26.8	28.7	-1.9	26.0	28.3	-2.2
AFRICA	**27.8**	**30.9**	**-3.2**	**28.4**	**30.9**	**-4.1**	**28.2**	**30.6**	**-4.9**	**28.2**	**30.1**	**-4.4**

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 (e) estimates and (p) projections.

Table 5. Monetary indicators

	Inflation (%)				Exchange rate (LCU / USD)			Broad money (LCU billion) 2013			Reserves, excluding gold, (USD million) 2013	
	2012	2013 (e)	2014 (p)	2015 (p)	2011	2012	2013	Level	% of GDP	Growth 2011/2012	Stock at year-end	Eq. months of imports
Algeria	8.9	3.3	4.2	4.0	72.9	77.9	79.7	12 224.1	73.3	11.0	192 846.9	23.8
Angola	10.3	9.3	8.3	7.8	93.7	95.3	96.5	4 854.4	40.8	23.1	34 754.1	5.6
Benin	6.6	2.6	2.3	2.9	471.4	510.5	493.8	1 931.0	46.5	12.3	801.0	2.9
Botswana	7.5	6.1	5.7	5.4	6.8	7.6	8.2	60.0	51.6	16.7	8 126.6	8.1
Burkina Faso	3.8	2.1	1.7	1.9	471.4	510.5	493.8	1 937.9	30.6	11.4	813.0	1.6
Burundi	18.2	7.8	5.4	7.0	1 441.7	1 575.0	1 539.1	866.6	22.6	16.9	303.5	2.7
Cabo Verde	2.5	1.5	1.8	2.0	79.3	85.8	83.0	129.5	85.0	5.0	417.2	2.9
Cameroon	2.4	2.3	2.5	2.5	473.7	512.4	495.9	3 244.8	22.4	5.6	3 380.7	3.2
Central African Rep.	5.2	7.0	7.4	2.9	473.7	512.4	500.7	221.7	21.1	-4.9	164.6	3.3
Chad	7.7	0.4	4.2	3.0	473.7	512.4	495.9	884.2	13.3	10.4	1 155.7	1.9
Comoros	6.3	2.5	4.2	4.4	353.6	382.8	370.3	91.9	42.2	5.2	194.1	4.6
Congo	4.7	2.9	2.5	2.5	473.7	512.4	495.9	2 644.4	37.6	14.8	5 549.6	6.4
Congo, Dem. Rep.	2.7	1.1	3.2	3.8	919.2	919.3	919.5	3 342.2	9.8	13.9	1 678.5	1.3
Côte d'Ivoire	2.0	2.7	2.9	2.7	471.4	510.5	493.8	6 368.9	46.3	15.8	3 912.3	2.4
Djibouti	3.7	2.5	2.4	2.1	177.7	177.7	177.7	245.0	96.3	8.8	419.1	4.3
Egypt	8.5	6.9	11.5	9.0	5.9	6.1	6.9	1 566.2	92.4	18.5	15 355.7	1.9
Equatorial Guinea	3.4	5.0	5.8	5.2	471.4	512.4	500.7	1 750.1	19.4	6.1	4 397.0	3.5
Eritrea	12.3	12.3	12.3	12.3	15.4	15.4	15.4	69.4	119.2	15.8	114.8	1.3
Ethiopia	20.5	7.4	7.9	7.6	17.0	17.8	18.7	296.1	32.4	28.5	...	...
Gabon	2.8	0.4	2.7	2.8	473.7	512.4	495.9	2 506.2	26.4	11.2	2 351.6	3.0
Gambia	3.9	5.3	5.7	5.3	28.4	31.1	33.4	19.3	57.6	7.0	221.7	4.0
Ghana	9.2	11.7	9.9	8.6	1.5	1.9	2.1	35.3	41.3	27.5	5 133.8	1.9
Guinea	15.2	11.9	9.9	6.8	6 932.5	7 108.2	6 995.9	13 141.0	28.4	7.0	...	...
Guinea-Bissau	2.1	1.0	1.5	1.8	471.4	510.5	493.8	177.8	34.3	3.2	197.1	5.4
Kenya	9.4	5.7	5.0	5.1	88.9	84.5	85.8	2 196.8	57.1	17.2	6 349.0	3.0
Lesotho	6.1	5.0	4.9	4.5	7.3	8.2	9.7	6.9	41.9	7.4	978.1	3.1
Liberia	6.8	7.7	6.6	6.3	72.3	73.0	75.0	0.8	33.8	7.9	456.1	1.5
Libya	6.1	3.7	7.5	5.4	1.2	1.3	1.3	70.2	67.5	4.5	118 879.2	23.4
Madagascar	5.8	6.9	7.2	6.2	2 027.1	2 199.1	2 218.3	5 895.5	25.5	11.9	910.8	1.9
Malawi	21.3	28.4	15.2	8.4	156.9	246.1	360.1	555.2	39.3	26.3	406.4	1.4
Mali	5.3	0.3	2.1	2.2	471.4	510.5	493.8	2 004.0	36.7	6.9	1 399.8	2.0

Table 5. **Monetary indicators** (cont.)

	Inflation (%)				Exchange rate (LCU / USD)			Broad money (LCU billion) 2013			Reserves, excluding gold, (USD million) 2013	
	2012	2013 (e)	2014 (p)	2015 (p)	2011	2012	2013	Level	% of GDP	Growth 2011/2012	Stock at year-end	Eq. months of imports
Mauritania	4.9	4.1	5.0	5.8	281.4	296.4	296.7	528.6	39.3	11.2	831.4	1.7
Mauritius	3.9	3.5	3.6	3.8	28.7	30.1	30.7	410.9	101.5	8.9	3 346.9	3.4
Morocco	1.3	1.9	2.7	3.0	8.1	8.6	8.4	1 109.6	122.5	5.5	17 472.1	2.9
Mozambique	2.2	4.3	5.6	5.1	29.0	28.3	29.7	184.2	0.0	19.0	3 103.2	2.3
Namibia	6.5	5.8	5.8	5.0	7.2	8.2	9.7	82.5	71.9	11.1	1 456.9	1.8
Niger	0.5	1.9	2.5	1.3	473.7	512.4	500.7	1 054.8	29.3	19.0	1 094.6	2.8
Nigeria	12.2	8.5	9.5	10.1	155.9	158.8	159.2	21 814.4	46.8	19.4	46 442.2	4.4
Rwanda	6.2	4.2	6.9	5.5	600.3	614.3	648.8	1 186.8	26.2	15.5	1 035.6	3.2
São Tomé and Príncipe	10.6	8.5	7.9	8.1	17 735.1	19 146.1	18 506.6	2 670.8	44.5	14.7	55.5	3.0
Senegal	2.1	0.7	1.3	1.7	471.4	510.5	493.8	3 324.2	49.4	6.8	1 833.2	2.2
Seychelles	7.1	4.4	4.2	3.1	12.4	13.7	12.1	8.3	47.6	5.8	399.1	2.4
Sierra Leone	13.7	9.9	8.0	6.6	4 349.5	4 344.7	4 314.1	4 900.2	22.2	14.8	477.8	1.5
Somalia	...	...	...	...	....	....	....	...	...	...	...	...
South Africa	5.7	5.7	5.7	5.3	7.3	8.2	9.7	2 818.3	87.1	8.8	45 080.4	3.0
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	35.5	36.2	26.8	23.2	2.7	3.5	4.7	81.9	24.9	17.6	189.9	0.1
Swaziland	8.9	5.7	5.9	5.6	7.3	8.2	9.7	10.3	32.4	4.2	899.3	3.0
Tanzania	16.0	7.9	5.8	4.9	1 586.2	1 586.9	1 617.0	18 317.8	36.0	10.7	4 532.0	2.7
Togo	2.6	1.8	2.3	1.6	473.7	512.4	502.0	1 118.2	57.6	13.0	510.6	1.6
Tunisia	5.6	6.0	5.5	4.9	1.4	1.6	1.6	63.8	87.1	11.6	7 299.2	2.2
Uganda	14.6	5.5	4.7	4.9	2 522.7	2 503.3	2 586.5	15 477.2	25.5	11.0	3 241.6	3.3
Zambia	6.6	7.1	6.8	6.3	4 860.2	5 143.0	5 392.0	35.3	0.0	17.9	2 683.8	2.1
Zimbabwe	3.7	4	4.0	3.6	...	....	....	4.3	41.2	7.3	603.8	0.7
AFRICA	**8.9**	**6.7**	**7.4**	**6.7**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	...

Sources: AfDB Statistics Department, various domestic authorities; IMF *International Financial Statistics* and AfDB (e) estimates and (p) projections.

Table 6. **Balance of payments indicators**

	Trade balance (USD million)				Current account balance (USD million)				Current account balance (as % of GDP)			
	2012	2013 (e)	2014 (p)	2015 (p)	2012	2013 (e)	2014 (p)	2015 (p)	2012	2013 (e)	2014 (p)	2015 (p)
Algeria	19 903	17 925	13 793	8 490	12 071	2 382	693	1 127	5.9	1.1	0.3	0.5
Angola	51 224	48 255	43 894	45 458	11 370	7 045	5 770	6 063	9.9	5.7	4.3	4.0
Benin	- 815	- 880	- 954	-1 027	- 639	- 693	- 735	- 799	-8.5	-8.2	-7.9	-7.8
Botswana**	-1 224	-1 672	-1 578	-1 951	33	260	316	- 125	0.2	1.8	2.2	-0.9
Burkina Faso	124	250	442	515	- 86	- 94	- 213	- 215	-0.8	-0.7	-1.5	-1.4
Burundi	- 387	- 404	- 438	- 484	- 339	- 365	- 424	- 501	-15.3	-14.6	-15.0	-15.3
Cabo Verde	- 718	- 688	- 713	- 725	- 209	- 105	- 200	- 210	-11.7	-5.7	-10.1	-10.0
Cameroon	- 327	- 652	- 791	-1 097	- 867	- 960	-1 091	-1 258	-3.3	-3.3	-3.4	-3.6
Central African Rep.	- 105	- 108	- 171	- 145	- 134	- 114	- 140	- 163	-6.2	-7.2	-7.8	-8.4
Chad	828	612	1 252	1 626	- 598	- 873	- 633	- 508	-4.7	-6.5	-4.0	-2.9
Comoros	- 198	- 199	- 220	- 241	- 41	- 43	- 48	- 65	-7.2	-7.3	-7.1	-8.7
Congo	6 061	5 490	5 354	5 062	- 178	692	624	302	-1.3	4.9	4.2	2.0
Congo, Dem. Rep.	178	- 394	- 180	- 154	-1 697	-3 370	-4 098	-4 719	-6.2	-9.1	-10.1	-10.4
Côte d'Ivoire	2 665	1 561	1 134	508	- 927	-1 785	-2 318	-2 490	-3.8	-6.4	-7.2	-6.8
Djibouti	- 445	- 475	- 519	- 571	- 184	- 171	- 209	- 241	-13.9	-12.0	-13.4	-14.2
Egypt*	-34 139	-31 696	-32 769	-34 898	-10 369	-5 236	-2 971	-5 395	-4.0	-2.1	-1.1	-1.8
Equatorial Guinea	8 118	7 963	7 499	7 131	-2 216	-1 417	-1 999	- 93	-12.6	-7.9	-10.8	-0.5
Eritrea	- 142	- 192	- 214	- 267	72	9	- 11	- 66	2.3	0.3	-0.3	-1.5
Ethiopia*	-7 723	-8 842	-11 100	-11 618	-2 699	-2 638	-5 187	-6 143	-6.5	-5.4	-9.4	-10.9
Gabon	6 869	7 261	6 776	6 315	1 506	1 387	897	337	8.5	7.2	4.3	1.5
Gambia	- 262	- 277	- 306	- 326	- 154	- 160	- 186	- 194	-16.4	-16.0	-15.8	-14.7
Ghana	-4 211	-3 260	-3 746	-6 190	-4 907	-5 082	-5 254	-7 981	-12.4	-12.3	-12.5	-16.9
Guinea	-1 031	-1 152	-1 352	-1 272	-1 911	-1 337	-1 347	-2 036	-33.9	-20.2	-18.3	-24.7
Guinea-Bissau	- 74	- 65	- 73	- 72	- 87	- 69	- 63	- 65	-9.5	-6.6	-5.8	-5.7
Kenya*	-9 362	-9 793	-10 526	-11 097	-4 256	-3 937	-4 075	-3 595	-10.4	-8.8	-8.2	-6.4
Lesotho**	-1 258	- 861	- 783	- 816	- 219	- 75	- 60	- 109	-9.4	-4.4	-3.7	-6.3
Liberia*	- 588	-1 021	-1 101	- 822	- 601	-1 079	-1 248	-1 068	-33.9	-48.0	-49.1	-37.1
Libya	35 543	13 925	10 165	22 726	23 909	1 629	- 500	11 311	25.5	2.0	-0.5	9.8
Madagascar	- 896	-1 002	-1 012	- 897	- 829	- 915	- 863	- 994	-8.3	-8.8	-7.5	-7.7
Malawi*	- 975	- 919	-1 051	-1 089	- 772	- 587	- 802	- 783	-14.9	-15.0	-14.3	-12.1
Mali	68	- 707	-1 193	-1 658	- 312	-1 078	-1 750	-2 254	-3.0	-9.8	-14.3	-17.0
Mauritania	- 534	- 724	- 498	- 588	-1 312	-1 485	-1 383	-1 484	-33.4	-32.8	-27.1	-26.7
Mauritius	-2 428	-2 860	-3 083	-3 133	-1 193	-1 424	-1 503	-1 436	-10.4	-10.8	-10.4	-9.9

Table 6. Balance of payments indicators (cont.)

	Trade balance (USD million)				Current account balance (USD million)				Current account balance (as % of GDP)			
	2012	2013 (e)	2014 (p)	2015 (p)	2012	2013 (e)	2014 (p)	2015 (p)	2012	2013 (e)	2014 (p)	2015 (p)
Morocco	-19 957	-20 773	-22 980	-25 329	-9 537	-7 808	-9 180	-9 025	-10.1	-7.3	-7.9	-7.4
Mozambique	-2 698	-3 033	-2 952	-2 945	-5 190	-7 064	-7 861	-8 824	-36.0	-43.4	-43.0	-43.1
Namibia**	-1 328	-1 106	-1 048	- 944	823	- 713	- 880	-1 036	6.3	-6.0	-7.1	-8.0
Niger	- 427	- 446	- 483	- 481	-1 018	-1 092	-1 213	-1 224	-15.1	-15.2	-15.3	-15.0
Nigeria	33 800	43 262	52 324	55 315	12 700	23 973	37 087	38 512	4.9	8.2	11.1	10.2
Rwanda	-1 376	-1 245	-1 254	-1 209	- 813	- 710	- 827	- 861	-11.4	-10.2	-10.7	-10.1
São Tomé and Príncipe	- 98	- 104	- 101	- 91	- 54	- 60	- 55	- 52	-20.5	-18.4	-14.7	-13.9
Senegal	-2 956	-2 824	-3 072	-3 303	-1 454	-1 228	-1 262	-1 531	-10.3	-9.0	-8.4	-9.3
Seychelles	- 468	- 450	- 561	- 651	- 278	- 295	- 327	- 370	-24.7	-20.5	-21.6	-23.1
Sierra Leone	-1 010	-1 260	-1 504	-1 622	211	- 107	- 668	-1 032	5.6	-2.1	-10.7	-15.9
Somalia												
South Africa	-4 820	-8 521	-10 007	-13 087	-19 843	-21 684	-20 550	-24 510	-5.2	-6.5	-6.4	-6.4
South Sudan												
Sudan	-4 755	-4 198	-3 863	-3 924	-6 525	-6 765	-5 966	-6 201	-9.5	-9.6	-8.0	-7.4
Swaziland**	80	92	- 109	- 328	134	186	- 26	- 237	3.3	5.6	-0.9	-7.8
Tanzania*	-4 303	-5 104	-6 228	-7 039	-3 998	-4 316	-5 315	-5 896	-14.2	-13.7	-15.0	-14.8
Togo	- 611	- 642	- 768	- 849	- 459	- 455	- 535	- 603	-11.9	-11.7	-13.3	-13.8
Tunisia	-6 104	-6 911	-7 443	-8 325	-3 721	-3 689	-3 513	-3 325	-8.2	-8.2	-7.4	-6.4
Uganda*	-2 465	-2 631	-2 758	-2 953	-1 907	-1 388	-1 116	-1 286	-9.0	-5.9	-4.4	-4.6
Zambia	1 451	1 109	1 354	1 812	432	47	- 54	- 111	2.1	0.2	-0.2	-0.4
Zimbabwe	-2 656	-1 976	-1 975	-1 813	-2 502	-1 919	-1 946	-1 839	-20.1	-18.5	-16.9	-14.4
AFRICA	**43 036**	**17 639**	**2 510**	**-1 074**	**-31 774**	**-56 776**	**-55 218**	**-55 301**	**-1.6**	**-2.7**	**-2.5**	**-2.2**

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1). (e) estimates and (p) projections.
Sources: AfDB Statistics Department; IMF *World Economic Outlook* October 2013.

Table 7. Exports, 2012

	Product I	Product II	Product III	No. of products accounting for more than 75% of exports
Algeria	Petroleum oils and oils obtained from bituminous minerals, crude (45.0%)	Natural gas, in gaseous state (20.0%)	Light oils and preparations (8.7%)	4
Angola	Petroleum oils and oils obtained from bituminous minerals, crude (96.8%)			1
Benin	Cotton (19.0%)	Petroleum oils or bituminous minerals > 70 % oil (13.7%)	Gold, non-monetary (excluding gold ores and concentrates) (13.4%)	9
Botswana	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (74.3%)	Diamonds non-industrial nes excluding mounted or set diamonds (7.2%)	Nickel mattes (6.8%)	2
Burkina Faso	Cotton, not carded or combed (44.9%)	Gold (incl. gold plated with platinum), in unwrought forms (29.4%)	Gold in semi manufactured forms (5.4%)	3
Burundi	Coffee, not roasted, not decaffeinated (58.0%)	Black tea (fermented) and other partly fermented tea (12.2%)	Niobium, tantalum, vanadium ores & concentrates (9.0%)	3
Cabo Verde	Mackerel (16.5%)	Skipjack or stripbellied bonito (15.4%)	Yellowfin tunas (Thunnus albacares) (14.2%)	8
Cameroon	Petroleum oils and oils obtained from bituminous minerals, crude (48.1%)	Cocoa beans, whole or broken, raw or roasted (9.0%)	Tropical wood in the rough, whether or not stripped of bark or sapwood, or roughly squared (7.7%)	6
Central African Rep.	Diamonds unsorted (32.3%)	Topical wood spec. in SH Note 1 to Ch.44, in the rough, whether/not stripped of bark/sapwood/ roughly squared (26.6%)	Cotton, not carded or combed (14.0%)	4
Chad	Petroleum oils and oils obtained from bituminous minerals, crude (83.6%)	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (13.4%)		1
Comoros	Cloves (whole fruit, cloves and stems) (56.1%)	Vessels and other floating structures for breaking up (21.2%)	Essential oils, n.e.s. (9.8%)	2
Congo	Petroleum oils and oils obtained from bituminous minerals, crude (87.1%)			1
Congo, Dem. Rep.	Cathodes and sections of cathodes (43.9%)	Unrefined copper; copper anodes for electrolytic refining (13.2%)	Petroleum oils and oils obtained from bituminous minerals, crude (13.2%)	4
Côte d'Ivoire	Cocoa beans, whole or broken, raw or roasted (31.8%)	Petroleum oils and oils obtained from bituminous minerals, crude (12.3%)	Technically specified natural rubber (TSNR) (7.2%)	10
Djibouti	Live animals, n.e.s. (23.0%)	Sheep (18.1%)	Goats (15.6%)	7
Egypt	Petroleum oils and oils obtained from bituminous minerals, crude (24.0%)	Natural gas, liquefied (11.1%)		60
Equatorial Guinea	Petroleum oils and oils obtained from bituminous minerals, crude (73.6%)	Natural gas, liquefied (19.8%)		2
Eritrea	Gold (incl. gold plated with platinum), in unwrought forms (88.0%)	Silver (including silver plated with gold or platinum), unwrought (4.9%)		1
Ethiopia	Coffee, not roasted, not decaffeinated (39.5%)	Sesamum seeds (19.7%)	Cut flowers fresh (10.2%)	6
Gabon	Petroleum oils and oils obtained from bituminous minerals, crude (85.4%)	Manganese ores and concentrates (6.7%)		1
Gambia	Wood, in the rough, whether/not stripped of bark/ sapwood/roughly squared (48.6%)	Cashew nuts, in shell (16.2%)	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (6.5%)	4

Table 7. **Exports, 2012** (cont.)

	Product I	Product II	Product III	No. of products accounting for more than 75% of exports
Ghana	Petroleum oils and oils obtained from bituminous minerals, crude (33.2%)	Cocoa beans, whole or broken, raw or roasted (31.4%)	Cocoa paste, not defatted (4.4%)	6
Guinea	Gold (incl. gold plated with platinum), in unwrought forms (40.5%)	Bauxite (34%)	Alumine (9.0%)	2
Guinea-Bissau	Cashew nuts, in shell (83.9%)			1
Kenya	Black tea (fermented) and other partly fermented tea (20.0%)	Cut flowers fresh (12.1%)	Coffee, not roasted, not decaffeinated (5.9%)	56
Lesotho	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (45.5%)	Mens/boys trousers and shorts, of cotton, not knitted (13.4%)	Women's/girls' trousers, bib & brace overalls, breeches & shorts (excl. swimwear), knitted/crocheted, of synthetic fibres (6.1%)	6
Liberia	Iron ores and concentrates, non-agglomerated (21.1%)	Technically specified natural rubber (TSNR) (19.3%)	Tankers (12.3%)	8
Libya	Petroleum oils and oils obtained from bituminous minerals, crude (88.4%)	Natural gas, in gaseous state (5.6%)		1
Madagascar	Cloves (whole fruit, cloves and stems) (15.8%)	Shrimps and prawns (7.2%)	Titanium ores and concentrates. (5.5%)	30
Malawi	Tobacco, partly/wholly stemmed/stripped (50.1%)	Natural uranium and its compounds (10.4%)	Raw sugar, cane (8.0%)	5
Mali	Cotton, not carded or combed (72.7%)	Sesamum seeds (8.8%)		2
Mauritania	Iron ores & concentrates, non-agglomerated (46.7%)	Copper ores and concentrates (15.6%)	Octopus, other than live/fresh/chilled (10.5%)	4
Mauritius	Tunas, skipjack and bonito (15.3%)	Cane or beet sugar, in solid form, n.e.s (10.5%)	T-shirts, singlets & other vests, knitted/crocheted, of cotton (7.4%)	35
Morocco	Phosphoric acid and polyphosphoric (8.2%)	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (6.1%)	Diammonium hydrogenorthophosphate (4.5%)	63
Mozambique	Aluminium, not alloyed (28.8%)	Light oils and preparations (14.8%)	Natural gas, liquefied (5.4%)	9
Namibia	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (30.1%)	Unrefined copper; copper anodes for electrolytic refining (13.4%)	Natural uranium and its compounds (13.2%)	8
Niger	Natural uranium and its compounds (62.2%)	Light oils and preparations (12.1%)	Live animals (6%)	3
Nigeria	Petroleum oils and oils obtained from bituminous minerals, crude (84.0%)	Natural gas, liquefied (10.8%)		1
Rwanda	Niobium, tantalum, vanadium ores & concentrates (23.7%)	Coffee, not roasted, not decaffeinated (23.5%)	Tin ores and concentrates (19.2%)	5
São Tomé and Príncipe	Cocoa beans, whole or broken, raw or roasted (47.6%)	Wrist-watches other than electrically operated, whether/not incorporating a stop-watch facility, with auto. winding, with case of precious metal/metal clad with precious metal (9.2%)	Articles of jewellery & parts thereof and of silver, whether/not plated/clad with other precious metal (6.4%)	6
Senegal	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (20.8%)	Inorganic chemical elements, oxides & halogen salts (12%)	Fish, fresh (live or dead), chilled or frozen (9%)	25
Seychelles	Tunas, skipjack and bonito (52.5%)	Bigeye tunas (Thunnus obesus) (13.2%)	Yellowfin tunas (Thunnus albacares) (7.1%)	4

Table 7. **Exports, 2012** (cont.)

	Product I	Product II	Product III	No. of products accounting for more than 75% of exports
Sierra Leone	Iron ores & concentrates, non-agglomerated (45.2%)	Titanium ores and concentrates (16.4%)	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (12.1%)	4
Somalia	Sheep (29.4%)	Goats (28.2%)	Live bovine animals, other than pure-bred breed (17.3%)	4
South Africa	Gold (incl. gold plated with platinum), in unwrought forms (11.6%)	Iron ores & concentrates, non-agglomerated (7.6%)	Platinum, unwrought/in powder form (6.6%)	83
South Sudan	Petroleum oils and oils obtained from bituminous minerals, crude (99.6%)			1
Sudan	Petroleum oils and oils obtained from bituminous minerals, crude (65.6%)	Sheep (10.6%)	Sesamum seeds (4.2%)	2
Swaziland	Raw sugar, cane (17.4%)	Mixtures of odoriferous substances, of a kind used in the food or drink of industries (14.8%)	Iron ores & concentrates, non-agglomerated (10.9%)	21
Tanzania	Precious metal ores & concentrates (excl. silver ores & concentrates) (11.7%)	Tobacco, partly/wholly stemmed/stripped (11.5%)	Coffee, not roasted, not decaffeinated (6.6%)	27
Togo	Gold (incl. gold plated with platinum), in unwrought forms (12.1%)	Natural calcium phosphates, natural aluminium calcium phosphates & phosphatic chalk, ground (11.7%)	Light oils and preparations (10.3%)	11
Tunisia	Petroleum oils and oils obtained from bituminous minerals, crude (11.2%)	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (6.2%)	Mens/boys trousers and shorts, of cotton, not knitted (4.3%)	93
Uganda	Coffee, not roasted, not decaffeinated (30.6%)	Cotton, not carded or combed (5.6%)	Tobacco, partly/wholly stemmed/stripped (5.5%)	17
Zambia	Cathodes and sections of cathodes (47.6%)	Unrefined copper; copper anodes for electrolytic refining (26.1%)	Maize (excl. seed) (5.0%)	3
Zimbabwe	Tobacco, partly/wholly stemmed/stripped (30.8%)	Ferro-chromium, containing by weight >4% of carbon (11.6%)	Cotton, not carded or combed (9.6%)	9
AFRICA	Petroleum oils and oils obtained from bituminous minerals, crude (49.2%) [49.2%]	Natural gas, liquefied (3.9%) [14.8%]	Natural gas, in gaseous state (3.1%) [9.1%]	24

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

	Diversification index					Annual export growth (%)	Competitiveness indicator 2008-2012 (%)	
	2008	2009	2010	2011	2012	2008-2012	Sectoral effect	Global competitiveness effect
Algeria	2.3	2.4	2.5	3.6	3.8	4.6	1.8	-0.1
Angola	2.5	3.6	3.8	3.5	3.4	0.6	1.5	-3.8
Benin	8.3	7.0	6.1	7.7	8.5	18.6	8.6	7.2
Botswana	4.0	7.9	4.0	1.6	1.8	29.4	0.3	36.9
Burkina Faso	2.8	3.5	4.2	2.9	3.4	23.9	9.9	11.1
Burundi	3.6	1.8	2.1	2.1	2.8	17.1	11.2	3.0
Cabo Verde	5.9	12.3	10.4	8.5	10.1	16.6	1.1	12.7
Cameroon	3.6	5.3	4.9	4.8	3.9	-4.2	-0.7	-6.3
Central African Rep.	5.9	5.5	6.3	4.8	4.9	1.0	-2.7	0.8
Chad	1.1	1.2	1.5	1.1	1.4	-4.0	-0.3	-6.6
Comoros	6.8	4.6	4.3	2.3	2.7	8.5	38.1	-32.4
Congo	1.4	1.3	1.4	1.4	1.3	-3.9	-0.5	-6.2
Congo, Dem. Rep.	7.1	8.0	7.1	6.8	4.1	12.3	-5.6	15.1
Côte d'Ivoire	9.1	6.6	7.7	6.3	7.5	0.8	1.2	-3.3
Djibouti	8.8	6.9	3.6	4.8	8.1	-18.9	-0.9	-20.9
Egypt	16.2	19.8	23.9	14.4	13.2	1.1	1.8	-3.5
Equatorial Guinea	1.6	1.8	1.7	1.7	1.7	-0.7	2.9	-6.4
Eritrea	15.3	14.4	22.3	1.1	1.3	340.7	-2.8	340.6
Ethiopia	6.4	5.7	4.2	4.1	4.8	9.3	4.9	1.5
Gabon	2.5	2.2	1.8	1.5	1.4	2.0	-3.2	2.3
Gambia	4.0	5.0	11.3	7.8	3.7	47.9	5.5	39.6
Ghana	5.1	4.0	4.4	5.7	4.7	21.8	-1.9	20.9
Guinea	3.5	2.5	5.1	7.7	3.4	-1.7	-2.5	-2.1
Guinea-Bissau	1.2	1.2	3.1	2.0	1.4	7.6	8.1	-3.3
Kenya	22.7	16.7	14.6	16.7	16.1	0.2	0.5	-3.1
Lesotho	4.8	6.3	5.5	3.7	4.2	-0.4	2.0	-6.6
Liberia	6.4	4.3	8.6	7.3	8.7	-2.3	-2.7	-2.4
Libya	1.3	1.6	1.5	1.4	1.3	-1.8	0.2	-4.8
Madagascar	29.3	32.0	33.3	12.7	22.2	3.9	0.4	0.7
Malawi	3.7	2.5	3.5	5.0	3.6	8.4	4.4	1.1

Table 8. **Diversification and competitiveness** (cont.)

	Diversification index					Annual export growth (%)	Competitiveness indicator 2008-2012 (%)	
	2008	2009	2010	2011	2012	2008-2012	Sectoral effect	Global competitiveness effect
Mali	2.2	4.7	3.8	3.5	1.9	37.9	13.4	21.6
Mauritania	4.1	4.4	3.6	3.5	3.8	3.4	4.9	-4.4
Mauritius	15.4	19.0	24.4	21.9	19.2	1.1	1.2	-3.0
Morocco	36.2	61.5	49.9	41.5	44.4	0.4	-2.9	0.5
Mozambique	6.4	5.6	4.0	6.2	8.2	14.6	0.3	11.4
Namibia	11.4	11.2	8.0	8.7	7.3	18.2	2.0	19.5
Niger	6.0	1.9	1.6	2.4	2.4	88.6	3.8	82.0
Nigeria	1.4	1.4	1.4	1.4	1.4	5.0	1.1	1.0
Rwanda	4.7	6.2	5.4	5.1	6.0	18.7	8.5	7.4
São Tomé and Príncipe	2.5	3.9	5.5	5.0	4.1	15.7	-0.3	13.2
Senegal	10.8	13.6	10.5	12.3	12.6	8.1	0.5	4.8
Seychelles	3.3	2.6	3.8	2.6	3.3	3.3	3.0	-2.5
Sierra Leone	9.3	13.3	8.6	9.0	4.0	47.3	5.0	39.4
Somalia	11.7	5.1	4.7	5.3	4.8	24.6	1.8	20.0
South Africa	39.0	46.4	44.6	35.3	32.2	0.8	-1.1	-1.0
South Sudan	...	...	...	...	1.0	...	...	...
Sudan	...	...	...	...	2.2	...	...	...
Swaziland	21.1	17.2	14.4	13.5	13.7	-3.2	3.2	-9.2
Tanzania	36.4	26.4	21.4	16.9	21.4	8.1	6.5	-1.2
Togo	6.1	7.3	10.8	8.3	15.6	-7.2	-7.0	-3.0
Tunisia	36.1	49.8	40.6	42.5	40.4	-2.7	-2.2	-3.3
Uganda	7.7	6.9	6.9	6.5	9.0	5.2	2.7	-0.4
Zambia	2.4	3.3	3.1	3.0	3.3	15.0	3.2	9.0
Zimbabwe	13.2	12.8	11.8	9.9	7.7	-2.1	0.0	-4.9
AFRICA	**3.9**	**5.4**	**4.8**	**5.0**	**4.0**	1.9	**0.2**	**-1.2**

Sources: AfDB Statistics Department; COMTRADE Database (Harmonized System 2002) - UN Statistics Division.

Table 9. **International prices of exports, 2006-13**

	Unit	2006	2007	2008	2009	2010	2011	2012	2013
Aluminum	($/mt)	2 569.90	2 638.18	2 572.79	1 664.83	2 173.12	2 401.39	2 023.28	1 846.62
Banana (US)	($/mt)	677.24	675.81	844.21	847.14	868.32	967.99	983.98	924.07
Coal (Australia)	($/mt)	49.09	65.73	127.10	71.84	98.97	121.45	96.36	84.56
Cocoa	($/mt)	159.19	195.23	257.71	288.88	313.30	298.01	239.19	243.88
Coffee (Arabica)	(cents/kg)	252.21	272.37	308.16	317.11	432.01	597.61	411.10	307.60
Coffee (Robusta)	(cents/kg)	148.93	190.92	232.09	164.42	173.59	240.76	226.68	207.59
Copper	($/mt)	6 722.13	7 118.23	6 955.88	5 149.74	7 534.78	8 828.19	7 962.35	7 331.98
Cotton	(c/kg)	126.66	139.52	157.39	138.20	228.34	332.85	196.71	199.27
Fish Meal	($/mt)	1 166.33	1 177.25	1 133.08	1 230.25	1 687.42	1 537.42	1 558.33	1 747.17
Gold	($/toz)	604.34	696.72	871.71	972.97	1 224.66	1 569.21	1 669.52	1 411.71
Groundnut oil	($/mt)	970.23	1 352.08	2 131.12	1 183.67	1 403.96	1 988.17	2 435.67	1 773.04
Iron ore	(c/dmtu)	77.35	84.70	140.60	100.95	145.86	167.75	128.50	135.40
Lead	(c/kg)	128.97	258.00	209.07	171.93	214.84	240.08	206.46	213.97
Logs Cameroon	($/CM)	318.48	381.32	526.89	421.47	428.56	484.81	451.39	463.53
Maize	($/mt)	121.85	163.66	223.12	165.51	185.91	291.68	298.42	259.39
Oil (crude)	($/bbl)	65.39	72.70	97.64	61.86	79.04	104.01	105.01	104.08
Palm oil	($/mt)	478.35	780.25	948.54	682.83	900.83	1 125.42	999.33	856.90
Phosphate (rock)	($/mt)	44.21	70.93	345.59	121.66	123.02	184.90	185.89	148.11
Rubber (US)	(cents/kg)	231.28	248.03	284.08	214.64	386.62	482.32	337.73	279.45
Sugar (EU)	(cents/kg)	64.56	68.09	69.69	52.44	44.18	45.46	42.01	43.38
Sugar (World)	(c/kg)	32.59	22.22	28.21	40.00	46.93	57.32	47.49	39.00
Sugar (US)	(cents/kg)	48.76	45.77	46.86	54.88	79.25	83.92	63.56	45.05
Tea (Avg. 3 auctions)	(c/kg)	187.21	203.61	242.05	272.40	288.49	292.05	289.78	286.15
Tea (Mombasa)	(c/kg)	195.23	166.49	221.76	251.96	256.00	271.90	288.05	239.69
Tobacco, US import u.v.	($/mt)	2 969.20	3 315.06	3 588.74	4 241.18	4 304.78	4 485.05	4 302.35	4 559.94

Sources: World Bank, *Global Commodity Price Prospects*, March 2014.

Table 10. **Foreign direct investment, 2007-12 (USD million)**

	FDI inflows						FDI outflows						FDI inflows/GFCF (%)			Inward FDI* potential index
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012	2010	2011	2012	2011
Algeria	1662	2593	2746	2264	2571	1484	295	318	215	220	534	-41	4.7	5.2	5.2	62
Angola	-893	1679	2205	-3227	-3024	-6898	912	2570	7	1340	2093	2741	-11.3	13.1	19.1	100
Benin	255	170	134	177	161	159	-6	-4	31	-18	60	-63	23.3	12.6	9.7	142
Botswana	495	521	129	-6	414	293	51	-91	6	1	-11	-10	16.7	17.0	3.9	107
Burkina Faso	344	106	101	35	42	40	0	0	8	-4	1	1	23.9	6.1	5.4	151
Burundi	1	4	0	1	3	1	0	1	0	0	0	0	0.2	1.9	0.1	172
Cabo Verde	190	209	119	112	93	71	0	0	0	0	1	-1	30.8	29.0	19.1	153
Cameroon	189	21	740	538	243	507	-8	-2	-69	503	144	193	5.3	0.5	17.8	116
Central African Rep.	57	117	42	62	37	71	0	0	0	0	0	0	33.4	50.8	18.9	177
Chad	-322	466	376	313	282	323	0	0	0	0	0	0	-28.9	37.0	23.9	158
Comoros	8	5	14	8	23	17	0	0	0	0	0	0	15.9	6.6	22.4	175
Congo	2275	2526	1862	2211	3056	2758	0	0	0	0	0	0	77.3	63.7	46.3	128
Congo, Dem. Rep.	1808	1727	664	2939	1687	3312	14	54	35	7	91	421	99.4	67.4	31.2	106
Côte d'Ivoire	427	446	377	339	286	478	0	0	-9	25	15	26	22.6	19.0	19.7	141
Djibouti	195	229	100	27	78	100	...	...	...	...	...	...	117.8	123.4	50.6	161
Egypt	11578	9495	6712	6386	-483	2798	665	1920	571	1176	626	211	42.9	25.8	18.9	46
Equatorial Guinea	1243	-794	1636	2734	1975	2115	0	0	0	0	0	0	37.4	-16.6	23.3	119
Eritrea	7	39	91	91	39	74	...	...	...	...	...	...	4.3	22.2	52.9	168
Ethiopia	222	109	221	288	627	970	...	...	...	...	...	...	5.2	1.9	3.4	112
Gabon	269	773	573	499	696	702	59	96	87	81	88	85	9.5	21.6	16.3	87
Gambia	76	70	40	37	36	79	...	...	...	...	...	...	32.5	24.5	15.4	165
Ghana	855	1220	2897	2527	3248	3295	0	8	7	0	25	1	17.2	19.9	56.6	73
Guinea	386	382	141	101	956	744	0	126	0	0	1	3	32.9	27.8	9.6	139
Guinea-Bissau	19	5	17	33	25	16	0	-1	0	6	1	1	23.2	7.1	24.1	171
Kenya	729	96	115	178	335	259	36	44	46	2	9	16	13.8	1.6	1.9	98
Lesotho	106	112	100	114	132	172	-2	-2	-2	-2	-4	-37	30.4	24.4	20.9	173
Liberia	132	284	218	450	508	1354	363	382	364	369	372	1354	80.5	164.0	108.5	170
Libya	3850	3180	3310	1909	0	0	3947	5888	1165	2722	131	2509	66.4	42.8	60.5	...
Madagascar	773	1169	1066	808	810	895	0	0	0	0	0	0	35.6	30.8	39.3	154
Malawi	124	195	49	97	129	129	14	19	-1	42	50	50	17.0	20.5	4.4	135
Mali	73	180	748	406	556	310	7	1	-1	7	4	4	5.3	11.3	40.7	157

Table 10. **Foreign direct investment, 2007-12 (USD million)** (cont.)

	FDI inflows						FDI outflows						FDI inflows/GFCF (%)			Inward FDI* potential index
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012	2010	2011	2012	2011
Mauritania	139	343	-3	131	589	1204	4	4	4	4	4	4	15.1	40.5	-0.4	147
Mauritius	339	383	248	430	273	361	58	52	37	129	89	89	17.3	16.1	10.6	110
Morocco	2805	2487	1952	1574	2568	2836	622	485	470	589	179	361	11.9	8.5	7.0	69
Mozambique	427	592	893	1018	2663	5218	0	0	-3	1	-3	-9	33.0	36.3	55.9	103
Namibia	733	720	522	793	816	357	3	5	-3	5	5	-5	35.1	31.6	22.9	125
Niger	129	340	791	940	1066	793	8	24	59	-60	9	7	13.2	20.4	44.5	155
Nigeria	6087	8249	8650	6099	8915	7029	875	1058	1542	923	824	1539	39.5	47.6	42.2	53
Rwanda	82	103	119	42	106	160	13	0	0	0	0	0	12.2	9.7	10.5	144
São Tomé and Príncipe	36	79	16	51	35	50	3	0	0	0	0	1	88.9	162.3	33.5	163
Senegal	297	398	320	266	338	338	25	126	77	2	47	47	10.1	11.1	10.9	121
Seychelles	239	130	118	160	144	114	18	13	5	6	8	4	79.6	50.1	51.5	96
Sierra Leone	95	53	110	238	715	740	-1	-5	0	0	0	0	49.1	24.5	47.7	164
Somalia	141	87	108	112	102	107	...	...	...	...	...	...	28.9	16.7	26.9	...
South Africa	5695	9006	5365	1228	6004	4572	2966	-3134	1151	-76	-257	4369	9.9	14.3	8.7	34
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	2426	2601	1816	2064	2692	2466	11	98	89	66	84	80	21.4	22.5	16.5	111
Swaziland	37	106	66	136	93	90	23	-8	7	-1	9	6	10.0	31.7	20.2	166
Tanzania	582	1383	953	1813	1229	1706	0	0	0	0	0	0	11.6	22.3	15.4	91
Togo	49	24	49	86	171	166	-1	-16	37	37	106	103	13.5	5.3	9.2	143
Tunisia	1616	2759	1688	1513	1148	1918	20	42	77	74	28	13	18.0	26.0	15.9	86
Uganda	792	729	842	544	894	1721	0	0	0	-4	0	0	25.7	22.1	23.4	132
Zambia	1324	939	695	1729	1108	1066	86	0	270	1095	-2	177	55.6	32.6	27.7	109
Zimbabwe	69	52	105	166	387	400	3	8	0	43	14	46	22.5	28.6	16.0	114
AFRICA	**51273**	**58894**	**52964**	**43582**	**47598**	**50041**	**11081**	**10080**	**6281**	**9311**	**5376**	**14296**	**19.6**	**18.2**	**16.4**	...

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 2014) and World Investment Report 2013.

Table 11. Aid flows*, 2007-12 (USD million)

	ODA net total, all donors						ODA net total, DAC countries						ODA net total, multilateral					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
Algeria	394	325	319	198	190	145	292	245	200	143	118	99	93	102	107	57	72	49
Angola	248	369	239	238	194	242	105	219	141	153	120	134	144	151	98	85	74	108
Benin	474	641	682	689	690	511	238	305	326	339	441	262	233	332	353	349	249	244
Botswana	108	720	279	156	120	74	64	683	223	106	90	63	45	39	56	51	22	10
Burkina Faso	950	1001	1083	1062	995	1159	412	475	453	459	464	538	524	519	628	598	529	617
Burundi	479	522	561	630	575	523	202	255	264	283	273	226	277	267	297	347	301	296
Cabo Verde	165	222	196	328	252	246	114	163	162	248	221	218	50	59	34	81	32	27
Cameroon	1926	549	648	541	612	596	1697	299	268	267	327	258	220	240	380	274	285	339
Central African Rep.	177	257	242	261	269	227	118	129	99	113	108	73	59	128	143	148	160	154
Chad	359	422	561	486	460	479	227	278	356	285	248	252	130	141	205	202	213	226
Comoros	45	42	50	67	52	69	20	21	28	22	28	32	25	15	21	28	23	25
Congo	119	485	283	1312	260	139	49	383	226	1215	175	48	70	102	57	95	84	89
Congo, Dem. Rep.	1357	1766	2357	3486	5534	2859	790	986	1100	2389	4249	1667	567	775	1255	1090	1285	1191
Côte d'Ivoire	171	626	2402	845	1436	2636	112	200	1721	438	722	2102	59	423	678	406	711	525
Djibouti	113	141	167	132	142	147	76	66	98	99	89	86	37	53	58	25	46	51
Egypt	1133	1742	1005	597	414	1807	789	969	586	371	231	305	238	318	296	148	74	896
Equatorial Guinea	31	32	31	85	24	14	26	19	25	79	22	13	6	13	6	6	3	1
Eritrea	158	143	144	161	130	134	47	53	43	36	33	15	109	84	86	105	92	64
Ethiopia	2558	3329	3819	3525	3539	3261	1246	1845	1818	1929	1976	1839	1283	1453	1983	1562	1548	1406
Gabon	51	62	77	104	73	73	34	38	53	84	62	61	16	24	25	20	9	13
Gambia	97	94	127	120	135	139	33	28	22	33	37	31	61	62	105	85	97	107
Ghana	1165	1307	1582	1693	1810	1808	710	726	821	900	908	854	453	575	755	789	902	949
Guinea	228	328	214	218	204	340	125	210	171	92	83	147	96	118	47	128	121	196
Guinea-Bissau	122	134	147	125	120	79	44	53	52	54	52	37	78	80	95	71	67	41
Kenya	1327	1366	1776	1629	2482	2654	827	955	1225	1161	1565	1670	496	408	547	464	912	979
Lesotho	129	144	122	256	265	283	62	66	71	94	151	160	67	78	47	159	110	118
Liberia	701	1251	513	1417	765	571	230	845	342	703	523	339	471	405	171	712	242	232
Libya	19	74	41	9	642	87	16	52	32	17	465	104	3	20	8	-10	59	-20
Madagascar	894	843	444	470	443	379	387	274	242	214	228	188	502	564	201	246	212	189
Malawi	744	924	771	1023	800	1175	405	437	439	520	450	646	332	482	332	504	350	529
Mali	1019	964	984	1089	1281	1001	558	532	575	685	790	740	458	433	408	404	487	261
Mauritania	347	452	373	374	382	408	133	139	122	106	131	168	212	287	231	250	239	189
Mauritius	69	110	155	125	185	178	44	16	64	58	114	86	28	95	93	69	73	93

Table 11. **Aid flows*, 2007-12 (USD million)** (cont.)

	ODA net total, all donors						ODA net total, DAC countries						ODA net total, multilateral					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
Morocco	1221	1451	930	993	1456	1480	631	614	705	599	870	899	327	455	323	382	562	594
Mozambique	1777	1996	2012	1952	2085	2097	1077	1345	1289	1359	1712	1489	682	652	723	590	371	608
Namibia	217	210	326	256	291	265	146	154	249	214	243	201	73	58	78	44	46	65
Niger	544	612	469	745	650	902	233	269	255	381	302	426	307	336	212	361	342	472
Nigeria	1956	1290	1657	2062	1769	1916	1385	638	688	850	856	899	570	651	967	1210	911	1014
Rwanda	723	934	934	1032	1264	879	375	452	520	548	591	425	347	480	411	482	664	453
São Tomé and Príncipe	51	47	31	49	72	49	31	26	20	33	38	28	20	21	11	16	34	20
Senegal	870	1069	1016	928	1060	1080	454	555	515	534	595	712	387	472	497	379	456	370
Seychelles	11	13	23	56	22	35	1	5	12	29	7	6	8	7	11	10	10	18
Sierra Leone	550	378	448	467	425	443	381	175	196	200	176	191	169	204	252	266	245	249
Somalia	394	766	662	498	1096	999	257	566	500	309	755	668	124	185	152	181	230	237
South Africa	807	1125	1075	1031	1403	1067	594	882	862	822	1034	684	213	242	211	207	368	382
South Sudan	..	..	..	..	1088	1578	..	..	..	..	1042	1431	..	..	..	..	46	147
Sudan	2121	2566	2351	2076	1124	983	1684	1823	1912	1539	673	471	334	603	379	487	402	416
Swaziland	51	70	56	91	125	88	12	18	19	31	67	55	39	53	38	60	54	30
Tanzania	2822	2331	2933	2958	2446	2832	1840	1373	1409	1656	1668	1772	982	960	1526	1298	770	1044
Togo	122	330	499	404	543	241	65	176	362	253	328	115	58	153	136	151	214	123
Tunisia	321	375	503	550	921	1017	194	251	350	355	491	376	137	133	159	192	413	574
Uganda	1737	1641	1785	1723	1578	1655	1005	1009	1017	1036	995	936	731	631	768	686	581	718
Zambia	1008	1116	1267	914	1035	958	714	705	702	594	702	654	294	412	564	321	327	304
Zimbabwe	478	612	736	732	716	1001	372	533	621	525	540	673	106	80	115	209	176	328
Africa unspecified	3431	4313	5195	4335	5025	5183	2510	3317	3052	3157	3460	3754	854	971	2083	1148	1467	1364
AFRICA	**39091**	**44633**	**47300**	**47302**	**51669**	**51189**	**24193**	**26849**	**27621**	**28718**	**32637**	**30325**	**14203**	**16603**	**19421**	**18230**	**18376**	**19721**

Note: ODA : official development assistance. DAC : Development Assistance Committee of OECD.
* Net disbursements.
Sources: OECD Development Assistance Committee 2014.

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 (as % of total)	Private (as % of total)								
	2012	2012	2012	2012	2012	2013 (e)	2014 (p)	2015 (p)	2012	2013 (e)	2014 (p)	2015 (p)
Algeria	3 783	0.1	41.1	58.8	1.9	1.6	1.2	1.0	1.6	2.7	2.6	2.6
Angola	2 2211	2.2	35.7	62.1	19.3	21.1	22.9	23.7	6.2	8.3	9.7	10.9
Benin	1 285	53.4	46.6	0.0	17.0	16.2	15.9	15.4	6.0	6.1	6.2	6.6
Botswana	3 369	54.3	0.0	45.7	23.2	22.6	21.9	20.7	7.2	6.7	7.3	7.1
Burkina Faso	2 626	75.7	24.3	0.0	23.8	22.5	23.4	25.1	2.5	3.0	3.6	4.3
Burundi	487	50.8	49.2	0.0	21.9	20.5	19.1	16.9	8.9	12.4	15.3	16.7
Cabo Verde	1 560	50.5	21.9	27.6	87.4	91.8	92.5	91.2	8.5	8.8	9.0	9.1
Cameroon	2 268	30.7	69.2	0.1	8.6	9.3	10.3	11.2	2.5	2.9	2.8	3.2
Central African Rep.	528	7.7	92.3	0.0	24.3	34.7	32.3	31.1	9.7	11.8	13.6	16.5
Chad	2 757	80.7	19.3	0.0	21.9	20.6	18.8	17.9	3.3	5.2	4.3	3.8
Comoros	243	68.6	30.6	0.8	42.5	17.5	15.2	13.4	10.9	0.6	2.6	2.0
Congo	3 534	5.8	67.4	26.8	25.3	21.4	20.7	19.9	1.2	3.0	2.9	2.8
Congo, Dem. Rep.	6 156	41.6	14.0	44.4	22.4	20.3	22.4	23.3	1.7	2.4	2.2	2.4
Côte d'Ivoire	12 022	5.2	38.0	56.8	48.7	45.6	41.1	38.1	12.3	10.4	10.7	10.6
Djibouti	666	52.0	48.0	0.0	50.3	48.4	48.4	48.9	8.5	9.5	9.3	8.2
Egypt	34 385	26.1	64.3	9.5	13.2	17.3	19.1	19.9	11.3	12.7	29.0	29.4
Equatorial Guinea	1 387	...	99.0	1.0	7.9	5.5	2.9	0.7	1.0	3.5	3.7	3.9
Eritrea	900	65.8	34.2	0.0	29.1	25.7	23.2	23.1	8.3	8.4	6.8	6.9
Ethiopia	7 630	39.3	60.7	0.0	18.4	18.3	18.9	20.9	6.6	8.1	8.6	10.3
Gabon	3 391	16.6	32.6	50.8	19.2	20.7	22.3	23.2	6.8	6.3	7.4	8.4
Gambia	415	54.2	45.8	0.0	44.1	42.2	37.0	34.2	33.0	32.8	30.6	30.1
Ghana	10 612	29.7	53.5	16.7	26.9	29.3	33.0	33.6	3.3	7.9	4.1	4.9
Guinea	1 306	55.7	44.3	0.0	23.2	23.7	23.2	21.1	236.6	3.5	3.9	4.2
Guinea-Bissau	232	39.6	60.4	0.0	25.3	22.7	22.1	22.0	1.2	1.7	5.2	4.8
Kenya	11 991	42.6	45.5	11.9	29.4	30.5	29.8	28.5	5.9	5.5	11.2	6.3
Lesotho	758	75.8	24.2	0.0	32.6	49.1	56.0	52.1	3.6	4.3	3.3	3.0
Liberia	214	16.6	83.4	0.0	12.0	10.8	14.6	17.9	0.9	0.9	1.2	1.1
Libya	5 574	...	57.4	42.6	5.9	6.8	6.1	4.8	0.0	0.0	0.0	0.0
Madagascar	4 951	52.8	0.0	47.2	49.8	46.2	41.6	37.1	8.9	7.7	7.6	7.2
Malawi	961	53.7	46.3	0.0	18.5	25.5	18.0	15.9	2.4	2.8	4.2	4.4

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)								
	2012	2012	2012	2012	2012	2013 (e)	2014 (p)	2015 (p)	2012	2013 (e)	2014 (p)	2015 (p)
Mali	2 713	70.0	30.0	0.0	26.4	26.8	28.1	29.7	4.8	5.6	4.5	3.9
Mauritania	4 225	48.0	50.4	1.6	107.5	101.9	78.1	74.4	6.0	7.5	12.1	12.0
Mauritius	2 677	14.1	24.2	61.7	23.4	22.5	23.3	24.8	3.5	3.4	4.1	5.0
Morocco	28 632	35.6	43.3	21.1	30.2	30.4	30.2	30.4	6.9	7.8	8.0	8.0
Mozambique	7 900	54.4	5.8	39.7	54.7	53.4	58.4	66.8	11.9	13.6	13.5	12.3
Namibia	4 905	...	20.0	80.0	37.5	41.9	40.3	38.6	31.0	19.4	19.6	18.8
Niger	3 487	33.4	0.0	66.6	51.7	55.3	56.8	61.7	2.7	51.9	3.8	3.8
Nigeria	6 522	53.1	46.9	0.0	2.5	3.2	3.3	3.4	0.4	0.7	0.7	0.7
Rwanda	1 027	69.1	30.9	0.0	14.5	17.6	20.1	24.7	9.4	23.0	6.8	5.9
São Tomé and Príncipe	203	18.7	81.3	0.0	77.3	65.0	59.5	60.5	14.3	18.6	19.7	1.1
Senegal	8 224	47.6	0.0	52.4	58.5	68.5	67.2	65.8	7.7	8.2	7.6	7.6
Seychelles	512	4.4	49.1	46.5	45.5	38.7	39.3	38.3	2.1	3.1	2.7	3.4
Sierra Leone	981	42.9	57.1	0.0	26.2	21.3	19.9	21.5	2.7	2.6	2.1	2.0
Somalia	3 055	26.1	0.0	73.9								
South Africa	137 508	2.0	3.9	94.1	36.0	36.9	41.2	37.4	33.8	37.1	39.7	36.4
South Sudan	..	...	...	...								
Sudan	43 189	15.9	67.4	16.7	62.8	63.9	62.8	58.0	4.7	8.8	8.0	6.5
Swaziland	521	46.4	32.5	21.1	12.9	13.5	13.7	12.8	3.5	3.7	3.7	4.0
Tanzania	9 733	47.0	24.7	28.3	34.5	36.4	36.6	35.7	3.4	5.2	6.1	6.7
Togo	554	27.2	72.8	0.0	14.3	17.4	19.4	20.2	3.0	3.6	3.3	3.0
Tunisia	23 358	34.4	22.5	43.1	51.7	55.9	59.4	59.1	11.9	9.1	8.3	5.5
Uganda	5 186	66.1	0.0	33.9	24.4	26.7	29.3	30.5	11.9	12.3	12.8	13.6
Zambia	8 435	20.0	13.7	66.3	40.9	34.4	34.7	34.5	5.6	3.7	3.7	3.7
Zimbabwe	8 767	21.1	57.4	21.5	70.3	87.5	80.6	73.6	17.9	17.3	21.7	25.9
AFRICA	**457 463**	**21.2**	**30.0**	**48.8**	**22.5**	**23.2**	**23.7**	**23.2**	**9.6**	**10.7**	**12.1**	**11.8**

Sources: AfDB Statistics Department; IMF, World Economic Outlook Database, October 2013; World Bank, GDF Online Database.
Estimates (e) and projections (p) based on authors' calculations.

Table 13. Demographic indicators

	Total population (thousands) 2013	Urban population (% of total) 2013	Sex ratio (males per 100 females) 2013	Population growth rate (%)		Infant mortality rate (per 1 000) 2013	Total fertility rate (per woman) 2013	Mortality under age 5 (per 1 000) 2013	Distribution by age (%) 2013		
				2006	2013				0-14	15-64	65+
Algeria	39 208	74.7	102.2	1.6	1.9	26.0	2.8	31.4	27.8	67.6	4.6
Angola	21 472	60.7	98.3	3.4	3.1	95.2	5.9	153.9	47.5	50.1	2.4
Benin	10 323	46.2	99.3	3.1	2.7	68.1	4.8	107.3	42.8	54.3	2.9
Botswana	2 021	62.9	101.2	1.1	0.9	31.0	2.6	39.6	33.5	62.9	3.6
Burkina Faso	16 935	28.2	98.9	2.9	2.8	68.9	5.6	135.2	45.5	52.0	2.4
Burundi	10 163	11.5	97.6	3.4	3.1	86.3	6.0	138.2	44.6	53.0	2.4
Cabo Verde	499	64.1	99.3	0.7	0.9	16.8	2.3	19.6	29.5	65.1	5.3
Cameroon	22 254	53.2	100.0	2.6	2.5	72.8	4.8	114.2	43.0	53.8	3.2
Central African Rep.	4 616	39.5	96.9	1.8	2.0	92.4	4.4	149.0	39.8	56.3	3.8
Chad	12 825	22.0	100.3	3.4	3.0	95.0	6.3	153.4	48.4	49.2	2.4
Comoros	735	28.2	101.5	2.6	2.4	66.7	4.7	91.4	42.1	55.1	2.8
Congo	4 448	64.5	100.0	2.9	2.5	62.9	5.0	96.3	42.5	54.1	3.4
Congo, Dem. Rep.	67 514	35.4	98.7	2.9	2.7	108.1	5.9	179.0	45.0	52.1	2.9
Côte d'Ivoire	20 316	52.8	104.0	1.5	2.4	74.4	4.9	106.2	41.3	55.5	3.2
Djibouti	873	77.2	100.9	1.4	1.5	54.7	3.4	82.5	33.7	62.3	4.0
Egypt	82 056	43.8	100.9	1.7	1.6	18.5	2.8	23.6	31.1	63.1	5.8
Equatorial Guinea	757	39.8	105.0	2.9	2.8	87.7	4.8	140.7	38.9	58.3	2.8
Eritrea	6 333	22.2	99.6	3.7	3.2	40.9	4.7	54.3	43.2	54.6	2.3
Ethiopia	94 101	17.5	100.1	2.7	2.6	48.7	4.5	71.8	42.7	53.9	3.4
Gabon	1 672	86.8	101.0	2.4	2.4	42.9	4.1	64.3	38.5	56.4	5.2
Gambia	1 849	58.4	97.9	3.1	3.2	54.9	5.8	99.5	45.9	51.7	2.4
Ghana	25 905	53.2	98.3	2.6	2.1	50.7	3.9	76.8	38.5	58.1	3.5
Guinea	11 745	36.4	100.3	2.3	2.5	72.7	4.9	125.7	42.3	54.6	3.1
Guinea-Bissau	1 704	45.3	98.8	2.2	2.4	93.2	4.9	154.6	41.5	55.7	2.9
Kenya	44 354	24.8	99.6	2.7	2.7	51.0	4.4	76.0	42.2	55.1	2.7
Lesotho	2 074	29.0	97.4	0.8	1.1	59.3	3.0	80.7	36.4	59.4	4.2
Liberia	4 294	48.9	101.4	3.5	2.4	59.8	4.8	83.2	42.9	54.1	3.0
Libya	6 202	78.1	100.0	1.6	0.8	13.5	2.4	15.9	29.4	65.8	4.8
Madagascar	22 925	33.8	99.3	2.9	2.8	35.8	4.5	53.0	42.4	54.8	2.8
Malawi	16 363	16.0	100.5	2.9	2.8	85.1	5.4	116.8	45.3	51.5	3.2
Mali	15 302	36.2	101.6	3.2	3.0	85.8	6.8	162.7	47.4	49.8	2.8

Table 13. **Demographic indicators** (cont.)

	Total population (thousands)	Urban population (% of total)	Sex ratio (males per 100 females)	Population growth rate (%)		Infant mortality rate (per 1 000)	Total fertility rate (per woman)	Mortality under age 5 (per 1 000)	Distribution by age (%)		
									0-14	15-64	65+
	2013	2013	2013	2006	2013	2013	2013	2013	2013		
Mauritania	3 890	42.0	101.4	2.9	2.4	71.4	4.7	106.7	40.1	56.7	3.2
Mauritius*	1 244	41.8	97.4	0.3	0.4	11.3	1.5	12.9	19.7	71.5	8.7
Morocco	33 008	57.8	97.5	0.9	1.5	25.8	2.7	31.4	27.9	67.2	5.0
Mozambique	25 834	31.7	95.7	2.7	2.5	73.3	5.2	113.9	45.4	51.3	3.3
Namibia	2 303	39.5	94.4	1.3	1.9	32.9	3.1	41.2	36.0	60.4	3.5
Niger	17 831	18.3	101.6	3.7	3.9	52.5	7.6	123.8	50.1	47.3	2.6
Nigeria	173 615	50.9	103.6	2.6	2.8	75.1	6.0	120.1	44.4	52.9	2.7
Rwanda	11 777	19.7	95.4	2.4	2.7	48.4	4.5	71.3	42.9	54.7	2.4
São Tomé and Príncipe	193	64.1	97.6	2.7	2.6	43.2	4.1	62.0	41.6	55.0	3.4
Senegal	14 133	43.1	96.3	2.7	2.9	48.8	4.9	73.4	43.5	53.5	3.0
Seychelles	93	54.4	103.7	1.3	0.5	8.0	2.2	10.1	22.1	70.1	7.7
Sierra Leone	6 092	40.0	98.6	3.1	1.9	115.7	4.7	184.8	41.6	55.8	2.7
Somalia	10 496	38.7	99.0	2.6	2.9	78.6	6.6	129.7	47.2	50.0	2.8
South Africa	52 776	62.9	94.3	1.4	0.7	38.1	2.4	50.5	29.5	65.0	5.5
South Sudan	11 296	18.4	100.1	4.1	4.1	76.8	4.9	120.7	42.1	54.4	3.5
Sudan	37 964	33.5	100.7	2.5	2.0	54.6	4.4	85.3	41.2	55.6	3.2
Swaziland	1 250	21.2	97.4	1.2	1.5	64.0	3.3	91.1	37.8	58.7	3.5
Tanzania	49 253	27.6	100.0	2.8	3.0	48.0	5.2	70.7	44.9	51.9	3.2
Togo	6 817	39.0	97.3	2.6	2.6	65.8	4.6	102.2	41.8	55.4	2.8
Tunisia	10 997	66.7	98.3	1.1	1.1	15.1	2.0	16.6	23.2	69.6	7.2
Uganda	37 579	16.4	100.5	3.4	3.3	56.2	5.9	84.6	48.4	49.2	2.4
Zambia	14 539	40.0	99.5	2.7	3.2	64.4	5.7	99.8	46.6	50.8	2.6
Zimbabwe	14 150	39.6	97.5	0.1	3.1	36.9	3.5	52.0	39.5	56.7	3.9
AFRICA	**1 108 966**	**40.2**	**100.0**	**2.4**	**2.5**	**61.9**	**4.6**	**97.4**	**40.9**	**55.6**	**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*.

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	6.8	23.6	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	2003	47.3	75.3	2003	38.6	3.0	31.2
Botswana	2003	44.8	19.4	30.6	1994	31.2	49.4	1994	61.0	1.3	51.2
Burkina Faso	2009	52.8	25.2	46.7	2009	44.6	72.6	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	2002	21.0	40.9	2002	50.5	1.9	40.6
Cameroon	2007	55.0	12.2	39.9	2007	9.6	30.4	2007	38.9	2.9	30.4
Central African Rep.	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	2003	61.9	83.3	2003	39.8	2.6	30.8
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	2005	54.1	74.4	2005	47.3	2.1	37.1
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	23.8	46.3	2008	41.5	2.2	31.8
Djibouti	...	...	...	...	...	...	...	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	...	...	...	...	...	...	...	...	...	...	...
Eritrea	...	...	...	...	...	...	...	...	...	...	...
Ethiopia	2011	30.4	25.7	29.6	2011	30.7	66.0	2011	33.6	3.2	27.5
Gabon	2005	44.6	29.8	32.7	2005	4.8	19.6	2005	41.5	2.6	33.0
Gambia	2010	73.9	32.7	48.4	2003	33.6	55.9	2003	47.3	2.0	36.9
Ghana	2006	39.2	10.8	28.5	2006	28.6	51.8	2006	42.8	2.0	32.8
Guinea	2012	64.7	35.4	55.2	2007	43.3	69.6	2007	39.4	2.7	30.3
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	2003	60.5	41.5	56.6	2003	43.4	62.3	2003	52.5	1.0	39.4
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	81.3	92.6	2010	44.1	2.2	34.7
Malawi	2010	56.6	17.3	50.7	2010	61.6	82.3	2010	43.9	2.3	34.9
Mali	2010	50.6	18.9	43.6	2010	50.4	78.7	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	...	...	...	...	...	...	...	...	...	...	...
Morocco	2007	14.5	4.8	9.0	2007	2.5	14.0	2007	40.9	2.7	33.2
Mozambique	2009	56.9	49.6	54.7	2008	59.6	81.8	2008	45.7	1.9	36.7
Namibia	2009	37.4	14.6	28.7	2004	31.9	51.1	2004	63.9	1.4	54.8
Niger	2007	63.9	36.7	59.5	2008	43.6	75.2	2008	34.6	3.6	28.5
Nigeria	2010	52.8	34.1	46.0	2010	68.0	84.5	2010	48.8	1.8	38.2
Rwanda	2011	48.7	22.1	44.9	2011	63.2	82.4	2011	50.8	2.1	43.2
São Tomé and Príncipe	2009	59.4	63.8	61.7	2001	28.2	54.2	2001	50.8	2.2	43.6
Senegal	2011	57.1	33.1	46.7	2011	29.6	55.2	2011	40.3	2.5	31.1
Seychelles	2006	...	...	13.4	2007	0.3	1.8	2007	65.8	1.6	60.2
Sierra Leone	2011	66.1	31.2	52.9	2011	51.7	79.6	2011	35.4	3.4	28.7
Somalia	...	...	...	...	...	...	...	...	...	...	...
South Africa	2006	...	...	23.0	2009	13.8	31.3	2009	63.1	1.2	51.7
South Sudan	...	...	...	...	...	...	...	...	...	...	...
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	40.6	60.4	2010	51.5	1.7	40.1
Tanzania	2012	33.3	15.5	28.2	2007	67.9	87.9	2007	37.6	2.8	29.6
Togo	2011	73.4	34.6	58.7	2011	28.2	52.7	2011	39.3	2.4	29.4
Tunisia	2010	...	...	15.5	2010	1.1	4.3	2010	36.1	2.6	27.6
Uganda	2009	27.2	9.1	24.5	2009	38.0	64.7	2009	44.3	2.4	36.1
Zambia	2010	77.9	27.5	60.5	2010	74.5	86.6	2010	57.5	1.5	47.4
Zimbabwe	2011	42.8	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
	2005	2012	2005	2012	2005	2012	2005	2010	2011			2011		
Algeria	7.57	8.32	40.23	97.95	5.84	15.23	31 129	42 988	84	85	79	95	98	88
Angola	0.58	1.46	9.74	47.07	1.14	16.94	2 492	4 993	53	66	35	59	86	19
Benin	0.93	1.56	7.29	83.65	1.27	3.80	702	1 085	76	85	69	14	25	5
Botswana	7.27	8.01	30.06	153.79	3.26	11.50	2 731	3 442	97	99	93	64	78	42
Burkina Faso	0.68	0.86	4.72	60.61	0.47	3.73	620	905	80	96	74	18	50	6
Burundi	0.36	0.18	1.97	22.81	0.54	1.22	167	231	74	82	73	50	45	51
Cabo Verde	14.96	14.20	17.07	86.03	6.07	34.74	228	309	89	91	86	63	74	45
Cameroon	0.55	3.40	12.42	60.41	1.40	5.70	4 004	5 443	74	95	52	48	58	36
Central African Rep.	0.25	0.02	2.52	25.26	0.27	3.00	133	158	67	92	51	34	43	28
Chad	0.13	0.16	2.10	35.36	0.40	2.10	118	182	50	71	44	12	31	6
Comoros	2.82	3.34	2.58	39.51	2.00	5.98	46	41	...		97	...		
Congo	0.45	0.34	15.76	98.76	1.46	6.11	770	966	72	95	32	18	19	15
Congo, Dem. Rep.	0.02	0.09	5.08	30.58	0.24	1.68	5 715	7 115	46	80	29	31	29	31
Côte d'Ivoire	1.49	1.39	13.51	91.23	1.04	2.38	4 110	5 482	80	91	68	24	36	11
Djibouti	1.36	2.32	5.67	24.72	0.95	8.27	188	270	92	100	67	61	73	22
Egypt	14.48	10.60	18.99	119.92	12.75	44.07	107 689	144 099	99	100	99	95	97	93
Equatorial Guinea	1.66	2.02	16.05	68.05	1.15	13.94	90	100	...			...		
Eritrea	0.78	0.98	0.83	4.98	...	0.80	272	296	...			...		4
Ethiopia	0.80	0.87	0.54	22.37	0.22	1.48	2 619	4 315	49	97	39	21	27	19
Gabon	2.84	1.04	53.40	179.47	4.89	8.62	1 493	1 755	88	95	41	33	33	30
Gambia	3.06	3.58	17.23	85.20	3.80	12.45	198	239	89	92	85	68	70	65
Ghana	1.50	1.12	13.44	100.99	1.83	17.11	6 935	9 232	86	92	80	13	19	8
Guinea	0.26	0.16	1.97	41.75	0.54	1.49	901	785	74	90	65	18	32	11
Guinea-Bissau	0.68	0.30	6.95	63.07	1.90	2.89	26	32	72	94	54	19	33	8
Kenya	0.80	0.58	12.89	71.17	3.10	32.10	6 724	6 840	61	83	54	29	31	29
Lesotho	2.49	2.47	12.97	75.30	2.58	4.59	478	896	78	91	73	26	32	24
Liberia	..	0.00	4.89	57.12	...	3.79	323	333	74	89	60	18	30	7
Libya	15.23	13.23	35.75	155.77	3.92	...	21 714	27 793	...			97	97	96
Madagascar	0.50	1.09	2.79	39.38	0.57	2.05	1 114	1 340	48	78	34	14	19	11
Malawi	0.79	1.43	3.26	29.21	0.38	4.35	1 527	2 000	84	95	82	53	50	53

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
	2005	2012	2005	2012	2005	2012	2005	2010	2011			2011		
Mali	0.64	0.75	6.38	98.38	0.51	2.17	467	510	65	89	53	22	35	14
Mauritania	1.30	1.71	23.70	106.00	0.67	5.37	605	942	50	52	48	27	51	9
Mauritius*	29.48	28.16	54.16	119.87	15.17	41.39	2 224	2 650	100	100	100	91	92	90
Morocco	4.45	10.08	41.14	119.97	15.08	55.00	20 014	26 750	82	98	61	70	83	52
Mozambique	0.31	0.35	7.16	36.24	0.85	4.85	10 714	11 742	47	78	33	19	41	9
Namibia	6.86	7.58	22.14	95.02	4.01	12.94	3 257	3 743	93	99	90	32	57	17
Niger	0.18	0.59	2.46	31.45	0.22	1.41	534	798	50	100	39	10	34	4
Nigeria	0.88	0.25	13.32	66.80	3.55	32.88	22 866	25 373	61	75	47	31	33	28
Rwanda	0.25	0.39	2.36	49.67	0.56	8.02	193	338	69	80	66	61	61	61
São Tomé and Príncipe	4.60	4.27	7.73	64.95	13.76	21.57	41	57	97	99	94	34	41	23
Senegal	2.37	2.48	15.35	83.57	4.79	19.20	2 110	2 552	73	93	59	51	68	39
Seychelles	24.58	22.69	67.52	147.80	25.41	47.08	224	295	96	96	96	97	97	97
Sierra Leone	0.54	0.30	..	36.96	0.22	1.30	81	169	57	84	40	13	22	7
Somalia	1.18	0.69	5.91	22.56	1.08	1.38	290	327	30	66	7	24	52	6
South Africa	9.80	7.69	70.40	130.56	7.49	41.00	233 858	253 720	91	99	79	74	84	57
South Sudan	..	0.00	..	21.22	...	...	...	...	57	63	55	9	16	7
Sudan	1.48	1.14	4.76	74.36	1.29	21.00	3 808	7 816	55	66	50	24	44	13
Swaziland	3.99	3.70	18.11	65.39	3.70	20.78	1 212	1 455	72	93	67	57	63	55
Tanzania	0.40	0.37	7.63	56.96	1.10	3.95	3 685	4 492	53	79	44	12	123	7
Togo	1.13	0.93	7.83	49.86	1.80	4.00	698	839	155	190	129	101	97	78
Tunisia	12.51	10.17	56.52	118.08	9.66	41.44	12 088	15 247	96	100	89	90	34	75
Uganda	0.30	0.87	4.58	45.00	1.74	14.69	1 812	2 053	75	91	72	35	24	35
Zambia	0.83	0.59	8.28	74.78	2.85	13.47	8 482	10 476	64	86	50	42	56	33
Zimbabwe	2.58	2.20	5.09	91.91	8.02	17.09	12 885	13 010	80	97	69	40	52	33
AFRICA	**3.04**	**2.61**	**15.32**	**68.17**	**3.67**	**18.56**	**547 403**	**659 015**	**68**	**87**	**56**	**40**	**56**	**31**

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	Nurses and midwives
	2013	2010-2015		2011	2009	2011						
Algeria	71.0	...	...	5	3 239	3.9	224.8	80.8	19.2	2007	121	195
Angola	51.9	51.7	52.8	27	2 079	3.5	186.3	61.5	38.5	2009	17	166
Benin	59.3	56.8	57.5	8	2 592	4.6	36.7	53.3	46.7	2008	6	77
Botswana	47.6	52.7	69.6	28	2 164	5.1	431.9	60.8	39.2	2006	34	284
Burkina Faso	56.3	56.0	57.7	26	2 647	6.5	37.2	50.3	49.7	2010	5	57
Burundi	54.1	51.1	53.6	73	1 604	8.7	23.4	32.6	67.4	2004	3	...
Cabo Verde	75.1	...	...	9	2 644	4.8	158.0	75.1	24.9	2010	30	45
Cameroon	55.1	52.5	56.1	16	2 457	5.2	68.2	31.1	68.9	2009	8	44
Central African Rep.	50.2	49.5	53.1	30	2 181	3.8	18.3	51.9	48.1	2009	5	26
Chad	51.2	50.1	52.1	33	2 074	4.3	35.2	27.1	72.9	2006	4	19
Comoros	60.9	...	...	70	2 139	5.3	42.5	57.8	42.2	2004	15	...
Congo	58.8	58.0	60.3	37	2 056	2.5	87.4	67.2	32.8	2007	10	82
Congo, Dem. Rep.	50.0	48.9	49.9	...	1 605	8.5	19.7	33.7	66.3	2004	11	...
Côte d'Ivoire	50.7	56.4	59.5	21	2 670	6.8	79.4	26.6	73.4	2008	14	48
Djibouti	61.8	58.5	59.3	20	2 419	7.9	105.2	68.1	31.9	2006	23	80
Egypt	71.2	...	...	5	3 349	4.9	136.6	40.5	59.5	2009	283	352
Equatorial Guinea	53.1	51.5	53.9	...	...	4.0	1236.1	66.2	33.8	...	...	...
Eritrea	62.9	62.2	62.7	65	1 640	2.6	13.9	48.8	51.2	...	...	...
Ethiopia	63.6	60.0	60.9	40	2 097	4.7	16.6	57.7	42.3	2008	3	25
Gabon	63.5	63.3	66.8	7	2 745	3.2	358.3	53.4	46.6	2004	29	...
Gambia	58.8	59.0	60.2	14	2 643	4.4	27.4	54.0	46.0	2008	11	87
Ghana	61.1	64.7	66.2	5	2 934	4.8	75.0	56.1	43.9	2009	9	105
Guinea	56.1	54.7	55.6	17	2 652	6.0	29.7	27.3	72.7	2005	10	4
Guinea-Bissau	54.3	48.8	49.9	9	2 476	6.3	37.2	26.8	73.2	2009	7	59
Kenya	61.7	58.0	62.7	30	2 092	4.5	36.2	39.6	60.4	2011	18	79
Lesotho	49.4	49.1	64.1	17	2 371	12.8	141.1	74.1	25.9	2003	5	...
Liberia	60.6	57.5	58.7	31	2 261	19.5	54.9	31.6	68.4	2008	1	27
Libya	75.3	...	...	5	3 157	4.4	397.9	68.8	31.2	...	...	...
Madagascar	64.7	...	...	33	2 117	4.1	19.0	63.1	36.9	2007	16	...
Malawi	55.3	55.1	63.2	23	2 318	8.4	30.9	73.4	26.6	2008	2	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	Nurses and midwives
	2013	2010-2015		2011	2009	2011						
Mali	55.0	52.1	53.5	8	2 624	6.8	44.6	45.4	54.6	2010	8	43
Mauritania	61.6	...	...	9	2 856	5.4	57.7	60.6	39.4	2009	13	67
Mauritius*	73.6	...	...	6	2 993	5.9	510.0	40.3	59.7	...	...	...
Morocco	70.9	...	...	6	3 264	6.0	185.9	34.3	65.7	2009	62	89
Mozambique	50.3	51.0	58.2	39	2 112	6.6	35.2	41.7	58.3	2004	3	34
Namibia	64.5	62.7	71.3	34	2 151	5.3	282.9	57.1	42.9	2007	37	278
Niger	58.4	...	...	13	2 489	5.3	20.1	55.1	44.9	2008	2	14
Nigeria	52.5	52.5	55.1	9	2 711	5.3	79.6	36.7	63.3	2008	40	161
Rwanda	64.1	55.8	57.5	29	2 188	10.8	62.7	56.7	43.3	2010	6	69
São Tomé and Príncipe	66.3	...	...	8	2 734	7.7	117.4	33.2	66.8	2004	49	...
Senegal	63.5	...	...	21	2 479	6.0	67.0	58.3	41.7	2008	6	42
Seychelles	73.2	...	...	9	2 426	3.8	438.6	92.1	7.9	2004	151	...
Sierra Leone	45.6	48.2	49.1	29	2 162	18.8	68.5	18.0	82.0	2010	2	17
Somalia	55.1	...	...	...	...	...	...	...	...	...	...	...
South Africa	56.9	53.8	65.8	5	3 017	8.5	689.3	47.7	52.3	2011	76	...
South Sudan	55.3	...	...	...	...	1.6	32.5	41.4	58.6	...	...	...
Sudan	62.1	...	...	39	2 326	8.4	103.5	28.4	71.6	2008	28	84
Swaziland	49.0	49.2	63.7	27	2 249	8.0	264.8	69.4	30.6	2009	17	160
Tanzania	61.5	59.3	63.7	39	2 137	7.3	37.3	39.5	60.5	2006	1	24
Togo	56.5	57.8	60.1	17	2 363	8.0	44.9	52.2	47.8	2008	5	27
Tunisia	75.9	...	...	5	3 314	6.2	266.6	55.1	44.9	2010	122	328
Uganda	59.2	54.7	59.0	35	2 260	9.5	42.4	26.3	73.7	2005	12	131
Zambia	58.1	49.6	57.7	47	1 879	6.1	87.2	59.8	40.2	2010	7	78
Zimbabwe	59.9	53.5	67.5	33	2 219	...	...	...	...	...	...	...
AFRICA	**59.2**	**54.2**	**57.9**	**21**	**2 481**	**5.9**	**109.8**	**46.9**	**53.1**	**...**	**...**	**...**

Note: * Including Agalega, Rodrigues and Saint Brandon.
** At average exchange rate.
Sources: AfDB Statistics Department, Life expectancy at birth and HIV/AIDS from the UN, world population prospects. Undernourishment prevalence and food availability: FAO, Food Security 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
	2007			2011			Survey year		2012	2011	2012	
Algeria	62	62	63	13	<0.1	<1	2011	4	21 880	112	95	95
Angola	45	44	47	230	2.1	12.0	2011	1 632 282	51 819	1 449	97	91
Benin	50	50	50	64	1.2	2.8	2011	422 968	3 966	426	72	85
Botswana	49	49	48	300	23.4	4.2	2011	0 432	6 161	8	94	96
Burkina Faso	43	42	43	120	1.1	6.8	2011	428 113	5 210	860	87	90
Burundi	43	42	43	80	1.3	5.8	2011	1 571 874	6 921	129	93	96
Cabo Verde	61	59	64	3	1	<0.2	2011	36	420	...	96	90
Cameroon	45	45	45	550	4.6	34.0	2007	313 083	24 802	504	82	85
Central African Rep.	42	43	42	130	4.6	10.0	...	...	8 084	679	49	47
Chad	40	40	40	210	3.1	12.0	2011	181 126	10 585	8 650	64	45
Comoros	56	55	58	0	0.1	<0.1	2011	24 856	120	3	85	86
Congo	48	48	49	83	3.3	4.6	2011	71 048	11 303	315	80	85
Congo, Dem. Rep.	45	44	46	...	...	...	2011	4 561 981	108 984	133 802	73	72
Côte d'Ivoire	47	45	48	360	3.0	23.0	2011	29 976	23 762	628	85	94
Djibouti	48	47	50	9	1.4	<1	2010	1 019	3 474	49	83	81
Egypt	60	59	62	10	<0.1	<1	...	...	8 453	26	93	93
Equatorial Guinea	46	45	46	20	4.7	<1	2011	22 466		...	51	33
Eritrea	55	54	56	23	0.6	1.4	2011	34 848	3 143	48	99	99
Ethiopia	50	49	51	790	1.4	54.0	2011	1 480 306	145 323	3 255	66	61
Gabon	52	50	53	46	5.0	2.5	2010	8 566	4 929	2	71	82
Gambia	51	50	53	14	1.5	<1	2011	261 967	2 333	...	95	98
Ghana	50	49	50	230	1.5	15.0	2011	1 041 260	14 753	120	88	92
Guinea	47	46	48	85	1.4	4.0	2011	95 574	11 407	11	58	59
Guinea-Bissau	42	40	43	24	2.5	<1	2011	71 982	1 939	...	69	80
Kenya	48	47	48	1 600	6	62.0	2011	1 002 805	92 987	2 395	93	83
Lesotho	40	38	41	320	23.3	14.0	...	...	10 776	172	85	83
Liberia	48	47	49	25	1.0	2.3	2011	1 915 762	8 093	279	80	77
Libya	64	63	66	...	...	...	...	...	1 549	...	98	98
Madagascar	52	51	53	34	0.3	2.6	2011	224 498	25 782	0	69	86
Malawi	44	43	44	910	10.0	44.0	2011	304 499	20 335	26	90	96

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
	2007			2011			Survey year		2012	2011	2012	
Mali	42	41	43	110	1.1	6.6	2011	307 035	5 446	24	59	74
Mauritania	51	49	52	24	1.1	1.5	2011	2 926	2 616	234	75	80
Mauritius	63	61	65	7	1.0	<1	...	...	128	2	99	98
Morocco	62	61	63	32	0.2	1.6	2011	1	28 635	982	99	99
Mozambique	42	42	42	1 400	11.3	74.0	2011	1 756 874	47 741	177	82	76
Namibia	52	52	53	190	13.4	5.2	2011	1 860	10 003	79	76	84
Niger	44	44	45	65	0.8	4.0	2011	780 876	10 989	771	73	74
Nigeria	42	42	42	3 400	3.7	210.0	2010	551 187	92 818	18 843	42	41
Rwanda	43	43	44	210	2.9	6.4	2011	208 858	6 091	31	97	98
São Tomé and Príncipe	53	52	54	<0.1	1	<0.1	2011	8 442	115	...	92	96
Senegal	51	50	52	53	0.7	1.6	2009	165 933	12 265	18	84	92
Seychelles	63	60	65	...	...	...	...	...	20	...	98	98
Sierra Leone	35	34	37	49	1.6	2.6	2011	638 859	13 074	1 865	80	84
Somalia	45	44	46	35	0.7	3.1	2011	3 351	11 975	17 298	46	42
South Africa	48	47	48	5 600	17.3	270.0	2011	9 866	323 664	92	79	68
South Sudan	...	...	...	150	3.1	11.0	2011	112 024	8 403	1 256	62	59
Sudan	50	50	50	69	0.4	5.6	2011	506 806	18 775	5 616	85	92
Swaziland	42	42	42	190	26.0	6.8	2011	0 549	7 165	0	88	95
Tanzania	45	45	45	1 600	5.8	84.0	2009	40	62 178	1 622	97	92
Togo	51	49	52	150	3.4	8.9	2011	519 450	2 843	187	72	84
Tunisia	66	65	67	2	0.1	<0.1	...	...	3 239	11	96	97
Uganda	42	41	44	1 400	7.2	62.0	2011	231 873	44 663	3 312	82	78
Zambia	40	39	40	970	12.5	31.0	...	...	40 726	13 234	83	78
Zimbabwe	39	40	38	1 200	14.9	58.0	2011	319 935	35 760	0	90	89
AFRICA	**47.1**	**46.5**	**47.7**	**23 189**	**4.6**	**1 170.9**	**2010**	**21 830 076**	**1 428 625**	**219 602**	**74**	**73**

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 2010. UNAIDS, 2010; malaria reported cases, tuberculosis new and relapse cases; measles incidence, vaccination coverage MCV and DTP3; WHO, Global Health Observatory Data Repository online Database February 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 2001-2013
	Total	Male	Female	Total	Male	Female	(% of GDP)
Algeria	72.6	81.3	63.9	91.8	94.4	89.1	4.3
Angola	70.4	82.6	58.6	73.0	80.1	66.1	3.5
Benin	28.7	40.6	18.4	42.4	54.9	30.8	5.3
Botswana	85.1	84.6	85.6	95.2	93.5	97.0	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	84.9	89.7	80.3	98.4	97.6	99.3	4.9
Cameroon	71.3	78.3	64.8	80.6	85.4	76.4	3.2
Central African Rep.	56.6	69.6	44.2	65.6	72.3	59.1	1.2
Chad	35.4	45.6	25.4	47.9	53.6	42.2	2.6
Comoros	75.5	80.5	70.6	86.0	86.1	85.9	7.6
Congo	...	...	...	...	...	...	6.2
Congo, Dem. Rep.	61.2	76.9	46.1	65.8	78.9	53.3	2.5
Côte d'Ivoire	56.9	65.6	47.6	67.5	72.3	62.7	4.6
Djibouti	...	...	...	...	...	...	8.4
Egypt	73.9	81.7	65.8	89.3	92.4	86.1	3.8
Equatorial Guinea	94.2	97.1	91.1	98.1	97.7	98.4	0.6
Eritrea	68.9	79.5	59.0	90.1	92.6	87.7	2.1
Ethiopia	39.0	49.1	28.9	55.0	63.0	47.0	4.7
Gabon	89.0	92.3	85.6	97.9	98.8	97.0	3.8
Gambia	51.1	60.9	41.9	68.1	72.6	63.6	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	55.3	68.9	42.1	73.2	79.3	67.1	...
Kenya	72.2	78.1	66.9	82.4	83.2	81.6	6.7
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	89.5	95.8	83.3	99.9	99.9	99.9	...
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	33.4	43.1	24.6	46.9	56.0	38.8	4.8

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 2001-2013
	Total	**Male**	**Female**	**Total**	**Male**	**Female**	**(% of GDP)**
Mauritania	58.6	65.3	52.0	69.0	71.6	66.2	3.7
Mauritius	88.8	91.1	86.7	96.8	95.8	97.8	3.5
Morocco	67.1	76.1	57.6	81.5	88.8	74.0	5.4
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	8.4
Niger	...	...	...	...	...	...	4.5
Nigeria	51.1	61.3	41.4	66.4	75.6	58.0	...
Rwanda	65.9	71.1	61.5	77.3	76.7	78.0	4.2
São Tomé and Príncipe	69.5	80.3	60.1	80.2	...	77.3	9.5
Senegal	49.7	61.8	38.7	65.0	...	56.2	5.6
Seychelles	91.8	91.4	92.3	99.1	98.8	99.4	3.6
Sierra Leone	43.3	54.7	32.6	61.0	70.5	52.1	2.9
Somalia	...	...	...	...	...	...	...
South Africa	93.0	93.9	92.2	98.8	98.4	99.2	6.0
South Sudan	...	...	...	...	...	...	...
Sudan	71.9	80.7	63.2	87.3	89.9	84.5	...
Swaziland	87.8	88.4	87.3	93.7	92.2	95.3	8.3
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	4.5
Tunisia	79.1	87.4	71.1	97.2	98.2	96.1	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	...	58.5	1.3
Zimbabwe	83.6	87.8	80.1	90.9	89.6	92.1	2.5
AFRICA	**62.7**	**71.5**	**54.3**	**74.1**	**79.7**	**69.3**	**4.9**

Sources : AfDB Statistics Department; UNESCO Institute for Statistics (UIS) Database January 2014; domestic authorities.

Table 19. School enrolment

	Primary school, 2006-2012							Secondary school, 2006-2012				Enrolment ratio in technical and vocational programmes 2006-2012		
	Gross enrolment ratio			Net enrolment ratio			Pupil / teacher	Gross enrolment ratio			Pupil / teacher			
	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	45.6	31.5	38.3	24.8	27.4	...	...	...
Benin	122.8	129.5	115.9	94.9	94.8	80.4	44.1	47.7	59.2	36.1	...	...	...	...
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	85.0	87.3	82.6	66.4	68.1	64.6	48.2	25.9	28.6	23.2	26.3	6%	2%	24%
Burundi	137.4	138.0	136.9	94.0	94.0	93.9	47.1	28.5	33.0	24.2	29.7	5%	2%	19%
Cabo Verde	112.0	116.9	107.0	97.2	98.7	95.6	23.0	92.7	84.7	100.9	16.8	...	...	...
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 Rep.	95.2	109.3	81.3	71.9	80.6	63.3	80.1	17.8	23.6	12.1	68.1	...	...	...
Chad	95.4	108.2	82.4	63.1	71.0	55.0	61.3	22.8	31.2	14.3	29.8	1%	0%	4%
Comoros	117.4	122.9	111.7	83.3	86.4	80.1	27.7	73.5	75.0	71.9	...	...	...	...
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	94.2	101.8	86.6	61.9	67.4	56.3	41.7	...	...	...	...	...	...	...
Djibouti	69.5	73.1	65.9	61.2	64.5	57.9	34.9	43.8	49.4	38.1	26.6	5%	1%	16%
Egypt	108.6	111.8	105.3	95.6	...	...	27.7	75.9	77.2	74.4	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	95.4	98.9	91.8	79.5	81.6	77.3	53.7	37.2	38.9	35.4	39.7	6%	...	54%
Gabon	164.9	167.3	162.4	...	...	...	24.5	...	...	...	...	...	...	...
Gambia	85.2	83.4	87.0	70.9	68.8	73.0	33.9	57.5	59.0	56.0	...	...	...	...
Ghana	109.9	113.4	106.3	81.8	83.0	80.5	33.0	58.2	61.3	54.9	17.8	4%	...	14%
Guinea	90.8	98.8	82.7	74.4	81.2	67.4	43.6	38.8	47.4	30.0	31.1	2%	0%	7%
Guinea-Bissau	116.2	120.2	112.3	69.8	71.4	68.2	51.9	34.5	...	...	37.3	2%	...	...
Kenya	111.9	113.1	110.6	81.8	81.3	82.2	46.8	60.1	63.2	57.1	29.7	1%	...	2%
Lesotho	111.0	112.4	109.6	81.6	80.1	83.2	34.1	51.7	43.4	60.2	24.9	2%	4%	3%
Liberia	102.4	106.8	97.8	40.6	41.7	39.5	26.8	45.2	49.5	40.6	...	...	...	...
Libya	114.4	116.6	112.0	...	...	...	...	104.3	96.0	113.0	...	...	...	...
Madagascar	145.2	146.1	144.2	...	...	...	43.1	38.0	38.9	37.1	27.6	4%	1%	14%

Table 19. **School enrolment** (cont.)

	Primary school, 2006-2012							Secondary school, 2006-2012				Enrolment ratio in technical and vocational programmes		
	Gross enrolment ratio			Net enrolment ratio			Pupil / teacher	Gross enrolment ratio			Pupil / teacher	2006-2012		
	Total	Male	Female	Total	Male	Female	Ratio	Total	Male	Female	Ratio	Total secondary	Lower secondary	Upper secondary
Malawi	141.3	138.7	143.9	96.9	89.6	96.0	74.1	34.2	36.1	32.4	41.5	...	...	...
Mali	88.5	93.8	82.9	68.7	73.0	64.3	48.5	50.6	58.3	42.6	24.7	12%	...	40%
Mauritania	96.7	94.2	99.2	69.6	67.1	72.1	40.1	26.8	29.0	24.5	26.6	3%	2%	5%
Mauritius	108.2	108.9	107.4	97.8	97.8	97.8	20.9	95.9	93.9	97.8	14.7	...	14%	...
Morocco	116.1	118.8	113.1	96.9	97.2	96.6	25.8	68.9	74.1	63.4	...	6%	2%	5%
Mozambique	105.1	110.3	99.9	86.2	88.6	83.9	54.8	25.9	27.4	24.4	33.1	6%	5%	7%
Namibia	109.5	111.2	107.7	87.7	86.4	89.0	40.7	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	81.4	85.0	77.6	56.2	58.7	53.7	36.0	43.8	46.4	41.2	33.1	4%	4%	5%
Rwanda	133.7	132.3	135.1	98.7	87.2	89.9	59.3	31.8	30.8	32.8	22.9	16%	...	45%
São Tomé and Príncipe	118.3	120.1	116.3	98.5	97.9	99.2	28.7	71.5	67.0	76.1	19.8	2%	...	11%
Senegal	83.8	80.6	87.0	73.3	70.6	76.1	31.7	41.0	42.9	39.1	27.4	6%	6%	5%
Seychelles	106.9	104.4	109.6	93.8	92.1	95.4	13.3	101.3	97.0	106.1	11.8	...	...	...
Sierra Leone	131.5	132.2	130.8	...	...	...	33.0	...	...	...	...	5%	1%	16%
Somalia	29.2	37.6	20.8	...	...	...	35.5	7.4	10.1	4.6	19.3	...	...	...
South Africa	101.6	104.3	98.9	85.0	85.6	84.4	29.5	101.9	100.3	103.5	25.0	...	...	...
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	...	...	...	...	...	...	38.4	...	...	...	22.2	2%	...	5%
Swaziland	115.0	121.2	108.8	84.7	83.6	85.9	29.3	59.9	60.8	59.1	16.4	...	...	...
Tanzania	93.0	91.5	94.5	97.6	97.8	97.3	45.6	35.0	37.3	32.6	26.4	...	...	...
Togo	132.8	138.2	127.4	90.4	95.6	85.3	41.7	54.9	57.5	30.4	26.2	8%	1%	25%
Tunisia	109.7	110.9	108.4	98.9	98.5	97.8	17.1	91.1	89.0	93.3	13.6	9%	1%	9%
Uganda	109.8	108.9	110.6	90.9	89.7	92.1	47.8	27.6	30.1	25.1	18.5	5%	2%	21%
Zambia	113.6	113.9	113.3	93.7	93.0	94.4	49.2	100.8	107.5	94.1	...	8%	...	20%
Zimbabwe	...	...	...	...	...	...	...	...	...	...	...	...	...	...
AFRICA	**101.7**	**105.4**	**97.9**	**79.5**	**79.7**	**76.0**	**38.5**	**50.0**	**53.1**	**46.7**	**21.8**	**...**	**...**	**...**

Sources: AfDB Statistics Department; UNESCO Institute for Statistics (UIS) Database, January 2014; various domestic authorities.

Table 20. Employment and remittances*

	ILO's latest estimates (a)	Unemployment rate*			Participation rate*		Inactivity rate age (15-64) 2012			Worker remittances (USD million)				
	Year	Total	Male	Female	Total (age >15) 2012	Total among youth (age 15-24) 2012	Total	Male	Female	2009	2010	2011	2012	2013(e)
Algeria	2012	10	8	19	44	29	56	28	85	2 059	2 044	1 942	1 942	1 982
Angola	2012	8	7	8	70	53	30	23	37	0.2	18.0	0.2	0.0	0
Benin	2012	1	1	1	73	57	27	22	33	126	139	139	139	157
Botswana	2012	18	15	21	77	59	23	19	28	15	22	20	16	18
Burkina Faso	2012	3	4	2	84	77	17	10	23	96	120	120	120	141
Burundi	2012	8	7	8	83	65	18	18	17	28	34	45	46	52
Cabo Verde	2012	8	7	8	67	60	33	17	49	137	131	177	167	173
Cameroon	2012	4	3	4	70	48	30	23	36	184	115	115	115	120
Central African Rep.	2012	8	7	8	79	62	21	15	28	..	..	..	..	0
Chad	2012	8	7	8	72	56	28	21	36	..	..	..	..	0
Comoros	2012	7	7	8	58	39	42	20	65	..	..	..	..	0
Congo	2012	7	7	7	71	45	29	27	32	..	..	..	..	0
Congo, Dem. Rep.	2012	7	7	8	72	45	28	27	29	..	..	..	..	0
Côte d'Ivoire	2012	4	5	3	67	51	33	19	48	315	373	373	373	408
Djibouti	2012	...	...	...	52	45	48	33	64	32	33	32	32	35
Egypt	2012	12	7	27	49	34	51	25	76	7 150	12 453	14 324	19 236	20 000
Equatorial Guinea	2012	8	7	8	87	76	13	8	19	..	..	..	..	0
Eritrea	2012	8	8	8	85	77	15	10	20	..	..	..	..	0
Ethiopia	2012	5	3	8	84	77	16	11	22	262	345	513	524	557
Gabon	2012	20	15	26	61	26	39	35	44	..	..	..	..	0
Gambia	2012	8	7	8	78	64	23	17	28	80	116	108	141	148
Ghana	2012	4	4	4	69	39	31	29	33	114	136	152	152	163
Guinea	2012	3	4	3	72	54	28	22	35	52	46	65	65	72
Guinea-Bissau	2012	8	7	8	73	55	27	22	32	49	46	46	46	49
Kenya	2012	9	8	11	67	40	33	28	38	631	686	934	1 227	1 308
Lesotho	2012	27	24	30	66	45	34	27	41	548	610	649	602	646
Liberia	2012	4	4	4	61	35	39	35	42	25	31	360	360	400
Libya	2012	9	6	16	53	37	47	24	70	..	..	..	..	0
Madagascar	2012	4	3	5	89	79	11	9	13	..	..	..	..	0
Malawi	2012	8	6	9	83	60	17	19	15	17	17	17	17	19
Mali	2012	8	6	11	66	58	34	19	49	454	473	473	473	530
Mauritania	2012	31	33	27	54	40	46	21	71	..	..	..	..	0

Table 20. Employment and remittances*

	ILO's latest estimates (a)	Unemployment rate*			Participation rate*		Inactivity rate age (15-64) 2012			Worker remittances (USD million)				
	Year	Total	Male	Female	Total (age >15) 2012	Total among youth (age 15-24) 2012	Total	Male	Female	2009	2010	2011	2012	2013(e)
Mauritius	2012 (b)	8	5	12	59	42	41	26	57	211	226	249	1	1
Morocco	2012 (b)	9	9	10	50	36	50	24	74	6 269	6 423	7 256	6 508	6 641
Mozambique	2012	8	7	8	84	66	16	17	14	111	132	157	164	176
Namibia	2012 (b)	17	15	19	59	31	42	37	46	13	15	15	15	17
Niger	2012	5	6	4	65	57	35	10	60	102	134	134	134	153
Nigeria	2012	8	8	7	56	38	44	37	52	18 368	19 818	20 619	20 633	21 000
Rwanda	2012	1	1	0	86	73	14	15	14	93	106	174	182	205
São Tomé and Príncipe	2012	...	...	...	61	41	39	23	55	2	6	7	6	7
Senegal	2012	10	8	13	77	66	24	12	34	1 350	1 478	1 478	1 478	1 562
Seychelles	2012	...	...	...	...	...	...	...	...	16	17	26	26	27
Sierra Leone	2012	3	5	2	67	44	33	31	34	36	44	59	59	66
Somalia	2012	8	7	8	56	45	44	24	63	..	..	..	..	0
South Africa	2012 (b)	25	23	28	52	26	48	40	56	862	1 070	1 158	1 085	1 143
South Sudan	2012	...	...	...	...	...	...	...	...					
Sudan	2012	15	13	20	54	35	47	24	69	2 135	1 100	442	401	1 023
Swaziland	2012	23	20	26	57	45	43	29	56	93	55	55	55	59
Tanzania	2012	4	3	5	89	81	11	10	12	40	55	78	67	73
Togo	2012	8	7	8	81	66	19	19	19	335	337	337	337	374
Tunisia	2012	13	12	14	48	31	53	29	75	1 964	2 063	2 004	2 266	2 306
Uganda	2012	4	4	5	78	59	22	21	24	781	771	816	733	981
Zambia	2012	13	15	11	79	67	21	14	27	41	44	46	73	80
Zimbabwe	2012	4	4	4	86	80	14	...	...	..	..	..	..	..
AFRICA										**45 198**	**51 884**	**55 718**	**60 018**	**62 870**

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 04/2014.

Table 21. **Corruption Perceptions Index (CPI)***

	2007		2008		2009		2010		2011		2012		2013	
	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	99	3.2	92	2.8	111	2.9	105	2.9	112	3.4	105	3.6	94
Angola	2.2	147	1.9	158	1.9	162	1.9	168	2.0	168	2.2	157	2.3	153
Benin	2.7	118	3.1	96	2.9	106	2.8	110	3.0	100	3.6	94	3.6	94
Botswana	5.4	38	5.8	36	5.6	37	5.8	33	6.1	32	6.5	30	6.4	30
Burkina Faso	2.9	105	3.5	80	3.6	79	3.1	98	3.0	100	3.8	83	3.8	83
Burundi	2.5	131	1.9	158	1.8	168	1.8	170	1.9	172	1.9	165	2.1	157
Cabo Verde	4.9	49	5.1	47	5.1	46	5.1	45	5.5	41	6.0	39	5.8	41
Cameroon	2.4	138	2.3	141	2.2	146	2.2	146	2.5	134	2.6	144	2.5	144
Central African Rep.	2	162	2	151	2	158	2.1	154	2.2	154	2.6	144	2.5	144
Chad	1.8	172	1.6	173	1.6	175	1.7	171	2.0	168	1.9	165	1.9	163
Comoros	2.6	123	2.5	134	2.3	143	2.1	154	2.4	143	2.8	133	2.8	127
Congo	2.1	150	1.9	158	1.9	162	2.1	154	2.2	154	2.6	144	2.2	154
Congo, Dem. Rep.	1.9	168	1.7	171	1.9	162	2.2	146	2.0	168	2.1	160	2.2	154
Côte d'Ivoire	2.1	150	...	...	2.1	154	2	164	2.2	154	2.9	130	2.7	136
Djibouti	2.9	105	3	102	2.8	111	3.2	91	3.0	100	3.6	94	3.6	94
Egypt	2.9	105	2.6	115	2.8	111	3.1	98	2.9	112	3.2	118	3.2	114
Equatorial Guinea	1.9	168	1.7	171	1.8	168	1.9	168	1.9	172	2.0	163	1.9	163
Eritrea	2.8	111	2.6	126	2.6	126	2.6	123	2.5	134	2.5	150	2.0	160
Ethiopia	2.4	138	2.6	126	2.7	120	2.7	116	2.7	120	3.3	113	3.3	111
Gabon	3.3	84	3.1	96	2.9	106	2.8	110	3.0	100	3.5	102	3.4	106
Gambia	2.3	143	1.9	158	2.9	106	3.2	91	3.5	75	3.4	105	2.8	127
Ghana	3.7	69	3.9	67	3.9	69	4.1	62	3.9	69	4.5	64	4.6	63
Guinea	1.9	168	1.6	173	1.8	168	2	164	2.1	164	2.4	154	2.4	150
Guinea-Bissau	2.2	147	1.9	158	1.9	162	2.1	154	2.2	154	2.5	150	1.9	163
Kenya	2.1	150	2.1	147	2.2	146	2.1	154	2.2	154	2.7	139	2.7	136
Lesotho	3.3	84	3.2	92	3.3	89	3.5	78	3.5	75	4.5	64	4.9	55
Liberia	2.1	150	2.4	138	3.1	97	3.3	87	3.2	91	4.1	75	3.8	83
Libya	2.5	131	2.6	126	2.5	130	2.2	146	2.0	168	2.1	160	1.5	172
Madagascar	3.2	94	3.4	85	3	99	2.6	123	3.0	100	3.2	118	2.8	127
Malawi	2.7	118	2.8	115	3.3	89	3.4	85	3.0	100	3.7	88	3.7	91
Mali	2.7	118	3.1	96	2.8	111	2.7	116	2.8	118	3.4	105	2.8	127
Mauritania	2.6	123	2.8	115	2.5	130	2.3	143	2.4	143	3.1	123	3.0	119

Table 21. **Corruption Perceptions Index (CPI)***(cont.)

	2007		2008		2009		2010		2011		2012		2013	
	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	4.7	53	5.5	41	5.4	42	5.4	39	5.1	46	5.7	43	5.2	52
Morocco	3.5	72	3.5	80	3.3	89	3.4	85	3.4	80	3.7	88	3.7	91
Mozambique	2.8	111	2.6	126	2.5	130	2.7	116	2.7	120	3.1	123	3.0	119
Namibia	4.5	57	4.5	61	4.5	56	4.4	56	4.4	57	4.8	58	4.8	57
Niger	2.6	123	2.8	115	2.9	106	2.6	123	2.5	134	3.3	113	3.4	106
Nigeria	2.2	147	2.7	121	2.5	130	2.4	134	2.4	143	2.7	139	2.5	144
Rwanda	2.8	111	3	102	3.3	89	4	66	5.0	49	5.3	50	5.3	49
São Tomé and Príncipe	2.7	118	2.7	121	2.8	111	3	101	3.0	100	4.2	72	4.2	72
Senegal	3.6	71	3.4	85	3	99	2.9	105	2.9	112	3.6	94	4.1	77
Seychelles	4.5	57	4.8	55	4.8	54	4.8	49	4.8	50	5.2	51	5.4	47
Sierra Leone	2.1	150	1.9	158	2.2	146	2.4	134	2.5	134	3.1	123	3.0	119
Somalia	1.4	179	1	180	1.1	180	1.1	178	1.0	182	0.8	174	0.8	175
South Africa	5.1	43	4.9	54	4.7	55	4.5	54	4.1	64	4.3	69	4.2	72
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	1.1	174
Sudan	1.8	172	1.6	173	1.5	176	1.6	172	1.6	177	1.3	173	1.4	173
Swaziland	3.3	84	3.6	72	3.6	79	3.2	91	3.1	95	3.7	88	3.9	82
Tanzania	3.2	94	3	102	2.6	126	2.7	116	3.0	100	3.5	102	3.3	111
Togo	2.3	143	2.7	121	2.8	111	2.4	134	2.4	143	3.0	128	2.9	123
Tunisia	4.2	61	4.4	62	4.2	65	4.3	59	3.8	73	4.1	75	4.1	77
Uganda	2.8	111	2.6	126	2.5	130	2.5	127	2.4	143	2.9	130	2.6	140
Zambia	2.6	123	2.8	115	3	99	3	101	3.2	91	3.7	88	3.8	83
Zimbabwe	2.1	150	1.8	166	2.2	146	2.4	134	2.2	154	2.0	163	2.1	157

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: 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
Algeria	4.0	2.3	6.7	1.4	0.0	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
Angola	…	…	…	…	…	…	…	…	1.5	0.0	1.0	0.0	0.0	0.3	0.0	2.5	1.8	1.5
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
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
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
Burundi	…	…	…	…	…	…	…	…	…	…	2.3	11.8	0.0	4.8	3.8	5.3	0.3	1.0
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
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
Central African Rep.	…	…	…	…	…	…	…	…	…	…	12.8	3.5	1.8	1.8	3.3	1.5	1.3	2.5
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
Comoros	…	…	…	…	…	…	…	…	…	…	0.5	1.0	1.8	1.8	0.0	0.5	1.3	0.3
Congo	…	…	…	…	…	…	…	…	1.5	0.0	0.3	0.0	0.0	0.8	0.0	0.0	0.5	1.0
Congo, Dem. Rep.	…	…	…	…	…	…	…	…	2.0	2.8	7.3	4.8	1.8	6.0	1.8	2.3	3.3	1.5
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
Djibouti	…	…	…	…	…	…	…	…	…	…	0.0	0.8	0.0	0.0	0.0	0.8	0.0	1.0
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
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
Eritrea	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	0.0	0.0	0.3
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
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
Gambia	…	…	…	…	…	…	…	…	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
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
Guinea	…	…	…	…	…	…	…	…	…	…	3.8	11.8	0.8	3.5	3.0	3.5	4.0	6.8
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
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
Lesotho	…	…	…	…	…	…	…	…	…	…	0.0	0.8	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
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
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
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
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
Mauritania	…	…	…	…	…	…	…	…	…	…	1.8	0.5	5.3	2.3	0.3	10.8	11.8	3.5
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
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

Table 22. **Public protest** (cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
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
Niger	...	...	...	...	...	...	...	...	1.3	1.5	6.0	1.8	1.0	7.3	0.0	1.0	0.5	4.0
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
Rwanda	...	...	...	...	...	...	...	...	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.3
São Tomé and Príncipe	...	...	...	...	...	...	...	...	...	...	0.8	2.3	0.0	0.5	0.0	0.3	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
Seychelles	...	...	...	...	...	...	...	...	...	...	0.3	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
Somalia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	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
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0.3	0.3	0.0
Sudan	...	...	...	...	...	...	...	...	...	...	2.0	0.5	1.0	1.3	1.3	6.0	7.3	4.5
Swaziland	...	...	...	...	...	...	...	...	...	...	0.0	1.8	0.0	0.0	0.0	2.5	2.0	0.0
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
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
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
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
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
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

Note: The change in the source might affect the comparability of 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 2006-13).

Table 23. **Public violence**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
Angola	...	...	...	...	...	...	...	...	13.5	0.8	0.3	0.0	0.3	0.5	1.3	1.3	1.3	0.5
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
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
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
Burundi	...	...	...	...	...	...	...	...	...	...	6.3	2.8	2.3	4.3	3.0	6.0	2.3	1.8
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
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
Central African Rep.	...	...	...	...	...	...	...	...	...	...	6.0	2.8	2.5	7.3	9.0	4.5	8.3	18.5
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
Comoros	...	...	...	...	...	...	...	...	...	...	0.0	1.5	0.8	0.0	0.0	0.5	0.0	0.0
Congo	...	...	...	...	...	...	...	...	0.0	0.5	0.0	0.5	0.0	1.0	0.0	0.0	1.0	0.3
Congo, Dem. Rep.	...	...	...	...	...	...	...	...	4.5	4.5	12.0	17.3	10.3	18.8	11.5	4.8	12.0	13.8
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
Djibouti	...	...	...	...	...	...	...	...	...	...	0.0	0.0	0.8	0.5	0.0	0.5	0.0	0.3
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
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
Eritrea	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	1.5	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
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
Gambia	...	...	...	...	...	...	...	...	...	...	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
Guinea	...	...	...	...	...	...	...	...	...	...	0.0	0.5	1.3	0.3	2.0	3.3	2.5	8.0
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
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
Lesotho	...	...	...	...	...	...	...	...	...	...	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Liberia	...	...	...	...	...	...	...	...	...	...	2.5	0.3	0.8	0.8	0.5	0.3	0.8	0.0
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
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
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
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
Mauritania	...	...	...	...	...	...	...	...	...	...	0.0	1.3	1.5	1.3	0.8	2.5	2.5	0.5
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
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

Table 23. **Public violence** (cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
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
Niger	...	...	...	...	...	...	...	...	1.0	0.3	0.3	7.3	5.5	2.8	0.3	3.3	0.5	2.3
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
Rwanda	...	...	...	...	...	...	...	...	0.0	0.0	0.0	0.3	0.5	0.8	1.0	1.5	5.0	2.0
São Tomé and Príncipe	...	...	...	...	...	...	...	...	...	...	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
Seychelles	...	...	...	...	...	...	...	...	...	...	0.0	0.0	0.0	0.3	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
Somalia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	20.3
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
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	16.0	8.3	8.0
Sudan	...	...	...	...	...	...	...	...	...	...	8.8	9.5	9.5	24.0	18.3	17.5	15.0	18.5
Swaziland	...	...	...	...	...	...	...	...	...	...	0.5	0.0	0.0	0.5	0.0	0.5	0.3	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
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
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
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
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
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

Note: The change in the source might affect the comparability of 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 2006-13).

Table 24. Political hardening

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
Angola	...	...	...	...	...	...	...	...	1.4	0.1	0.5	0.2	0.8	0.4	0.7	2.9	1.1	2.1
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
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
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
Burundi	...	...	...	...	...	...	...	...	...	...	3.6	1.4	1.2	1.8	2.5	1.9	0.8	1.6
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
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
Central African Rep.	...	...	...	...	...	...	...	...	...	...	4.2	0.8	0.5	1.7	1.9	0.8	1.5	0.4
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
Comoros	...	...	...	...	...	...	...	...	...	...	0.4	0.9	0.6	0.4	0.0	0.0	0.8	0.2
Congo	...	...	...	...	...	...	...	...	0.3	0.3	0.5	0.4	0.2	0.9	0.3	1.1	0.5	0.4
Congo, Dem. Rep.	...	...	...	...	...	...	...	...	6.9	8.1	10.5	8.9	4.0	4.7	5.0	1.7	1.1	2.5
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
Djibouti	...	...	...	...	...	...	...	...	...	...	0.2	0.1	0.6	0.0	0.1	0.6	0.1	0.7
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
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
Eritrea	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	0.3	0.0	0.5
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
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
Gambia	...	...	...	...	...	...	...	...	...	...	1.4	0.3	0.9	2.1	0.2	0.1	0.2	1.1
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
Guinea	...	...	...	...	...	...	...	...	...	...	1.7	3.0	2.8	5.4	1.6	3.4	1.9	1.5
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
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
Lesotho	...	...	...	...	...	...	...	...	...	...	0.1	0.3	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
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
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
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
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
Mauritania	...	...	...	...	...	...	...	...	...	...	1.3	1.1	9.0	1.3	0.6	1.9	1.5	0.7
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
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

Table 24. **Political hardening** (cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
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
Niger	...	...	...	...	...	...	...	...	0.4	0.8	1.3	1.4	2.2	3.9	0.7	0.5	0.0	0.3
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
Rwanda	...	...	...	...	...	...	...	...	1.1	0.1	0.1	0.1	0.2	0.2	0.6	0.7	0.6	0.1
São Tomé and Príncipe	...	...	...	...	...	...	...	...	...	...	0.1	0.3	0.1	0.7	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
Seychelles	...	...	...	...	...	...	...	...	...	...	0.4	0.0	0.0	0.4	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
Somalia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	1.2
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
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.5	1.3	0.9
Sudan	...	...	...	...	...	...	...	...	...	...	3.5	3.6	7.6	5.0	6.2	7.9	7.3	2.0
Swaziland	...	...	...	...	...	...	...	...	...	...	0.3	0.3	0.9	0.2	0.0	1.2	1.1	0.3
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
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
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
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
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
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

Note: The change in the source might affect the comparability of 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 2006-13).

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OECD PUBLISHING, 2, rue André Pascal, 75775 PARIS CEDEX
(412014011P1) ISBN 978-92-64-20940-4

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ISBN 978-92-64-20940-4
412014011P1