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African Economic Outlook 2012

SPECIAL THEME:

Promoting Youth Employment

AFRICAN DEVELOPMENT BANK GROUP

OECD DEVELOPMENT CENTRE

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Empowered lives. Resilient nations.

Economic Commission for Africa

African Economic Outlook 2012

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AFRICAN DEVELOPMENT BANK

DEVELOPMENT CENTRE OF THE ORGANISATION
FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

UNITED NATIONS DEVELOPMENT PROGRAMME

UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA

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Foreword

This 11th edition of the African Economic Outlook (AEO) is marked by a "twin-track" performance: while the North African region gradually recovers from the political events that affected several countries, sub-Saharan Africa is growing strongly. The continent is well placed to press ahead with structural reforms and lay the groundwork for strong and sustainable growth in the medium term.

In 2011, Africa continued to recover from the adverse effects of the global crisis and remained amongst the fastest growing regions of the world. After a strong rebound of 5% in 2010, GDP grew by 3.4% in 2011. The latter displays important regional differences in performance. North Africa, for example, grew by only 0.5% as economies settled down after the political changes. Sub-Saharan African economies grew by more than 5%, although the figure is much higher when South Africa, which grew at 3.1%, is excluded. In spite of higher food and fuel prices, inflation was contained to single digits in all regions of the continent except East Africa, where it reached 17%.

Looking ahead, the economic outlook for Africa remains optimistic: growth is projected to rebound to 4.5% in 2012 and 4.8% in 2013. Natural resource-rich economies are expected to do better than more mature emerging economies. Nevertheless, both external and domestic risks are looming: the continued economic crisis in the euro area may reduce demand for African exports, while lowering external resource inflows further, including remittances; political strife in some countries with potential for spill-overs to neighbours could constrain overall growth; and severe weather could reduce agricultural production and threaten food security, especially in the Sahel region, which is affected by recurrent droughts.

Among the mid-term challenges that require resolute action from African policymakers, this year's AEO focuses on youth employment. Creating productive employment for Africa's rapidly growing young population is an immense challenge, but also the key to future prosperity. The last decade of high growth created many jobs, but not enough. In poor countries most young people work but do not earn a decent living. In middle-income countries, many more are unemployed or discouraged, in spite of higher education levels. African countries must address bottlenecks to employment growth, while helping young people obtain the skills needed to succeed in a competitive job market. On both fronts innovations are possible. Given the small size of the formal sector in most countries, governments must promote job creation in the informal sector and in rural areas as well. Mismatches between the skills demanded by firms and the education acquired by young people require closer links between education systems and employers, and better information for students.

An important feature of this edition is that it includes, for the first time, Eritrea and the new state of South Sudan, thus covering all African countries with the exception of Somalia. The depth and breadth of the Outlook have been strengthened as a result.

With policies to reduce barriers to growth and to make it more inclusive, Africa has a good chance of further boosting its economic potential and promoting social cohesion. A growing young population would yield a "demographic dividend", rather than posing a social challenge. We are committed to supporting the African countries to develop and implement better policies for better lives for Africa.

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President, African Development Bank Group, Tunis	Secretary-General, Organisation for Economic Co-operation and Development, Paris	Administrator, United Nations Development Programme, New York	Executive Secretary, United Nations Economic Commission for Africa, Addis Ababa

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Executive Summary

Macroeconomic prospects

After an initial rebound from the 2009 world economic crisis, Africa's economy was undermined last year by the Arab uprisings. The continent's growth fell back from 5% in 2010 to 3.4% in 2011.

With the recovery of North African economies and sustained improvement in other regions, growth across the continent is expected to accelerate to 4.5% in 2012 and 4.8% in 2013. Short-term problems for the world economy remain as Europe confronts its debt crisis. Commodity prices — crucial for Africa — have declined from their peak due to weaker demand and increased supply, and some could fall further. But prices are expected to remain at levels favourable for African exporters.

Rising food and fuel prices caused Africa's median inflation rate to increase from 5.8% in 2010 to 7.9% in 2011. This rate is expected to gradually ease in 2012 and 2013. Some countries tightened monetary policies in 2011 to contain inflation. Others worried more about weak growth and refrained from raising interest rates.

Future monetary policy will be dictated by whether there is a bigger worry about inflation or the risk of a new global downturn.

Restoring sound public finances remains a priority in countries where fiscal deficits are relatively high, especially those who rely on oil imports. In resource-rich countries, fiscal prudence can be achieved through medium-term planning based on conservative assumptions about future commodity prices and by putting additional cash into sovereign wealth funds to prepare for falling resource prices.

If Europe's debt crisis worsens, it could affect Africa through lower earnings from exports of goods, services and tourism. There could also be reduced official development assistance, foreign direct investment and of remittances from migrant workers. In addition, the debt crisis could have a contagious effect on African banks.

The fallout on trade appears to be the biggest risk. The overall effect on Africa would depend on the depth and duration of the crisis in Europe and how much it touches the rest of the global economy.

Within Africa, much attention will be given to Tunisia, Egypt and Libya. After their uprisings, the new governments must establish political stability and improve economic and social conditions. There are also worries about the new state of South Sudan and its relations with Sudan. Several other African countries face social discontent and regional tensions. Drought and floods have also affected agricultural production and food security for many countries, especially in the Sahel region. African policy makers and the international community must be aware of these global and domestic risks.

Overall, the 2012 African Economic Outlook presents an optimistic scenario for the continent. Africa's impressive growth for more than a decade and its resilience to the deep global recession support such optimism.

External financial flows and tax receipts in Africa

External resources flowing to Africa peaked in 2011 following a decade of sound macroeconomic policies and sustained average annual growth of over 5%. The strong recovery of foreign investment, with the exception of Northern African countries, spurred external flows. The appetite of Asian and Latin American emerging economies for natural resources triggered a boom of international commodity prices, which underpinned resource-seeking investment in Africa.

Yet, this strong growth and surge in FDI did not translate in greater economic opportunities for the entire population, nor did it create enough employment to meet demand. Africa needs to attract more productivity-enhancing FDI to diversify its economy, develop its private sector and benefit from technology transfers and spill-over effects. The design and implementation of effective tax policies should enable States to maximise the impact of different types of external flows by providing higher quality public services and pursuing adequate economic policies.

Trade policies and regional integration

Because Africa's export portfolio remains predominantly based on raw material, its export earnings are contingent on commodity price fluctuations. This exacerbates the continent's susceptibility to external shocks and bolsters the need for export diversification. Trade in services, mainly travel and tourism, continued to rise, underscoring the continent's strong potential in this sphere.

African countries need to diversify their trading partners within and outside the continent. Pursuing deeper regional integration will improve the low levels of both intra-African and internal trade. Regional integration should help tackle infrastructure and energy gaps. Africa needs to articulate, long-term, national and regional strategies to frame its increasing engagement with southern partners into a mutually reinforcing affiliation. Stronger South-South cooperation should lead to market and investment diversification, especially considering the current economic situation in the United States and European.

Human development: Capital flight and poverty

Sub-Saharan Africa had the lowest aggregate level of human development in 2011, albeit posting the second fastest annual increase over the period 2000-11. Improved policies will not suffice to sustain high rates of growth of human development. It will have to be complemented by a combination of ODA, remittances, FDI and tax revenue to provide the required financial resources to bridge the gap in human capital. Accelerating investments in social and economic infrastructure also requires to reverse capital flight: the strain it puts on human development in Africa is estimated at about $700 billion between 1970 and 2008. Since the actors involved in capital flight are both within and outside Africa, international cooperation is crucial.

Economic and political governance

The "Arab Spring" in 2011 caused Islamic-inspired political parties in Morocco, Tunisia and Egypt to be elected into parliament. Following decades of repressive regimes these countries will have to broker a new social contract that satisfies all strata of society in order to enable their economies to get back on their feet swiftly and appease the high expectations generated by the revolutions.

Similarly, in other African countries citizens increasingly demanded more civil rights and better social policies. This reflects the trend of African citizens increasingly adopting peaceful ways to voice their legitimate concerns. This change in nature of the protests indicate a maturing political process in most African countries with governments increasingly allowing their citizens to express themselves in a more peaceful way.

Special Theme: Promoting youth employment

Africa has the world's youngest population and it is growing rapidly. Hundreds of millions of young Africans will be leaving school over the next decades, at every level, and looking for jobs. The challenges and obstacles unemployed youth and the working poor face are diverse and vary between countries. Youth employment is largely a problem of quality in low-income countries and one of quantity in middle-income countries. Youth in vulnerable employment and working poverty are the large majority in poor countries. In upper middle-income countries more youth are unemployed, discouraged or inactive. In all country groups more young people are discouraged than unemployed, suggesting that the youth employment challenge has been underestimated.

Some conclusions are evident. The public sector will not be able to absorb the tide of young job seekers because there is little prospect of an expansion in this area. The private formal sector is growing but from too small of a base. Existing firms in this sector, the primary source of jobs paying a living wage, must be supported to grow further and become more competitive. Most importantly, attention must be concentrated on the informal and rural sectors because these will overwhelmingly be the source of new employment. Governments must focus on removing obstacles to the many small informal firms, helping them to grow and create decent jobs.

In a large number of countries a common problem is that schools and training centres are not providing young people with the skills that employers are looking for. However, while education systems need to be better linked to labour market needs, both country experts and youth see the lack of demand for labour as the main barrier to young people in African labour markets.

Governments must improve their response. There are many government programmes that have been or are currently being implemented, but the track record on sustainable results is poor. Among the big shortcomings of youth employment interventions is a general lack of knowledge on what works well and what does not, something closely linked to the extreme paucity of employment data available for Africa. A second obstacle is a frequent lack of co-ordination between government agencies leading to scattered, sometimes even competing, efforts that are not integrated into an effective strategy.

Despite the challenging short-term outlook, the long-term perspective is good, if African governments effectively tackle the hurdles young people face. Improvements in education, the emergence of new technologies and rapid urbanisation provide opportunities for sector development and job creation. Finally, the informal and rural sectors, long seen as problems, are turning out to contain entrepreneurial talent that can change employment prospects for youth if adequately enabled by government policies.

Part One

Africa's Performance and Prospects

Chapter 1

Macroeconomic Prospects

Africa's economy should see a rebound in 2012 after popular uprisings and political unrest brought overall economic growth down to 3.4% in 2011. The continent is recovering from the global crisis of 2009 and this should be sustained even though a new global slowdown is constraining Africa's growth. With the gradual recovery of North African economies, Africa´s average growth is expected to rebound to 4.5% in 2012 and to 4.8% in 2013. The international environment will remain difficult in the near term.

While keeping an eye on new economic storm clouds in Europe, Africa must keep its focus on reforms that encourage growth and ease the social tensions that set off the Arab revolutions and caused North Africa´s gross domestic product (GDP) growth to decline by 3.6 percentage points to near stagnation in 2011. In Egypt there was a 3.3 percentage point fall to growth of below 2% in 2011, and in Tunisia by 4.2 percentage points to negative growth of around 1%. In Libya, civil war brought oil production to a standstill and GDP shrank by more than 40%. In Côte d´Ivoire, post-election conflict caused GDP to decline by almost 6%. Another major political event was the secession of South Sudan from Sudan. As a result Sudan lost most of its oil revenue and there is still disagreement between the two countries about their disengagement, including tariffs and fees on oil transportation to markets.

Parts of East Africa were hit by a severe food crisis and the African consumer had, in general, to cope with imported inflation due to higher food and fuel prices. The weaker international environment also took a toll on African economies. This can be seen in the deterioration during 2011 of the quarterly economic assessment by African participants in an international poll. In the first quarter of 2012 this assessment slightly improved (Figure 1.1).

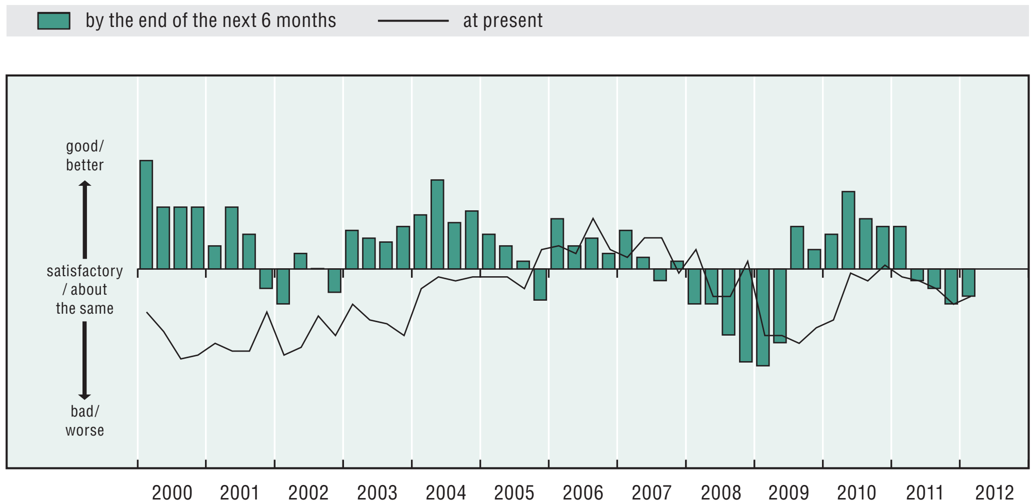
Given all these shocks the decline of Africa´s average growth in 2011 to 3.4% (from 5% in 2010) was relatively moderate. The growth loss came from the disruption in North Africa. Sub-Saharan Africa continued to grow by more than 5%.

The African continent continues to benefit from relatively high growth in emerging economies, such as China and India, which have become more and more important for Africa´s trade and investment[1]. While this is helping Africa to become more resilient, these countries cannot fully compensate for the adverse effects from advanced countries and their expansion has recently also slowed (Figures 1.2 and 1.3 and Box 1.1). (The detailed macroeconomic forecast for Africa and its regional groupings is presented in Annex Tables 1.Aa. and 1.Ab. at the end of this chapter).

Commodity prices have declined from their peak and some prices are likely to further decline due to weaker demand and increased supply. But most commodity prices are expected to remain at favourable levels for African commodity exporters. Growth will be boosted in some countries by new oil fields coming on stream.

The shadow comes from a worsening of the debt crisis in Europe causing lower global growth. This would further weaken Africa´s export markets, depress commodity prices and undermine Africa´s recovery.

Figure 1.1. **Africa's current economic situation and prospects for the next six months**

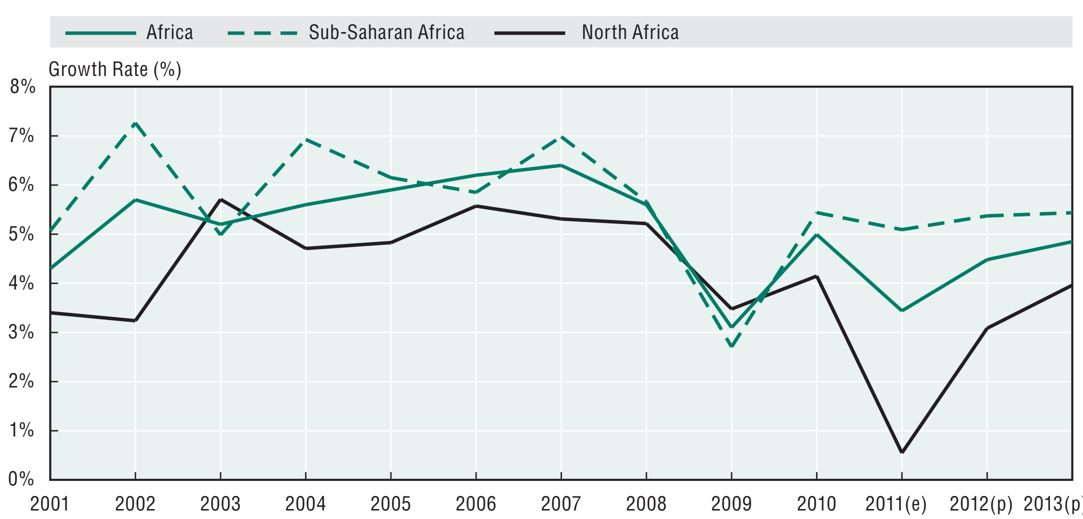


Source: Ifo; Author's calculations.

StatLink http://dx.doi.org/10.1787/888932599880

With Africa´s annual population growth above 2%, GDP per capita is expected to increase on average by 2% to 2.5% in 2012/13. From 2009 to 2013, annual per capita growth will amount to about 2%, down from about 3.5% in the preceding five-year period. In many countries growth will not be sufficient to significantly reduce poverty. Lifting growth and improving the inclusiveness of growth remains a main challenge in most African countries.

Figure 1.2. **Africa´s Economic Growth (%)**



e: estimates; p: projections.
Source: Authors' calculations.

Box 1.1. **Slowing global growth**[2]

The quick recovery of the world economy in 2010 from the deep recession of 2009 has been followed by more moderate growth in 2011. GDP growth slowed significantly in advanced countries in 2011 and global growth is expected to remain subdued in 2012. In the first half of 2011 world economic activity was affected by the Japanese earthquake and tsunami and the temporary surge in oil prices after the Libyan civil war. While these temporary effects subsided in the second half, consumer and business confidence suffered from unsolved fiscal and financial market problems in Europe and the United States. While some countries, notably in the euro area periphery, suffered from high interest rates due to high risk premiums, long-term interest rates of sound sovereigns remained historically low. This also reflects risk aversion of savers and investors and the expectation that low growth in advanced economies will continue. A sharper slowdown of the global economy has so far been prevented by fairly strong growth, although even that is becoming more subdued in emerging economies, notably China and India.

The slowing of the global economy has hit some African countries, notably those whose main export markets are in Europe and the United States. Our forecast for Africa assumes that world output growth will slow to 3%-3.5% in 2012 (from 3.8% in 2011 and 5.2% in 2010) and to recover gradually to close to 4% in 2013. World trade volume growth is projected to slow from around 7% in 2011 to less than 4% in 2012 and to accelerate again to around 5.5% in 2013. This projection implies that growth of global output and trade will not return to pre-crisis levels. From 2004 to 2007 annual growth of world output and world trade had been around 5% and around 9% respectively. But in the course of 2012 and into 2013 world economic activity is expected to strengthen and provide positive growth for Africa´s exporters. Because of weaker global demand, commodity prices have declined from their peak levels of early 2011. The decline should gradually end with most commodity prices remaining significantly above the average levels of the five years before the global 2009 crisis.

Europe's growth weakened in 2011 and is expected to slow further in 2012 before picking up in 2013. Europe continues to suffer from fiscal restraint, slowing foreign demand, and, in particular, a loss of confidence due to turmoil in financial markets. Attempts to contain the contagion from the Greek debt crisis to other euro member countries, notably Italy, Portugal and Spain, have not been fully successful and risk premiums on government bonds have increased in some countries to unsustainable levels. Governments have imposed additional austerity programmes and added financial firepower to restore financial market stability by purchasing government bonds (so-called quantitative easing policy). There is no easy way out of the crisis, as financial markets are demanding more progress to cut sovereign debt while at the same time demand is weakening which makes this task more difficult. Furthermore, European banks need to increase their capital but banks in some countries are faced with capital flight. The European Central Bank has been very actively raising liquidity and this, at least temporarily, reduced risk premiums in some countries. However, the Greek economy remains trapped in a debt crisis, economic decline and austerity programmes. In February 2012, the Greek parliament approved a new austerity programme to get additional financial support from the International Monetary Fund (IMF) and the European Union (EU). The successful restructuring of Greek sovereign debt in March significantly reduced the debt level and has paved the way for another EU-IMF rescue package of 130 billion euros. A default has been averted for the time being. While there is still a risk that Greece and, perhaps, Portugal could face a controlled default within the monetary union or that euro area could break apart altogether, these are not the most likely outcomes. Indeed, recently there have been positive signs in the European economy and in Germany business confidence has been improving. It is expected that in 2012 the euro area will record slightly negative growth before strengthening again in 2013. But the financial crisis could have long-lasting adverse effects on European growth as countries struggle to restore fiscal sustainability. This could also affect Africa´s growth as Europe is an important trading partner and aid donor.

The US economy also lost momentum during 2011 as the positive effects of the stock cycle ran out. Private consumption was restrained by the high indebtedness of private households, high unemployment and high energy prices. Despite expansionary fiscal measures by the government, real public consumption and investment declined as states and local authorities cut spending. While the housing market remained depressed, aggregate demand was boosted by higher business investment and an improvement of the foreign balance. Growth accelerated towards the end of the year, boosted by an inventory build-up. With labour market performance also improving, confidence strengthening and house building increasing again, the risk of a new recession has waned. Growth is expected to amount to about 2% in 2012 and accelerate gradually in 2013. Fiscal policy is assumed to follow a moderately restrictive course aiming to reduce the high fiscal deficit while not putting the recovery at risk. The Federal Reserve continues to boost the economy by keeping its policy interest rate at 0%-0.25% and increase the monetary base by its quantitative easing policy. The Fed stated that economic conditions, notably low rates of resource utilization and low inflation, are likely to require an exceptionally low federal funds rate at least through 2014.

In Japan, the huge earthquake and tsunami in March 2011 disrupted the economy and has, according to official estimates, caused damage of around 3.5% of GDP. Growth rebounded in the following months helped by reconstruction spending, but towards the end of the year weakened again so that 2011 GDP declined by more than 2%. The government has postponed a planned fiscal consolidation and is instead increasing infrastructure investment. This is supplemented by private investment by firms and households to repair the damage. The central bank has stepped up its expansionary measures by increasing purchases of government bonds and other financial assets. It also intervened in foreign exchange markets to weaken the high yen exchange rate and stimulate exports. It is expected that GDP will moderately increase in 2012 boosted by public and private investment and the gradual recovery of private consumption.

In 2011, **China** has again achieved high growth of 9.2% (down from 10.4% in 2010) despite headwinds from weaker growth in advanced countries and the tightening of monetary policy to combat inflationary pressures. Investment remained strong and private consumption accelerated, benefiting from higher wage growth and some fiscal measures. Export growth moderated although China´s firms continued to increase their shares in export markets. Import volume growth also declined but with import prices rising faster than export prices, terms of trade continued to deteriorate and China´s current account surplus declined significantly. Inflation peaked at above 6% by mid-2011 and then declined to about 4%. Towards the end of 2011 the risk of a major economic slowdown due to global weakness increased and China´s industrial production declined for the first time in three years. This raised fears of a hard landing for the economy and the central bank responded by cutting the bank reserve ratio by 50 basis points. It is expected that subdued global activity will moderate China´s growth in 2012 to about 8.5% before accelerating slightly in 2013. According to its 2011-15 plan, China plans to shift the pattern of growth from exports and investment towards consumption and from manufacturing towards services. Over the medium and longer term China´s growth would then become less commodity-intensive which would mitigate global commodity demand. This could adversely affect African commodity exporters. But at the same time, and with appropriate policies, Africa could become more interesting for manufacturing firms from China and elsewhere, helping to diversify African economies.

India´s growth slowed in 2011 from almost 8% in the first quarter to about 6% in the fourth quarter. The service sector continued to drive growth but manufacturing lost steam. While foreign demand slowed, domestic demand remained strong, boosted by private and public consumption and public infrastructure investment. Due to some moderation of food prices and tighter monetary policies, inflation declined below 7% towards the end of 2011. Some progress has been made with fiscal consolidation. The public sector deficit has declined from 9.5% in 2009 to below 7% in 2011 and the central government deficit to below 5%. Good monsoon rainfall is expected to boost agriculture in the near term but export growth will weaken due to lower global demand. It is expected that in 2012 growth will weaken slightly but accelerate again in 2013.

In 2011, **Latin America´s** economies benefited from high commodity prices and thriving domestic demand. At the same time demand from advanced countries slowed and strong exchange rates, caused by capital imports, and wage pressures undermined competitiveness. Measures to weaken exchange rates — by intervening in exchange markets and by temporarily restraining capital imports to mitigate appreciation pressures — were only partly successful. The average rate of growth of Latin America is expected to slow to 3.6% in 2012 (down from 4.6% in 2011) and to accelerate again to about 4% in 2013. Brazil´s economy slowed sharply in the second half of 2011 prompting the government to announce stimulatory measures. The central bank cut interest rates to prevent a further weakening of the economy. It is expected that growth will remain subdued at about 3% in 2012 but accelerate again to about 4% in 2013. Over the past two decades Brazil's growth has become more inclusive and the poverty rate has been halved thanks to high employment growth and effective social policies.

Figure 1.3. **World Economic growth**

e: estimates; p: projections.
Source: International Monetary Fund.
StatLink http://dx.doi.org/10.1787/888932599918

Africa´s growth has become broader

In 2011, despite some decline from their peak, commodity prices remained favourable for exporters. Rising export volumes of commodities and manufactured goods have been important drivers of growth. But in some countries exports weakened due to lower growth in important trading partners. Africa´s domestic demand was boosted through higher private investment, public consumption, infrastructure investment and private consumption. Consumers have kept spending despite high food and fuel prices and this has been supported by higher wages and food and fuel subsidies. Africa´s growing middle class continues to boost consumption, residential construction and private investment.[2] Inflows of remittances and foreign direct investment (FDI) also supported domestic demand in many countries. It is estimated that remittances to African countries increased by almost 6% in 2011 and reached the 2008 pre-crisis level. However, the Libyan civil war cut remittances to several countries, notably Egypt, Tunisia, Chad and Niger as workers returned home. With Libyan oil production resuming, many of these workers are expected to return. The events in North Africa also affected FDI to this region while it increased to other regions. Total FDI flows to Africa continued to decline and were about one quarter lower than their 2008 peak. With the end of political unrest in North Africa, FDI to Africa as a whole is likely to increase during 2012/13 (Financial flows to Africa are examined in Chapter 2).

The broadening growth pattern is also reflected on the *supply side*. In resource-rich countries, oil and mining continues to boost growth but non-resource sectors are also expanding, although from a low base. In Nigeria, where the economy is highly dependent on oil and gas, recent growth has mainly been driven by telecommunications, trade and other services, manufacturing and agriculture. For Sudan, diversification has become a top priority as after South Sudan's secession it has lost 75% of its oil revenue.

Agriculture remains the main economic sector in many African countries, at least for employment. In many countries, farming employs more than half of the workforce and sometimes three quarters or more. The share of agriculture in GDP is, however, much smaller, often 30% or less which indicates the low level of productivity. Many factors contribute to low agricultural productivity, such as insufficient investment, poor technology, high costs of inputs, lack of transport facilities, rural schooling and health care, limited access to affordable financing and to markets and insufficient links to the food-processing industry. Many governments are seeking to address these problems, but policies and programmes are often insufficient or poorly implemented. Importantly, competition from highly subsidized agriculture in advanced countries limits growth in Africa (AfDB, 2011b).

In 2011, some parts of the continent were hit by extreme weather, which seriously affected agricultural production. In other regions favourable weather boosted production. Food production increased in North Africa, parts of western and southern Africa but declined in parts of eastern and central Africa due to unfavourable weather (AfDB, 2011c). Parts of the Horn of Africa recorded the most severe drought of the past 60 years (see Box 1.2). In countries with good harvests the impact of high international food prices was mitigated and imports declined while in other countries the combined effect of poor harvests and high international prices increased the burden on consumers.

Service sectors are large and expanding. Traditional services such as trade and transport often dominate and telecommunications has gained in importance. Tourism is also important in several countries, such as Cape Verde, Botswana, Egypt, Kenya, Mauritius, Morocco, Seychelles, Tanzania, South Africa and Tunisia. Tourism is vulnerable to economic conditions abroad and, even more importantly, to domestic security problems. In 2011, tourism in Tunisia and Egypt declined sharply over insecurity fears after the countries' revolutions. Sentiment was also affected by the civil war in neighbouring Libya. In Kenya, the tourism sector, which had been adversely affected by post-election violence in 2008, has recovered and grew again in 2011. Prospects for Africa's tourism are generally good provided security is ensured and that Africa´s unique wildlife and ecosystems are protected.

Financial services, real estate and business services are also growing and the spread of new technologies, such as mobile phones and computers is increasing the quantity and quality of services. However, diffusion of information technology varies widely across the continent (African Economic Outlook 2009). This is illustrated by the low international ranking of most African countries in the World Bank's Knowledge Economy Index (KEI). In 2009, the latest year available, only two of the included 36 African countries had a middle range index score (Mauritius and South Africa had scores of 5.48 and 5.38 on a scale of zero to 10) and in

13 countries the KEI was below 2 (Sierra Leone, Guinea, Rwanda, Eritrea, Ethiopia, Djibouti, Mozambique, Côte d´Ivoire, Malawi, Cameroon, Burkina Faso, Sudan and Nigeria). There is therefore large potential to upgrade Africa´s services to support economic development (see also Ajakaiye, *et al*., 2007).

Recent examples of efforts to modernize banking services are the M-Pesa mobile payment system in Kenya and the Ethiopia Commodity Exchange (ECX), which is an organized market place where buyers and sellers come together to trade using an electronic payment system.

Manufacturing tends to be rather small scale in Africa. In most countries, it accounts for 10% or less of GDP. The manufacturing sector is largest relative to GDP (between 15% and 20%) in Cameroon, Côte d´Ivoire, Egypt, Lesotho, Madagascar, Mauritius, Morocco, Namibia, South Africa, Tunisia and Zimbabwe.

In 2010, the value of African exported manufactured goods amounted to USD 95 billion (according to World Trade Organization statistics). But imports were more than three times higher. The fact that Africa is a large net importer of manufactured goods is not surprising given the stage of development of most African countries and their natural endowments. However, the size of Africa´s imports of manufactures indicates that African manufacturing faces enhanced competition in export markets and at home. Europe continues to be the most important market for Africa´s manufactures although its share has declined from 51% in 2005 to 42% in 2010. South Africa, Tunisia, Morocco and Egypt are Africa´s largest exporters of manufactured goods and account for about 80% of exports to Europe. The share of intra-African exports has increased from 17% in 2005 to 24% in 2010, which shows that Africa´s economic integration is improving.

While Africa's share of global manufacturing exports is gradually increasing, it stood at 1% in 2010, lower than India's share of 1.4% . China´s high speed industrialisation has increased its share of world manufacturing exports from about 1% in the early 1980s to just below 5% in 2000 and to about 15% in 2010. It has been an extraordinary catch-up by a developing country. As China became a large commodity importer, its industrialisation benefited African commodity exporters. But China´s fast industrialisation is unique and might not be imitated by other developing countries. It also has its costs, notably environmental. China now accounts for the second largest carbon dioxide (CO2) emissions after the United States, although its per capita emissions are still below world average.

Many African manufacturers are constrained by infrastructure bottlenecks notably unreliable and expensive power supply, poor transport, lack of skilled labour, red tape and high financing costs. Firms also face fierce competition at home and abroad from advanced countries and emerging countries, notably China. In resource-rich countries, competitiveness of non-resource sectors is weakened if commodity exports drive up the real exchange rate relative to that of competitors (the so-called Dutch disease effect). There is also the risk that high revenues from oil and minerals turn politicians into "rent-seekers" who neglect other sectors. Resource wealth could then become a "curse" rather than a "blessing" for long- term growth and employment. While such risks clearly exist, much depends on policies and institutions in the country and in particular how governments use windfall gains from resource wealth (Trevino, 2011). A deeper analysis of competitiveness in Africa can be found in the latest African Competitiveness Report 2011 (African Development Bank, World Bank, World Economic Forum, 2011).

The problems which African manufactures face with foreign competitors can also be illustrated by comparing unit labour costs in a common currency. It has been shown that in 2007/08 China´s and India´s unit labour costs in manufactures amounted to only 25%- 30%

of costs in South Africa and Mauritius. Absolute wage costs (in common currency) in these African countries far exceed those in China and India and are not compensated by correspondingly higher productivity levels. As a result unit labour costs are much higher thus reducing competitiveness (Table 2.A1 in the annex).

Competitive positions as measured by relative unit labour costs can, however, change over time. China´s relative unit costs have increased over the past 10 years as wage increases have outstripped productivity growth and as the yuan exchange rate has appreciated. If this trend continues, as likely, it would reduce competitive pressure for China´s competitors including Africa. But, given the current large cost gap, China´s competitive cost advantage is likely to last for some time.

Despite fierce competition, several African manufacturing firms have been quite successful, which contradicts the simplistic view that commodities mostly drive African exports. Studies show that new exports emerge as African firms succeed in quality upgrading, finding new areas of comparative advantage, adopting new technologies and improving marketing and also benefit from regional trade liberalisation (Easterly and Reshef, 2010).

In 2011, several African countries recorded positive growth contributions from manufacturing but the above-mentioned constraints limited growth. In South Africa, the relatively strong rand reduced price competitiveness in the first half of the year and only moderate growth was achieved. Later in the year, the rand weakened sharply which eased the pressure on exporters. Tanzania, Nigeria, Botswana and Zambia recorded higher manufacturing growth but their manufacturing sectors are smaller. Several countries, such as Angola, Botswana, Ghana and Zambia, are making efforts to further diversify their economies and have adopted programmes to support manufacturing. Given the constraints which firms are facing, a broad approach is needed to achieve this goal.

Box 1.2. **Food crisis in Africa**

Africa is vulnerable to bad weather conditions, which have repeatedly led to food crises. The Horn of Africa was hit in 2011 by the most severe food crisis of the past 60 years. This followed earlier draughts in 2005, 2006 and 2008. In West Africa, the *Sahel region* also faces a food crisis.

In *East Africa*, several areas of Somalia were devastated by famine with people suffering acute malnutrition and high death rates. In July 2011, famine was declared in southern Somalia (according to the Integrated Food Security Phase Classification IPC). It was lifted in February 2012 but according to Famine Early Warning System network (FEWS NET), nearly a third of the population still cannot fully meet essential food and non-food needs. According to the Global Information and Early Warning System on Food and Agriculture (GIEWS) in the autumn of 2011 about 4 million people, or more than a third of the country´s population, were estimated to be in need of humanitarian assistance. Their situation was aggravated by civil insecurity, which disrupted humanitarian assistance and trading. Around one million Somalis fled to neighbouring countries, notably Kenya and Ethiopia, or were housed in sprawling refugee camps at the borders. Millions of people in other east African regions were also affected by food insecurity: northeast Kenya, southeast Ethiopia, Djibouti, parts of Uganda, Sudan and the newly independent South Sudan. People in rural areas were mostly affected, including nomads, but the urban population also suffered from soaring food prices. The crisis reached its peak in the summer of 2011 when more than 13 million people were estimated to be affected. In South Sudan civil insecurity and trade restrictions at the border with Sudan exacerbated the problems. The onset of the rainy season in October raised hopes for better spring harvests but at the same time it increased the likelihood of flooding, made the distribution of food aid more difficult and increased health risks, notably of malaria.

The international community has responded by offering financial and technical assistance through the World Bank, the United Nations, the African Development Bank, regional African organisations (Inter-Governmental Authority on Development, East African Community, African Union), the European Union, International Federation of Red Cross and Red Crescent Societies, national governments, and various non-governmental and civil society organisations.

The ***Sahel region in West Africa*** has in the past seen many food crises, including in 2005, 2008 and 2010, which, according to Oxfam estimates had affected more than 10 million people. In 2012, according to FEWS NET acute food insecurity is expected in parts of Mauritania, Niger and Chad and, according to Oxfam, parts of Burkina Faso and Mali will also be affected by food shortages. In Mauritania, the 2011 rainfall was as low as in 2002, the "year of the great drought". Agricultural production is forecast to decline by about 75% in 2012, perhaps even more, exposing a large part of the population to food insecurity. Speedy and effective measures by governments and donor countries are needed.

Climate models have partly predicted the recurring droughts in Africa. Researchers found that the drying trend in the Sahel is caused by human-induced factors, partly an increase in atmospheric aerosols and partly an increase in greenhouse gases. The model of the Geophysical Fluid Dynamics Laboratory (GFDL) at Princeton University predicts an approximately 25% reduction of rainfall until the end of this century although this result is not generally shared by other models. Furthermore droughts in eastern equatorial Africa are at odds with model projections of wetter climates in this region. This suggests that more needs to be done to fully understand climate change (Giannini et al., 2008). Notwithstanding uncertainties with model predictions, these repeat crises call for fundamental changes in economic policy such as scaling up infrastructure for regional integration and promoting agricultural productivity.

The Continent is gradually recovering from political turmoil in North Africa

The relatively broad-based recovery of African economies is also reflected in the similar growth pattern of oil-importing countries compared to oil-exporters (excluding Libya). In 2011, oil importers recorded slightly higher growth than oil exporters and this trend is expected to continue in 2012 and 2013 although the differential is too small to be significant. Due to the political events, growth in ***North Africa*** slowed in 2011 to near stagnation. Given North Africa´s weight of around a third of the continent´s GDP, the economic disruption in the region reduced Africa´s growth in 2011 by more than one percentage point. The projected recovery of the region will boost Africa´s growth in 2012 by almost the same amount.

West Africa is expected to continue its rapid growth with rates of 6.9% and 6.4% in 2012 and 2013 after 6.3% in 2011. Despite the food crisis in parts of ***East Africa,*** most countries in the region, which are covered in this report (Somalia is not included) continued on a relatively steep growth path. In 2012 growth is expected to slow to around 5% (from 6% in 2011). The main reasons are the more moderate growth in Ethiopia and the slow-down of

Table 1.1. **Growth by regions and country groupings (real GDP growth in percentage)**

	2010	2011	2012	2013
Africa	5.0	3.4	4.5	4.8
Central Africa	5.7	5.1	4.9	4.8
Eastern Africa	7.1	6.0	5.1	5.6
Northern Africa	4.1	0.5	3.1	4.0
Southern Africa	3.5	3.5	4.0	4.4
Western Africa	6.9	6.3	6.9	6.4
Oil-exporting countries	5.3	2.9	4.7	5.0
Oil-importing countries	4.5	4.1	4.2	4.7

e: estimates; p: projections.
Source: African Development Bank.

growth in Sudan. In ***Central Africa,*** GDP is likely to continue to grow at about 5% while in ***Southern Africa,*** growth is expected to accelerate to 4% and 4.4% in 2012 and 2013 (up from 3.5% in 2010 and 2011).

Africa´s top-ten growth performers in 2011 were Ghana, Ethiopia, Rwanda, Nigeria, Mozambique, Equatorial Guinea, Liberia, Zimbabwe, Zambia and Botswana. In 2012/13, Ghana, Ethiopia, Rwanda, Mozambique, Liberia and Zambia are expected to stay in the top group and be joined by Niger, Angola, Libya and Côte d´Ivoire. But the high growth rates in Libya and Côte d´Ivoire are due to the low base in 2011 when production was disrupted by civil war and post-election political unrest.

Several countries with low or negative growth in 2011 are likely to see more low growth in 2012/13. Tunisia and Egypt are expected to recover only gradually from their post-revolution economic slump. Sudan has suffered from the loss of oil revenue after South Sudan's secession. Swaziland, which is projected to be at the bottom of Africa´s growth league, has adopted a very restrictive fiscal policy. While this is necessary to overcome the fiscal crisis it depresses short-term demand (Figure 1.4).

Box 1.3. **Economic effects of North Africa´s revolutions**

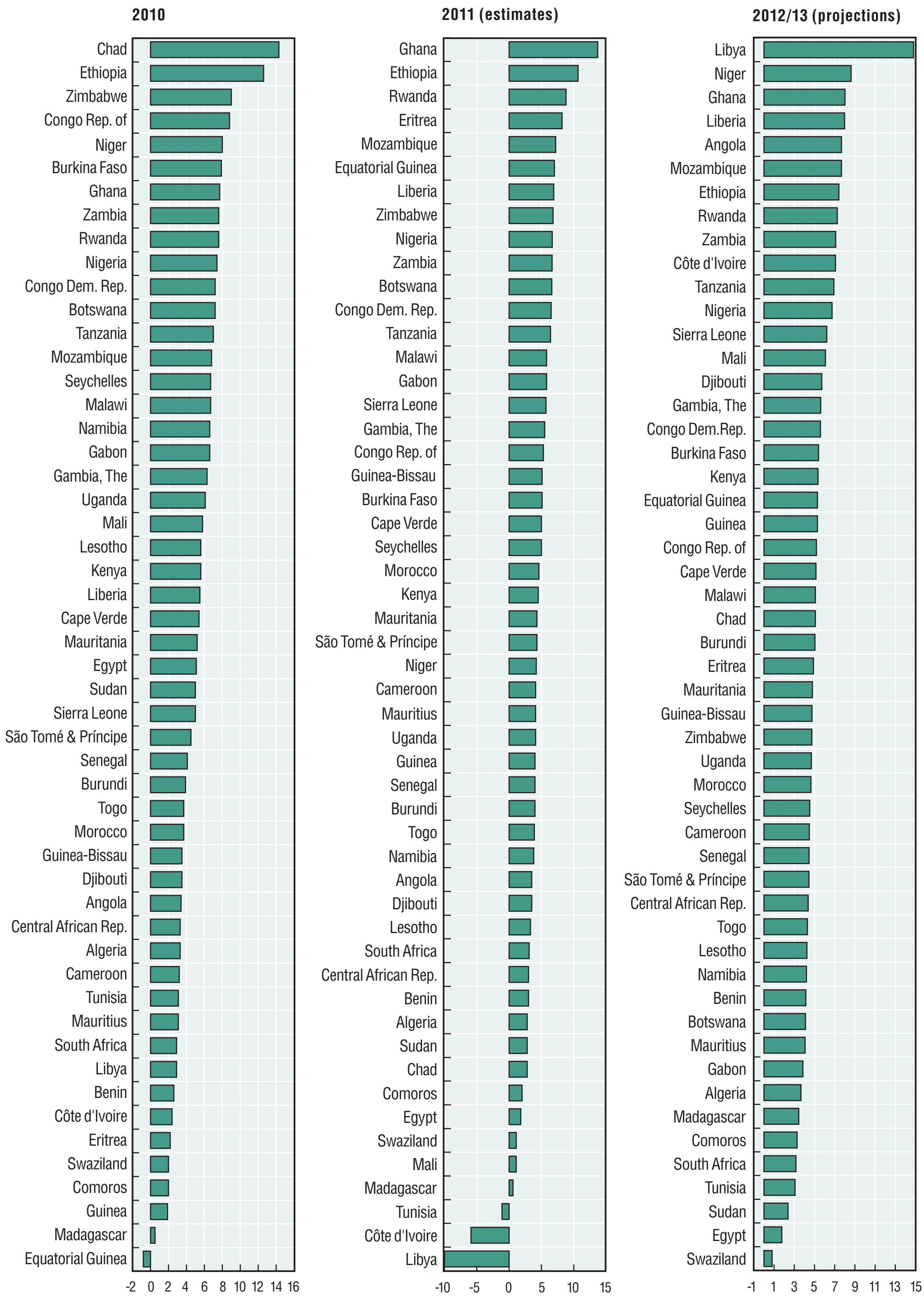
Uprisings hit short-term growth in Tunisia, Egypt and Libya and also affected other African countries [4].At the same time the regime changes opened new potential for more inclusive long-term growth. The speed of transition to a more favourable economic and social development depends on several factors. Restoring and preserving political stability is key, as well as appropriate policies to revive the economy and to create more jobs, particularly for the young. While there are some similarities between the revolutions in North Africa there are also major differences. In Tunisia and Egypt, the ousting of the old regime took only a short time. In Libya it took several months and succeeded only after a civil war and with external military support. Human and economic costs have been much higher in Libya.

In *Tunisia*, unemployment of young graduates had increased from less than 4% in the first half of the 1990s to around 23% in 2010 and the desperate economic situation was the catalyst for the overthrow of Zine el Abidine Ben Ali's government in January 2011. The slowdown increased unemployment even further to almost 30% for young graduates. Economic problems during the transition were exacerbated by civil war in neighbouring Libya. Due to political uncertainty and security concerns, tourism, a pillar of the economy, declined sharply. Tourism receipts fell by almost 40% in the first nine months of 2011 and many people lost their jobs when hotels closed. Foreign direct investment also plummeted. Various measures by the interim government helped to mitigate the crisis. Social charges on firms were lowered to preserve jobs and household purchasing power was boosted by easing consumer credit, increasing wages and supporting job creation. The Tunisian economy should gradually recover as tourists come back. With better governance and less corruption the new political system should also create better conditions for foreign investors. After negative growth of around 1% in 2011, growth is projected to revive to 2.5% in 2012 and 3.7% in 2013. But a prolonged financial crisis in Europe and delays in rebuilding the Libyan economy could jeopardize Tunisia's recovery. A precondition for sustained growth is also that political stability is preserved, which will help to restore confidence of investors and tourists. The government has promised to address structural problems, which triggered the political unrest. A new programme to help young graduates find jobs has been launched along with efforts to favour investment in less developed regions.

In *Egypt,* longtime leader Hosni Mubarak was ousted in February 2011, one month after the regime change in Tunisia. Political power was moved to the Supreme Council for Military Forces (SCAF). Various steps were taken to introduce democracy including constitutional amendments and a roadmap for a new constitution and handing over power to a democratically-elected president by July 2012. Parliamentary elections in November 2011 were a major step. But controversy and discontent persisted over policies of the interim government and the political influence of social groups, notably the selection of the committee for drafting a new constitution. This has led to repeated protests and clashes with the army. Protesters complained about delays in democratic and economic reforms as hopes for a speedy improvement of living standards were dashed. Tourists stayed away and foreign direct investment plummeted, pushing economic growth down from 5.1% in 2010 to 1.8% in 2011 while unemployment increased. According to official estimates the economic cost of the revolution amounted to 2.9% of GDP in fiscal year 2010/11 and 4.9% in fiscal year 2011/12. The current account deteriorated and Egypt's currency came under pressure. The central bank defended the currency to mitigate inflationary pressures but this led to a depletion of foreign reserves. The government also tried to stabilize the economy and create jobs by increasing subsidies and social benefits, and increasing the public workforce. This supported aggregate demand but also increased the public sector deficit from around 8% to above 9% of GDP. While the central bank and government policies prevented a deeper crisis, their room for manoeuvre is now extremely limited. It is expected that the economy will grow by only 0.8% in 2012 before recovering to 2.8% in 2013, mainly driven by private sector activity.

Anti-government protests in Libya were inspired by revolutions in Tunisia and Egypt and also reflected dissatisfaction with youth unemployment and political repression. It began in February 2011 in the city of Benghazi but it took six months, a civil war and military support from abroad until Muammar Gaddafi was finally ousted. The National Transitional Council (NTC) is acting as an interim government until democratic elections, which are planned for June 2012. Due to the war, oil production and exports, which account for about 70% of GDP, came to a standstill between April and August. Foreign oil companies evacuated and oil facilities were attacked and partly destroyed in the conflict. Remittance outflows from Libya collapsed with adverse effects on recipient countries as migrant workers from Egypt, Tunisia, Chad, Niger and others fled home. Workers from ub-Saharan countries who could not return faced hardship and abuses. In 2011, GDP fell by more than 40%. Due to lower oil revenue and additional military spending the fiscal balance deteriorated from a surplus of 8.7% of GDP in 2010 to a deficit of around 17% in 2011. The current account, which has in the past always recorded surpluses, recorded a deficit of 6% of GDP. Oil companies have started to repair facilities and GDP is projected to grow by around 20% in 2012 and 9-10% in 2013, which implies that its pre-war level will not be reached during the projection period. Libyan policy makers face a daunting task to reconstruct the economy and to establish a democratic system with checks and balances including an independent judiciary. The problem of unemployment, particularly among the young, which had been hidden under the old regime, must be addressed as well as regional economic disparities.

Figure 1.4. **Growth of GDP by countries (%)**



Source: Authors' calculations.

StatLink http://dx.doi.org/10.1787/888932599937

Commodity prices down from their peak

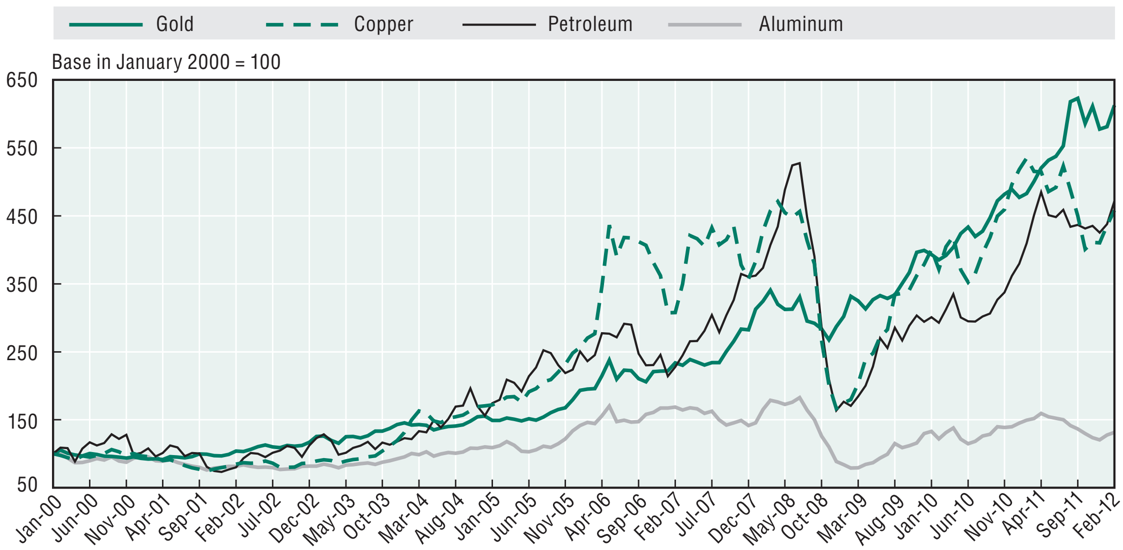
Commodity prices rebounded in the two-and-a-half years after the 2009 global recession. Since mid-2011, the easing of global demand and the prospects for further weakening have put pressure on commodity prices. But their levels are still relatively high and have so far supported growth in exporting countries. The ***oil price*** was volatile during 2011 and into 2012, affected by changing supply and demand expectations. Temporary supply concerns due to the Libyan civil war raised the price to a peak in April 2011. Only increased supply from other producers, the end of the Libya conflict and lower demand expectations reduced the price again. The price increase since December 2011 has again been caused by supply concerns due to international sanctions against Iran and since January 2012 the shutdown of oil production in South Sudan because of disagreement with Sudan about pipeline fees. This and the cold winter in Europe raised the price of benchmark Brent crude to a new peak of 120 USD per barrel in February. This report assumes that these factors will be temporary and the oil price will decline again and settle slightly above USD 100 per barrel during 2012/13.

Such a price level continues to provide terms of trade gains for African exporters, such as Nigeria, Algeria, Angola, Libya, Chad, Equatorial Guinea, Congo, Gabon, Cameroon, South Sudan (which keeps 75% of oil revenue which accrued to Sudan before the secession) and the new producers of Ghana and Uganda. Ghana started oil production in commercial quantities in December 2010 and Uganda plans to start large-scale oil production by late 2012.

Since its peak in August 2011 the ***price of gold*** has also been volatile, increasing again in early 2012. The debt crisis in Europe and mounting inflation fears sustained demand for gold, commonly serving as a hedge against inflation. Africa accounts for almost a third of the world´s gold production. The main producers, such as South Africa, Ghana, Zimbabwe, Tanzania, Guinea and Mali, continue to benefit from the high price.

Prices of ***other metals*** are also relatively high but have declined from their peak in the first half of 2011. The price of ***copper*** declined significantly in late 2011 but increased again at the start of 2012 driven by additional demand from China. The copper price is good for countries like Zambia, Africa´s largest producer. But in 2011 several mining factories remained closed in Zambia as investors adopted a wait and see strategy over the country's national election. With a smooth political transition and a favourable price, Zambia´s copper production will increase again in 2012. Democratic Republic of Congo and South Africa are also major producers in Africa. The price of ***aluminium*** has increased from a trough in 2009 until mid-2011 but then declined again until early 2012. South Africa and Mozambique are Africa´s largest aluminium producers, followed by Egypt, Ghana, Nigeria and Cameroun.

Figure 1.5. **Oil price and Gold price**



Source: World Bank, authors' calculations.

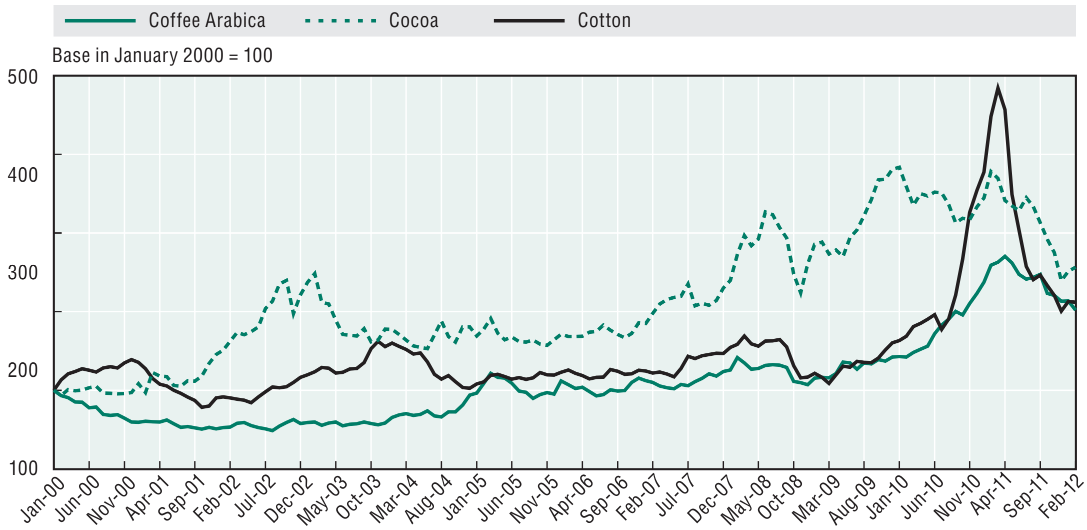
StatLink http://dx.doi.org/10.1787/888932599956

Agricultural export prices have eased. The price of ***cotton*** has declined significantly from a high in early 2011. One explanation for the fall is that producers increased supply in response to an earlier high price while at the same time demand remained weak. African cotton producers must cope with the lower price. Africa´s main producers are Egypt, which has about one quarter of the world market, followed by Sudan, Côte d´Ivoire, Togo, Zimbabwe, Mali, Burkina Faso, Chad and Benin.

The price of ***cocoa*** fell more than 30% during 2011. The price started to decline when the EU lifted an export ban against Côte d´Ivoire, the world´s largest producer, after former president Laurent Gbagbo was finally defeated and elected president Alassane Ouattara took office. The price slid further after heavy rainfall led to a large crop in Côte d´Ivoire and Ghana while Europe's sovereign debt crisis weakened demand.

The price of ***coffee*** beans has been boosted in recent years by increasing demand and supply constraints due to bad weather in some producing countries, notably in Asia and Latin America. Part of this increase was corrected in the second half of 2011 when commodity prices were hit by the global financial crisis. In Kenya, the relatively high price level partly compensated the decline in production due to poor rainfall. Ethiopia, the world's sixth largest coffee producer (after Brazil, Vietnam, Columbia, Indonesia and India) according to the US Department of Agriculture, further increased its exports after the launch of a commodity exchange market in 2008, which facilitates trading.

Figure 1.6. **Export prices of agricultural products**



Source: World Bank.

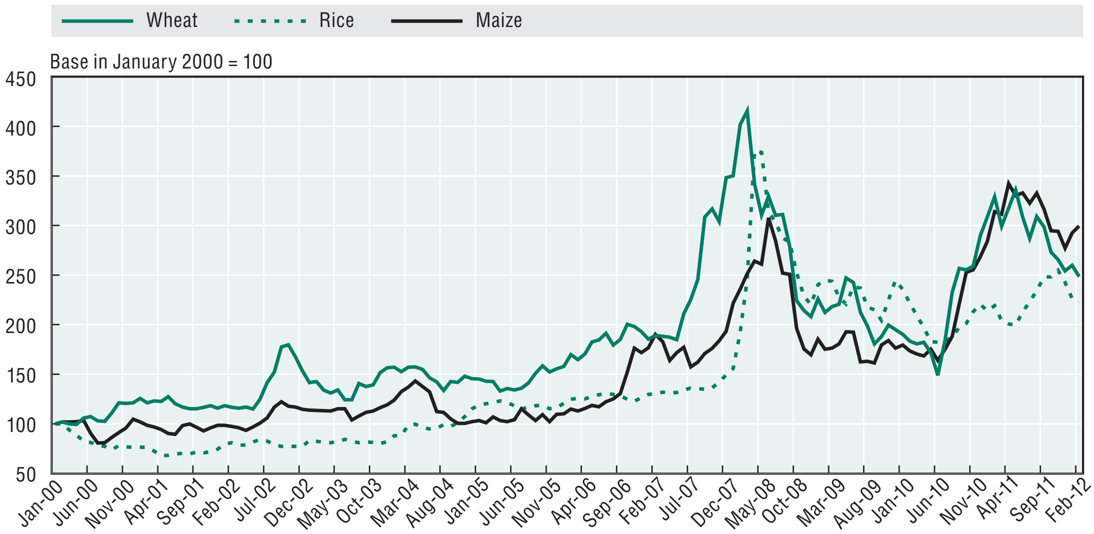
StatLink http://dx.doi.org/10.1787/888932599975

Import prices of basic foods have declined from their peaks due to better harvests in key exporting countries, lower global demand due to high stock levels, more subdued economic prospects and the strengthening of the US dollar. However, their level remains relatively high and high fuel prices and transport costs have prevented a sharper fall. Across Africa, food price levels varied as weather conditions have been very bad in some regions and much better in others. In many African countries farmers continue to benefit from relatively high prices while consumers are suffering, although a recent fall in prices and food subsidies have brought some relief.

International prices of ***maize*** decreased in the second half of 2011 from a mid-year peak with improved supplies from the United States, the world´s largest exporter. But prices are still high, reflecting demand from consumers and industry, including for biofuel production. South Africa is Africa's largest maize producer and exports to neighbouring Botswana, Lesotho, Mozambique and Zimbabwe as well as more and more to countries outside the continent. Most other African countries are also net importers of maize. Egypt is Africa´s largest importer despite being the third largest African producer after South Africa and Nigeria. International ***wheat*** prices also declined from their peak in mid-2011. But prices at the beginning of 2012 were still above the average of the last ten years.

Thailand is the world´s biggest ***rice*** exporter. But floods in 2011 destroyed much of its harvest. However, bumper crops in some other countries, such as India, and the lifting of its export ban has partly offset this shortfall, to the benefit of African rice importers.

Figure 1.7. **Import prices of basic foodstuffs**



Source: World Bank.

StatLink http://dx.doi.org/10.1787/888932599994

Inflation pressure eases

Africa´s average inflation rate increased in 2011 to 8.5%, from 7.4% in 2010. It is expected to decline to 8.4% in 2012 and to 7.3% in 2013. Median inflation, which is not affected by countries with extremely high or low inflation, increased to 5.5%, from 4.2% in 2010, and is expected to further rise to 6.1% in 2012 before declining to 5.3% in 2013. Higher inflation in 2011 was mainly due to higher food and fuel prices, which hit Africa´s consumers, notably the urban poor. In several countries imported inflation was exacerbated by domestic demand, high credit expansion and currency depreciation. Food and fuel prices have since declined from their peaks. Our forecast of a moderation of inflationary pressure is based on the assumption that food and fuel import prices will further decline with most food prices settling down at around the 2010 levels or even lower, while fuel prices will decline less. But there are also risks. Poor national and international harvests and political conflicts in major oil producing countries could boost food and fuel prices.

The West African Economic and Monetary Union (WAEMU) and the Economic and Monetary Community of Central Africa (CEMAC) regions kept inflation below 4% in 2011 and are likely to keep it there during 2012/13. By contrast in the East African Community (EAC) inflation soared to 14% in 2011 and is expected to remain at about 10% in 2012 and 9% in 2013. In Southern African Customs Union member countries, inflation rose above 5% in 2011 and is expected to further increase to above 6% in 2012 before declining again to above 5% in 2013 (Annex Table 1.b).

In 2011, inflation was above 20% in Ethiopia, Guinea and South Sudan and between 10% and 20% in Angola, Democratic Republic of Congo, Egypt, Eritrea, Kenya, Libya, Mozambique, Sierra Leone, Sudan, Tanzania, Uganda. But in most countries inflation was below 10% and it remained at 3% or lower in Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo Rep., Gabon, Mali, Morocco, Senegal and Seychelles. In 2012/13, inflation levels will continue to vary widely. Most of the recent high and the low inflation countries are expected to remain in the same category.

Monetary policy: weighing inflation risks against risks of economic downturn

While in 2009 and 2010 inflation declined and African central banks saw room to ease monetary policies, their task became more difficult in 2011 as inflation rose. This was mainly due to food and fuel price hikes but, sometimes, domestic demand pressure contributed. In several countries weakened currencies exacerbated imported inflation. Monetary policies responded quite differently depending on the circumstances in their countries. In Kenya, Uganda, Tanzania, Nigeria and Ethiopia monetary policies were tightened to contain inflation. But in several other countries monetary policy authorities gradually moved towards a less restrictive policy. Angola´s central bank eased monetary policy during 2011 after inflation trended downward. The central bank of Mauritius, which had increased its policy interest rate to combat higher inflation, cut it again at the end of 2011 as prices receded and downside risks to growth increased. South Africa, Botswana and Ghana refrained from tightening monetary policy despite higher inflation. In South Africa headline inflation moved towards the end of 2011 to the top of the 3%-6% target but this was seen as temporary as core inflation remained lower. A rise in interest rates would have threatened the already weak economic recovery. Botswana´s central bank also kept its policy rate constant although headline inflation stayed well above the target range of 3%-6%. The overshooting was caused by higher food and fuel import prices while domestic demand was relatively weak and the medium-term inflation outlook did not raise concern. Ghana, which sets an inflation target each year, reduced its policy interest rate in response to easing inflationary pressure. Inflation dropped from 19.3% in 2009 and 10.8% in 2010 to 8.7% in 2011, within the target range of 6.5%-10.5%.

The future orientation of monetary policy will have to consider how well inflation is controlled and how big the risks from a global economic downturn are. In countries where inflation remains low or declines, central banks may see some room to reduce interest rates. But given the relatively weak transmission from policy rates to lending rates in many African countries, the decline of financing costs for investors is likely to be limited.

Fiscal consolidation is a priority in many countries

During the 2008/09 economic downturn lower government revenues and counter-cyclical spending caused budget surpluses to shrink and deficits to widen. Several countries changed course and took measures to contain spending while other countries continued to boost demand to prevent a weakening of economic activity or increased subsidies and social benefits to cushion the impact of high fuel and food prices. As a result fiscal deficits remained relatively high in many countries. This limits the space for counter-cyclical measures in case of new external shocks. Oil-exporting countries, such as Angola and Nigeria, benefitted from a rebound of oil prices and improved their fiscal positions significantly. They are again recording budget surpluses. The Nigerian government attempted to cut the fuel subsidy, which had caused high fiscal costs, distorted markets and favoured smuggling. However, prices more than doubled without the subsidy and a nationwide strike forced the government to re-introduce part of the subsidy so that fuel prices declined again by 30%. Several countries, such as Ghana and Botswana, are also following a fiscal consolidation strategy, which is gradually bearing fruit, helped by higher earnings from commodity exports. In countries such as South Africa, Namibia, Swaziland, Cape Verde, Kenya, Uganda, Algeria, and Morocco, the pace of deficit reduction is, however, too slow or non-existent so that by the end of 2013 public sector deficits are likely to be higher than before the 2009 global crisis. In Tunisia and Egypt, the economic downturn after the revolutions led to higher deficits as tax revenue declined while spending increased, notably on subsidies, social benefits, and public sector wages. Libya's civil war brought the economy and oil production to a standstill and led to a budget deficit of about 17% in 2011 after a surplus of almost 9% in 2010. As oil production resumes, government revenue will increase again and in 2012 and 2013 the Libyan government budget is likely to be in surplus again.

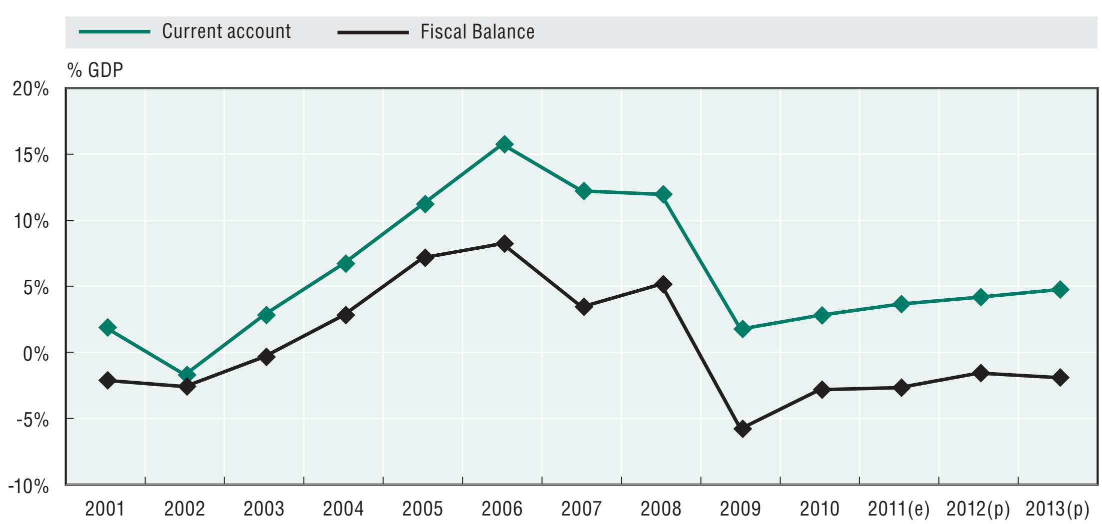
Restoring public finances remains a priority in countries where public sector deficits remain high. This would create fiscal defences against future adverse shocks, increase domestic saving, reduce fiscal dominance in financial markets and help the financing of private investment. In resource-rich countries fiscal prudence can be achieved through medium-term fiscal planning with conservative assumptions about future commodity prices and putting additional cash into sovereign wealth funds to be better prepared when receipts fall. In October 2011, Nigeria set up its first sovereign wealth fund, following Algeria, Botswana, Libya and Mauritania, which established funds to better monitor their oil and commodity revenues (for an assessment of African sovereign wealth funds see Triki and Faye, 2011).

External positions vary widely across the continent

Higher food and energy costs made import prices increase much faster than export prices in many African countries and the weakened terms of trade pushed national income growth below GDP growth. In oil-importing countries, current account deficits increased and are likely to remain on average around 6% of GDP in 2012/13. By contrast, oil-exporting countries improved their current accounts in 2011 and are expected to see their surpluses rise above 4% of GDP. In Libya, where the civil war forced the current account to swing from surplus into deficit in 2011, high current account surpluses of around 16% and 13% of GDP are projected for 2012 and 2013.

The development of current accounts is often related to the development of fiscal balances. In resource-rich countries high earnings from commodity exports improve the current account and government revenues and — if spending is contained — also the budget balance. But high twin deficits can emerge if lower revenue or higher public spending cause the budget deficit to rise while private net savings remain low. This happened in Swaziland in 2010/11, which fell into a fiscal crisis as receipts from the Southern Africa Customs Union (SACU) plummeted, and spending was not adjusted. At the same time low growth in export markets and an overvalued exchange rate constrained export earnings and reduced foreign reserves. The economy is now faced with high internal and external borrowing requirements and low economic growth. To overcome the crisis the government negotiated a programme with the IMF with the main focus on reducing the fiscal deficit by cutting government spending. The African Development Bank (AfDB) also provides

Figure 1.8. **Current accounts and fiscal balances in oil-exporting countries**



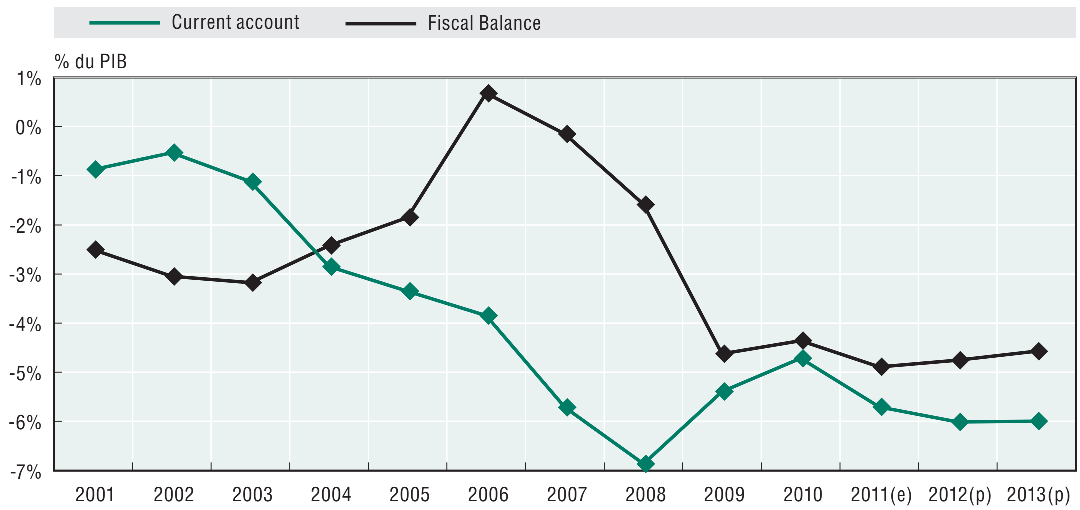
e: estimates; p: projections.

Source: Authors' calculations.

StatLink http://dx.doi.org/10.1787/888932600013

budget support. It is expected that the austerity program will gradually reduce the fiscal deficit. The current account will also improve, helped by higher transfers and compressed imports. But the way out of the crisis will be difficult and economic growth is expected to remain low in 2012/13.

Figure 1.9. **Current accounts and fiscal balances in oil-importing countries**



Note: e: estimates; p: projections.
Source: Authors' calculations.
StatLink http://dx.doi.org/10.1787/888932600032

Risks and policy challenges for African economies

Africa´s economic prospects depend on many unpredictable factors. A deeper euro zone crisis would cause a pronounced global weakening and a more pessimistic scenario than this study assumes. For Africa this could cause lower earnings from exports and tourism, contagion effects for African banks, lower inflows of official development assistance, foreign direct investment and worker´s remittances. It has been estimated that a one-percentage point decline of GDP in OECD member countries causes African GDP to decline by about 0.5% and Africa´s export earnings by about 10% (AfDB, 2011d).

Trade suffers the most from troubles in other regions. A deeper crisis in Europe would have a direct impact on countries which rely on the European market, notably North and West Africa, but also South Africa and some countries in East Africa, such as Kenya. Tourism in these regions, and in countries such as in Cape Verde, Seychelles and Mauritius, would also be affected. Lower commodity prices would reduce the earnings of African oil and minerals exporters. A deeper crisis in Europe would also hit other advanced and emerging countries, dealing a second blow to Africa´s exports to these countries. Any crisis could further boost the price of gold, which would help African producer countries to recover some of their losses.

The contagion from Europe's banking crisis to African banks is likely to be limited. The World Bank (2012) argued that a crisis scenario in Europe "characterized by a significant deleveraging of the European banking sector, a reduction in trade with Europe and a significant but still contained decline in investor confidence would pose some challenges to the financial sector in Africa but not on a systemic scale." African banking systems are relatively small and the deepening of the sector has been largely driven by African, not European, banks. Some countries are, however, more exposed to a financial crisis in Europe notably through volatile capital flows and effects on currencies. South Africa´s financial sector is globally integrated and is Africa´s largest borrower from Europe. The outflow of portfolio capital in the second half of last year, which put pressure on the rand currency, demonstrated this exposure. The other Southern African Customs Union members (Botswana, Lesotho, Namibia, and Swaziland) are also exposed through their integration with South Africa's financial sector. The exposure to Europe's financial troubles is also relatively high in some other countries where European banks largely finance investment, such as the tourism sectors of Seychelles and Cape Verde and mining in Sierra Leone.

The importance of foreign investment and development assistance and remittances are difficult to assess and also depend on the depth and duration of a new crisis. The recent global crisis had a big impact on investment flows to Africa. These financial flows have not yet recovered and their level was in 2011 still about one quarter lower than in 2008 (see chapter 2). Resource-rich countries have been Africa´s most important recipients of investment and if another global crisis would cause commodity prices to fall sharply, investment inflows would probably be affected again. But over the medium and longer term growing demand for oil and other commodities should continue to attract money to these countries. Furthermore, improved economic and political stability should make other African countries more attractive to investors.

After a fall by almost 10% in 2009 worker remittances recovered in 2010/11. An economic crisis with increased unemployment in host countries would probably again reduce these flows. In 2009 remittances declined most (as a percentage of GDP) in Liberia (3.1%), Sudan (1.5%), Cape Verde (1%), Senegal (0.9%), Morocco (0.7%), Egypt (0.6%) and Ethiopia (0.5%). But in the other African countries the decline was smaller and in some countries remittances increased during the global crisis. A new crisis would probably see several African countries suffer again from falling remittances, but overall the economic impact on Africa should be limited.

Many feared that official development assistance (ODA) would fall in the 2009 global recession but ODA flows to Africa continued to increase. While this is no proof that they would resist a new crisis, there is some optimism that donor countries would stick to their commitments and not cut their aid.

The overall impact on Africa of a deeper financial crisis in Europe would depend on the depth and duration of this crisis and its contagion to other parts of the globe. During the 2009 recession Africa´s economies demonstrated resilience. This was helped by economic policies put in place, internationally and within Africa, to stimulate aggregate demand. As a result the economic downturn was short-lived and economies and commodity prices rebounded in 2010. However, in many countries around the world including Africa fiscal deficits and government debts are now above pre-crisis levels which limits the room for fiscal expansion if new troubles hit soon.

On top of external uncertainties, risks also exist within Africa. After the revolutions in Tunisia and Egypt and Libya, North Africa's future development depends on the ability of the new governments to guarantee political stability and improve economic and social conditions. The same is true in the new state of South Sudan, which shares a tense border with Sudan. Several other African countries also have to cope with social discontent and regional tensions.

Bad weather threatens agricultural production and food security across Africa and another food crisis is mounting in the Sahel region. Facing these international and domestic risks, African governments need to pursue prudent macroeconomic policies and be alert to new external shocks.

Despite all the risks our economic outlook for Africa remains optimistic. Africa's impressive growth over the past 15 years and its resilience to the 2009 global recession support such optimism. This is backed by the recent African Competitiveness Report, which confirms Africa´s solid economic performance but also points to the need for more reform. With policies to reduce remaining barriers to growth and to make growth more inclusive, Africa has a good chance to further lift economies and to reduce social conflicts. Africa´s rising population at working-age would then become a "demographic growth dividend" rather then a social problem with not enough decent jobs. The following chapters and Part 2 of this report examine these issues in more detail.

Table 1.Aa. **Macroeconomic developments in Africa**

	2010	2011(e)	2012(p)	2013(p)
Real GDP Growth (%)				
Central Africa	5.7	5.1	4.9	4.8
Eastern Africa	7.1	6.0	5.1	5.6
Northern Africa	4.1	0.5	3.1	4.0
Southern Africa	3.5	3.5	4.0	4.4
Western Africa	6.9	6.2	6.9	6.4
Africa	5.0	3.4	4.5	4.8
Memorandum items				
North Africa (including Sudan)	*4.2*	*0.7*	*3.0*	*3.9*
Sub-Saharan Africa	*5.5*	*5.1*	*5.4*	*5.4*
Oil-exporting countries	*5.3*	*2.9*	*4.7*	*5.0*
Oil-importing countries	*4.5*	*4.1*	*4.2*	*4.7*
Consumer Prices (Inflation in %)				
Central Africa	5.4	4.5	5.5	4.9
Eastern Africa	9.7	17.0	16.5	12.1
Northern Africa	6.2	7.4	7.0	7.0
Southern Africa	6.2	6.7	6.8	6.1
Western Africa	10.5	8.8	8.5	7.1
Africa	7.4	8.5	8.4	7.3
Memorandum items				
North Africa (including Sudan)	*7.0*	*8.1*	*7.9*	*7.7*
Sub-Saharan Africa	*7.9*	*8.8*	*8.6*	*7.0*
Oil-exporting countries	*9.7*	*10.0*	*9.5*	*8.7*
Oil-importing countries	*5.0*	*7.3*	*7.4*	*6.0*
Overall Fiscal Balance, Including Grants (% GDP)				
Central Africa	1.7	2.8	2.4	1.6
Eastern Africa	-4.3	-5.0	-5.0	-5.1
Northern Africa	-3.0	-6.5	-4.7	-4.8
Southern Africa	-2.6	-2.5	-2.6	-2.4
Western Africa	-6.7	-1.7	-0.9	-1.0
Africa	-3.5	-3.6	-2.9	-3.0
Memorandum items				
North Africa (including Sudan)	*-3.0*	*-6.3*	*-4.6*	*-4.8*
Sub-Saharan Africa	*-3.7*	*-2.1*	*-1.9*	*-2.0*
Oil-exporting countries	*-2.8*	*-2.7*	*-1.6*	*-1.9*
Oil-importing countries	*-4.4*	*-4.9*	*-4.8*	*-4.6*
External Current Account, including grants (%GDP)				
Central Africa	-5.6	-2.7	-1.0	0.5
Eastern Africa	-6.9	-7.7	-10.1	-9.3
Northern Africa	1.7	-0.8	1.0	2.1
Southern Africa	-1.8	-1.0	-1.9	-2.0
Western Africa	1.8	4.5	4.8	3.8
Africa	-0.6	-0.6	-0.4	0.0
Memorandum items				
North Africa (including Sudan)	*0.8*	*-1.4*	*-0.1*	*1.3*
Sub-Saharan Africa	*-1.6*	*-0.2*	*-0.5*	*-0.8*
Oil-exporting countries	*2.8*	*3.6*	*4.2*	*4.8*
Oil-importing countries	*-4.7*	*-5.7*	*-6.0*	*-6.0*

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

Table 1.Ab. **Macroeconomic developments in Africa**

	2009	2010	2011(e)	2012(p)	2013(p)
Real GDP Growth (%)					
CEMAC	3.7	5.4	4.9	4.9	4.6
EAC	4.3	6.3	5.3	5.7	6.0
SACU	-1.6	3.2	3.2	2.9	3.6
WAEMU	3.0	4.6	1.1	6.6	5.2
Consumer Prices (Inflation in %)					
CEMAC	4.7	2.4	2.8	3.9	3.5
EAC	11.6	4.8	14.0	9.9	9.0
SACU	7.2	4.4	5.2	6.2	5.3
WAEMU	2.2	1.2	3.5	3.5	2.6
Overall Fiscal Balance, Including Grants (% GDP)					
CEMAC	-0.8	1.6	4.3	4.4	4.1
EAC	-3.7	-6.1	-6.6	-7.2	-7.1
SACU	-6.0	-4.5	-4.9	-4.3	-4.3
WAEMU	-3.9	-3.9	-3.6	-3.7	-4.2
External Current Account, including grants (%GDP)					
CEMAC	-5.6	-4.5	-1.5	-0.6	1.2
EAC	-7.4	-7.7	-8.5	-9.6	-10.7
SACU	-3.9	-3.0	-3.2	-3.7	-3.9
WAEMU	-3.3	-3.7	-5.2	-5.0	-6.4

Note: CEMAC member countries: Cameroon, Central African Republic, Congo Rep., Gabon, Equatorial Guinea, and Chad. EAG member countries: Burundi, Kenya, Rwanda, Tanzania, and Uganda. SACU member countries: Botswana, Lesotho, Namibia, South Africa, and Swaziland. WAEMU member countries: Benin, Burkina Faso, Côte d´Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo.

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

Table 1.2. **Competitive positions: relative unit labour costs of South Africa and Mauritius in international comparison**

Levels of wages, labour productivity and unit labour costs in manufacturing sector relative to the USA

	Relative productivity (USA = 1)	Relative wage (USA = 1)	Relative Unit Labor Costs (USA = 1)
Indonesia (2007)	0.07	0.03	0.47
China (2008)	0.10	0.05	0.51
Taiwan (2008)	0.47	0.26	0.54
India (2007)	0.08	0.05	0.56
Poland (2006)	0.26	0.20	0.76
Thailand (2006)	0.05	0.04	0.77
South Korea (2006)	0.67	0.58	0.87
Mexico (2008)	0.17	0.18	1.04
Japan (2008)	0.64	0.69	1.08
Philippines (2006)	0.06	0.06	1.10
Czech Republic (2007)	0.25	0.28	1.11
Malaysia (2007)	0.10	0.11	1.20
Russia (2006)	0.10	0.12	1.21
Sweden (2008)	0.88	1.19	1.36
Singapore (2008)	0.32	0.49	1.53
EMU* (2008)	0.62	1.10	1.80
UK (2008)	0.58	1.07	1.85
South Africa (2008)	0.15	0.27	1.87
Mauritius (2007)	0.06	0.12	1.94
Hong Kong (2008)	0.19	0.40	2.08

* Average of Euro member countries.
Source: Ceglowski and Golub (2011) and with data adjusted for hours worked by these authors.

Notes

1. See the special chapter in the African Economic Outlook 2010.

2. The information as presented here is largely based on the OECD Economic Outlook No. 90, November 2011 and the World Economic Outlook update of the IMF, January 24, 2012 but has been updated as far as possible.

3. According to AfDB estimates Africa´s middle class amounted in 2010 to 313 million people or 34% of Africa´s population. Under a more narrow definition, the figure is 123 million people or 13% of the population. The middle class has increased over 20 years by 162 million and 42 million people respectively. The lower figure refers to people with per capita daily consumption of between USD 4 and USD 20 in 2005 purchasing power parity. The higher figure includes in addition people with per capita consumption between USD 2 and USD 4 (the so-called floating class) (AfDB 2011a).

4. For more details see the respective country notes.

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Chapter 2

Domestic and External Financial Flows

External and tax revenue resources available for development in Africa have tripled over the past decade and have never been so high. In 2011, external finances recovered to pre-crisis levels with foreign investment (FDI), official development assistance (ODA) and remittances estimated at USD 152.2 billion. As a share of Africa's gross domestic product, external flows doubled from 6.8% in 2000 to 12.3% in 2006, but were still down at an estimated 8.2% in 2011.

FDI and ODA remain the key sources of finance. But African governments and their partners must increasingly look at remittances and tax revenues and this chapter takes a closer look than previous years at these forms of finance.

The appetite of emerging economies for natural resources and a boom in international commodity prices underpinned an increase in resource investment in Africa. Sustained growth of over 5% and improved macroeconomic indicators — lower inflation, sustainable debt levels — attracted international and, increasingly, national investors.

Foreign investment remains the largest external financial flow to Africa and has great potential for stimulating long-term growth and employment. Yet, the increase in investment in recent decades did not produce more inclusive growth or sufficient jobs as most of the finance went on to the hunt for resources. Africa needs to attract more productive FDI to diversify its economy and benefit from technology transfers and spill over effects.

Official development assistance increased in 2011, but at a slower pace than previous years. The sovereign debt crisis and austerity measures in OECD countries dampened prospects for a significant increase in future assistance. This particularly threatens the functioning of the state for nearly half of African countries where ODA is still the largest external finance.

Remittances to Africa peaked in 2011 and are projected to continue to increase strongly in 2012. The importance of remittances varies across countries and regions. They play a significant role in smoothing consumption and hence contribute to poverty reduction and improving social conditions. Additionally, they can provide capital to small and microenterprises, aiding job creation.

Collected taxes in Africa increased from an unweighted average of 17.9% of gross domestic product (GDP) in 2000 to 20.3% in 2010. However, this increase was mainly driven by resource-related taxes in oil-exporting countries as oil prices surged after 2007. African countries need to improve the quality of their tax systems by deepening their tax bases. Tax revenues complement external financial flows by helping states to provide quality public services and pursue economic policies that are conducive to raising growth and attracting finances from abroad.

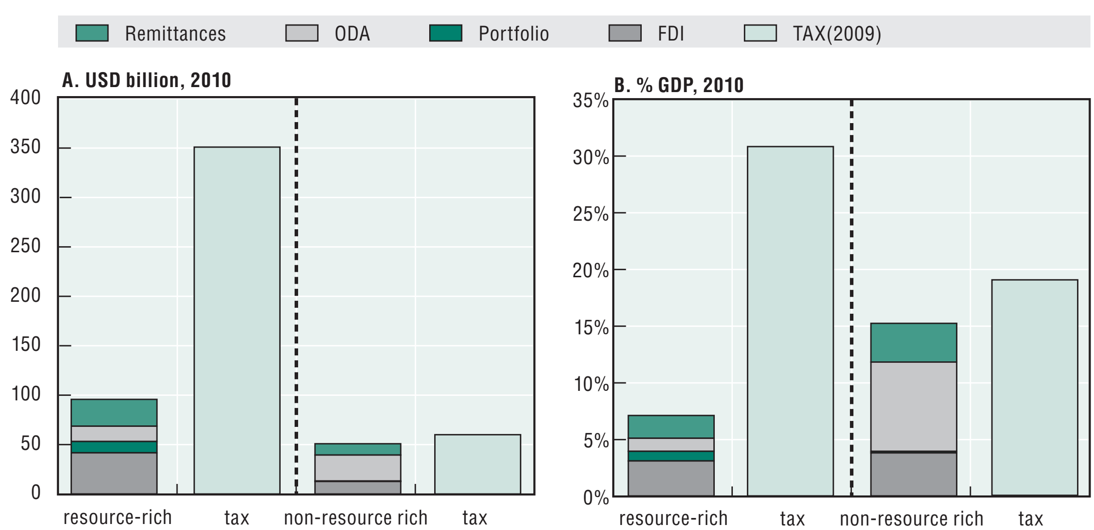
Table 2.1. **Summary of external financial flows and tax receipts in Africa (2000-12)**

Flows (real USD Billions)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (e)	2012 (p)
1. ODA, net total, all donors	15.5	16.8	21.4	27.4	30.0	35.8	44.6	39.6	45.2	47.8	47.9	48.4	48.9
2. Portfolio investments	1.9	-3.3	-0.1	-0.4	6.8	5.8	22.2	12.8	-27.0	-2.1	12.2	7.7	16.2
3. FDI inward	10.9	20.9	16.1	20.4	21.7	38.2	46.3	63.1	73.4	60.2	55.0	54.4	53.1
4. Remittances	11.5	12.6	13.2	15.8	19.8	22.7	26.8	37.0	41.5	37.7	39.3	41.6	45.0
5. Tax revenues	141.0	131.7	123.9	159.0	204.6	262.4	312.5	357	458.5	339.2	416.3	..	..
Total External flows (1+2+3+4)	39.7	47.1	50.6	63.3	78.3	102.5	139.8	152.5	133.1	143.5	154.4	152.2	163.2
North Africa	11.7	14.2	13.6	15.0	20.2	27.4	37.2	43.4	33.5	23.7	37.5	27.6	31.6
West Africa	7.5	8.0	9.6	10.7	13.9	23.6	34.0	32.2	33.6	37.6	37.7	42.4	45.2
Central Africa	1.7	2.8	4.0	8.8	5.1	6.0	6.0	8.0	4.6	7.0	9.5	8.4	8.6
East Africa	6.9	8.1	8.7	11.3	13.1	14.5	19.0	22.3	24.5	25.2	23.4	26.1	26.7
Southern Africa	10.6	12.5	13.0	14.9	23.3	28.2	40.5	42.5	31.9	44.2	41.2	39.1	45.9

Source: OECD/DAC, World Bank, IMF and African Economic Outlook Data. Author's estimates for 2011 ODA data, by using the forecasted rate of increase for Country Programmable Aid in the 2011 OECD Aid Predictability Report. Projections for 2012: FDI and portfolio: IMF, Remittances: World Bank, ODA: OECD/DAC (author's calculations). (This table excludes loans from commercial banks, official loans and trade credits).

The strong increase in Africa's financial resources over the past decade hides significant realities. Resource-rich countries captured most of the commodity-driven increase in external and especially domestic resources, largely through rising tax income from the exploitation of resources (Figure 2.1.a). In GDP terms, external flows are more important to non-resource rich countries (Figure 2.1.b.). Low-income countries, often poor in natural resources, attracted a higher share of FDI to GDP in 2010 and 2011. Green field investment to low-income countries showed more resilience to the economic crisis than the more cyclical resource-seeking FDI going to resource-rich middle-income countries.

Figure 2.1. **Domestic and external financial resources**



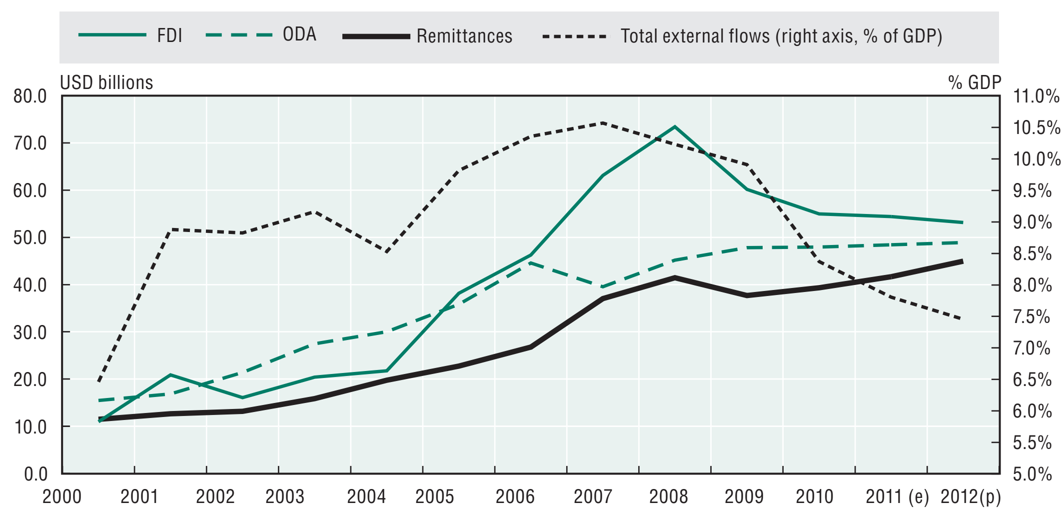
Source: OECD/DAC, World Bank, IMF and African Economic Outlook Data.
StatLink http://dx.doi.org/10.1787/888932600051

Total external flows to Africa in 2011 decreased slightly from USD 154.4 billion in 2010 to USD 152.2 billion. The gradual recovery of investment from the global economic crisis was halted by the revolutions in Tunisia, Egypt and Libya. In contrast to the modest recovery in other developing countries, FDI flows to Africa decreased slightly in 2011 to an estimated USD 54.4 billion, compared to USD 55 billion in 2010 (UNCTAD, 2011). In comparison, total tax revenue increased by 22% to USD 416.3 billion in 2010. Total tax revenues in African countries were more than double the total external financial flows to the continent in 2010.

Africa's share of FDI to developing countries decreased from 9.4% in 2010 to 8.2% in 2011 as more money went to emerging economies outside the continent, particularly China. Africa received 3.6% of global FDI in 2011, down from 4.2% in 2010. This remains four times higher than the 0.8% in 2000, but significantly lower than its peak of 5.2% in 2009, indicating Africa's potential for attracting investment has not fully recovered.

FDI overtook official assistance as the largest external source for Africa in 2005 (Figure2. 2.). However, for 20 out of 28 low income countries which account for 52% of Africa's population, ODA remained the main external resource in 2010. The number of countries where investment exceeds other flows — all resource-rich countries — increased from nine in 2000 to 16 in 2010. Six lower middle-income countries (Cameroon, Cape Verde, Côte d'Ivoire, Djibouti, São Tomé and Principe, Sudan) had ODA as the largest external inflow in 2010. In all upper middle-income countries FDI represented over 50% of total external flows, with the exception of South Africa w ere portfolio inflows in 2010 represented 80% of total external flows. Some countries, such as Nigeria, Tunisia, Morocco, Senegal, Kenya, Swaziland and Lesotho, however, rely on remittances as the largest external inflow.

Figure 2.2. **FDI overtook ODA in 2005, but is below its 2008 peak**



Source: UNCTAD, OECD/DAC and World Bank. GDP forecast for 2012 from IMF.
(This graph excludes loans from commercial banks, official loans and trade credits).
StatLink http://dx.doi.org/10.1787/888932600070

To get back to the trend of increasing external financial resources, Africa needs foreign investment to recover to pre-crisis levels, particularly in Northern Africa, and remittances to continue progressing. The UN Conference on Trade and Development (UNCTAD) estimates that FDI to Africa should recover by 2014 to its average prior to the global crisis. The trend of emerging powers' increasing share in foreign investment should continue, in line with their needs for natural resources. Portfolio flows remain relatively marginal to Africa, but with the growing financial sector in countries like Morocco, South Africa or Egypt, a relative increase may be expected in the near term. In the current fiscal austerity and growing budgetary pressures in donor countries, official assistance will, at best, remain at its current nominal value in years to come.

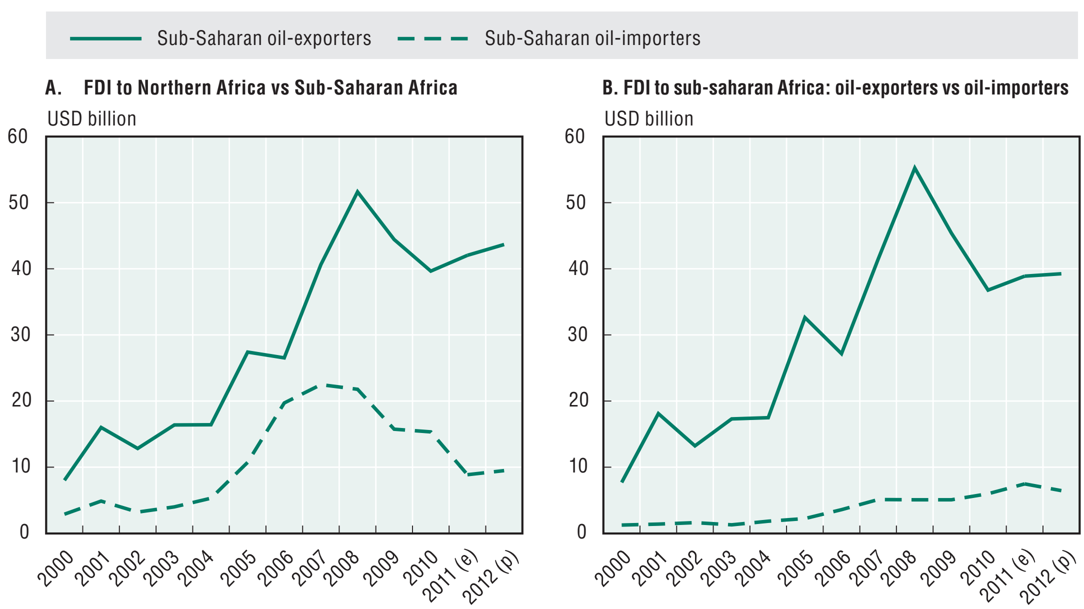
Risks are mainly related to global economic growth prospects and the evolution of commodity prices. A deeper crisis in Europe and a pronounced weakening of the global economy would hit financial flows to Africa (see chapter 1). The outlook for North Africa, in particular, depends on a return to normalcy in Libya, Tunisia and Egypt. Libya, one of the continent's largest foreign investment recipients, saw FDI drop from USD 6.3 billion in 2010 to an estimated USD 2.35 billion in 2011.

Investment Flows

Foreign Direct Investment to Africa

According to UNCTAD data, total foreign investment to Africa in 2011 decreased for the third consecutive year to an estimated USD 54.4 billion. This is in stark contrast to the general recovery of global FDI and resulted in a further decrease of Africa's share of the world total from 4.2 per cent in 2010 to 3.6% in 2011, still above the past decade's average of 3.3%. This near stagnation is the result of events in Egypt, Libya and Tunisia as economic and political uncertainty after the Arab Spring led international investors to adopt a 'wait-and-see' attitude. As a result investment to North Africa decreased by an estimated 42% in 2011, in addition to the 32% cumulative decrease in the previous three years.

Figure 2.3. **FDI to Sub-Saharan Africa recovered, while North Africa suffered**



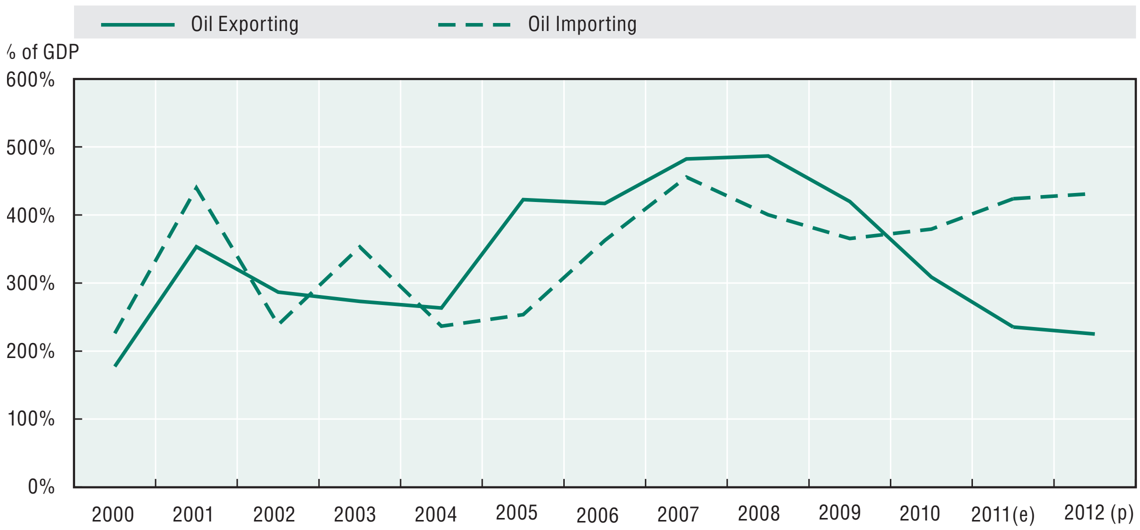
Source: UNCTAD WIR, IMF WEO for 2011 estimates and forecasts.

StatLink http://dx.doi.org/10.1787/888932600089

Sub-Saharan Africa witnessed an estimated 25% increase in foreign investment in 2011 (Figure 2.3.a). Eastern and Western Africa led this recovery with a 53% and 17% increase respectively in receipts. This rebound signals that the fundamentals for attracting investment before the crisis remain in place: improved macroeconomic policies, a more conducive regulatory environment and – despite the fall from the earlier peak – favourable international commodity prices for exporters. In particular, metals, oil and agricultural raw materials saw average price levels in 2011 beat their 2008 peak levels.

Figure 2.3.b shows how oil-exporting countries drew foreign investment to sub-Saharan Africa, resulting in a further concentration of FDI in extractive industries, especially oil. Non-oil economies are typically much smaller than oil exporters, hence they attract less investment volume. Figure 2.4., however, shows that oil-importing countries have been able to attract an equal amount of FDI as a share of GDP compared to oil exporters. The share of FDI to GDP for oil-importing countries has shown more resilience through the international crisis than oil-exporting countries.

Figure 2.4. **Oil-importing countries attracted more FDI as a share of GDP than oil-exporting countries**



Source: UNCTAD WIR, IMF WEO for 2011 estimates and 2012 forecasts.
StatLink http://dx.doi.org/10.1787/888932600108

FDI is an important source for productive investment —finance for fixed assets and inventories— in Africa (UNCTAD, 2010). The average share of FDI in gross fixed capital was 19.2% over the past decade, nearly twice the global average and well above other developing countries at 12.4%. Reisen and Rieländer (2011) indicated that foreign investment can enhance growth through capital accumulation as well as through total factor productivity. Resource-seeking investment remains the main FDI in Africa; however McKenzie & Co. (2010)[1] estimated that Africa's productivity increased by 2.7% annually from 2000 to 2007 indicating that African countries are gradually improving conditions to attract more productivity-enhancing investment.

The World Bank *Doing Business* Report 2012 indicated that a record 78% of African economies pursued regulatory reforms. Over the past six years the average had stood at 56%. In 2011, five African countries were in the "top reformers" list: Morocco, Cape Verde, São Tomé and Principe, Burundi and Sierra Leone. These countries should reap the benefits of past reforms in coming years.

In 2010, OECD countries still accounted for about 40% of total FDI to Africa, but their share will probably diminish in coming years. Emerging partners are expected to further increase their investment in Africa to find additional natural resources, competitively priced skills and growing markets. According to the 2011 Ernst and Young "Africa Attractiveness Survey" annual investment from emerging partners grew on average 13% annually over the past decade.

Investment from the emerging powers mainly sought natural resources, but is now increasingly diversifying into agriculture, manufacturing, and service industries (e.g., telecommunications). This enhances the potential for technology transfers and increasing productivity, playing an important role for economic growth in non-resource-rich countries (Mlachila and Takebe, 2011).

The short term investment outlook for Africa remains cautiously optimistic, in line with the sustained recovery of global FDI flows. This positive outlook is based on the sustained strong economic growth in Africa and the improvement of the business climate and competitiveness. Strong headwinds might come from a worsening of the recession in Europe in 2012 and the projected slowdown in global economic activity. This scenario would most likely temper the FDI recovery through lower demand for natural resources and decreasing oil prices. Investment recovery in North Africa will depend on stability in Tunisia, Egypt and Libya in particular. The following section highlights regional FDI trends.

Foreign direct investment trends differ significantly across regions. Southern Africa has been the continent's largest investment recipient since 2008. But according to International Monetary Fund figures, Western Africa should reach the same level in 2012, largely driven by new oil and other resource extraction in Ghana and Nigeria. The Arab Spring scared away investors from North Africa and they are not expected to return before 2013. Although Eastern Africa receives the continent's lowest FDI levels, it attracts more diversified investment which has helped increase productivity.

Southern and Western Africa attracted 55% of Africa's total investment in 2011. The top five recipients were Nigeria, South Africa, Morocco, Angola and the Congo Republic, by themselves attracting 48% of the 2011 total. Nigeria's oil industry and large consumer market made it the continent's top investment recipient, taking over from Angola, with a total of USD 7.36 billion. South Africa and Morocco followed with respectively USD 7.17 billion and USD 3.44 billion. Those same countries are expected to remain the top five FDI recipients for 2012. Morocco is the newcomer in the top 5, following a decade of specific policies that are starting to bear fruit.

The uprisings in North Africa had a strong impact on investment, which fell by 42% in 2011 to USD 9.48 billion. This represented 17% of total FDI to Africa, compared to 28% in 2010. With the exception of Morocco all countries attracted less investment. Egypt was the worst hit with a 60% drop in 2011. Egypt's long term economic fundamentals remain strong, boding well for investment prospects once the region stabilises. Investment in Morocco is expected to continue to pick up as the country has positioned itself as a haven of stability in the region, culminating in the Financial Times nomination of "Top Investment Destination for 2012".

East Africa is a less resource-rich region, with the exception of South Sudan and Sudan. Its share of African FDI diminished from 13% in 2004 to 7% in 2010, with total flows dropping to USD 4 billion in 2010. Investment picked up again in 2011 to USD 6 billion, led by Sudan with USD 2.63 billion, Ethiopia (USD 1.03 billion) and Uganda (USD 0.82 billion). Uganda wants to attract an oil refinery for its nascent oil industry, just as it did with a gold refinery built by Russians for its gold reserves. East Africa already has larger numbers of green field investment compared to other regions, indicating a higher diversity of projects and investment interest. This bodes well for diversifying the economy. East Africa's geographical position links it with the Middle East, India and China. A sustained increase in GDP per capita for 2011 and 2012 combined with its growing educated workforce should attract more investment in services and develop the local consumer market.

FDI to Southern Africa halved from USD 30 billion in 2008 to USD 15 billion in 2011, reflecting decreased investment in Angola, from USD 16.58 billion in 2008 to an estimated USD 3.27 billion in 2011. Uncertainty ahead of Angola's presidential election might further dampen prospects in 2012, but its booming oil industry should bring strong inflows in years to come. South Africa reversed its recent downward trend attracting over USD 7 billion in 2011 from a 5-year low of USD 1.55 billion in 2010. Mauritius is continuing to move up the value chain by diversifying away from textiles and tourism into offshore banking, business outsourcing and luxury real estate.

Investment in West Africa increased in 2011, reaching an estimated USD 13.25 billion, compared to USD 11.31 billion in 2010. Over the past five years, West African FDI has been driven strongly by commodity related investments. Nigeria accounted for 79% of total FDI to the region in 2005. However, Nigeria's share of regional investment has fallen to about 54% as Ghana's new oil industry is attracting an increasing share – rising from USD 860 million in 2007 to USD 1.67 billion in 2011. Nigeria's 'Petroleum Industry Bill' should enhance transparency and governance of the country's oil industry. Nigeria's Ministry of Trade and Investment announced expected investments from three major Oil companies in 2012 of over USD 4.5 billion. Around 70% of investment in the region goes into oil and gas, while most of the remaining sum is captured by the real estate and telecommunication sectors.

FDI to Central Africa decreased from USD 7.9 billion to USD 7.64 billion, yet this represents an increase of around 50% compared to 2009. This increase was driven solely by Democratic Republic of Congo (DRC), where investment increased by 343% in 2010. This was led by telecommunications, though the country typically attracts resource-seeking finance. The Congo Republic, DRC and Equatorial Guinea represented 81% of the region's investment, most of which went into resources. Resource extractive industries are capital intensive and require high-skilled labour, thus not benefiting the local population through more inclusive growth and low-skilled employment creation.

Outward and intra-African investment

According to UNCTAD, total direct investment outflows from African countries increased by 18% in 2010 to USD 6.7 billion, compared to the USD 5.6 billion in 2009. They have not yet fully recovered to their peak level of USD 10.7 billion in 2007. North and Southern Africa provide the bulk of these outflows, nearing 80% of the total (Figure 2.5.). African investment directed at OECD countries represented 62% of total African outflows over the past decade, equal to USD 26 billion (UNCTAD and OECD data, 2012). Luxemburg attracted USD 5 billion, followed by the UK and France (USD 4 billion each), Germany (USD 2.4 billion) and Austria (USD 1.8 billion).

Africa's investment outflows doubled to 0.5% of the world share in 2010, compared to its average of 0.26% during the past decade (UNCTAD, 2012). North Africa provided USD 3.3 billion, roughly 50% of the continent's total. In 2010 Libya remained the highest outside investor, laying out USD 1.3 billion, with Egypt and Angola both close to USD 1.2 billion each. This will change radically for 2011 and 2012 because of the upheavals in Libya and Egypt. Nigeria (USD 0.9 billion), Morocco (USD 0.5 billion), South Africa (USD 0.45 billion) and Algeria (USD 0.2 billion) are the remaining four top investors. South Africa's outward FDI in 2010 was significantly lower than its pre-crisis performance of USD 3 billion and USD 6 billion in 2007 and 2006 respectively.

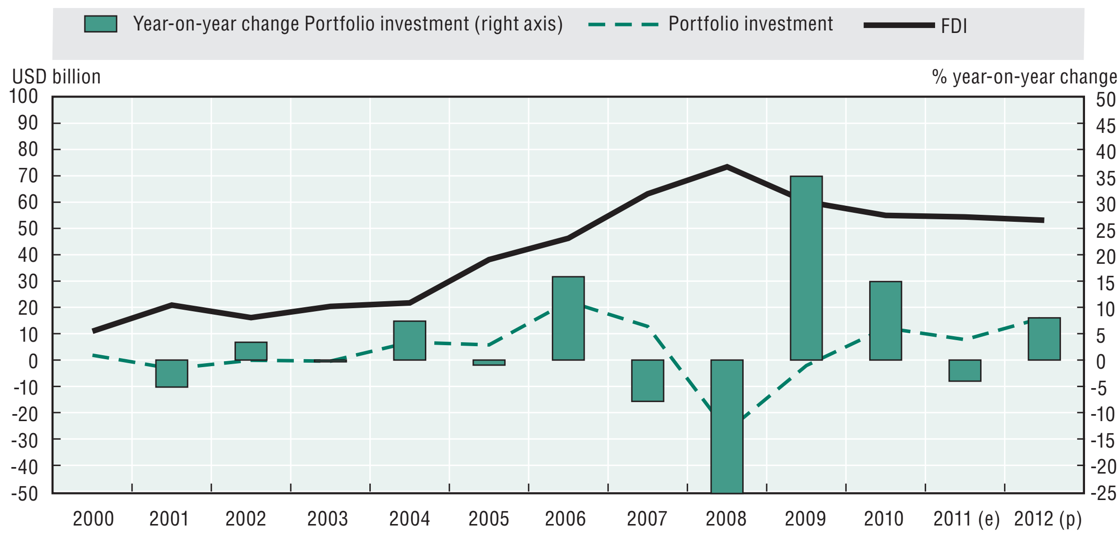
Figure 2.5. **African FDI outflows mainly go from resource-rich countries to OECD nations**

Source: Author's calculations and UNCTAD WIR 2012.

StatLink http://dx.doi.org/10.1787/888932600127

According to Ernst and Young (2011) intra-African investment (included in FDI inflows and outflows above) increased 21% between 2003 and 2010, but the amount of capital involved and the number of projects remain smaller than for other emerging actors. This low activity can be explained by the region's dependence on external financial flows. The traditional pattern of North Africa and Southern Africa absorbing most intra-regional investment is slowly changing. Nigeria invested an estimated USD 1 billion in Ghana's service sector in recent years, especially banking and insurance. Leading Moroccan banks are investing heavily in the development of the West African financial system and banking sector. For Africa to fully realise its intra-regional trade and investment potential, further harmonisation of Africa's regional trade agreements and the inclusion of investment regimes would be required.

Figure 2.6. **Portfolio investments compared to FDI in Africa (2000-11)**



Source: UNCTAD WIR 2012 and IMF WEO 2012.

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Mergers and acquisitions and portfolio flows

Portfolio flows to Africa recovered less swiftly than FDI and, although gradually becoming more important over the last decade, they remain marginal compared to foreign investment. According to the IMF, net portfolio flows to 23 African countries in 2000 amounted to USD 1.9 billion, representing 17% of total investment in Africa. In 2011, 32 African countries registered an estimated USD 7.7 billion, representing only 15% of total FDI to Africa. Figure 2.6. shows the volatility of these flows, peaking at USD 22.2 billion in 2006, dropping later to USD -27.2 billion in 2008, following the financial crisis. Such sudden capital movements bring the risk of an exchange rate crisis as experienced by South Africa in 2008, when the rand depreciated following the impact of the international financial crisis on portfolio flows.

Through the decade, South Africa remained the largest portfolio inflow receiver, amounting to an estimated USD 13.5 billion in 2011 —79% of entire portfolio flows to Africa. Nigeria came second, attracting USD 2.4 billion in 2011, representing its highest inflows ever. Political uncertainty impacted portfolio flows to Egypt in 2011, dropping to USD 3.1 billion from USD 8 billion in 2010.

Mergers and acquisitions (M&A) took off in Africa in 2006-10, with a total worth of USD 120 billion recorded compared to USD 42.5 billion for 2000-05. M&A from the world to Africa in 2010 was valued at USD 29.6 billion, more than double the 2009 figure of USD 11.1 billion, but below its 2008 peak of USD 36 billion, according to Dealogic data. The average size of deals doubled from USD 329 million (2000-05) to USD 664 million (2006-10).

This rebound was, for the first time, driven by the emerging economies, with India, China and Brazil representing three out of the five top merger and acquisition deals in 2010. Standard Bank estimated that M&A activity between Africa and China rose 90% in 2011 to USD 5 billion. It is expected to grow further this year despite the economic slowdown. The 2010 rebound was not confirmed in 2011 however. UNCTAD (2012) estimated the net value of cross-border M&A deals in Africa to have decreased by 17.1% from USD 7.6 billion in 2010 to USD 6.3 billion in 2011.

Box 2.1. A glimpse at African investment policy developments

In 2011 a record 78% of economies in sub-Saharan Africa implemented regulatory reforms to improve the business environment (World Bank *Doing Business Report*, 2012). Such reforms are the focus of the *NEPAD-OECD Africa Investment Initiative*, which is conducting Investment Policy Reviews in partner countries in Africa.

This year heralds a breakthrough for this regional work: the Initiative will co-operate with the Southern African Development Community (SADC) in developing the SADC Regional Investment Policy Framework. SADC has identified the OECD Policy Framework for Investment (PFI) as the reference for this regional framework. In this way the country-level work provides building blocks for regional co-operation. We draw from this accumulated experience in national and regional investment policy reform to highlight the following emerging trends in Africa:

- Investment policies increasingly include **private sector involvement** through public-private partnerships (PPP) and the facilitation of **employment generation** and **investment by small businesses** through linkages with larger investors.
- Several governments have established **national task forces or regulatory committees** – often at the highest levels of government – to co-ordinate and oversee investment policy and business climate reform.
- There is increasing momentum for **co-ordinating investment policy reform at regional level**. This is a crucial development for allowing countries to tap scale economies, expand market size, and facilitate investment in projects that by nature span national borders (such as large-scale water, energy or transport infrastructure).

Tax policy reforms to facilitate SME growth, revenue sharing, and employment:

Mauritius has lightened its tax system to facilitate business development, by abolishing a solidarity tax on dividends and interest, a capital gains tax on immovable property, a land transfer tax, and a municipal tenant's tax (effective 1st January 2012).

Mozambique has engaged in cross-cutting fiscal reform since 2009, including revising its land usage fees and land taxes and providing a simplified regime for smaller enterprises.

Botswana made amendments to VAT to favour small scale agriculture, effective from 2012.

South Africa renewed tax incentives for manufacturing investment, with a special focus on job-creation and the facilitation of small industry development. In 2012 consideration will also be given to expanding incentives for labour-intensive projects in Industrial Development Zones.

Co-ordinating investment policy reform through national task forces:

Mauritius set up a Joint Public-Private Sector Business Facilitation Task Force in October 2011, which focuses on removing investment and export bottlenecks. The task force will prioritise tourism, international trade, public utility development, and facilitate land conversion and access to building and land use permits.

Tanzania's National Investment Steering Committee led the development of the 2009 Roadmap on 'Improving Tanzania's Performance in Doing Business', and plays a guiding role in the Roadmap's implementation.

Regional co-ordination of investment policy reform

The *Southern African Development Community* (SADC) launched its Regional Action Plan for Investment (RAPI) in January 2012. A key component is the Regional Investment Policy Framework. This framework will seek to harmonise investment policy across SADC member states in co-operation with the *NEPAD-OECD Africa Investment Initiative*, using the OECD Policy Framework for Investment as its reference.

The *East African Community* (EAC) called on all Partner States to harmonise national laws according to the EAC Common Market Protocol by December 2012, which should facilitate free movement of labour and a further integration of regional financial markets. The *Economic Community of West African States* (ECOWAS) has been developing the ECOWAS Common Investment Market (ECIM) since 2008. In September 2010 ECOWAS officially launched the process of creating a region-wide investment code under the ECOWAS Common Investment Market, which has included reference to the OECD Policy Framework for Investment (PFI). FDI flows to Africa are growing fast – they reached USD 415 billion over 2001-10, over five times the amount of the previous decade. As FDI to Africa has outstripped official development assistance since 2005, it is vital that African countries design investment policies to ensure that FDI serves as a source of growth and development —particularly through spurring employment creation, technology and knowledge transfer, and export diversification. Channeling FDI towards manufacturing and services— and not only into extractive industries (which attracted 43% of FDI to Africa in 2010) —will be crucial. Indeed the social and economic dividends of FDI are not automatic. Governments will need to continue strengthening investment frameworks with these objectives in mind. The trends highlighted above are encouraging in this regard: beyond seeking to enhance FDI attraction, recent investment and tax reforms attempt to capitalise on investment spill-overs for job creation, diversification and small business development. These efforts still need much wider implementation. Regional platforms can boost this reform momentum, by co-ordinating investment policy reform across member countries.

Source: NEPAD-OECD Initiative for Investment in Africa.

Remittances

The World Bank estimates that remittance flows to developing countries recovered by 8% to USD 351 billion in 2011, compared to USD 129 billion global official development assistance in 2010. These flows are likely under-reported as a large amount is sent through informal channels or in-kind. Some estimate actual remittances to be twice the official figures (IMF 2005a; World Bank 2005a; Docquier and Rapoport 2004). Up to 75% of the total remittances sent to Africa go informally, a much higher figure than for other continents (Freund and Spatafora, 2005).

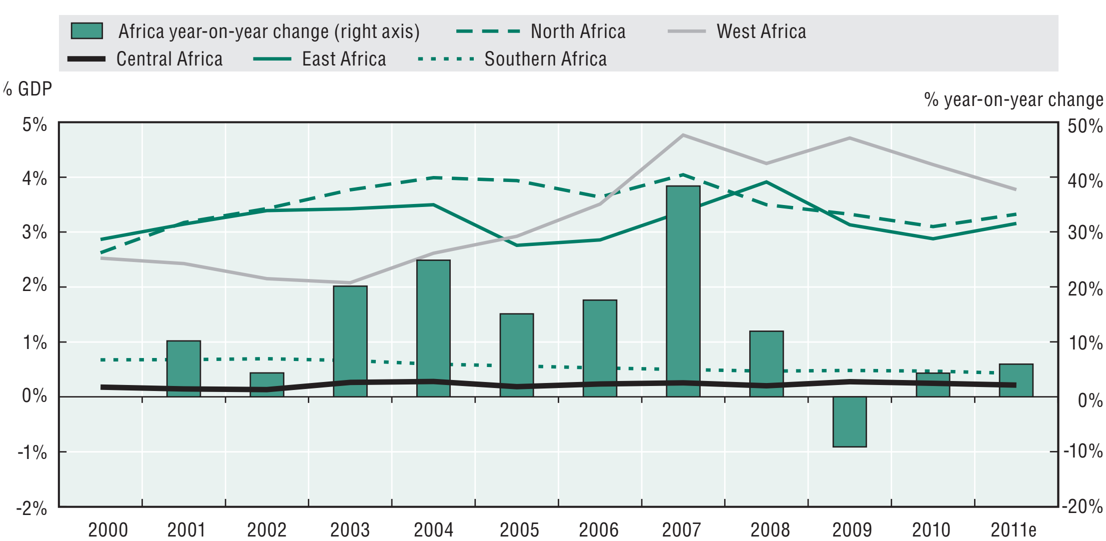
The nature of remittances is different and complementary to other external financial flows. The importance of remittances in consumption, thereby reducing poverty, is widely recognised (Ratha 2003). The wider impact is not so sure. Chami *et al.* (2003) found that remittances do not necessarily increase economic output as they typically are compensatory rather than channelled towards productive investment. They can help set up informal microenterprises which generate employment however (Gupta *et al*., 2007).

Total remittances to Africa in 2011 were estimated back at the pre-crisis level of about USD 41.6 billion, an increase of 5.9% over 2010. The GDP share of remittances for Africa remained stable at 2.3% in 2011, though with significant regional differences. West Africa had the highest share of remittances to GDP, 3.8% in 2011. Remittances to Southern and Central Africa represented less than 0.5% of their GDP. Remittances as a share of GDP are highest for Lesotho at 28% in 2011, followed by Gambia (11%), Senegal (10%), Togo (9%) and Cape Verde (8%). After Tajikistan, Lesotho has largest share of remittances to GDP in the world, explained by their migrant workers in South Africa.

There has been a threefold increase of remittances per capita for Africa between 2000 and 2011. Countries have different levels of dependence of remittances. Cape Verde received USD 306 per capita in 2011, followed by Lesotho (USD 291), Morocco (USD 220), Mauritius (USD 193) and Tunisia (USD 175). A more detailed regional comparison is difficult given the lack of official data on remittance flows, in particular for Central African countries.

The share of remittances to GDP for Africa has remained stable across the decade, averaging 2.4%. Figure 2.7. shows that remittances for West Africa increased from 2.5% of GDP to 4.8% of GDP during the period. For oil-importing countries remittances were almost twice as important in terms of GDP, averaging 3.7% of GDP over the last 10 years, compared to 2.0% for oil-exporting countries. North Africa attracts the largest amount of remittances, amounting to USD 19 billion in 2011, followed by West Africa with USD 14 billion, respectively 117 USD per capita and 46 USD per capita. Both regions amount to 80% of total remittances to the continent, a proportion that has stayed roughly the same throughout the last decade, except that West Africa has nearly doubled its share of total remittances to the continent. The two regions most affected by the crisis were North and East Africa, which saw remittances drop 12% and 16%, respectively, in 2009.

Figure 2.7. **Remittance flows per African subregion**



Source: World Bank 2012.

StatLink http://dx.doi.org/10.1787/888932600165

The three top recipients absorbed over 60% of total remittances to Africa in 2011. With USD 10.7 billion, Nigeria attracted the most remittances, followed by Egypt and Morocco, with USD 8 billion and USD 7.1 billion, respectively. These countries have a large migrant population in more developed countries. Nigeria and Egypt are among the top 10 countries in the world for remittance inflows in 2011. Remittances to Egypt increased an estimated 30% in 2011, boosted by the impact of high oil prices for Gulf Co-operation Council (GCC) countries.

The weak Kenyan shilling in 2011 resulted in a temporary surge in remittances inflows to Kenya in 2011 from USD 1.78 billion in 2010 to an estimated USD 2.24 billion. Depreciation of the local currency can have a strong impact on remittances by increasing the purchasing power of money sent home, creating an incentive to increase the sums.

The main sources of remittances are slightly different for each sub-region. The United States and Western Europe accounted for nearly 70% of remittance flows to sub-Saharan African countries in 2010 (28% and 41% respectively), followed by the GCC countries (9%). The Middle East and North Africa, in contrast, received nearly 40% of their remittances from the GCC in 2010.

Despite the recovery of global remittances, the World Bank estimates future growth of such transfers will remain at half of their pre-crisis average of 17.3% (2000-08), reaching USD 441 billion by 2014. The strongest downside risks are for those from Europe and the United States, because of their economies. According to World Bank calculations, remittance flows to Cape Verde, Senegal and Guinea-Bissau are most exposed to any worsening of the economy in Europe. The impact of the Arab Spring is yet unclear. Migrants from Egypt, Tunisia, Niger and Chad massively fled Libya because of the unrest, likely affecting remittances flows in 2012.

Official development assistance

According to OECD Development Assistance Committee (DAC) figures, global ODA volumes increased by 6.3% to USD 128.5 billion in 2010. This reversed the fall in ODA in 2009 because of the international financial crisis. It represented the highest level of ODA in history. When looking at development assistance as a share of gross national income (GNI), the upward trend of past years was confirmed in 2010, with total net official development assistance reaching 0.32% of GNI compared to 0.31% in 2009. In contrast, bilateral aid for core development programmes and projects (i.e. excluding debt relief grants and humanitarian aid) rose by just 4.6% over 2009, compared to 9.0% the previous year. This rise in global ODA reflects the international community's efforts to sustain the economies of developing nations through the financial crisis.

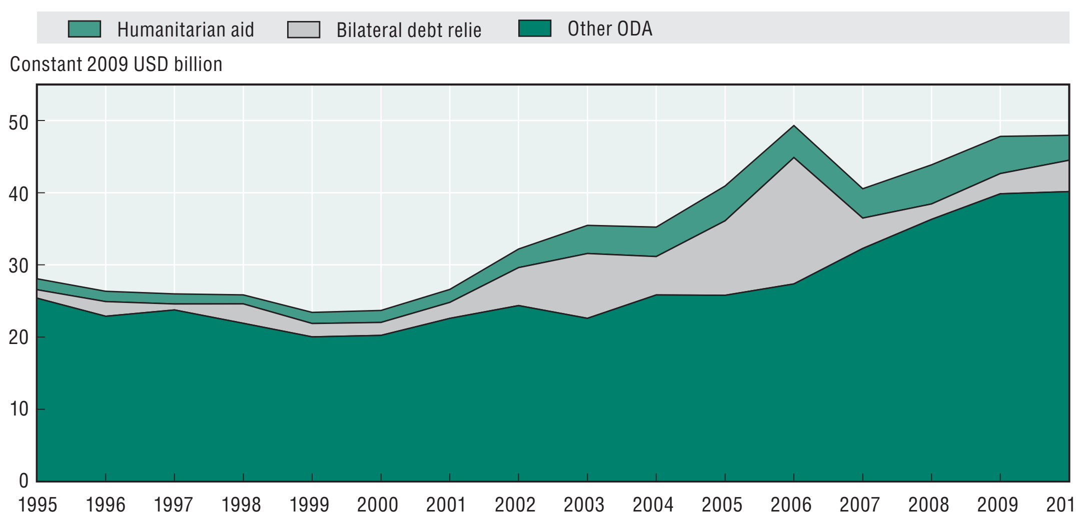
Although the period from 2004 to 2010 saw the largest ODA increase in history, donors still fell short of the 1970 target fixed by the UN General Assembly of providing 0.7% of their GNI in development assistance. In 2010, the largest donors by volume were the United States, followed by the United Kingdom, France, Germany and Japan. The United States contributed 0.21% of its GNI, compared to the average donor country effort of 0.49%. Only Denmark, Luxemburg, the Netherlands, Norway and Sweden continued to exceed the 0.7% target. Sub-Saharan Africa received 33% of total assistance disbursements in 2000-09, compared to 29% for 1990-99. In 2009-10 Belgium, Denmark, France, Ireland and Portugal gave over 50% of their ODA to Africa.

This increase in assistance financing followed the 2005 Group of Eight summit in Gleneagles, Scotland, where individual donors pledged to raise their assistance to a specific level. The OECD/DAC estimated these pledges increased overall assistance by 37% in real terms since 2004, or about USD 30 billion (in 2004 dollars). Yet the current 2010 ODA figures still represent a shortfall of about USD 19 billion on the 2005 pledges even though Africa received an additional USD 11 billion over the pledged USD 25 billion by the end of 2010. Some of these pledges were met, notably the US aim to double their 2004 aid levels to sub-Saharan Africa by 2010. In 2011, in order to enhance accountability and transparency, the DAC approved a 'Recommendation on Good Pledging Practice', which aims to keep aid targets clear, realistic and attainable. Notwithstanding increased efforts to raise aid efficiency, prospects for increasing assistance in the near future remain bleak amid the greater fiscal austerity and sovereign debt problems in developed countries.

The OECD/DAC's fourth comprehensive survey of donors' future spending plans suggests slower aid growth ahead, with global Country Programmable Aid (CPA) planned to increase at a real rate of 2% per year from 2011 to 2013, compared to 8% per year on average over the past three years. Looking at donor countries' CPA to Africa only, the increase is projected to be even lower at 1.3% per year. This reflects concerns about the capacity of developed countries to maintain current aid volumes.

Net official assistance disbursements to Africa remained stable at USD 48 billion in 2010, as shown in Figure 2.8.. Debt relief went from USD 2.8 billion in 2009 to USD 4.2 billion in 2010, whereas humanitarian aid dropped 32.9% from USD 5.2 billion to USD 3.5 billion. Ethiopia, Congo DRC, Tanzania, Nigeria and Sudan attracted the largest amounts of ODA, jointly representing 29% of total net spending on the continent in 2010.

Figure 2.8. **ODA levels to Africa have maintained levels through the international crisis**



Source: OECD/DAC 2012.

StatLink http://dx.doi.org/10.1787/888932600184

As a share of GNI, Liberia is Africa's most aid dependent country, with ODA representing 177% of its GNI, followed by Burundi, DRC, Sierra Leone and São Tomé and Principe each with ODA representing over 20 % of GNI. Overall, aid dependency ratios have increased during the last decade. In 2000, 19 countries representing ODA/GNI over 10% compared to 25 countries in 2010. This is nearly half the number of countries on the continent. Aid dependency measured as a ratio of official assistance to GNI has increased for low income countries with the average being 13.5% in 2000 compared to 19.6% in 2010.

Total Country Programmable Aid to Africa is expected to decelerate relatively stronger at about 1% per year in real terms during the next three years, in contrast to the 12% real annual growth rate experienced between 2008 and 2010. In per capita terms, according to World Bank data, net ODA in Sub-Saharan Africa has remained stable at USD 19 per capita in 2008 and 2009. Over time however, this should decrease significantly as the United Nations predicts Africa's population will increase by 25% to 1.5 billion by 2020. In such a constrained environment, African governments need to tap alternative financial sources and put stronger emphasis on increasing the efficiency and the impact of donor resources. It is unlikely that this decelerating ODA will be reversed in coming years, so the donor governments who are worrying about fiscal austerity at home should emphasise raising aid efficiency and impact.

The emergence of new donors and alternative co-operation modalities, as reviewed in the 2011 AEO, provides opportunities for African countries to diversify financing sources. Zimmerman and Smith (2011) estimated that gross development flows from selected countries beyond the OECD/DAC stood at nearly USD 11 billion in 2009, representing roughly 8% of global gross ODA. Flows from emerging donors even exceeded the contributions made by some DAC members. This is notably the case of Saudi Arabia (USD 3.2 billion in gross ODA), China (USD 1.9 billion) and the United Arab Emirates (UAE) (more than USD 1 billion). According to the 2011 AEO, although emerging partners are not yet major players in foreign investment or official assistance, they outplay traditional partners in alternative finance, such as export credits or natural resource-backed lines of credit.

The four major providers of South-South co-operation —Brazil, China, India and South Africa— are increasingly reaching out to African countries. Brazil's total development co-operation reached 362.2 million USD in 2011 (IPEA and ABC 2011), most of which is channelled through multilateral co-operation. Brazil's assistance in Africa is expanding rapidly towards Portuguese-speaking countries and Ghana. China's total development co-operation of USD 1.9 billion in 2009 (China's Ministry of Finance 2010), which is almost four times the 2000 level. China's engagement in Africa is set to increase. At the last Forum for China-Africa Co-operation, the Chinese government pledged USD 10 billion in concessional loans to African countries and USD 1 billion in special loans for African small and medium-sized companies. India's co-operation with Africa is also rising, as seen in the USD 5.4 billion in loans and USD 500 million in grants pledged at the first India-Africa Forum Summit in 2008. South Africa announced in 2011 the establishment of the South African Development Partnership Agency, which will improve co-ordination of its different development activities (Ramachandran 2011). South Africa's development co-operation flows decreased from USD 112.6 million in 2009 to USD 108.7 million in 2010 and are essentially oriented towards countries in its region (Zimmerman and Smith 2011). On 6 April 2011, the OECD/DAC released an official statement formalising its efforts to expand partnerships with other key players in development co-operation.

According to the 2011 Survey on Aid Effectiveness, to monitor progress in implementing the 2005 Paris Declaration, only one out of the 13 targets for 2010 was met. This was on increased 'co-ordinated technical co-operation'. The direction and pace of progress since 2005 varies considerably. Several developing countries have made strong progress in the quality of planning and financial management tools. The proportion of developing countries with sound national development strategies has more than tripled since 2005. In contrast, little progress was made to lower aid fragmentation and to improve predictability of aid. Little progress has been made regarding particularly sensitive issues such as aid conditionality and donor co-ordination. The OECD/DAC estimates the cost of aid fragmentation, as measured by unnecessary transaction costs, duplicated efforts or missed opportunities for effective partnerships, at up to 30%-40% of the total resources expended.

Box 2.2. **Outcome of the Fourth High Level Forum on Aid Effectiveness**

The Busan Partnership for Effective Development Co-operation, agreed at the Fourth High Level Forum on Aid Effectiveness in Busan (Korea) in 2011, is the most inclusive agreement on global co-operation for development to date. Donors, South-South co-operation partners, developing countries, civil society organisations, private sector representatives and many others took part in formulating the agreement – under the auspices of the OECD/DAC-hosted Working Party on Aid Effectiveness – and lent their support to the final product. The Busan Partnership goes far beyond the traditional "donor-recipient" division: major South-South partners are promoting the document as a reference for their co-operation and the private sector has recognised that it could lead to innovative financing investment tools as well as new methods for reducing risk in developing countries. From an African perspective, the more relevant aspects of the Busan Partnership agreement are:

- A firm commitment to continue working on the implementation of the aid effectiveness principles as defined by the Paris Declaration (2005) and the Accra Agenda for Action (2008). The principles place special emphasis on country ownership; and call on donors to harmonise their support, aligning it with national priorities. Sustaining commitments for these principles was one of the main demands of African delegations during the negotiation process.
- The recognition that ODA is one of many sources of development finance, and as such must be integrated within a coherent framework for development. ODA can play an essential role in leveraging other financing and supporting domestic resource mobilisation.
- It has been endorsed by many of the most important providers of South-South co-operation, namely emerging economies, who had been reluctant to participate actively in international discussions on aid effectiveness. While insisting on their freedom to apply the principles on a voluntary basis, countries like China and Brazil are now engaged on collective efforts to optimise development co-operation.
- Through its focus on implementation at the country level, the Busan agreement calls for establishing national frameworks to track the effectiveness of co-operation. This implies participation of a broad range of actors. Parliaments, local governments, civil society organisations, and the private sector are all part of this accountability design.
- At the global level, it establishes the Global Partnership for Effective Development Co-operation to support commitments and ensure accountability for their implementation through a relevant set of global indicators and targets against which to measure advances.

The involvement of African countries was a crucial success factor in the negotiations leading to the Busan agreement and will remain vital for its implementation. Regional initiatives, such as the African Platform for Development Effectiveness co-ordinated by the African Union Commission and NEPAD, can play a major role in this process.

Source: Provided by the OECD Development Cooperation Directorate.

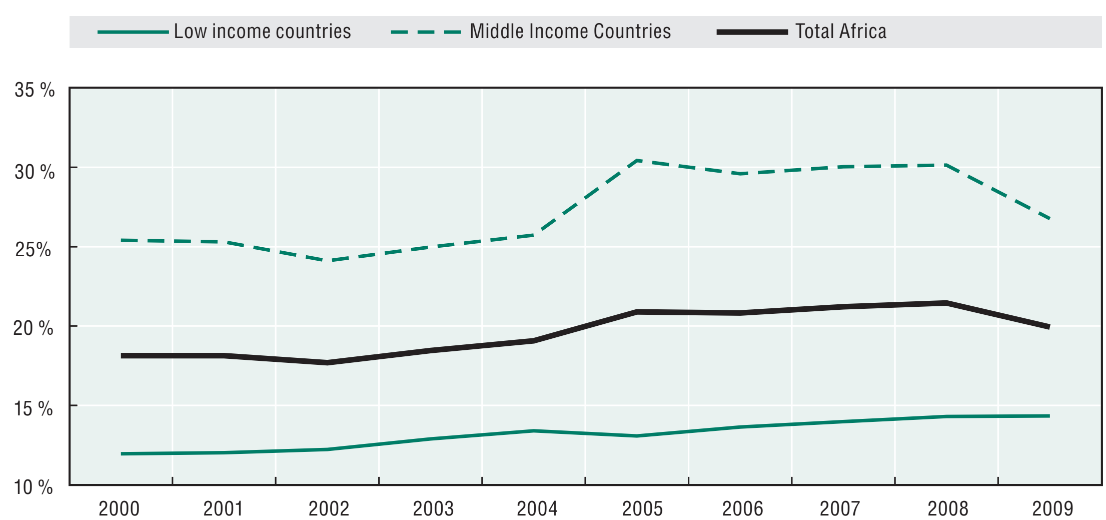
Increasing tax revenue for development

Taxes play an important role in a well-functioning state, but should not be an end in itself (Kaldor, 1980 and 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). Fair and efficient taxation forces the state to engage with its taxpayers and hence nurture the process towards a balanced and equitable social contract.

According to 2012 AEO data, total collected tax revenue went from USD 141 billion in 2000 to USD 416.3 billion in 2010, representing an unweighted average tax share of 20.3% of GDP. In 2010 total taxes came to more than eight times the amount of ODA received by Africa. There are significant differences in the capacity of countries to provide public services solely with tax money. Countries such as DRC, Burundi, Sierra Leone, Ethiopia or Guinea-Bissau perceive less than USD 35 in annual taxes per capita in comparison to countries like Equatorial Guinea (USD 3 806), Seychelles (USD 2 810), Botswana (USD 2 101) or Gabon (USD 1 755).

Figure 2.9. plots the evolution of unweighted average tax shares for Africa and their breakdown into different income categories. Classifying African countries according to their level of income shows two different trends in tax ratios. Middle-income countries in Africa have, on average, a tax share comparable to that in other countries for the same income category. In contrast, the tax share of low-income African countries represented 15.1% in 2010, up from 11.8% in 2000. In 2010 the tax ratio of middle-income countries reflected a drop in resource prices, whereas the average tax ratio for low-income countries continued to increase slowly as a result of significant fiscal reforms.

Figure 2.9. **Tax revenues in Africa represent an increasing share of GDP during the last decade**

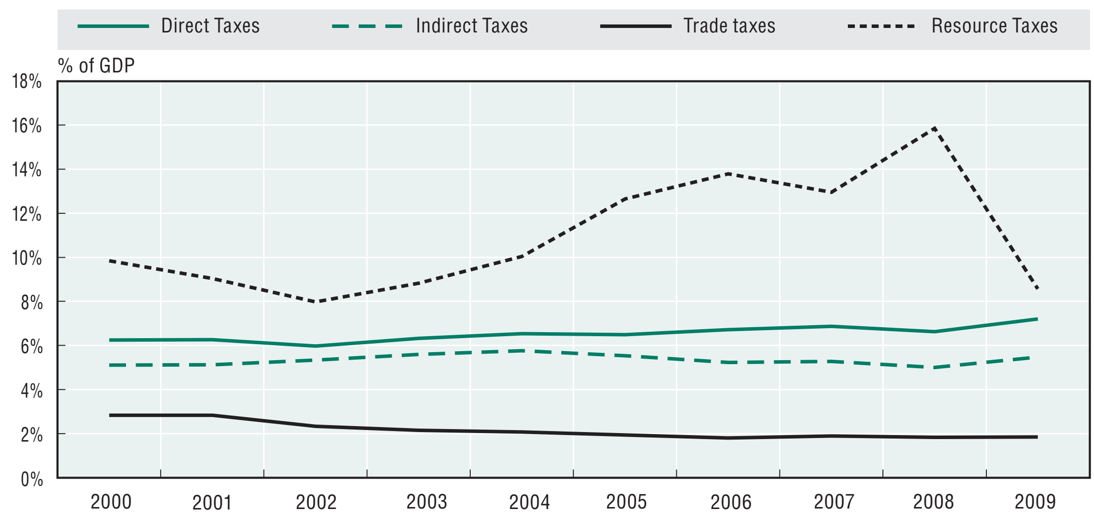


Source: Authors' calculations.

StatLink http://dx.doi.org/10.1787/888932600203

As highlighted in the 2010 AEO, the fiscal performance of middle-income African countries, often rich in natural resources, is highly linked to the international price of natural resources. The effect of fluctuating resource prices from 2008 through the global crisis can be seen in Figure 2.10.. Direct taxes, indirect taxes and trade taxes as a percentage of GDP remained nearly constant, whereas resource taxes accounted for nearly the entire increase of the tax ratio. Tax revenues peaked to USD 458.5 billion in 2008 following an increase in commodity prices in 2008 before dropping by 26% over 2009. This USD 119 billion decrease in tax revenues was roughly the sum of ODA and FDI that year, highlighting the importance of a more transparent and fairer taxation of extractive industries for a more inclusive development in resource-rich countries.

Figure 2.10. **The increase in tax revenue is mainly driven by taxes on natural resources**



Source: Authors' calculations.

StatLink http://dx.doi.org/10.1787/888932600222

The passing of the Dodd-Frank financial reform bill by the US Congress in July 2010 should lead to increased transparency on the amount and use of payments made by multinationals to national governments for natural resource extraction. The law requires extractive companies listed on the Securities and Exchange Commission to report payments to national governments on a country-by-country and project-by-project basis. This should allow African citizens and civil society to hold governments more accountable for the use of natural resource rents. Following this new law, in 2011, the European Commission started to develop its own version of the law, potentially requiring the disclosure of profits made by multinationals in Africa.

Many countries face severe challenges to raising their tax revenues. Most African nations have large informal sectors and so a shallow tax base. This tax base is further eroded by the excessive granting of tax preferences, inefficient taxation of extractive industries and the inability of tax administrations to fight abuses of transfer pricing by multinational enterprises. The capacity constraints of tax administrations, combined with the lack of fiscal legitimacy of the state, results in an unbalanced tax structure relying mostly on a narrow set of taxes to generate revenues. Resource-related tax revenues typically distract governments from generating revenue from more politically demanding forms of taxation such as corporate income taxes on other industries, personal income taxes, Value Added Taxes (VAT) and excise taxes.

The 2010 AEO signalled the importance of policy reform sequencing. The tax base needs to be deepened in the short run by limiting tax preferences and negotiating fairer taxation with multinationals. In the medium term the capacity of the tax administration should be raised. In the long run African countries will need to improve the balance between different taxes. The aim must be strengthening the fiscal legitimacy of the state, which must be accompanied by a public debate on better governance, transparency and the use of the increased public resources for the government.

The outlook for tax revenues in Africa is very specific to each country, but some general trends can be identified. Resource-rich countries tax revenue will remain highly dependent on the evolution of oil and commodities prices. Unless they manage to better tax multinationals operating in those sectors, tax revenues will remain volatile and below their potential. International commodity prices tend to be cyclical with other resource-related inflows such as FDI.

In contrast, tax revenue flows in low-income countries and non-resource rich countries are projected to increase more gradually, but in a more sustainable manner. The past decade of fiscal reforms in many non-resource-rich African countries, as highlighted in the 2010 African Economic Outlook should enable countries to strengthen tax revenues in line with their projected economic growth.

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Chapter 3

Trade Policies and Regional Integration in Africa

Developments in international trade negotiations in 2011

The trend towards concluding regional and bilateral trade agreements to promote trade and development has gained momentum worldwide. Participation in some form of Preferential Trade Agreement (PTA) has increased within the last 20 years, with the number of active PTAs rising from 70 in 1990 to almost 300 in 2011. African countries have concluded a considerable number of agreements among themselves (24 PTAs in force) but there is no evidence of a growing number of PTAs between Africa and its emerging partners in the Americas or in Asia (although four PTAs were concluded with West Asia and three with East Asia in 2010). Some African countries belonging to the group of African, Caribbean and Pacific (ACP) countries have signed Economic Partnership Agreements (EPAs) with the European Union (EU), making Europe the region outside Africa with the highest number of agreements with African countries (16) (WTO, 2011).

Progress in the Economic Partnership Agreements (EPAs) remained limited throughout 2011. However, in September 2011, the European Commission announced plans to remove trade preferences arising from the Market Access Regulation by January 2014 in the event of countries not ratifying and implementing their respective EPAs, thus potentially losing some preferential access to EU markets. At present only half of the 36 nations which have initialled EPAs have proceeded towards ratification[1]. Least Developed Countries (LDCs) will continue to benefit from duty-free and quota-free (DFQF) access under the auspices of the Everything but Arms (EBA) scheme, low-income countries (LICs) and lower middle-income countries (LMICs) will remain as beneficiaries of the Generalised System of Preferences (GSP), but Botswana and Namibia, being upper middle-income countries, will be excluded from each initiative in the absence of ratification (International Centre for Trade and Sustainable Development [ICSTD] and European Centre for Development Policy and Management [ECDPM], 2011). Outstanding issues continue to be causes of contention, with Africa insisting on the developmental aims of the EPAs, with ample policy space to further its industrialisation and structural transformation imperatives. Crucially, there is concern that a hasty conclusion of the agreements might impede Africa's regional integration agenda, partly as a result of the different nature of country positions in the various regional groupings. The risk of an unfavourable impact of such a process on fostering the deeper integration of African economies calls for further reflection, as it is only through boosting intra-African trade, thereby exploiting economies of scale to hone Africa's comparative advantage, that the continent can unlock its potential and competitively situate itself in a strong position in the global economy. A faltering EPA process may further galvanise an already strengthening South-South relationship between Africa and the emerging economies, not least because of the minimal conditionalities associated.

Box 3.1. **A step forward in EPA negotiations in the economic community of west African states (ECOWAS) sub-region**

In general, the EPA negotiations revolve around market access, fisheries, sanitary and phytosanitary (SPS) measures, agriculture, services, investment and competition. In the Western African (WA) region, represented by ECOWAS[2] , the EPA negotiations focus on several thematic areas, particularly on trade liberalisation in goods between WA and the EU, liberalisation in services, development assistance within the context of EPAs, structures for the management of the agreement and mechanisms for settlement of disputes, among others.

During 2007 and 2008, the WA region had 21 divergences over the text of the agreement, primarily centred on the flexibility of the ECOWAS Common External Tariff (CET), the establishment of the EPA management and implementation institutions to bring on board all stakeholders of the two partners, changes in export duties and taxes and agriculture. Since the mini-ministerial conference (MMC) held in Accra, Ghana in December 2011, only four areas of divergence remain: subsidies; the most favoured nation (MFN) clause; the non-execution clause; and the commitment to negotiate free trade areas (FTAs) with other countries. With respect to subsidies, the EU maintains that a settlement can only be obtained at the multilateral level through negotiations at the World Trade Organization, whereas with respect to the MFN clause ECOWAS maintains the need for political space to enable the region to promote and strengthen South-South trade. Furthermore, EU negotiators continue to insist upon the inclusion of the non-execution clause as one of the EU requirements. ECOWAS objects, as the region believes that such political aspects of the ACP-EU Partnership have been settled in the relevant provisions of the Cotonou Agreement. Finally, with regard to the commitment to negotiate FTAs with other countries, ECOWAS negotiators are insisting that their mandate focuses on negotiations with EU members only.

Other issues of divergence relate to the addition of resources (Economic Partnership Agreement Development Programme [EPADP]), the establishment of a contract on the amount to be allocated to the EPADP and the mandate of the joint EPA council on development issues. Hence, despite significant progress in the WA region, the EPA is yet to be finalised. Countries such as Ghana and Côte d'Ivoire, which signed interim agreements with the EU, are under pressure to ratify them, and yet such ratification may negatively affect regional integration efforts. The lack of concessions from the EU has reinforced Africa's need to look into alternatives to the EPAs, in particular boosting intra-African trade as well as its engagement with emerging economies. Above all, a political decision is imperative for guiding future EPA negotiations.

Source: UNECA.

Notwithstanding the high aspirations for concluding the Doha Development Round (DDA) by the year's end, 2011 witnessed sluggish progress in the current status of negotiations. The Eighth WTO ministerial conference alluded to the need to redefine a new strategy for future negotiations premised on an "early harvest". For Africa, these comprise, *inter alia*, DFQF access and rules of origin, cotton, special and differential treatment (S&DT), and deeper market access in agriculture, non-agriculture goods and services. Unless consensus is reached on an appropriate balance in the contributions and responsibilities between emerging and advanced economies, it is hard to see how negotiating nations can extricate themselves from the current impasse. On the crucial issue of cotton, the ministerial conference saw the C4

Group of African cotton producers (Benin, Burkina Faso, Chad and Mali) submit a proposal with the intention of freezing developed countries' cotton subsidies at current levels, which was eventually not agreed upon. With respect to non-agricultural market access (NAMA), discussions on tariff-related issues are to resume in March, which is indicative of members' commitment to the multilateral trade process. As always, African negotiators will continue to diminish the risks and maximise the gains in the consensus that they seek so as to ensure new issues are not reintroduced without definitively finalising current areas of negotiations and that developmental issues, in particular S&DT, remain at the heart of the agenda.

Box 3.2**. Signs of export sophistication in intra-African trade**

Scrutiny of intra-African trade data reveals that goods traded internally are more sophisticated than those traded with partners outside the continent. The following table presents this evidence for Kenya and Ghana's largest exports, showing that exports destined for African markets contain more value added than those exported elsewhere. This evidence of a mutually reinforcing relationship between regional integration and export sophistication adds further impetus to the case for expanding intra-African trade.

Top Five Exports by Value to Africa and the Rest of the World, 2008

Ghana top 5 exports to the world	***Ghana top 5 exports to Africa***
Gold, semi-manufactured forms	Gold, semi-manufactured forms
Cocoa beans, whole or broken, raw or roasted	Machinery parts, non-electrical
Cashew nuts, fresh or dried	Plywood, all softwood
Gold in unwrought forms	Panels, laminated woods
Lumber, non-coniferous	Aluminium alloy plate, sheet, strips
Kenya top 5 exports to the world	***Kenya top 5 exports to Africa***
Tea, black in packages	Tea, black in packages
Cut flowers and flower buds, fresh	Oils, petroleum, bituminous distillates
Vegetables, fresh or chilled	Portland cement, other than white cement
Cut flowers and flower buds, dried	Cigarettes containing tobacco
Coffee, not roasted not decaffeinated	Medicaments, in dosage

Source: United Nations, 2011

Intra-African average applied protection is still quite high at 8.7 per cent[3]. However, the Sixth Ordinary Session of the African Union ministers of trade held in Kigali from 29 October to 2 November 2010 resolved to fast-track the establishment of a Continental Free Trade Area to remove tariffs on internally traded goods and services. The United Nations Economic Commission for Africa's (UNECA) computable general equilibrium modelling of a continental FTA suggests a 51.7% increase in the share of intra-African trade between 2010 and 2022. If customs procedures and port handling became twice as efficient in a continental FTA, the share of intra-African trade would even double over the 12 year period, further reinforcing the need to address trade facilitation. (UNECA, forthcoming)

Africa's escalating economic ties with emerging economies

The increasing role of emerging economies, such as China, India and Brazil, in Africa's trade and investment continued and intensified in 2011. This magnifies opportunities for deeper South-South co-operation aimed at advancing Africa's market diversification and investment, especially considering the current plight confronting the economies of the United States and Europe. (UNECA, 2011; Cheru and Obi, 2010; Eichengreen *et al.*, 2010; Ajakaiye, 2006). In the light of the opportunities and challenges posed by recent dynamics, it is imperative that Africa assert itself and map out an articulate, long-term, national and regional strategy as to how best to frame its engagement with southern partners into a mutually reinforcing affiliation. It is as yet uncertain what African nations aspire to gain from the emerging economies, although the latter seem to know what they require from the former (Cheru and Obi, 2010). Strategic engagement in channelling southern Foreign Direct Investment (FDI) towards enhancing productive capabilities, upgrading infrastructure and magnifying co-operation in agriculture in a bid to boost the production of higher value-added agricultural products is vital. It is imperative that the “resource-for-infrastructure” trend witnessed in a number of African countries during the past decade go beyond such an exchange so as to incorporate upgrading the skills of the domestic workforce, local content requirements and, crucially, technology transfer. The ability of Africa to innovate and move up the developmental ladder is primarily contingent on its technological capabilities, and the lack thereof has negatively impacted on its competitiveness, constraining structural transformation and economic growth. Africa should therefore seize this opportunity by scaling up its efforts in this respect to maximise the potential benefits it can reap from deeper Southern engagement. Principally, political consensus amongst governments, business leaders, foreign investors and knowledge institutions is pivotal to devising a successful technology and innovation strategy. As crucial as the state is in this realm, governments must regard the private sector as a partner in strategic development goals. Unleashing the latter’s innovative essence is key, as it has long been powerless in the face of fiercely competitive regional and global markets. African governments ought to create more incentives to intensify the level of innovation and aid domestic firms in developing dynamic competitive advantages, as it is only in dynamic sectors, where labour productivity is rising through technical progress premised on enhanced skills and innovative efforts, that sustainable growth can be attained.

Aid for trade

More evidence is emerging about the Aid for Trade (AfT) initiative’s impact. AfT to Africa rose by 21.2% in 2009, continuing its eight-year upwards trend, being the steadiest source of trade policy reform in Africa among developing regions. About 37% of total AfT disbursements (41% of commitments) were destined for Africa in 2009. There was considerable variation among African recipients. Moreover, recent research confirms that the initiative helps to increase trade (Helble *et al.* 2009), and significantly reduces trade costs in developing countries (Busse *et al.* 2011). However, Busse *et al.* (2011) also show that AfT flows need to be large enough to lower trade costs in the case of LDCs. In Africa, AfT contributes to diversifying exports and to improving trade competitiveness (Karingi and Leyaro, 2009).

As part of its mandate as an international organisation charged with the monitoring and evaluation of the Aid for Trade Initiative, UNECA has compiled evidence from African case stories submitted to the WTO’s third Global Review of Aid for Trade in July 2011 (UNECA, 2011). Of a total of 37 case stories submitted by African member states for the third Global Review on Aid for Trade 2011, 14 countries relate their case stories to the AfT category Trade Policies and Regulations. Among them, three case stories (Nigeria, Zambia and Zimbabwe) explicitly deal with trade facilitation issues, and all three have a regional dimension of trade facilitation. The Nigerian case study covers activities along the transit corridor shared with Benin which are part of wider efforts on behalf of ECOWAS to improve trade along the Lagos-Abidjan transit corridor. Its approach involved the creation of an inclusive forum, the Task Force on Trade Facilitation, which effectively engages all relevant stakeholders and strengthens ownership of the project. Zimbabwe and Zambia each submitted a case story on their shared experiences with the Chirundu one-stop border post, an initiative under the COMESA-EAC-SADC (Common Market for Eastern and Southern Africa-East African Community-South African Development Community) agreement to improve inter and intra-regional economic community (REC) trade. The three approaches describe efforts to lower cross-border trading costs with concrete objectives such as reducing the documentation and time in transit and streamlining procedures and systems. They function as examples for trade facilitation mechanisms which are relevant for many other African countries. In the light of Africa's recent efforts to boost intra-African trade, identifying areas in which AfT funds can directly contribute to such an endeavour is imperative.

Best practices emerging from the third global review include effective national co-ordination or implementation mechanisms, private sector engagement, ownership by partner countries and donor commitment. On the other hand, factors causing problems are project management difficulties, problems on the partner country side, inadequate funding, as well as the lack of bankable AfT projects which meet AfT funding criteria, thereby compromising the financing of potential projects at both national and regional levels. Some progress is being observed on monitoring and evaluation, a key issue for AfT effectiveness. However, there is room for improvement on raising accountability, identifying inefficiencies and raising the impact AfT can potentially have by establishing adequate tools to assess and monitor progress in AfT project implementation and sustainability.

Developments in regional integration in Africa

African countries have a long history of trying to form groups, at a regional and continental level. Since the 1960s, many associations have emerged and faded again. The African Common Market, comprising Algeria, Egypt, Ghana, Guinea, Mali and Morocco, was set up in 1962. The Equatorial Customs Union (Cameroon, Central African Republic, Chad, Congo and Gabon) was also set up in 1962 and eventually led to the present Central African Economic and Monetary Community. The East African Community (EAC) was once the most developed regional group in Africa. But new forums have emerged, reflecting the political will of African leaders towards regional integration.

Through regional integration, African countries will no doubt improve the low levels of intra-African and internal trade. The present map of many small isolated economies poses a challenge to Africa's trade development. Regional integration accelerates economic growth and sustainable development in Africa. Although there have been several opportunities for integration, Africa is yet to see the expected results due to problems with the implementation of activities and programmes.

Achievements in regional integration

Progress on implementation is being made through REC's, but this needs to be reinforced at regional and continental level.

The 1991 Abuja Treaty set ambitious targets to establish an African Economic Community with a single currency by 2023. Its implementation is currently at the third stage --establishing regional free trade areas and customs unions by 2017. The Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) have reached free trade area status and launched customs union programmes aiming for the 2017 target date. The EAC's customs union entered into force in 2005 and is so far the only one in place. The EAC launched a common market in 2010. The Intergovernmental Authority on Development (IGAD) and the Community of Sahel-Saharan States (CEN-SAD) remain at second stage of co-ordinating and harmonising activities among member states.

In West Africa, links have been strengthened between ECOWAS and the West African Economic and Monetary Union (UEMOA). The two have a common programme on trade liberalisation and macro-economic policy convergence. In Central Africa, ECCAS and the Economic Community of Central African States (CEMAC) are boosting ties so they can also harmonise their programmes. The EAC and COMESA have signed a memorandum of understanding to foster the harmonisation of policies and programmes. COMESA and SADC have also launched joint activities, including setting up a task force to deal with common issues.

African Union ministers of trade decided at a meeting in Kigali in 2010 to fast-track efforts to tackle remaining obstacles to setting up a continental free trade area.[4] The African Union Commission and other organizations have since made recommendations on boosting intra-African trade and speeding up the free trade area which were endorsed at an African Union summit in January 2012.

Initiatives by African leaders

Regional integration is being held up by inadequate financial resources and expertise, countries' membership of more than one organisation, the duplication of mandates, poor co-ordination and harmonisation of policies between the organisations, weak infrastructure and the inconsistent policies of pan-African institutions.

The African Union (AU), the UN Economic Commission for Africa (UNECA), African Development Bank (AfDB) and regional committees are all trying to tackle the problems by eliminating trade barriers, improving economic integration, promoting free movement of people as an important element of cross-border trade, and harmonise policies and programmes.

Eliminating trade barriers: African products are not competitive globally due to factors such as high transport costs, storage and handling charges, and customs procedures. In addition, African traders face transport problems, unsanctioned fees, harassment and corruption along trade and transit corridors. Regional committees such as COMESA, ECOWAS, EAC and SADC, together with various management institutions are trying to harmonise, simplify and automate customs procedures and documentation, enhance transport and logistics services, and improve infrastructure.

Improving economic integration: The AU, regional groups and national governments are seeking to improve and strengthen financial markets. At a continental level, the African Union is working on setting up the African Investment Bank, the African Central Bank, and the African Monetary Fund.

COMESA, using the Eastern and Southern African Trade and Development Bank, or PTA Bank, is providing USD 2 billion of technical assistance to promote investment and provide trade financing facilities. The East African Development Bank (EADB) is also trying to enhance its financing role in the EAC region. For ECOWAS countries, Ecobank is providing banking and financial intermediation services within and beyond the region. The African Export and Import Bank (Afrexim), based in Cairo, is another continental initiative designed to promote and support trade finance in Africa.

Promoting free movement of people: The 1991 Abuja treaty urged signatories to adopt employment policies that allow free movement of persons within the proposed African Economic Community. Regional committees are meant to carry out the stages toward free movement of persons, rights of residence and establishment. Some protocols and frameworks have been adopted but progress remains mixed. Some regional groups have taken concrete steps through agreements on visa relaxation, single tourist visas, and regional passports. Regional groups and countries that are falling behind on their commitments to implement protocols on free movement of persons are being urged to redouble their efforts.

Harmonisation of policies and programmes among the RECs: The African Union has set up a Minimum Integration Programme (MIP) setting out priority areas of concern where REC's could strengthen co-operation and benefit from the comparative advantages of integration. The MIP incorporates objectives from the AU's Strategic Plan (2009-2012), as well as a monitoring and assessment mechanism.

Regional communities, AU member states and development partners such as UNECA and the AfDB are working on the programme. But implementation and the various projects face constraints such as a lack of effective co-ordination from the AU Commission, a lack of compatibility between national policies and regional approaches. To a lesser extent, countries' membership of different regional groups, inadequate financial resources for projects and existence of different priorities among the regional groups have also hindered efforts. African heads of state agreed to establish an "Integration Fund" to finance the MIP and endorsed an action plan to give new impetus to the programme's activities.

Regional infrastructure

Weak infrastructure is a major impediment to trade, competitiveness and sustainable development in most African countries, particularly landlocked and small island states. Transport costs in Africa remain among the highest in the world, which clearly undermines competitiveness on local and international markets. According to recent studies, transport costs as a share of value of Africa's exports ranges between 30% and 50%. In landlocked countries, it can reach three-quarters of the value of exports. The average for other developing countries is about 17%.

Deepening integration hinges largely on the continent's ability to get infrastructure and energy in place to reduce the cost of doing business and increase competitiveness. Considerable efforts are being made to improve road infrastructure. However, the rail network also leaves much to be desired. Intensified efforts are also required in port modernisation, air transport connections, information technology and energy. The African Union and AfDB are leading the Programme for Infrastructure Development in Africa (PIDA) aiming to mobilise USD 80 billion over the next decade to speed up progress on super-infrastructures and across-the-continent links.

Progress in infrastructure developments

Trading across Africa's borders is cumbersome, with multiple customs checks, differing technical standards, and informal checkpoints in some countries. The road and rail network is sparse and many ports and airports need refurbishment and expansion. Most African countries need to increase efficiency in customs administration, cargo handling, and logistics services. According to the World Bank's 2009 *Doing Business* report, most sub-Saharan African countries rank in the bottom 40% of all countries in the trading across borders indicator.

Improving infrastructure has significantly boosted Africa's exports. But the proportion of paved roads in total in Africa is about five times less than in high income OECD countries. Telephone coverage is also much worse for North and sub-Saharan Africa compared with the OECD level. The end-result of this infrastructure bottleneck is that transport costs are 63% higher in African countries compared with developed countries.

Railways should constitute the backbone of the continent's transport network. However, railways are mostly single-track lines running from interior to coast with few connections. The railways are built with multiple track gauges and need to be upgraded.

Africa has the world's fastest growing air transport industry, especially after market liberalisation brought about by the 1999 Yamoussoukro Decision by African governments. Despite a slow implementation of the decision, a number of countries have granted each other bilateral rights that allow airlines to carry passengers to third countries.

Developing energy infrastructure has a key role in promoting industry and job creation, particularly in rural areas. The PIDA framework names energy infrastructure as the one that needs urgent attention. It is also the most costly to develop or refurbish. The continent, particularly sub-Saharan Africa, has the lowest access to electricity compared to the world's other developing regions. Yet, the continent has abundant oil, gas, coal and hydropower resources which in most cases are underexploited. The success of Africa in improving energy access and building infrastructure hinges on regional integration to make energy trade amongst African countries easier.

Africa's inability to mobilise finance and private sector involvement has held up energy and infrastructure development. The recent Africa Energy Outlook 2040 study (NEPAD, AU and AfDB 2011) concludes that an estimated USD 43.6 billion per year will be needed to meet forecast energy demand for Africa up to 2040.[5] According to an AfDB/AU study, Africa's known oil reserves have grown by more than 25% in the past 20 years. Known gas reserves have more than doubled. Nigeria, Algeria, Angola, South Sudan and Sudan account for about 90% of the continent's reserves.

Bridging the infrastructure gaps

The importance of roads, bridges, airports and other infrastructure is becoming better understood however. African leaders have agreed several plans, including the AU-NEPAD African Infrastructure Action Plan 201015, the Infrastructure Project Preparation Facility and the Pan-African Infrastructure Development Fund, to close Africa's infrastructure gap. The AfDB now spends more on infrastructure than any other aspect of development, and there is increasing regional co-operation on projects such as the trans-Africa highway and West African power pool. Pan-African institutions are all working with member states to improve infrastructure networks.

Regional groups are making efforts to improve railways, maritime and air transport, energy, and communications. African leaders are implementing a strategic vision for the continent's integration whereby infrastructure helps to boost economic and social development. However, many African countries have been struggling to mobilise resources to build or upgrade roads, bridges, ports, airports, railways and related facilities.

Notes

1. According to the European Commission (2011), Burundi, Comoros, Ghana, Kenya, Namibia, Rwanda, Tanzania, Uganda and Zambia have concluded negotiations, but have not signed their respective agreements. Botswana, Cameroon, Cote d'Ivoire, Lesotho, Mozambique, Swaziland and Zimbabwe have signed but not ratified their EPAs.

2. ECOWAS is the only regional economic community (REC) that witnessed some progress in the EPA negotiations during 2011.

3. MacMapHS6v2 database. Computations made using the TASTE software and reference group weight with scaling GTAP as aggregation method. See Boumellassa et al. (2009) for more details.

4. The three pan-African institutions are: the African Investment Bank, the African Monetary Fund and the African Central Bank.

5. Ministerial Conference on Water for Agriculture and Energy in Africa: the Challenge of Climate Change, Sirte, Libyan Arab Jamahiriya, 15-17 December 2008

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Chapter 4

Human Development

Improving quality of life in sub-Saharan Africa remains a daily struggle. The region again had the lowest aggregate level of human development indicators — life expectancy, education and standard of living — in 2011 but it had the second fastest annual increase over the period 2000-2011.

The five countries with the highest rates of improvement over this period —Rwanda, Sierra Leone, Ethiopia, Mozambique and Mali— are poor or emerging from conflict. They have shown that countries can significantly expand the capabilities of their people even with limited financial resources if they implement the right policies. Policy alone is not enough however. Improvements to schools, hospitals, public services and roads require vast financial resources which traditionally have come from Official Development Assistance (ODA), Foreign Direct Investment (FDI) and remittances. Reversing capital flight could produce an important source of development finance to further strengthen human development in Africa.

Africa lost about USD 700 billion between 1970 and 2008 as a result of capital flight. If flight capital had been reinvested in Africa with the same level of productivity as that of actual investment, estimates presented in this report suggest that the rate of poverty reduction could have increased 4-6 percentage points a year, on average, over the period from 2000 to 2008. African countries could as a group have reached the Millennium Development Goal of halving the 1990 level of poverty by 2015, an objective they will not achieve on the current rate of poverty reduction. The flight capital could also go into increased investment in social and economic infrastructure.

International co-operation will be crucial to reverse the flow of African capital back to the continent. Africa should continue to improve domestic governance and eliminate the practices that foster capital flight. The international community should help the continent to identify and repatriate stolen wealth using, among others, international instruments such as the "Stolen Asset Recovery Initiative." Without an international coalition for the reversal of capital flight, Africa alone will not succeed due to the reticence of some countries benefiting from these practices.

The status of human development in Africa

The UN Development Programme introduced its Human Development Index (HDI) in 1990 to track the global evolution of human development across the world focusing on three key aspects: access to education, healthy life and standard of living (UNDP, 2011; AfDB *et al.*, 2011a). The most recent HDI (Table 4.1.) shows that in 2011, sub-Saharan Africa continued to have the lowest aggregate level of human development. However, the pace of its improvement has kept up with the East Asia and Pacific region over the period 2000/11.

Sub-Saharan Africa's gains in improving lives seem to come from all three dimensions of human development. Introduction of universal access to primary education in countries

Table 4.1. **Human Development Index (1990-2011)**

	1990	2000	2011	Annual % growth 1990-2011	Annual % growth 2000-2011
Algeria	0.551	0.624	0.698	1.13	1.026
Angola	..	0.384	0.486	..	2.18
Benin	0.316	0.378	0.427	1.444	1.105
Botswana	0.594	0.585	0.633	0.297	0.714
Burkina Faso	..	..	0.331	..	..
Burundi	0.25	0.245	0.316	1.123	2.333
Cameroon	0.427	0.427	0.482	0.578	1.11
Cape Verde	..	0.523	0.568	..	0.755
Central African Republic	0.31	0.306	0.343	0.475	1.046
Chad	..	0.286	0.328	..	1.258
Comoros	..	..	0.433	..	..
Congo	0.502	0.478	0.533	0.283	0.992
Congo (Democratic Republic of the)	0.289	0.224	0.286	-0.043	2.249
Côte d'Ivoire	0.361	0.374	0.4	0.496	0.613
Djibouti	..	..	0.43	..	..
Egypt	0.497	0.585	0.644	1.241	0.883
Equatorial Guinea	..	0.488	0.537	..	0.878
Eritrea	..	..	0.349	..	..
Ethiopia	..	0.274	0.363	..	2.571
Gabon	0.605	0.621	0.674	0.516	0.746
Gambia	0.317	0.36	0.42	1.351	1.405
Ghana	0.418	0.451	0.541	1.232	1.662
Guinea	..	..	0.344	..	..
Guinea-Bissau	..	..	0.353	..	..
Kenya	0.456	0.443	0.509	0.522	1.272
Lesotho	0.47	0.427	0.45	-0.215	0.475
Liberia	..	0.306	0.329	..	0.64
Libyan Arab Jamahiriya	..	..	0.76	..	..
Madagascar	..	0.427	0.48	..	1.07
Malawi	0.291	0.343	0.4	1.52	1.408
Mali	0.204	0.275	0.359	2.742	2.469
Mauritania	0.353	0.41	0.453	1.196	0.922
Mauritius	0.618	0.672	0.728	0.782	0.732
Morocco	0.435	0.507	0.582	1.391	1.256
Mozambique	0.2	0.245	0.322	2.279	2.491
Namibia	0.564	0.577	0.625	0.494	0.724
Niger	0.193	0.229	0.295	2.047	2.332
Nigeria	..	..	0.459	..	..
Rwanda	0.232	0.313	0.429	2.967	2.917
São Tomé and Principe	..	..	0.509	..	..
Senegal	0.365	0.399	0.459	1.103	1.281
Sierra Leone	0.241	0.252	0.336	1.609	2.649
Seychelles	..	0.764	0.773	..	0.106
South Africa	0.615	0.616	0.619	0.031	0.05
Sudan	0.298	0.357	0.408	1.516	1.228
Swaziland	0.526	0.492	0.522	-0.029	0.538
Tanzania (United Republic of)	0.352	0.364	0.466	1.346	2.266
Togo	0.368	0.408	0.435	0.799	0.579
Tunisia	0.542	0.63	0.698	1.214	0.94
Uganda	0.299	0.372	0.446	1.928	1.653
Zambia	0.394	0.371	0.43	0.425	1.366
Zimbabwe	0.425	0.372	0.376	-0.585	0.106
Sub-Saharan Africa	0.383	0.401	0.463	0.907	1.316
Africa	0.397	0.415	0.467	0.78	1.079
East Asia and the Pacific	0.498	0.581	0.671	1.43	1.318
South Asia	0.418	0.468	0.548	1.298	1.445
Latin America and Caribbean	0.624	0.68	0.731	0.756	0.66

Source:UNDP (2011).

such as Uganda and Lesotho have boosted schooling. Life expectancy has increased as countries adopt innovative policies to improve access to health services and the quality of those services provided. In Rwanda, for example, the government introduced a Community-Based Health Insurance (CBHI) that the health system provides affordable quality services to everyone. By improving the scheme's management, adhesion rates increased from 7% of the population in 2003 to 93% by June 2010. A recent study of the effect of the "Payment for Performance (P4P)" policy in Rwanda's primary care provision shows that it has improved the use and quality of maternal and child health services. Twenty-three months after the introduction of the P4P pilot study, facilities in the intervention group recorded 23% more institutional deliveries, 56% more preventive care visits by children aged 23 months or younger, and 132% more visits by children aged between 24 months and 59 months. (Basinga *et al.*, 2011).

This illustrates the importance of implementing the right policies. If Rwanda's rate of growth in human development could become the average for sub-Saharan Africa for the next 16 years, the region would reach Latin America and Caribbean's human development level, which is currently the highest in the developing world.

Another factor that contributed to Africa's progress is income growth. The recent growth in human development comes as most African countries experience high levels of economic growth. The African Economic Outlook has documented that Africa is experiencing its longest period of uninterrupted income growth over the last three decades. With Gross Domestic Product (GDP) growth rates averaging about 5% per year over the last 10 years, Africa now has one of the fastest-growing regional economies in the world. Income growth means that additional resources have been used to fund projects or activities helping daily lives. This is the case, for example, with spending on education or healthcare. A second, more indirect channel is through investment. As economies grow, they attract more investment and generate additional resources that are reinvested in the economy, increasing income per capita. Between 2003 and 2009, GDP per capita in Africa increased by 2.7% per year. If the dip in income experienced in the 2009 international economic and financial crisis is taken out, the growth rate of GDP per capita is 3.1%.This rise in income increases the population's purchasing power, allowing consumers to access goods and services that were out of their reach before. The increase of per capita GDP has accelerated poverty reduction in sub- Saharan Africa. It has been estimated that on average, a one percentage increase in income per capita leads to about a one and a half per cent reduction in poverty (Fosu, 2011). In 1999, sub-Saharan Africa's poverty rate was 58% of the population, declining to 52% in 2005. By 2008, the rate had fallen to 48% of the population.[1] The rate of poverty declined by 2.2% per year over the period 1999 to 2008, an unprecedented performance since the early 1980s when comparative data was first compiled. As the simulations in the next section suggest, keeping up this rate of poverty reduction in coming years will take some African countries to the first Millennium Development Goal (MDG) of halving the 1990 level of poverty by 2015. But not all African countries will meet the target date.

Reducing poverty and improving lives to levels in line with Africa's human development objectives will require massive resources. The non-financial resources include a strong political commitment to human development which needs to be translated into a vision with clear objectives for its implementation, as Rwanda has illustrated. The availability of qualified staff to implement policies is also important. Delivering services also needs hospitals, schools, electricity, roads, etc. But this is costly to put in place and maintain. Some estimates suggest that meeting the gender equality and education MDGs by 2015 would require an extra USD 1.8 billion to USD 2.3 billion annually. In the same vein, health expenditure for the health-related MDGs would require between USD 16.4 billion and USD 19.5 billion annually. Sub-Saharan Africa would need USD 72 billion to USD 89 billion of additional annual resources to achieve the economic growth need to halve the 1990 level of poverty by 2015 (Stijns *et al.*, 2011). In agriculture, developing the much-needed irrigation systems in areas where they are economically viable would cost the continent about USD 54 billion, excluding the cost of rehabilitating existing irrigation (You *et al.*, 2009). Another estimate suggests that Africa needs to invest USD 40 billion annually in new infrastructure and another USD 40 billion each year to maintain the existing infrastructure (Gijon, 2008).

It is inconceivable that countries will make substantial progress without devoting additional finance to human development. So far, most of the extra services needed have been publicly provided, making their provision vulnerable to fluctuations in government revenue. Most African governments do not raise enough domestic resources to meet all their needs. Aid in the past has played an important role, but the needs are so important that one source alone cannot fill the resource gap. What is needed is a combination of different sources of development finance including traditional official development assistance, foreign direct investment, remittances, and domestic private and public resources.

Halting capital flight and repatriating the large stock capital that is held abroad could become a new source of development finance to use on services. If the billions of dollars that leave the continent each year in the form of capital flight had been directed to Africa's human development, the region would be in a better position to meet its development objectives. Between 1970 and 2008, total capital that fled Africa has been estimated at USD 700 billion (Ndikumana and Boyce, 2011). Ironically, among the eight countries with average capital flight in excess of USD 1 billion per year over the period 2000 to 2008, five are classified as low human development countries (UNDP, 2011) which struggle to find the financial resources to improve the lives of their people.

Given the nature of illicit financial flows and the difficulties surrounding their estimation, different studies come up with different estimates. Global Financial Integrity's estimate puts capital flight out of Africa over the period 1970-2008 at USD 854 billion and notes that the amount could be as high as USD 1.8 trillion if the computation of the figures were not constrained by unavailability or poor quality of data for a number of countries (Global Financial Integrity, 2010). It should be noted that the computation of capital flight includes licitly and illicitly acquired financial assets which leave the country illicitly. Therefore, a flow of capital qualifies as capital flight as long as it leaves a country illicitly.

Capital flight and human development in Africa

Capital flight from Africa has been recently put at the forefront of the development policy debate. In addition to the recent work by Ndikumana and Boyce (2011), Global Financial Integrity (2010) and The World Bank (2011), the United Nations Economic Commission for Africa has just established a High-Level Panel on Illicit Financial Flows from Africa headed by Thabo Mbeki, former president of South Africa. The role of the Panel is to "determine the nature, pattern, scope and channels of illicit financial outflows from the continent; sensitize African governments, citizens, policy makers, political leaders and development partners to the problem; mobilize support for putting in place rules, regulations, and policies to curb illicit financial outflows; and influence national, regional and international policies and programmes on addressing the problem of illicit financial outflows from Africa."[2]

Capital flight is often conceived as being determined by differences in the risk-adjusted rates of return on capital (Collier *et al.*, 2001). Capital flight would then correspond to large legal or illicit outflows of financial resources due to high political or economic instability in the originating country or higher returns on investment in the destination country.[3] This perspective misses an important component relevant to capital flight from Africa: financial outflows resulting from the illicit appropriation of resources through theft, plundering of public resources, corruption, and trade mispricing.

Capital flight affects human development through several channels. First is the narrow association between capital flight and debt. For every dollar of Africa's external debt, more than 50 cents leave the country the same year in the form of capital flight (Ndikumana and Boyce, 2011). The repayment of such public debt by African populations reduces their capacity to increase spending on health, education, infrastructure, and other services to improve lives. If the amounts used every year to repay Africa's external debts were spent on programmes and projects to reduce infant mortality, they could prevent the deaths of 70 000 infants every year (Ndikumana and Boyce, 2011).

Capital flight also deepens inequality. The people benefiting from capital flight are the elites who engage in trade mispricing of imports and exports or those who have the power to unlawfully appropriate and transfer resources abroad. Almost all the people engaging in capital flight in Africa are among the 10% richest segment of the population (Ngaruko, 2012). Even in countries where capital flight is mainly driven by portfolio considerations, it is the wealthy who benefit as they have access to foreign investment instruments that average citizens do not (Rodriguez, 2004; Vespignani, 2008). Capital flight in Africa is also associated with poor governance. Corruption increases capital flight by discouraging domestic investment by increasing risk and uncertainty in the domestic economy. As a result, domestic agents are better off investing abroad, increasing capital flight and depriving countries of jobs and other social benefits from domestic investment (Le and Rishi, 2006). Corruption helps the elite to unlawfully take public or private assets and transfer them abroad. The country's leaders have little incentive to develop the domestic economy and social services. Access to foreign health and education services makes the elite immune to the dangers of poor domestic social services which the majority of the population has to rely on. Therefore, by improving governance and the rule of law, practices that foster capital flight are restricted.

Investment is one of the most important conduits through which capital flight affects human development. If flight capital was saved and invested in the domestic economy of the country of origin it would increase income per capita and help to reduce poverty. In Nigeria and Angola, for example, this would imply additional investment of USD 10.7 billion and USD 3.6 billion per year, respectively in the period 2000 to 2008. If only a quarter of the stock of flight capital from Africa was repatriated to the continent for investment, Africa's ratio of domestic investment to GDP would increase from 19% to 35%, giving the continent one of the highest investment rates (Fofack and Ndikumana, 2010). Income growth resulting from this additional investment would reduce poverty, as shown later in this chapter.

The missing capital could have a more direct impact on livelihoods by being invested in infrastructure which is high on Africa's priority list: job creation, better access to schooling, health care, clean water; information and socio-political inclusion could all come out of the better use of the capital in infrastructure. If all capital flight from Africa in 2008 had been invested in MDG-related projects, it could have covered 55% to 68% of the additional resources needed that year to close the financing gap to achieve the targets of halving poverty; reaching gender equality as well the education and health-related Goals (Stijns et al., 2011).

Table 4.2. provides some statistics to show the magnitude of capital flight and income and poverty levels in three groups of countries: oil-rich countries, all resource-rich countries and non-resource-rich countries.[4] Due to the presence of large outliers in the data, medians are used instead of means.[5]

Table 4.2. **Descriptive statistics (annual, 2000-08)**

	Oil-Rich	All Resource-Rich	Non-Resource-Rich	Full Sample
All flows of capital flight (million USD)*	1291	613	134	230
All flows of capital flight per capita (USD)*	94	66	19	26
Capital flight (outflows) in million USD	2292	1023	300	447
Capital flight (outflows) per capita in USD	186	130	37	55
Actual GDP per capita	1101	993	399	604
Poverty headcount in 1999 (% population)	57.24	54.31	62.37	57.93
Poverty headcount in 2008 (% population)	44.86	43.52	44.75	44.58
Income-growth elasticity of poverty	-1.35	-1.37	-1.4	-1.37

Note: The first two variables with stars (All flows of capital flight) include negative flows.
Source: UNDP.

Oil-rich countries experience the most capital flight, almost ten times the size of all capital flight in non-resource-rich countries.

Indeed, in this group of countries, capital flight in the 2000s was about three times higher than its level in the 1990s and 1980s.[6] Interestingly, the level of poverty in resource-rich countries is the same as in non-resource-rich countries; poverty reduction was even faster in the latter group of countries.

Africa's investment controversy

The argument that investing flight capital boosts human development is based on the premise that more capital would generate higher incomes and hence lower poverty and improve human development. Although this view appears to be widely shared today, it has not always been like that. In the past (e.g. Devarajan et al., 2001; 2003) some argued that neither public nor private investment would be productive in Africa due to poor economic policies such as distorted foreign exchange markets —illustrated by high black market premiums— and high public sector deficits. Factors such as high political instability also explain the weak relationship between investment and economic growth. Given the low productivity of investment in Africa in the past, these authors also suggested that the level of investment in Africa was too high, not too low. Hence, the suggestions were that capital flight may be a rational response to low rates of return at home due to these negative factors (Devarajan et al, 2001).[7] Do the economic facts on the ground support this view?

Even though low productivity of investment has penalized economic growth in Africa, new evidence invites a more nuanced view of the relationship between investment and growth in the continent. To start with, the studies that formed the basis for the controversial conclusion that Africa does not need more investment have been challenged on methodological grounds (Jomo et al., 2011). Moreover, over the last ten years, the continent has recorded growth rates around 5% of GDP on average (AfDB *et al.*, 2011b). It is difficult to conceive that higher investment, including through FDI from emerging economies, have not played a role in achieving this performance. Recent data shows that internal structural changes including more political stability, macroeconomic as well as microeconomic reforms have fueled "an African productivity revolution" which explains a large part of the continent's recent growth. Between 2000 and 2007, total productivity increased by 2.7% per year, on average (McKinsey & Company, 2010). In addition, the efficiency of investment in Africa could have been even higher if the continent had been able to raise the substantial resources required to invest in sectors that boost investment productivity such as power generation. As Africa continues to invest in economic modernisation, particularly in infrastructure, growth is expected to remain strong. Investing flight capital could help to accelerate this economic modernisation. Hence, Africa needs more not less investment (Fosu *et al.*, 2011).

Box 4.1 **Methodology and data sources**

The main assumption underlying the analysis of the potential effect of capital flight on poverty is that Africa needs additional investment to meet the Millennium Development Goals (MDGs) and other development objectives. Also that the productivity of the additional investment would be at least as good as the productivity of current investment. The simulation of the effect of capital flight on poverty follows two approaches. First, an Incremental Capital-Output Ratio (ICOR) method is followed to determine how much additional output would be generated if all capital flying out of Africa each year was domestically invested in the same year. Studies show that Sub-Saharan Africa has, on average, an ICOR of 4, so this is the value used to simulate additional GDP (Nkurunziza, 2010). Taking an ICOR of 4 instead of a lower value partially addresses the criticism that not every increase in investment leads to an increase in GDP (Easterly, 1997). In any case, due to the lack of a better model capturing the relationship between investment and GDP, the use of ICOR remains popular. Once the additional GDP attributed to additional investment is known, it is straightforward to determine its associated potential growth in GDP per capita which is multiplied by the income-growth elasticity of poverty to derive the effect on poverty.

The second approach considers the net stock of capital, rather than investment, as the variable determining additional GDP as a result of the investment of flight capital. The determination of the stock of capital is based on the perpetual inventory method using a geometric depreciation process and a rate of 5% per year as in most studies (Weisbrod and Whalley, 2011; Bosworth and Collins, 2003). The median co-efficient of the stock of capital over GDP indicates how many units of capital are needed to produce one unit of GDP. Assuming that this coefficient is stable, it is applied to the additional stock of capital to calculate potential GDP growth. As in the previous case, the potential effect of capital flight on poverty is the product of the potential annual growth rate of GDP per capita and the income-growth elasticity of poverty.

The data on GDP, population and investment (measured as gross fixed capital formation) are from the United Nations accessible at http://data.un.org/Default.aspx. Capital flight country series are background data used in Ndikumana and Boyce (2011). Methodological details on the computation of capital flight may be found in Ndikumana and Boyce (2010). Data on poverty is from The World Bank's POVCALNET accessible at: http://iresearch.worldbank.org/PovcalNet/povDuplic.html. Due to missing data in the computation of capital flight, coverage of this variable and all those based on it is uneven across countries but most countries have full coverage (1970-2008). All the monetary variables are in 2008 US dollars. Twenty-three per cent of the observations on capital flight are negative implying that a country receives net inflows of capital. Unless otherwise stated, the analysis in this chapter is based on the positive values of capital flight as they represent capital outflows. Income-growth elasticities of poverty are from Fosu (2011).

The discussion focuses on the period from 2000 to 2008 in order to reflect the most recent situation, to address the problem of unequal data coverage in early years of the sample, and also to minimise the effect of the exclusion of initial capital stock on current stock of capital (see also Weisbrod and Whalley, 2011). As time passes, excluding initial capital stock does not substantially affect current values of capital stock.

Capital Flight and the Fight Against Poverty

The following simulations illustrate how much additional poverty would be cut if all flight capital was invested and how this would affect the goal of halving poverty by 2015. Table 4.3. summarises the results based on the ICOR methodology first and then on capital stock (see Box 4.1. for the methodology). Both approaches show that investing flight capital in Africa would lead to faster poverty reduction.

Table 4.3. **Effect of Capital Flight on GDP per Capita and Poverty (Annual, 2000-08)**

	Oil-Rich	All Resource-Rich	Non-Resource-Rich	Full Sample
Actual GDP per capita (a)	1101	993	399	604
Income-growth elasticity of poverty (b)	-1.35	-1.37	-1.4	-1.37
Simulations with ICOR methodology				
GDP per capita (c)	1156	1018	423	621
Annual % growth of GDP per capita (d)	5	2.52	6.02	2.81
Effect on poverty [(b) * (d)]	-6.74	-3.45	-8.42	-3.86
Simulations with capital stock				
GDP per capita (e)	2174	1518	582	858
Annual % growth of GDP per capita (f)	8.88	5.45	4.83	4.49
Effect on poverty [(b) * (f)]	-11.98	-7.46	-6.76	-6.15

Table 4.3. suggests that investing flight capital in the originating countries could have increased income per capita by an additional 3 to 5 percentage points per year in the full sample; some country groups would experience even higher income growth. This increase in income would have had a very strong effect on poverty reduction. Headcount poverty could have declined by 4 to 6 additional percentage points in Sub-Saharan Africa between 2000 and 2008. One lesson from Table 4.2. is that the pattern of capital accumulation is more important to the growth process than investment alone. For example, several countries including Burundi, Central African Republic, Democratic Republic of Congo and Côte d'Ivoire failed to improve their human development partly because over the years, they destroyed part of their capital stock instead of building it. The combination of high capital flight and slow capital accumulation further limits countries' efforts towards poverty reduction and human development.

Table 4.3. compares the level of poverty in 2015 if the 1999-2008 rate of poverty reduction is maintained against how much it could be cut if flight capital had been invested in the economy.

Table 4.4. **Effect of Flight Capital Investment on MDG1 (Annual, 2000/08)**

	Oil-Rich	All Resource-Rich	Non-Resource-Rich	Full Sample
Actual annual rate of poverty reduction	-2.67	-2.43	-3.62	-2.87
Projected poverty headcount in 2015	34.22	34.03	30.94	33.32
MDG 1 target headcount by 2015	24.10	24.54	34.26	30.96
Distance from MDG1 target (% points)	10.12	9.49	-3.31	2.36
Simulating the Effect of Capital Flight				
Projected ICOR-based poverty in 2015	27.52	34.04	24.18	33.84
Distance from MDG1 target (% points)	3.43	9.50	-10.08	2.88
Projected capital stock-based poverty in 2015	18.36	25.29	27.42	28.59
Distance from MDG1 target (% points)	-5.73	0.76	-6.84	-2.37

Note: The actual annual rate of poverty reduction is based on the change in poverty headcount between 1999 and 2008; the rate is used to calculate the projected poverty headcount in 2015.

If the current trend in poverty reduction continues until 2015 the sample countries, as a group, will miss the target of halving poverty against 1990 levels. The rate of poverty in 2015 will be 8% higher than what it should be if the MDG were to be met. Non-resource-rich countries will meet the target and even exceed it by 3 percentage points.[8] If capital flight had been converted into investment, the countries in the sample, as a group, and all three groups, would meet the target of halving poverty by 2015. Non-resource-rich countries would experience the best performance and exceed the goal by almost 7 percentage points.

The fact that non-resource-rich countries would reduce poverty faster than resource-rich countries, despite the fact that countries with oil and other commodities have better finances suggests that poverty reduction and general human development do not just depend on the availability of finances even though they help to achieve success. Other factors such as pro-human development policies are important determinants of success. As the data in the next section shows, progress in human development has been faster in some of the poorest African countries than in relatively rich countries.

Conclusion

Even though sub-Saharan Africa remains the region with the lowest human development index, there is progress that needs to be sustained and even speeded up. Rwanda, the country with the fastest growth in human development, has shown that the right policies can significantly improve the lives of people. Several other countries such as Ethiopia, Ghana and Uganda have experienced rapid progress too. However there are limits to what policy alone can achieve. Major financing is needed to reach and sustain high rates of growth of human development. Given the size, countries need to combine ODA, remittances, FDI and tax revenue. Capital flight, despite the huge sums involved, has not yet been mobilized. If Africa could reverse capital flight and repatriate and invest even a part of the estimated USD 700 billion held abroad, the continent could accelerate progress in human development.

This chapter has shown that capital flight out of Africa is undermining the continent's efforts to reduce poverty. If the lack of financial resources was the only constraint to human development, investing flight capital from Africa with the same efficiency that has characterized real investment would have reduced headcount poverty by an additional 4 to 6 percentage points. With this performance, African countries as a group would halve extreme poverty by 2015 in line with the MDGs. Using flight capital could also help African countries make substantial progress on improving education, and health infrastructure. Stemming capital flight and encouraging repatriation of the finance should be part of African strategies to promote the quality of life of their people. It is ironic that poor African countries that are struggling to mobilize resources have vast financial resources that they cannot access as they are hidden abroad. As the actors involved in capital flight are in and outside Africa, international cooperation will be needed to find a lasting solution to this problem. Current efforts in Europe and the United States to curb tax evasion have illustrated the reticence of some countries benefiting from these flows to root out illicit financial transfers. So Africa should expect resistance to efforts to repatriate capital. African countries should take advantage of the current international consensus around the need to eliminate extreme poverty by increasing pressure for the repatriation of illicit capital to fight poverty. Africa's improved investment and political climate are signals that such resources will be used more efficiently than in the past.

Given the right political will in Africa, a number of actions could be taken to stem capital flight. First, it would be useful to undertake detailed studies at country level to identify the magnitude, causes and main destinations of capital flight, including assessing the magnitude of illicit flows. Second, once the phenomenon is better understood, specific policies to counter capital flight could be put in place. For example, generalizing shipment inspections as an integral part of import and export procedures would reduce capital flight due to trade mispricing. Undertaking external public debt audits would help to determine what part of the debts is odious and would help decision-making about selective debt repudiation. Third, improvement in governance and the rule of law, particularly government transparency in terms of financial inflows and how they are used, would undermine secrecy surrounding capital flows to and from Africa, a situation that has allowed capital flight to flourish. In this regard, the international community should make "Publish What You Pay" a core principle of corporate governance to be applied by multinational corporations negotiating large investment contracts with African countries. Fourth, African states with the help of the international community, should take advantage of the "Stolen Asset Recovery Initiative" to push for the repatriation of stolen assets. Finally, African countries could consider granting time-limited amnesty to citizens willing to repatriate assets held unlawfully in foreign countries. This has been successfully tried by a number of countries, including Italy.

Notes

1. Data from The World Bank's POVCALNET: http://iresearch.worldbank.org/PovcalNet/index.htm?1

2. http://taxjustice.blogspot.com/2012/02/communique-on-inauguration-of-high.html

3. See for example http://www.investorwords.com/704/capital_flight.html. A broader definition views capital flight as the flow of any productive resource from poor to rich countries (Tornell and Velasco, 1992). A more general definition refers to capital flight as the difference (also called residual) between all the resources entering into a country and the recorded outflows in a given year.

4. Oil-rich countries in the sample are Angola, Cameroon, Chad, Republic of Congo, Gabon, Nigeria and Sudan. Non-oil resource-rich countries in the sample are: Botswana, Côte d'Ivoire, Guinea, Sierra Leone and Zambia. Non-resource-rich countries are: Burkina Faso, Burundi, Cape Verde, Central African Republic, Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Rwanda, Sao Tome and Principe, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. This classification is similar to the one used in IMF's Economic Outlook.

5. For example, the mean of capital flight—including negative flows--is $639 million per country and per year although this value corresponds with the 74th percentile of the distribution of capital flight. If only the positive values of capital flight are considered, average capital flight is $1037 million per country and per year; this value corresponds with the 77th percentile of the distribution of positive values of capital flight.

6. In non-resource-rich countries, capital flight in the 2000s was only 38% higher than in the 1990s and 80% higher than in the 1980s. The reasons explaining the high correlation between capital flight and oil export income requires research that is beyond the objective of this chapter.

7. Statistical evidence on capital flight from Sub-Saharan Africa does not support this conventional portfolio motive. Econometric studies do not find a significant statistical relationship between capital flight and the interest rate differential between Africa and advanced economies, the main destination of Africa's capital flight (Ndikumana and Boyce, 2003).

8. These are aggregate results so they do not mean that individual countries will or will not meet the target.

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Chapter 5

Political and Economic Governance

Political governance

The world will remember 2011 as the year of the "Arab Spring" when people in North Africa rose up against political oppression, social inequality and a lack of economic opportunity. The revolts against autocratic regimes have empowered democratically-elected Islamist governments and parliaments in Egypt, Tunisia and Morocco. These new governments must now tackle the root causes of the revolutions to appease legitimate, but high expectations in the short run, while providing citizens with a real democratic alternative in the long run.

Other African countries also faced pressure to meet popular demands for civil rights and better social policies. Africans have become increasingly frustrated with corruption, a lack of decent employment and not seeing a share of the growing wealth from a decade of strong economic growth. As in 2006-07, soaring food and fuel prices were in 2011 a trigger for public discontent and strikes to demand better wages and labour conditions.

The increase in our civil protest indicator reflects a positive trend of African governments gradually opening up and allowing more freedom of expression, Africans increasingly adopt more peaceful ways to voice political, social or economic concerns. When demonstrations increase in magnitude and frequency, the probability of violence between governments and protesters becomes higher, as monitored by our civil violence indicator. Yet, in 2011, there was only a moderate increase of civil violence relative to the much larger increase in civil protests. In most African countries the public political debate is becoming more mature, peaceful and open.

These findings are coherent with our political hardening indicator, which shows that about half of African countries managed to accommodate intensifying social demands in less violent ways. Other African countries, however, still resort to repression to handle social unrest and political opposition, especially at election time. Governments clinging to power tend to stir up rival factions and violence between their opponents and supporters.

However, pre-electoral tensions are becoming the exception rather than the rule, as shown by the many successful elections held in 2010 and 2011. There will be another eight presidential elections and 17 legislative and parliamentary elections in 2012.

Senegal came through one democratic test in March 2012 when President Abdoulaye Wade gave up office after losing an election. The country saw violent protests in January however when a court backed Wade's claim to be able to stand for a third term even though he had introduced a two-term limit for presidents.

In spite of this overall positive picture, some concerns remain. Since March 2012 Mali has been experiencing a protracted political stalemate following a military coup. At the same time the northern half of the country has fallen in the hands of Tuareg rebels, many of them former fighters in Libya that returned to Mali with powerful weaponry after the end of Khadafy's regime.

The analysis in this chapter is based on 16 years of data on civil tension in 25 African countries[1]. This includes strikes, demonstrations and violence by non-government actors, as well as government violence, arrests, bans, curfews and states of emergencies and some government softening by lifting bans and releasing political prisoners. The analysis also uses measures of freedom and democracy from Freedom House and Reporters Without Borders.

Protests and civil violence

The protest indicator for 2011 reached a record high of twice its peak level of 2006 when food price hikes resulted in massive street protests across Africa (Figure 5.1). Except for Lesotho, Seychelles, Cape Verde, Gabon and Democratic Republic of Congo (DRC), each country's public protest indicator increased in 2011 over 2010. Thirty-one countries hit their highest score since 1996. This surge reflects a growing demand for better living conditions, political freedom and jobs which was catalyzed by civil society's increased capacity to mobilize people and protests through social media.

Protests were the result of decades of suppression of civil rights and anger over lack of opportunities for the young populations in North Africa. In Egypt, Tunisia and Libya the protests became revolutions which overthrew longstanding autocratic regimes. In Tunisia there were more than 200 deaths, according to a UN Human Rights Commission inquiry, as thousands of protesters clashed with security forces in January. In Egypt, hundreds of thousands took to the streets across the country and more than 800 deaths were reported. Tensions remained high throughout 2011 with regular clashes between protesters and troops in Cairo's Tahrir Square amid demands that the Supreme Council of the Armed Forces speed up political changes. After a constitutional referendum in March 2011, parliamentary elections were held between November 2011 and February 2012. A presidential election was to be held in May 2012.

Demonstrations in Morocco led to a referendum which changed the constitution. In Algeria, thousands staged protests against the high cost of living and to demand greater political freedom. The protests evolved into a national strike to which the government responded with wage increases and financial handouts. In Sudan and Nigeria thousands protested against the cost of living, social conditions and non respect of civil rights.

Inspired by the Arab Spring, citizens everywhere are becoming more assertive in holding their governments to account for economic and social problems. Even countries that are traditionally calmer saw public protests. In Botswana, nearly 90 000 people took part in a march to demand public sector salary increases. In Uganda, thousands took to the streets after President Yoweri Museveni was sworn in for a fourth term in May 2011. After a couple of years of relative stability, Guinea-Bissau, saw several demonstrations of more than 10 000 people to demand the dissolution of the government over July and August 2011..Swaziland saw protests against the exuberant lifestyle of its monarch and demands for more social spending and political reform. In Namibia, there were strikes at Rio Tinto's uranium mine by workers demanding better wages and pensions. Angola faced protests for better wealth redistribution and against corruption among the ruling elite in a tense pre-election year.

Some governments faced protests when they failed to restore stability and impose their legitimacy after elections. Gabon saw several peaceful opposition rallies in 2011 to denounce the 2009 presidential election result and demand that December 2011 legislative elections be delayed due to outdated voter registration procedures. In early 2011, inspired by the Arab uprisings and a military mutiny, Burkina Faso was shaken by violence and protests demanding reforms by President Blaise Compaoré, who has ruled for 25 years. The changes he instituted were seen by the opposition as a move to facilitate his staying in power. In Guinea, the opposition challenged the presidential election result, leading to the postponement of legislative elections planned for December 2011.

In contrast, Ghana and Cape Verde held successful presidential elections and peaceful political transitions in 2011. Cape Verde's former president Pedro Pires received the 2011 Ibrahim Prize when he stood down after his second term, sticking to the country's constitution. Events in Ghana were even more encouraging given the increasing political pressure of the expected future windfall revenues from oil. Ghana is also a good example of how civil society can ensure control of public wealth management through the petroleum revenue management bill.

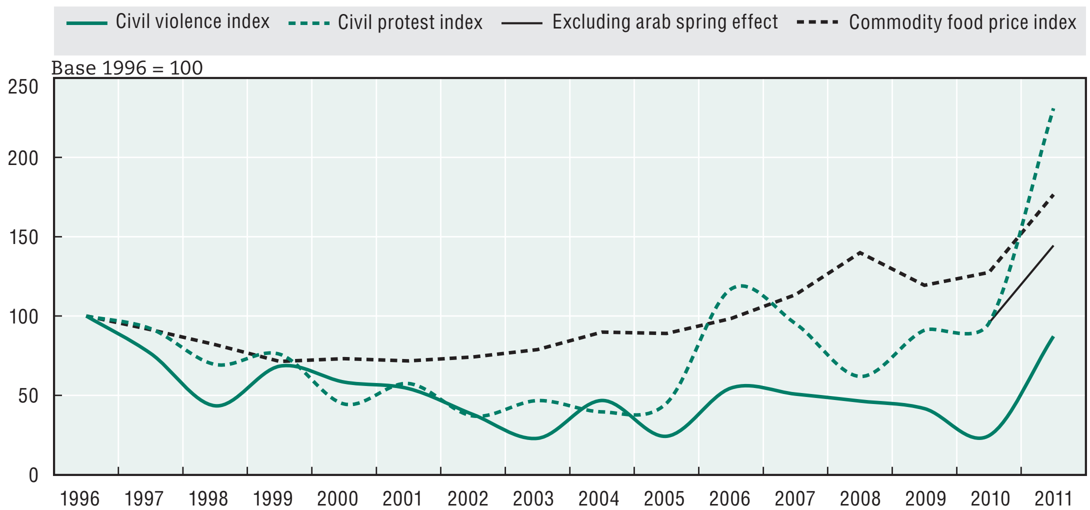
Some other countries also maintained calm through food price increases and elections. But protests in reaction to the rising cost of living led to major public and private sector strikes across the continent. In South Africa, up to 180 000 unionised workers went on strike for nearly a month in July in what is becoming an annual event to negotiate better wages around the end of the fiscal year. These strikes could put the country's tepid economic recovery at risk in 2012. In Zambia, President Michael Sata campaigned in the election for the redistribution of mining wealth in a response to strikes by workers at several Chinese-owned mining companies to demand better wages and labour conditions. Soaring food and fuel prices put the Kenyan government at risk of public strikes in the 2012 election year.

The 2011 civil violence indicator was forced up by widespread inter-ethnic tensions, acts of terrorism and political clashes in electoral campaigns. In Côte d'Ivoire, an estimated of 3 000 people were killed after President Laurent Gbagbo refused to accept he had lost an election and hand power to the internationally recognized winner Alassane Ouattara. The country came to the brink of all-out civil war until Gbagbo was forced out in April 2011. President Ouattara now faces the challenge of reconciling his supporters with the opposition to restore stability and rebuild the economy.

Religious conflict also became an increasing concern, particularly in Nigeria, Egypt and Sudan. Throughout 2011 Egypt's Coptic community was the target of attacks resulting in more than 50 deaths and nearly 400 injured. Attacks were concentrated on church buildings in the two main cities, Cairo and Alexandria.

In April 2011, electoral violence in Nigeria resulted in an estimated 200 deaths. The country has also seen militant strife. Attacks blamed on the Islamic sect Boko Haram – including bombings of public buildings in December 2011 and a suicide bomb attack on the UN compound in Abuja in August 2011 —resulted in 150 deaths. The group has seized on economic and social inequalities in the impoverished north of the country to seek to boost its popularity. Despite increased military activity in the region, the government has made little progress against the sect, leading some analysts to say that some government officials support Boko Haram. There were also clashes between Christian and Islamic communities around Jos in central Nigeria which claimed dozens of lives. About 90,000 people fled the troubled areas. The Nigerian government declared a state of emergency in the affected areas, while neighbouring Niger closed its border in a bid to keep Boko Haram out. This hit the local economy as northern Nigeria is the main market for Niger's agriculture.

Figure 5.1. **Public protests, civil violence and food price indices**



Source: Public Protests and Violence Indices: Authors' calculations based on AFP information); Commodity Food Price Index: IMF.

StatLink http://dx.doi.org/10.1787/888932600241

Government response and political freedom

The political hardening indicator bounced back from an all-time low in 2010, reflecting the government efforts to clampdown on mass protests in North Africa. Governments used violence against demonstrators in Tunisia, Egypt, Libya and Algeria. There were two distinct trends however. Fourteen countries posted their highest score of the past decade, while 18 continued to show more political openness. So the 2011 indicator needs careful reading.

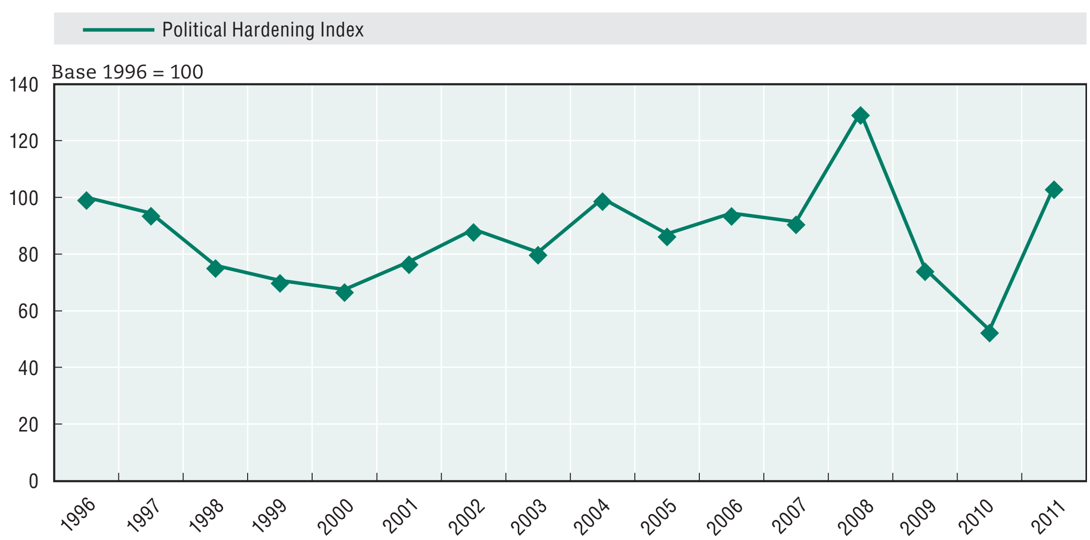
Lack of employment opportunities, perceived government corruption and decreasing purchasing power spurred protests. Fears that the Arab Spring could spread led to strong repressive government measures. Angola, Madagascar, Uganda, Sudan, Guinea and Malawi all saw violence used to disperse protesters. In Nigeria one protestor was killed in demonstrations against a government decision to end a fuel price subsidy in January 2012.

In contrast, a number of countries took action to meet the demands of their restive populations. In response to large rallies to demand political reform, Morocco held a constitutional referendum and held legislative elections. Botswana authorities conceded a 3% salary increase after an eight-week strike by 90 000 civil servants. Niger has seen several coups d'état but the new civilian government and the military signed a 'Republican Pact' that commits both sides to respect the constitution. Chad showed some political opening with the return from exile of a rebel spokesman as well as the release of the director of a human rights group. Gambia cracked down on drug trafficking.

Freedom House's political freedom index found that Africa has made little progress towards becoming a freer and open society. Tunisia was the only country that saw a positive status change from 'not free' to 'partly free' following its election for a transitional Constituent Assembly in October 2011. In contrast, Gambia was the only country whose ranking was lowered from 'partly free' to 'not free' after President Yahya Jammeh suppressed media freedom, the opposition and civil society in the run-up to a presidential election in November 2011. For Egypt and Libya to upgrade their status they will have to consolidate their new political pluralism and civil liberties. South Africa risks losing its good score due a stringent new media secrecy law and increased perceived corruption in the leadership of the ruling African National Congress (ANC). Notwithstanding improvements in some countries, more than 400 million citizens of 23 African countries still live in conditions that are classified as “not free” by the Freedom House index.

Freedom House’s 2011 report indicates a widening gap between press freedom in good performing countries and those ranked at the bottom which are seen restraining media. Côte d’Ivoire, Sudan and Uganda cracked down on the press, while South Africa and Malawi adopted more stringent media laws. Egypt is increasingly adopting old regime measures to intimidate the press and it remains to be seen if Libya’s new government will respect the new media freedom. In contrast, Cape Verde and Namibia entered the top 20 for the first time as no infringements of press freedom were reported. Following its successful political transition, Niger was the biggest climber in the ranking. Mali, Ghana, Botswana and Comoros are all also in the top group.

Figure 5.2. **Political Hardening Index 1996-2011 (base year 1996 = 100)**



Source: Authors’ calculations based on AFP information.

StatLink http://dx.doi.org/10.1787/888932601248

Table 5.1. **Freedom in Africa in 2011**

Country	Freedom Status	Political Rights	Civil Liberties	Change over 2010
Algeria	Not Free	6	5	
Angola	Not Free	6	5	
Benin*	Free	2	2	
Botswana*	Free	3	2	
Burkina Faso	Partly Free	5	3	
Burundi	Partly Free	5	5	Set-back
Cameroon	Not Free	6	6	
Cape Verde*	Free	1	1	
Central African Republic	Partly Free	5	5	
Chad	Not Free	7	6	
Comoros*	Partly Free	3	4	
Congo (Brazzaville)	Not Free	6	5	
Congo (Kinshasa)	Not Free	6	6	
Côte d'Ivoire	Not Free	6	6	Set-back
Djibouti	Not Free	6	5	Set-back
Egypt	Not Free	6	5	
Equatorial Guinea	Not Free	7	7	
Eritrea	Not Free	7	7	
Ethiopia	Not Free	6	6	Set-back
Gabon	Not Free	6	5	
The Gambia	Not Free	6	5	Set-back
Ghana*	Free	1	2	
Guinea	Partly Free	5	5	Improvement
Guinea-Bissau	Partly Free	4	4	
Kenya	Partly Free	4	3	Improvement
Lesotho*	Partly Free	3	3	
Liberia*	Partly Free	3	4	
Libya	Not Free	7	6	Improvement
Madagascar	Partly Free	6	4	
Malawi*	Partly Free	3	4	
Mali*	Free	2	3	
Mauritania	Not Free	6	5	
Mauritius*	Free	1	2	
Morocco	Partly Free	5	4	
Mozambique	Partly Free	4	3	
Namibia*	Free	2	2	
Niger	Partly Free	3	4	Improvement
Nigeria	Partly Free	4	4	Improvement
Rwanda	Not Free	6	5	
São Tomé and Príncipe*	Free	2	2	
Senegal*	Partly Free	3	3	
Seychelles*	Partly Free	3	3	
Sierra Leone*	Partly Free	3	3	
Somalia	Not Free	7	7	
South Africa*	Free	2	2	
South Sudan	Not Free	6	5	
Sudan	Not Free	7	7	
Swaziland	Not Free	7	5	
Tanzania*	Partly Free	3	3	Improvement
Togo	Partly Free	5	4	
Tunisia	Partly Free	3	4	Improvement
Uganda	Partly Free	5	4	
Zambia*	Partly Free	3	4	
Zimbabwe	Not Free	6	6	

Source: Freedom in the world 2012, Political Freedom Index, Freedom House. The ratings reflect events from January 1, 2011, through December 31, 2011 ; 1 represented the most free and 7 the least free rating ; * indicates a country's status as an electoral democracy ; improvement or set-back indicates the trend of events that haven't been sufficient to trigger a change in rating or status since the last survey.

The democratic protest

There were presidential elections in 15 African countries in 2011: Benin, Cameroon, Cape Verde, Central African Republic, Chad, DRC, Djibouti, Gambia, Liberia, Niger, Nigeria, São Tomé and Príncipe, Seychelles, Uganda and Zambia. There were also 15 parliamentary and legislative elections: Cape Verde, Central African Republic, Chad, Côte d'Ivoire, Egypt, Morocco, Niger, Nigeria, Uganda, Benin, DRC, Gabon, Liberia, Tunisia and Zambia. South Sudan held a referendum on its secession from Sudan. Tunisia, Morocco and Egypt all three held constitutional reform referendums following the Arab Spring.

The revolutions in North Africa deeply modified the region's political landscape, confirming the ascent of Islamic political parties. The new parliaments and governments in Egypt, Tunisia and Morocco all face the double challenge of quickly answering high social and economical expectations when economic times are tight, while having to balance their politician stances between their religious values and the need to gain the trust of the whole population and the international community.

Tunisia's democratically-elected government, which took office in December 2011, is formed by a coalition of the moderate Islamist party, Ennahda, and two leftist parties, the Congrès pour la République (CPR) and the Forum démocratique pour le travail et les libertés (FDTL). CFR leader Moncef Marzouki was elected president and appointed Ennahda's Hamadi Jebali as the prime minister. In Morocco, authorities ordered changes after protests started in February, 2011. Constitutional reform granting more rights to parliament was approved by 94% of those who voted in a referendum in July 2011. Legislative elections were held in November which saw the Islamic Parti de la justice et du développement (PJD) win 107 seats out of 395. The PJD's Abdelilah Benkirane was named prime minister.

In Zambia, opposition leader Michael Sata won a presidential election on 20 September 2011 on the promise to redistribute copper mining profits through fairer taxation. The election was deemed fair and transparent. Cape Verde also held a peaceful and stable political transition. A legislative election in February 2011 was won by the Partido Africano da Independencia de Cabo Verde. A presidential election in July was won by Jorge Carlos Fonseca from the opposition Movimento para a Democracia, amid a high 48% abstention rate. The ruling coalition has a one seat majority, casting doubt on the government's ability to finish its full mandate. South Africa's ANC obtained 62% of the vote in local elections in May 2011, down from 64% in 2006.

Niger's longstanding opposition leader Mahamadou Issoufou won a presidential election with 58% of the vote as the country sought to end years of instability marked by military takeovers. A legislative election was also held.

The presidential vote in Senegal was widely hailed after some initial worries. The country saw deadly protests in January when a court backed Wade's claim to be able to stand for a third term even though he had introduced a two-term limit for presidents. There were also tensions during the first round of voting. But Wade stood down after the second round on 25 March 2012 as it became clear that he had been beaten by his former prime minister Macky Sall. International leaders praised Wade's actions in bowing out.

In Benin, President Boni Yayi won re-election in a vote deemed free and fair by international observers. This was followed by a legislative election in April 2011 where the president's party confirmed its majority. Sao Tome and Principe held a presidential election in August 2011 won by former president Costa da Pinto with 58.9% of the second round vote.

Ruling party candidate Ikililou Dhoinine won the presidential poll in the coup-prone Indian Ocean archipelago of the Comoros. Dhoinine served for five years as deputy to the outgoing president Ahmed Abdallah Mohamed Sambi and was his chosen candidate in the December 26 vote. His main challenger Mohamed Said Fazul got 33%.

Liberia held a legislative election, and the first round of a presidential vote on 11 October 2011. Nine opposition parties rejected the results, alleging fraud, and boycotted the second round of the presidential vote so Ellen Johnson Sirleaf won re-election with no opponent. The government's plan to amend the constitution on judge tenure, election scheduling, presidential candidate requirements, and the electoral system, failed to obtain two-thirds approval. Johnson Sirleaf also won the 2011 Nobel Peace Prize.

There were also countries where the election practices highlighted how democracy has not taken root. Unsurprisingly, Cameroon's President, Paul Biya was elected for a sixth seven-year mandate in October, though international observers mentioned irregularities. In similar fashion, Chad's ruling party won a legislative election in February with a large majority, while President Idris Deby was re-elected for a fifth five-year term. In November, Gambia's President Yahya Jammeh, who has already ruled for 17 years, got re-elected with 72% of the vote. Observers from the Economic Community of West African States (ECOWAS) said the election was not transparent.

In April, Djibouti's President Guelleh was re-elected for a third mandate with roughly 80% of the vote. The election was deemed free and fair by African Union (AU) observers, however, it was preceded by violent protests which led to the detention of opposition leaders. Throughout 2011 Gabon's opposition party contested President Ali Bongo Ondimba's victory in the 2009 presidential election. The opposition called for a biometric voting system to improve the transparency of future elections. The government rejected the demand and all but one opposition party boycotted the December 2011 legislative elections. Without any serious opponents, the ruling Parti démocratique gabonais won the elections with 95% of the votes.

Local, legislative and presidential elections in Nigeria in 2011 provoked a wave of violence. Goodluck Jonathan, a Christian from the southern Niger Delta, won the presidential election with 57% of the vote against 31% for Muhammadu Buhari, a Muslim from the north who was in the junta which ruled the country in the 1980s. The electoral process was deemed free and fair by AU observers, nevertheless Buhari's supporters claimed fraud and rejected the results which highlighted the divide between the oil-rich Christian South and the Muslim North.

In November, President Joseph Kabila won a new term in the DRC, beating opposition leader Etienne Tshisekedi, according to the national election commission. A European Union (EU) observer mission claimed that irregularities had undermined "the confidence and credibility of the announced results". Uganda held local, legislative and presidential elections and the opposition contested the new victory of President Museveni who has now ruled for 25 years. Guinea-Bissau held the first round of a presidential election on 18 March 2012 following the sudden death of President Malam Bacai Sanha in January 2012. Former Prime Minister Carlos Gomes scored 49% of the vote and the AU and other international observers said the election was free and fair. But the opposition said there had been fraud and called for a boycott of the April 29 second round elections. Challenger Kumba Yala came second with about 23 percent. A former military intelligence chief was killed on the day of the election, followed by an alleged coup attempt by the military on the 12th April, indicating that the old tensions between the military and civilian authorities remain lingering. This continuous political instability slows down the country's urgent and complex security sector reform and hampers sustainable development.

More presidential elections are expected in 2012 in Egypt, Ghana, Libya and Madagascar. Legislative and parliamentary elections are due in Angola, Cameroon, Congo Republic, Egypt, Equatorial Guinea, Gambia, Guinea, Lesotho, Libya, Madagascar, Mauritania, Senegal, Sierra Leone, Togo and potentially Zimbabwe. The stakes in Ghana's and Sierra Leone's presidential elections are very high with prospects of strong economic growth from natural resource revenues influencing politics. In the run-up to the Sierra Leone's election, ruling party and opposition partisans have clashed and political rallies were banned for three months.

Kenya is to hold elections in 2013. The country is seeking to block the International Criminal Court trials of four Kenyan officials for their role in deadly unrest in Kenya after a contested presidential election in 2007. Analysts say the moves could be part of a wider plan aiming to influence the result of the next presidential vote amid a continuous power struggle between the two main ethnic groups.

Table 5.2. **Overview of national elections in Africa for 2011-12**

	2011	2012
Algeria		
Angola		Legislative elections (End 2012)
Benin	Presidential (March 13th), Legislative elections (April 30th)	
Botswana		
Burkina Faso		
Burundi		
Cameroon	Presidential (October 9th).	Legislative (July)
Cape Verde	Parliamentary (February 6th), Presidential 1st round (August 7th), Presidential 2nd round (August 21st).	
Central African Rep.	Presidential (January 23rd). Parliamentary 1st round (January 23rd), Parliamentary 2nd round (March 27th).	
Chad	Parliamentary (February 13th), Presidential (April 24th).	
Comoros		
Congo		Legislative (June)
Congo, Dem. Rep.	Legislative (November 28th), Presidential (November 28th).	
Côte d'Ivoire	Parliamentary (December 11th)	
Djibouti	Presidential (April 8th)	
Egypt	Referendum (March 19), Parliamentary stage 1 (November 28th), Parliamentary stage 2 (December 14th).	Parliamentary stage 3 (January 3rd), Legislative stage 1 (January 29th), Legislative stage 2 (February 14th), Presidential (May).
Eritrea		
Ethiopia		
Equatorial Guinea		Parliamentary (no date established).
Gabon	Legislative elections (December 17th)	
Gambia	Presidential (November 24th)	Legislative (March 29th)
Ghana		Presidential (December), Legislative (December).
Guinea		Legislative (no date established)
Guinea-Bissau		Presidential (March 18th), Presidential run-off, Parliamentary (no date established).
Kenya		Presidential elections and National Assembly (no date established, August/December).
Lesotho		Parliamentary (May).
Liberia	Referendum (August 23rd), Legislative 1st round (October 11th),	

Table 5.2. **Overview of national elections in Africa for 2011-12 (Cont.)**

	2011	2012
	Presidential 1st round (October 11th), Presidential 2nd round (November 8th).	
Libya		Presidential and Parliamentary elections(June).
Madagascar		Parliamentary (May), Presidential (May).
Malawi		
Mali		Presidential elections (date to be established), Parliamentary elections (date to be established)
Mauritania		Parliamentary (March 31st)
Mauritius		
Morocco	Referendum (July 1st), Parliamentary (November 25th).	
Mozambique		
Namibia		
Niger	Presidential 1st round (January 31st), Parliamentary (January 31st), Presidential 2nd round (March 12th).	
Nigeria	Parliamentary (April 9th), Presidential (April 16th).	
Rwanda		
São Tomé and Principe	Presidential 1st round (July 17th), Presidential 2nd round (August 7th).	
Senegal		Presidential (February 26th), Parliamentary (June 17th).
Seychelles	Presidential (May 19th).	
Sierra Leone		Legislative (August), Presidential (November 17th).
Somalia		
South Africa		
Sudan	Referendum (January 9th)	Referendum (date not established).
South Sudan	Official secession (July 9th).	
Swaziland		
Tanzania		
Togo		Parliamentary (October)
Tunisia	Legislative (October 23rd).	
Uganda	Parliamentary (February 18th), Presidential (February 18th).	
Zambia	Presidential (September 20th), Legislative (September 20th).	Referendum (date not established).
Zimbabwe		Parliamentary (tentative), Referendum (tentative).

Source: http://electionguide.org/; Africa Macro, Insight and Strategy. Article on African elections 2011/2012 by Simon Freemantle.

Peace and security

After the uprisings in Egypt and Tunisia, demonstrations started in the Libyan city of Benghazi on 15 February 2011. The unrest turned into a civil war which caused between 10 000 and 50 000 dead. After months of civil war, and with NATO giving support, the UN recognized Libya's National Transitional Council (NTC) as the official interim government in September 2011. The NTC named businessman Abdel Rahim al-Kib as interim prime minister to rule a national council, composed of ex-rebels and other representatives, for eight months until elections can be held. The interim government faces serious challenges maintaining national unity. In March 2012, Libya's eastern region declared itself semi-autonomous.

South Sudan became Africa's 54th nation on 9 July 2011 seven months after a referendum voted massively to break with Sudan. South Sudan has rich oil reserves, but its export pipeline has to cross Sudan to the north. Months of talks failed to produce an agreement on the fee that South Sudan should pay to the Khartoum government for using the pipeline. The stability of Sudan will face increasing pressure without the oil rents. Each state accuses the other of supporting rebel forces operating in their country. South Sudan has also seen ethnic battles in Jonglei state which has left hundreds dead since its independence.

Africa saw four alleged coups d'état in 2011, all of which failed. Three guards for Guinea's President Alpha Condé were killed after an assassination attempt on the leader on 19 July. The coup was perpetrated by soldiers and in response Condé incarcerated 59 political opponents despite criticism by rights watchdogs. In neighbouring Guinea-Bissau a military faction attacked the military headquarters and forced the prime minister to seek refuge at the Angolan embassy. The country has been unstable since the assassination of President Nino Vieira in 2009. A third attempted coup took place in Niger, where the recently elected authorities arrested military officers in late July. In March 2011, Madagascar's President Andry Rajoelina, who himself took power in a 2009 coup, escaped unscathed when a bomb exploded by his car.

In 2012 Africa has so far seen one coup d'état and one alleged coup d'état. Disgruntled by the government's handling of an uprising by Tuareg separatist rebels in Northern Mali, a group of junior military officers took control of the government on 22 March 2012. Following negotiations and mediation by ECOWAS, the coup leaders agreed to hand over power to the President of the National Assembly, Diouncounda Traoré. The likelihood that appointed interim President Traoré will be able to stage presidential elections and safeguard the territorial integrity of the entire country remains very uncertain. Building on their military success preceding the coup d'état, the Tuareg rebels, organised as the National Movement for the Liberation of Azawad (NMLA), exploited the political stalemate and advanced quickly further south. The rebels are fuelled by weapons and fighters returning from Libya where they used to be mercenaries for Khadafy. On April 13 they proclaimed the independence of northern Mali as "Azawad". Although this has not been recognised by any country, it poses a threat to Mali's territorial integrity. The Al-Qaeda Organization in the Islamic Maghreb (AQIM) has also been active in Mali and seems to be involved in some of the fighting. Its relationship to the NMLA, however, is unclear.

Al-Qaeda in the Islamic Maghreb (AQIM) is increasingly expanding its range of action around Mauritania, Algeria, Niger and Mali. Twelve Europeans were being held hostage in early 2012. France and other European countries are helping regional governments to set up a joint military task force, but its implementation has been lagging. AQIM took advantage of the end of the Libyan conflict when a lot of weapons went into circulation. The UN Office of Drugs and Crime 2011 world report highlighted the vast trafficking of drugs and humans over Western Africa porous borders. UN Secretary General Ban Ki-Moon warned in a report in February 2012 of the destabilizing effect on the region of growing links between terrorist organizations and illicit financial flows from international crime.

Several cross-border conflicts remain unsolved. In 2011, Kenya troops entered Somalia following the abduction of several tourists in northern Kenyan by Somali-based militants. Kenya has now joined the international force battling Shabaab militants in Somalia while trying to stop the militants taking root in impoverished northern Kenyan border regions. Fazul Abdullah Mohamed, alleged leader of Al Qaeda in East Africa, was killed in Mogadishu in June 2011.

In Senegal clashes between Casamance rebels and the military are preventing the region from developing its tourism. The UN has organized more informal negotiations between the Moroccan government and the Polisario Front about the future of Western Sahara. But there has been no progress and this continues to hamper Morocco's relations with Algeria. The UN Security Council reinforced sanctions on senior Eritrean officials in September 2011 over its alleged involvement in terrorist plots against Ethiopia. In July, rebels from the Convention of Patriots for Justice and Peace signed a ceasefire with the Central African Republic's government as a prerequisite to negotiate peace and the demobilisation of more than 1 400 rebel fighters.

On 14th March 2012 the International Criminal Court (ICC) issued a historic first verdict. It convicted Thomas Lubanga for conscripting child soldiers during the civil war in Ituri, northeast DRC, in 2002 and 2003. The judgment sent out a strong message to other rebel groups such as the Lord's Resistance Army (LRA). In October 2011 the United States deployed 100 Special Forces and technical resources to help African forces hunting LRA leader Joseph Kony.

Five UN peace keeping operations were active in Sub-Saharan Africa in 2011 after the UN Mission in Central African Republic and Chad (MINURCAT) was completed at the end of 2010. Following South Sudan's independence in July 2011 the UN Mission in Sudan (UNMIS) turned into the UN Mission in South Sudan (UNMISS) to help the new government with politics and security. An AU/UN hybrid peacekeeping operation remained in Darfur (UNAMID), the UN Stabilization Mission in Democratic Republic of the Congo (MONUSCO) remains one of the biggest peacekeeping missions ever. UNOCI is in Côte d'Ivoire and the UN-backed African Union peace keeping mission is in Somalia (AMISOM). Ethiopia and Nigeria contribute respectively 6 224 and 5 749 troops to UN peacekeeping missions, making them the two main African contributors. Uganda has more than 5 000 troops in AMISOM. By the end of 2011, the UN had sanction committees for Côte d'Ivoire, DRC, Liberia, Somalia, Eritrea, and Sudan. The North Atlantic Treaty Organization (NATO) and the EU are playing leading roles in an international flotilla fighting piracy off the coast of Somalia and in the Indian Ocean.

According to the International Maritime Bureau's Piracy Reporting Centre, there were 237 attacks by Somali pirates in 2011, up from 219 in 2010. The One Earth Future Foundation estimated the total economic cost of attacks at between USD 6.6 billion and USD 6.9 billion last year. A worrying new trend is the increasing piracy off the West African coast. There were at least 45 attacks, mainly oil and chemical tankers, off West Africa in 2011, according to ECOWAS figures. Higher insurance risk premiums have hit Atlantic trade routes, in particular the ports of Cotonou in Benin and Lagos in Nigeria. The two countries have launched joint maritime patrols but say they need international help.

Corruption

The urgency of tackling corruption took new prominence in 2011 as Arab Spring and Occupy protesters gave new voice to the campaign against graft. According to Transparency International's Corruption Perception Index, which ranks countries according to perception of corruption, the average 2011 score for Africa was 2.93, barely unchanged from the 2010 score of 2.89. Africa remains in the "rampant corruption" category with a score below 3.0. A country-level approach imposes a more nuanced analysis with 21 countries out of 53, improving their score. Another 15 countries remained at the same level while the score of 17 worsened in 2011.

For the first time four countries -- Botswana, Mauritius, Cape Verde and Rwanda – registered a score above 5.0. Botswana is back at its 2000 top score of 6.1 and remains the sole African country to have reached a score above 6.0. The perception of Mauritius as one of the least corrupt countries in Africa could worsen following the incarceration of a minister

Table 5.3. **Corruption perception index by transparency international 2010-2012**

Country	Global Rank 2011	CPI 2011	Global Rank 2010	CPI 2010
Botswana	32	6.1	33	5.8
Cape Verde	41	5.5	45	5.1
Mauritius	46	5.1	39	5.4
Rwanda	49	5	66	4
Seychelles	50	4.8	49	4.8
Namibia	57	4.4	56	4.4
South Africa	64	4.1	54	4.5
Ghana	69	3.9	62	4.1
Tunisia	73	3.8	59	4.3
Lesotho	77	3.5	78	3.5
Gambia	77	3.5	91	3.2
Morocco	80	3.4	85	3.4
Liberia	91	3.2	87	3.3
Zambia	91	3.2	101	3
Swaziland	95	3.1	91	3.2
Malawi	100	3	85	3.4
Djibouti	100	3	91	3.2
Burkina Faso	100	3	98	3.1
São Tomé and Principe	100	3	101	3
Benin	100	3	110	2.8
Gabon	100	3	110	2.8
Tanzania	100	3	116	2.7
Madagascar	100	3	123	2.6
Egypt	112	2.9	98	3.1
Algeria	112	2.9	105	2.9
Senegal	112	2.9	105	2.9
Mali	118	2.8	116	2.7
Ethiopia	120	2.7	116	2.7
Mozambique	120	2.7	116	2.7
Eritrea	134	2.5	123	2.6
Niger	134	2.5	123	2.6
Sierra Leone	134	2.5	134	2.4
Cameroon	134	2.5	146	2.2
Uganda	143	2.4	127	2.5
Nigeria	143	2.4	134	2.4
Togo	143	2.4	134	2.4
Mauritania	143	2.4	143	2.3
Comoros	143	2.4	154	2.1
Zimbabwe	154	2.2	134	2.4
Côte d'Ivoire	154	2.2	146	2.2
Central African Republic	154	2.2	154	2.1
Congo	154	2.2	154	2.1
Guinea Bissau	154	2.2	154	2.1
Kenya	154	2.2	154	2.1
Guinea	164	2.1	164	2
Libya	168	2	146	2.2
Congo Dem. Rep.	168	2	164	2
Angola	168	2	168	1.9
Chad	168	2	171	1.7
Equatorial Guinea	172	1.9	168	1.9
Burundi	172	1.9	170	1.8
Sudan	177	1.6	172	1.6
Somalia	182	1	178	1.1

Source: Transparency International. The Corruption Perception Index ranks countries according to perception of corruption in the public sector on a scale from 10 (very clean) to 0 (highly corrupt).

in 2011 and a corruption investigation against senior members of the former coalition party Mouvement socialiste militant. This triggered large protest marches in September. Corruption cases involving the ANC drove South Africa's score down to 4.1 from a peak of 5.1 in 2007. On the positive side, Burundi, Comoros, Mauritania, Gabon, Mali and Senegal all recorded their highest ever scores.

However, the four top performing countries represent only 1.4% of Africa's population. About three quarters of Africans live in countries where corruption remains rampant with high population states like Nigeria, Egypt and DRC ranked near the bottom. The bottom group has shown slight improvement. Thirty countries scored less than 3.0 in 2011, compared to 34 in 2010. Nearly a quarter of the African population live in countries with a score between 3.0 and 5.0, which means that corruption is a significant challenge to the business environment, the provision of decent public services and efficient public finance management.

Economic governance

According to the World Bank's Doing Business 2012 report, regulatory reforms making it easier to do business were implemented in 36 of 46 African economies assessed between June 2010 and May 2011. That represents 78% of the continent's economies, compared with an average of 56% over the previous six years. The report said that six years ago, only a third of sub-Saharan African economies had made improvements to the regulatory climate for domestic firms. But, in the past year alone, 36 out of the 46 countries introduced reforms in at least one of the 10 areas measured by Doing Business.

For the fourth year in a row, Mauritius was the easiest place in Sub-Saharan Africa to do business. Ranked 23rd in the world, the island nation is followed by South Africa (35th globally), Rwanda (45th), Botswana (54th), and Ghana (63rd place).

Other countries have also made significant changes to improve the business climate. São Tomé and Príncipe joined Liberia, Mali, and Mauritania among countries that have implemented a one-stop shop for starting a business or handling construction permits. Gambia, Seychelles, and Togo lowered their corporate income tax; while Cote d'Ivoire eliminated a national reconstruction tax altogether. In Liberia, Seychelles, and Tanzania, customs declarations can now be submitted electronically.

East African countries, seeking to harmonize regulatory policies among East African Community (EAC) members, have introduced significant reforms. The World Bank's Doing Business in the East African Community 2011, pointed to the following changes and potential benefits:

- Doing business has become easier in East Africa since 2005.
- Sharing good practices could bring East Africa closer to global top performers.
- If each East African country were to adopt the region's best practice for each of Doing Business indicator, the region's average ranking would be 18th rather than 117th.
- If the best of East African regulations and procedures were implemented across the board, the business regulatory environment in East Africa, as measured by Doing Business, would be comparable to that in Japan.
- EAC members are already seeking to learn from one another's reform practices through the World Bank Group-sponsored Network of Reformers initiative.

The report said that between June 2009 and May 2010, EAC countries implemented eight reforms making it easier to do business – including three in Rwanda, two each in Kenya and Uganda and one by Burundi. That brought the region's total since 2004 to 54.

Most African governments recognize that the international financial crisis has created unique economic opportunities. Africa is now getting greater attention from developing and emerging economies which have large financial surpluses. A number have already invested heavily in mining, infrastructure and in other critical sectors of the African economy. It is expected that in 2012, the emerging powers will increase their investment in the continent provided that African countries continue to introduce investment friendly policies and regulations that would give them a competitive advantage over other regions.

African countries are undoubtedly moving in the right direction in terms of business regulatory reforms. However, there remains work to bring the continent up to global standards. Good economic governance is a process not an event, and it is also the product of deliberate policy choices. African governments appear to be determined to make real and permanent changes.

Notes

1. The following countries are included in this sample: Algeria, Botswana, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Egypt, Equatorial Guinea, Ethiopia, Gabon, Ghana, Kenya, Mali, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe. See the methodology section of the statistical annex for further details.

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Part Two

Special Theme: Promoting Youth Employment

Chapter 6

Promoting Youth Employment

Why an African Economic Outlook on youth employment?

As successive editions of the *African Economic Outlook* (AEO) have shown, Africa's rate of growth has outperformed the global rate over the last decade. Yet high growth is not sufficient to guarantee productive employment for all. Large sections of the population, and particularly the young, can be left behind and become frustrated. In the absence of a political process allowing them to express their views and produce policy changes, instability can result, as it did last year in a number of North African countries. This is an opportune time to reset the policy agenda of African governments towards an inclusive, employment-creating and sustainable growth strategy, aimed particularly at addressing the special needs of the young.

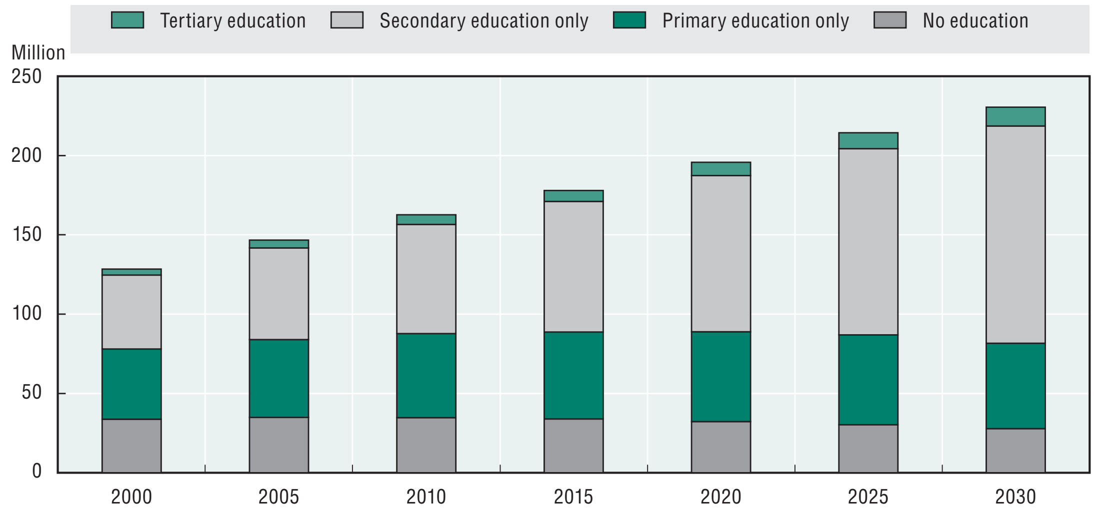
Africa has been experiencing fast economic growth. From 2001/10, six of the world's ten fastest-growing economies were in sub-Saharan Africa. Africa weathered the 2008 financial crisis well, with many economies already growing at rates close to their pre-crisis averages. Assuming that the current market turmoil in developed countries passes without serious consequences for Africa, prospects for the coming decade seem equally good.

With almost 200 million people aged between 15 and 24, Africa has the youngest population in the world. And it keeps growing rapidly. The number of young people in Africa will double by 2045. Between 2000 and 2008, Africa's working age population (15-64 years) grew from 443 million to 550 million; an increase of 25%. In annual terms this is a growth of 13 million, or 2.7% per year (World Bank 2011a). If this trend continues, the continent's labour force will be 1 billion strong by 2040, making it the largest in the world, surpassing both China and India (McKinsey, 2010).

Africa's youth population is not only growing rapidly, it is also getting better educated. Based on current trends, 59% of 20-24 year olds will have had secondary education in 2030, compared to 42% today. This will translate into 137 million 20-24 year olds with secondary education and 12 million with tertiary education in 2030 (Figure 6.1.). Although significant quality gaps remain, these trends offer an unrivalled opportunity for economic and social development if the talents of this swiftly increasing reservoir of human capital are harnessed and channelled towards the productive sectors of the economy. However, they could also present a significant risk and threat to social cohesion and political stability if Africa fails to create sufficient economic and employment opportunities to support decent living conditions for this group.

Although many jobs have been created, there have not been enough to accommodate the number of young people in search of work. The International Labour Organization (ILO) estimates that between 2000 and 2008, Africa created 73 million jobs, but only 16 million for young people aged between 15 and 24. As a result, many young Africans find themselves unemployed or, more frequently, underemployed in informal jobs with low productivity

Figure 6.1. **Africa is experiencing a rapid growth of educated young people (20-24 year-old cohorts by education, 2000-2030)**



Source: World Bank EdStats, authors' calculations.
StatLink http://dx.doi.org/10.1787/888932600279

and pay. Of Africa's unemployed 60% are young people and youth unemployment rates are double those of adult unemployment in most African countries. The problem is particularly acute in middle-income countries (MICs). In 2009 in North Africa youth unemployment was 23.4%, and the ratio of youth-to-adult unemployment rates was estimated at 3.8. In South Africa, youth unemployment was 48% and the ratio of youth-to-adult unemployment rates was estimated at 2.5. Among the employed young, the proportion of work in informality is significantly higher than that of adults.

The costs of inadequate employment are high. Poverty is the most obvious consequence. On average 72% of the youth population in Africa live with less than USD 2 per day. The incidence of poverty among young people in Nigeria, Ethiopia, Uganda, Zambia and Burundi is over 80% (World Bank 2009). The highest rates of poverty can be observed among young women and young people living in rural areas. But the costs go much deeper. The first years in the labour market, the skills developed and the experience then accumulated considerably affect young people's future professional development. Long spells of unemployment or underemployment in informal work can "permanently impair future productive potential and therefore employment opportunities" (Guarcello *et al.*, 2007). For the few that manage to obtain a formal sector job, which offers increasing wages, initial unemployment can have significant negative effects on lifetime earnings (OECD, 2010). In fragile states, the lack of adequate employment is among the major risks to stability (Box 6.1.).

Without urgent action to modernise their economies, African countries risk wasting the tremendous potential offered by their youth. In a paper titled "The Economics of the Arab Spring" Malik and Awadallah (2011) point to the "singular failure" of the Arab world to develop a private sector that is independent, competitive and integrated into global markets. Although such harsh words are not warranted for all of Africa, they do make a valid general point: given Africa's strong population growth and the necessary downsizing of the public sector in many countries, a vigorous private sector is the most important source of jobs for the young. Yet this analysis of 53 countries in Africa reveals that a lack of sufficient job creation is by far the biggest hurdle young Africans face today.

Maximising the impact of a stronger private sector and economic growth on youth

Box 6.1. **Youth employment and unemployment in fragile states**

Why is youth unemployment a critical issue in fragile states? Grievances among the young are most likely to be expressed violently, if non-violent political channels are not adequate or responsive (USAID, 2006), and these grievances revolve around unemployment, involving considerations of both income and social cohesion. One in two young people who join a rebel movement cites unemployment as the main reason for doing so (World Bank, 2011b). In Liberia, which has suffered two civil wars since 1989, driven by a combustible mix of ethnic divisions, predatory elites, corruption, and competition for the profits from natural resources, today it is unemployment that is seen as a major risk to stability (International Crisis Group, 2011). Conflict in one country shaves an estimated 0.5 percentage points off the annual rate of growth in a neighbouring country (Collier *et al.*, 2003). It can create a refugee population, disrupt trade, provoke an arms race, provide a haven for rebels, and itself become theatre of a new war.

Source: International Network on Conflict and Fragility (INCAF), OECD Development Co-operation Directorate.

employment requires intelligent policies based on a sound understanding of the issues that the young face in finding, and holding on to, decent employment opportunities. This chapter aims to make a contribution by painting a picture of youth in employment and unemployment, the needs they have and the obstacles they face.

How to read this report

Africa's youth employment challenges are as diverse as the continent itself. The poorest countries have very low unemployment rates alongside a large informal sector that employs up to 90% of the working age population. Most of Africa's MICs, on the other hand, suffer from very high youth unemployment rates. Their formal sectors are bigger than those in the poorest countries and employ a large share of the population, but at the same time their informal sectors are relatively smaller and do not absorb young workers as they do in poor countries. To account for these differences this report will use the low-income (LIC), lower middle-income (LMIC) and upper middle-income (UMIC) categories as the main lens of analysis wherever possible. Where data are insufficient or differences small, lower and upper middle-income countries will be looked at as a single middle-income country (MIC) category.

There are many concepts used to analyse youth employment and they can be confusing. Figure 6.2. is intended to serve as a "Rosetta stone", or translation tool, for this report, by making the various definitions used in labour market analysis comparable with one another. Then the definitions are detailed for each labour market concept used in this report, which concludes with an explanation of the data used.

Labour market definitions

For the purposes of labour market analysis, young people aged between 15 and 24 are considered as **Youth**. Young people under 15 fall under the ILO's child labour convention and should not be working. Aged above 24, young people are considered adults. In most systems young people can have concluded secondary and tertiary education of four years or less at this age and have entered the workforce.

For most African countries measures of youth *in employment* are more relevant than

Figure 6.2. **The Rosetta Stone for labour markets**

<table>
<tr><th>1. Labour Force Status</th><th>2. Time Use</th><th colspan="2">3. Employment Status</th><th>4. Working?</th><th>5. Job Quality</th><th>6. Formality</th></tr>
<tr><td rowspan="5">In the labour force</td><td rowspan="3">Full-time worker</td><td colspan="2">Wage employed</td><td rowspan="5">Employed</td><td rowspan="2">Wage employment</td><td rowspan="5">Formal
Informal</td></tr>
<tr><td colspan="2">Self-employed</td></tr>
<tr><td colspan="2">Contributing family worker / unpaid worker</td><td rowspan="3">Vulnerable employment[2]</td></tr>
<tr><td rowspan="2">Part-time worker</td><td colspan="2">Voluntary part-time employed</td></tr>
<tr><td colspan="2">Involuntary = Underemployed</td></tr>
<tr><td rowspan="4">Out of the labour force</td><td>Job seeker</td><td>Unemployed</td><td rowspan="2">Broad Unemployment</td><td rowspan="3">NEET*</td><td rowspan="4"></td><td rowspan="4"></td></tr>
<tr><td rowspan="2">Inactivity or housework</td><td>Discouraged</td></tr>
<tr><td colspan="2">Inactive</td></tr>
<tr><td>In education</td><td colspan="2">Student</td><td>Student</td></tr>
</table>

*NEET: Not in Employment, Education, or Training.
Source: Authors' illustration.
StatLink http://dx.doi.org/10.1787/888932600298

measures of youth *not in employment*. Among the poor, few can afford not to be employed. Instead, *underemployment*, *vulnerable employment* and *working poverty* are widespread. Focusing on the unemployment rate fails to take into account this reality. It implicitly assumes that those in work are materially better off than the unemployed. In most African countries, however, this assumption does not hold. *In fact, the unemployed are less likely to suffer from poverty than many self-employed or underemployed.*

Another reason to be sceptical of the unemployment rate as the main measure of negative labour market outcomes is that it excludes many young people who are not in employment, even though they would be ready to work, but have given up looking for a job. These *discouraged* young people are often worse off than the unemployed and should be in the forefront of policy makers' minds. As an alternative, the NEET rate of youth, which counts all youth who are not in employment, education, or training as a proportion of the total youth population, is suggested.

Measures of young people who are not in employment.

The **youth unemployment rate** is a measure of the unutilised labour supply and of the difficulty of finding work. It is calculated on the basis of the number of persons who, during the specified short reference period, were simultaneously: a) without work; b) currently available for work; and c) seeking work, as a percentage of the total labour force (ILO). It is a useful measure in high and middle-income countries, but less so in poor countries, where few of the young can afford to be unemployed. Even in better-off countries, the youth unemployment rate does not provide a full account of the situation of young people out of work since it does not take into consideration the discouraged, who have given up looking for employment. *They are often worse off than the unemployed who are still looking.*

The **discouraged worker rate of youth** is similar to the youth unemployment rate, but focuses on those young people that have given up their job search. It measures the difficulty of finding work and the underutilisation of labour supply. It is calculated on the basis of the number of persons who, during the specified short reference period, were simultaneously: a) without work; b) currently available for work, but c) not actively seeking work, as a percentage of the youth labour force. In standard labour accounting the discouraged are not considered part of the labour force. This is unfortunate. Often discouraged youth are poor and disconnected from labour markets. Others are well educated but have given up the search for a job that rewards their qualifications. For South Africa it has been shown that the rate of discouragement is positively correlated to the rate of unemployment (Kingdon and Knight, 2004). Areas with the highest unemployment also have high rates of discouragement as the young see no hope of finding a job there.

The **relaxed, or broad, youth unemployment rate** adds the discouraged worker rate of youth to the youth unemployment rate and expands the measure of the labour force by the number of discouraged youth. It is a broader measure of youth out of work and underutilisation of the labour supply than the traditional youth unemployment rate.

The **youth labour force participation rate** measures the level of economic activity among the youth population. It is measured as the sum of all young persons who are employed or unemployed, *i.e.* looking for work, as a percentage of the youth population. Young people not in the labour force are either students or inactive, *i.e.* not looking for work. The youth labour force participation rate is lower in countries with higher income where many young people are in education. It also reflects cultural attitudes in countries where the labour force participation rate of young women is very low. It tends to be higher in poorer countries, where school enrolment is low and many of the young have to contribute to family income through economic activity. It suffers from the same shortcomings as the youth unemployment rate because the discouraged are not counted in the labour force.

Youth **out of the labour force** is the sum of all young persons who are neither employed nor unemployed as a percentage of the youth population, except for students. This measure includes the discouraged young and those not able to take up employment for health, family reasons, or other reasons.

The **NEET rate of youth** is an alternative indicator to the youth unemployment rate, measuring the sum of young people not in employment, education or training as a proportion of the entire age category. A young person is considered NEET if he or she has left the school system and is not employed or in continuing education. Thus the NEET include unemployed and discouraged young people as well as those who are considered to be out of the labour force or inactive (OECD, 2010).

Measures of employed youth.

The **youth employment rate** is a measure of the economically productive youth population and the ease of finding work. It is calculated as the sum of youth in all types of employment as a share of the labour force.

The **distribution of youth by employment status** measures the composition of the types of employment among the employed youth population. The status groups are separated by the types of economic risk they represent and the amount of time spent working. Employment data based on the Gallup World Poll provide measures of the following employment statuses:

- full-time wage employment
- full-time self-employment
- full-time unpaid employment (usually in family farming and business)
- part-time employment (voluntary)
- underemployment (involuntary part-time employment)

The vulnerable employment rate of youth measures the share of young own-account workers and contributing family workers in total youth employment[3]. Vulnerable employment is a measure of people who are employed under relatively precarious circumstances as indicated by the status in employment. Because contributing family workers and own-account workers are less likely to have formal work arrangements, access to benefits or social protection programmes, and are more "at risk" to economic cycles, these are the statuses categorised as "vulnerable". There is a strong connection between vulnerable employment and poverty: if the proportion of vulnerable workers is sizeable, it may be an indication of widespread poverty. The connection arises because workers in the vulnerable categories lack the social protection and safety nets to guard against times of low economic demand and are often incapable of generating sufficient savings for themselves and their families to carry them over these times. It should be remembered that the indicator has its limitations; some wage and salary workers might also carry high economic risk and some own-account workers might be quite well-off and not vulnerable at all.

The **rate of youth in underemployment** is a measure of exclusion and the difficulty of finding a job. It is calculated as the share of young people who are involuntary part-time workers, *i.e.* have a part-time occupation, but want to work full time and cannot find full-time work. In addition to measuring inefficiencies in the labour market it shines a light on exclusion and poverty because many of the underemployed are poor. Better-off youth would be likely to spend some time in unemployment, investing in finding a better full-time job. Most youth in underemployment also have lower earnings than youth in full-time employment.

The **rate of youth in working poverty** measures deprivation and work that is not decent. It is calculated as the rate of young people in employment living below a poverty line. The ILO uses the international poverty line of USD 1.25 per day per person. For the Gallup World Poll data a food insecurity line is constructed based on the question: "Over the past year, how often, if ever, have you or your family gone without enough food to eat?" Respondents who answer "several times" are considered moderately food insecure. Respondents answering "many times" or "always" are considered severely food insecure. Working poverty based on food insecurity is then measured as the share of the employed who report being moderately or severely food insecure.

Data

Data on labour markets are notoriously difficult to obtain in Africa. Unemployment registers exist in some countries, but are often confined to urban areas and are not comprehensive. A country survey for this report has shown that in 23 out of 33 countries young people can register as unemployed, but only in ten countries is this service available to, or used by, more than 50% of unemployed youth. Only a few countries offer unemployment benefits with registration at such a service. Given this low coverage of unemployment registration, surveys are the only reliable and comprehensive source of labour market information in African countries.

Labour force surveys (LFSs) are rare in Africa. Some countries, such as South Africa, Egypt, Tunisia and Morocco have regular LFSs that report with high detail and good coverage of the country on the situation of young people in the labour market. In other countries LFSs are more sporadic. A background paper for this report analyses 16 African LFS from 2002 to 2007. The most comprehensive depositories of labour market data are the ILO's LABORSTA and Key Indicators of the Labour Market (KILM) databases that compile information from national sources for all available countries. KILM also provides estimates for a large range of indicators, for which national data are not available, based on the ILO's TRENDS model[4].

This model has been developed for the ILO's annual employment outlook reports. For this report data are used from available LFSs and from the TRENDS model.

In addition to these longstanding sources, analysis is based on a subsample of the Gallup World Poll. Since 2005, Gallup has been conducting its World Poll in over 150 countries around the world. Coverage of Africa has been fairly comprehensive since the beginning of the project. Between 2008 and 2010, 39 African countries and territories were covered. The wide, frequent and very recent coverage are the main advantages of labour market data collected in the framework of the poll. The drawback is the sample size of about 1 000 respondents per country or territory. All samples are probability-based and nationally representative of the resident population aged 15 and older, but do not deliver the same precision as LFSs that often have sample sizes of 20 000 or more. Nevertheless, the results for the subsamples of young people (aged 15-24) are indicative at country level and representative at the level of country groupings. In addition, Gallup World Poll data combine labour market data with a range of other questions on opinions and subjective well-being that make it possible to explore the relationship between employment status and well-being, as well as the perception of obstacles and opportunities to job search and business success.

Gallup World Poll uses the same labour market module in all countries, which makes it possible to distinguish between those who are full-time wage-employed by an employer, full-time self-employed, unpaid work (which can largely be assumed to be as family workers), part-time workers who do not want to work more, underemployed (*i.e.* part-time workers who want to work more), as well as the unemployed, the discouraged and those out of the labour force. Additional dimensions available are occupation groups, educational status and the region (rural, small settlements, cities and suburban areas) where respondents live. The module is well developed to distinguish work for family and external employers and agricultural work from other household activities using a set of screening questions.

Unlike LFSs, the Gallup World Poll does not collect standard informal sector information, such as information on the contractual status of employees, the size of the enterprise they are with, or, if self-employed, whether taxes are being paid on the business revenue. The "vulnerable employment" category (self-employed[5], contributing family workers, part-time and underemployed) is therefore used to approximate informal employment.[5] Although the relationship is not perfect, the principle underlying both concepts is similar: workers in unprotected forms of employment, with low productivity and high risk of poverty.

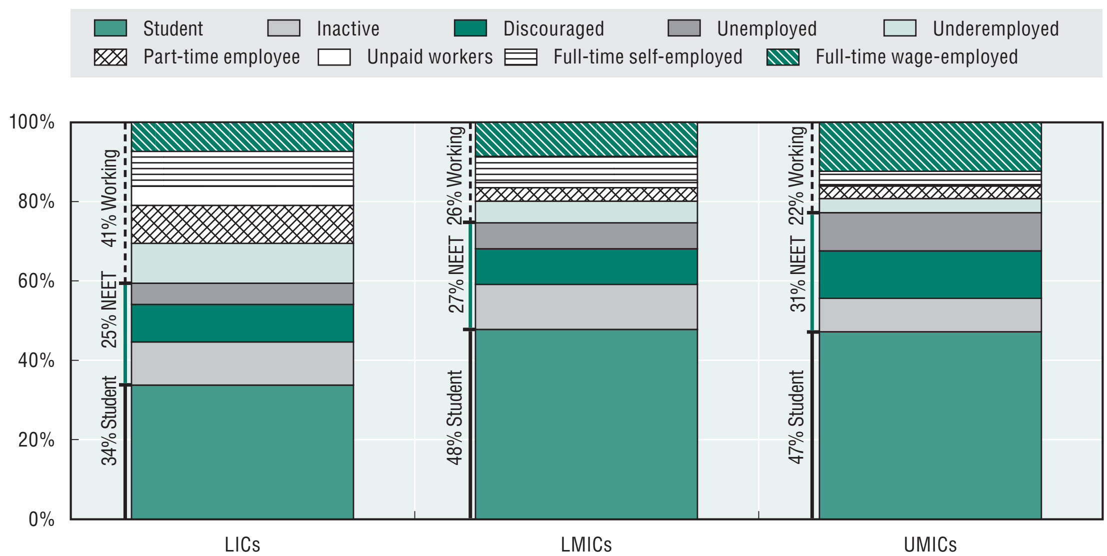
Youth in African labour markets

Too many bad jobs in poor countries, too few jobs in middle income countries

Africa faces a range of youth employment challenges. In poorer countries most young people work, in better-off countries more are out of work than in work. Figure 6.3. shows that in LICs 41% of young people are working. Only about one third of youth in LICs are full-time students. In MICs about half of 15-24 year olds are students and fewer young people are working than in LICs. However, NEET rates are higher in better-off countries. In UMICs, 31% of the young are NEET, compared to only 22% who are working. In lower middle-income countries the shares of youth in NEET and working are almost the same with 27% and 26%. In LICs, about one quarter of the young (26%) are NEET, making it the smallest group in these countries.

However, for those young people who do have a job, the quality of employment is much higher in MICs. In LICs only 17% of working youth (7% of all youth) are full-time employees, working for an employer. All the rest of the working young are in vulnerable employment, either self-employed, unpaid family workers, part-time employed or underemployed, meaning that they work less than full time but want to work full time. The proportion of young people in vulnerable employment is much smaller in MICs, while the proportion of youth who work for an employer is bigger. In LMICs 36% of working youth (9% of all youth) work full time for an employer. In UMICs this share is 52 % (12% of all youth).

Figure 6.3. **Youth time use by country income group (2010)**



Source: Authors' calculations based on Gallup World Poll (2010).

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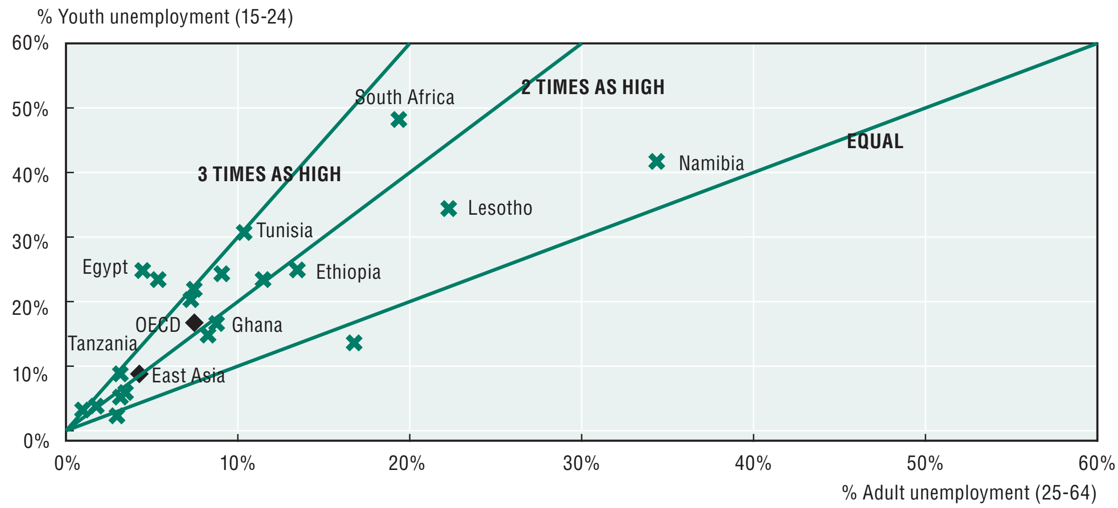
In all country groups more young people are discouraged than unemployed, suggesting that the youth employment challenge has been underestimated. In most labour market analyses the discouraged are not considered part of the labour force and are thus not counted among those in need of work. However, Figure 6.3. shows that focusing only on those counted as unemployed – because they are still looking for a job - underestimates the challenges faced by the young in labour markets. It excludes all those who have given up looking for a job, but are nevertheless inactive and not developing their skills or experience. The high rates of discouragement point to the severity of exclusion from labour markets that many young people face in Africa. As shown below, *unemployed* young people are on average better-off, have more education and have a higher chance of finding employment than the *discouraged*.

When young people are compared to adults, they emerge as overrepresented among the unemployed and the discouraged. Although they constitute around two fifths of the continent's working age population, they make up three fifths of the total unemployed. This phenomenon is not specific to Africa. Youth-specific challenges such as school-to-work transition are evident everywhere. However, in African MICs, the ratio of youth-to-adult unemployment is often higher than in other parts of the world (Figure 6.4.). Among these, Southern African MICs have the highest unemployment rates for both the young and adults, whereas North African MICs have the highest youth-to-adult unemployment ratios.

South Africa had a youth unemployment rate of 48% in 2009, compared to 19% for adults. Egypt, on the other hand, had a youth unemployment rate of 25% compared to only 4% for adults in 2007. Exceptions are poorer countries worldwide, which generally have much lower rates for both young people and adults. This is true in many poor countries of sub-Saharan Africa where adult unemployment is very low and not significantly different from youth unemployment.

Figure 6.4. **Youth and adult unemployment**[6]



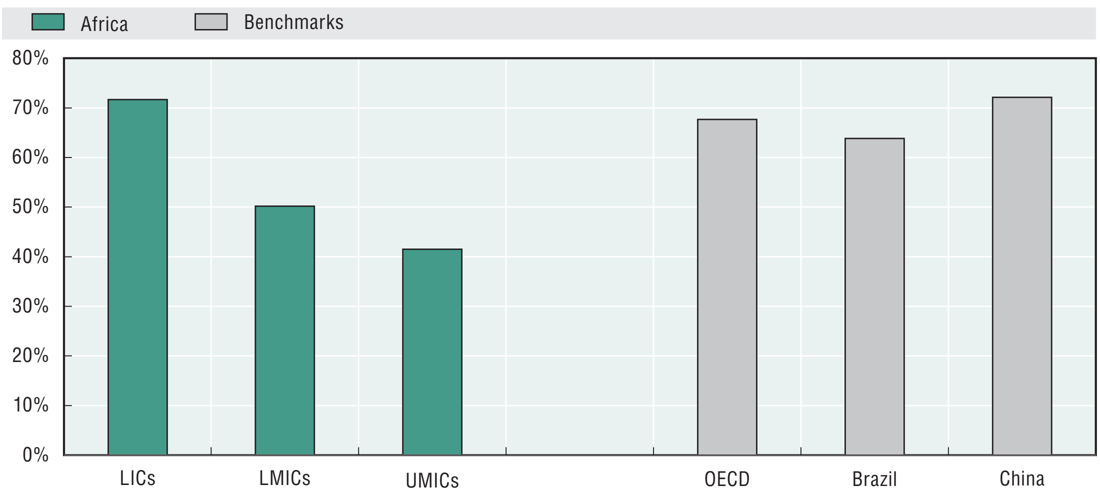
Source: ILO KILM, 7th Edition, 2011, authors' calculations.

StatLink http://dx.doi.org/10.1787/888932600336

Nevertheless, the employment challenge in MICs is not confined to youth; it reflects insufficient employment capacity in both the formal and the informal sectors. Figure 6.4. shows high youth unemployment, but also a strong correlation between youth and adult unemployment. Countries with higher youth unemployment also have higher adult unemployment. Figure 6.5. shows that employment rates of the working age population drop drastically as countries get richer, a pattern specific to Africa: other UMICs such as Brazil and China have much higher employment rates. Although the very high population growth in Africa certainly plays an important role in these results, the comparison reflects a specifically African "jobless" pattern of growth. Given that formal employment is higher in MICs than in LICs but overall employment much lower, Figure 6.5. points to the lack of informal employment opportunities in MICs as a bottleneck.

Country level data suggest that youth employment is largely a problem of *quality* in LICs and one of *quantity* in MICs. Figure 6.6. shows five distinct types of labour markets for youth observable in Africa, based on GDP per capita, the level of wage employment (proxy for formal sector employment), vulnerable employment (proxy for informal sector employment) and NEET. The poorest countries have little wage employment, a large share of vulnerable employment and few youth in NEET. This group stretches from post-conflict states such as Liberia and Sierra Leone, where fewer than 5% of the out-of-school young were in full-time work for an employer in 2010, to countries such as Burkina Faso, Mauritania and Tanzania where this rate was just slightly higher and still below 10%. Working poverty among their youth in vulnerable employment is the biggest challenge in these countries. At the other end of the spectrum South Africa, Botswana and Algeria stand out for their low rates of vulnerable employment paired with very high NEET rates. Namibia is probably another member of this group, but not included in our sample. Morocco, Tunisia and Egypt follow the same general trend but have a better profile, with lower NEET and more wage employment than the group to the right, despite their lower GDP per capita. Senegal, Sudan and Djibouti represent the only stark deviation from the trend. Their NEET rates are high and vulnerable employment comparatively low at a level of GDP per capita that is correlated with much lower NEET and more vulnerable employment in other countries.

Figure 6.5. **Employment rate to working age population (15-64) in Africa and comparators**



Source: ILO KILM 7th Edition, 2011, authors' calculations.
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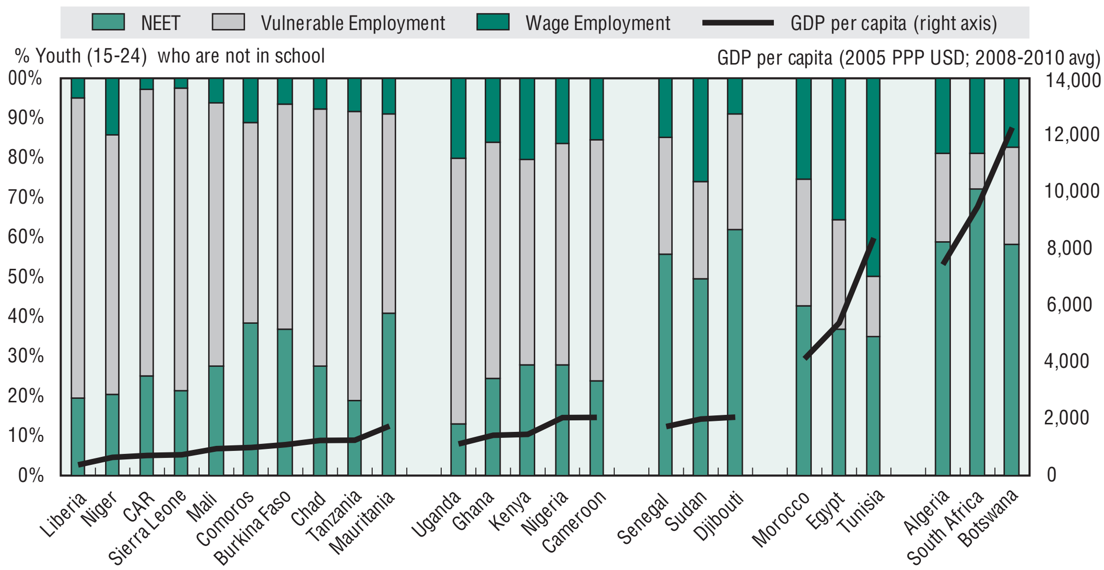
Theory has it that where employment is quality constrained (work is available, but not of a high quality), unemployment would primarily be voluntary among those who can afford it. Where employment is quantity constrained (work of any sort is not available), however, the "bourgeois" hypothesis of unemployment no longer holds. Where work opportunities abound, unemployment would be freely chosen by those who can afford to forego an immediate work opportunity in a low-paying or low-quality environment and invest time in searching or queuing for a better job. With this type of unemployment in mind, Myrdal (1968) wrote: "unemployment is primarily a bourgeois problem and is most pronounced among those who have been accustomed to drawing support from their families – persons with some education and new entrants into the labour force." Such a view of unemployment evidently rests on the assumption that demand for labour is not quantity constrained. Those who do not have the wherewithal to be unemployed would have no problem in finding a job in the large informal sector which "acts as some kind of a low earnings absorbent sponge" (Turnham and Eröcal, 1990) and has no entry requirements. Where labour demand is lower than labour supply, however, young people in search of employment would not be able to find any work because there is no work and thus remain unemployed. Such unemployment would be involuntary and undesirable, not at all "bourgeois".

Using data on the material well-being of individuals support can be found for both quality and quantity constraints. Gallup World Poll data on food insecurity can be used as a measure for material well-being. Those who report having gone several times without enough food during the past year are considered moderately food insecure. Respondents who have gone without enough food many times or always are considered severely food insecure. Figure 6.7. shows the level of moderate and severe food insecurity by employment status for young people in LICs and in MICs. In LICs wage employed, students and unemployed youth have the

Figure 6.6. **Five types of labour markets for youth in Africa**



Source: Authors' calculations based on Gallup World Poll (2010) and World Bank (2011a).

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lowest food insecurity rates. Youth in vulnerable employment categories have the highest food insecurity. Discouraged and inactive youth have much higher food poverty rates than the unemployed but these are still lower than those of contributing family workers. In countries with higher per capita incomes the rankings among the better-off change dramatically. In MICs unemployed youth have the highest food insecurity rates, together with the underemployed. Unemployed youth in MICs are more likely to be food insecure than unemployed youth in LICs.

Indeed, one reason for lower poverty among youth in NEET is that the poorest cannot afford not to work. Many of the poorest young must work to support themselves and their families and cannot go without income while searching for better job opportunities or being idle. Working poverty and unemployment rates are strongly negatively correlated in Africa, suggesting that many young people prefer unemployment over working poverty and will chose unemployment in the hope of finding a better job when they can afford it.

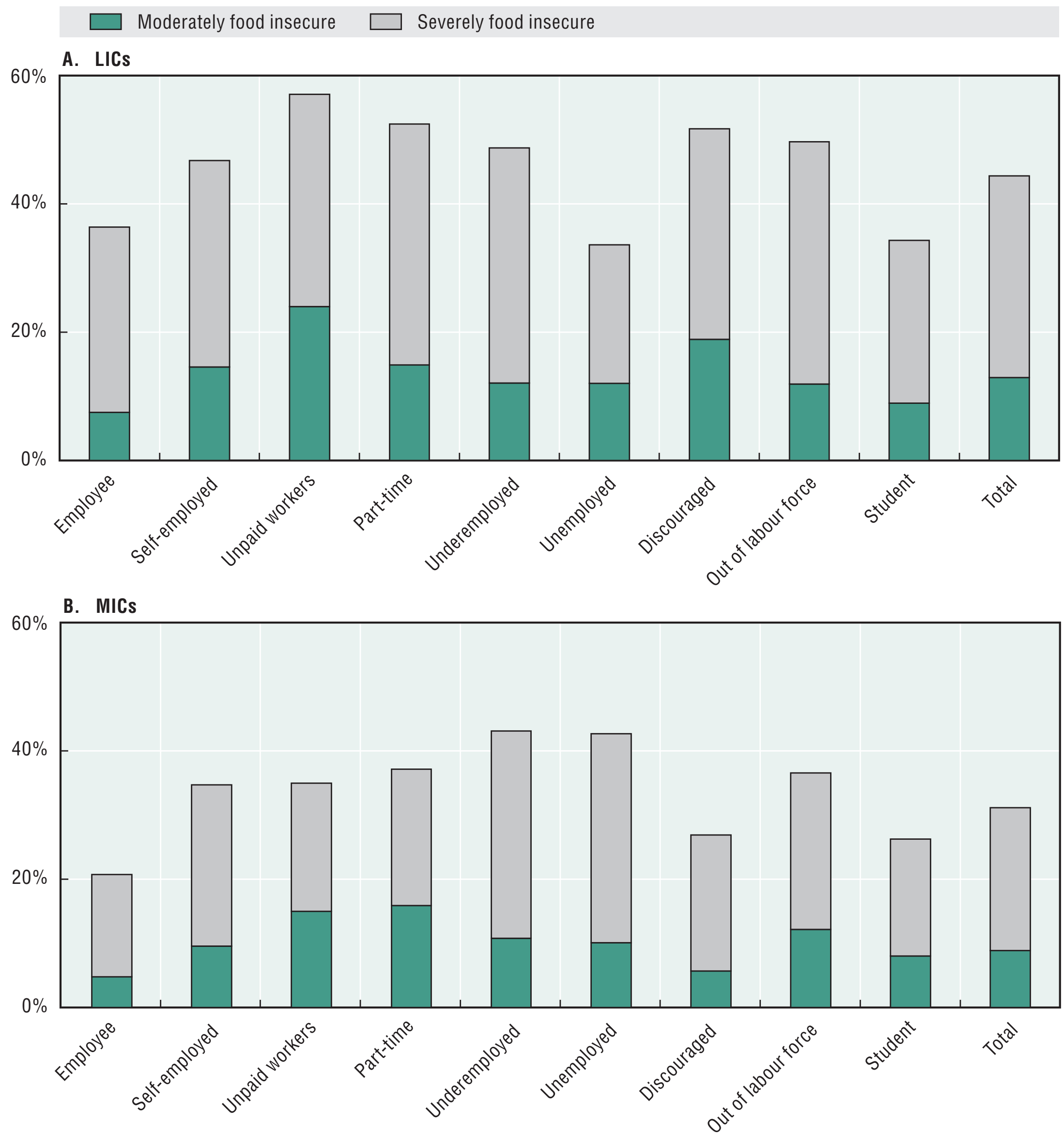
Yet structural links are at work too. As countries grow richer low-skilled jobs disappear and the informal sector faces increasing demand constraints. As countries grow richer their economies often become more competitive and capital-intensive, shifting jobs away from the low-skilled to the semi and highly-skilled. At the same time the growing middle class increasingly demands higher quality goods, which puts pressure on many informal sector producers who often offer goods of lower quality. Surviving in the informal sector thus gets tougher (*i.e.* more people fall out of the informal sector into unemployment), but returns are higher for those who are successful.

The following **sections** take a closer look at youth in employment and those out of employment.

Who are the working youth in Africa?

This section looks at the main characteristics of youth in employment and the characteristics that distinguish the young in wage employment from those in vulnerable employment.

Figure 6.7. **Moderately and severely food insecure by employment status and country income level**



Source: Authors' calculations based on Gallup World Poll (2010).

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"Good" jobs vs. "bad" jobs

Good jobs must serve to translate economic growth into material well-being. Yet for most of the working young in Africa this link is broken. The concern with employment stems primarily from a concern for the material well-being of young people. The assumption behind calling for jobs for Africa's youth is that jobs are good and allow young people to make a living, provide for their family and build a stable foundation for professional growth. Yet a closer look at most types of youth employment, and employment in Africa in general, reveals that only a very few jobs meet these assumptions. Working poverty, vulnerable employment and underemployment abound among Africa's youth and across all occupations. The ILO estimates that across a sample of 24 African countries 49% of working young people live on less than USD 1.25 a day and 73% live on less than USD 2 per day. Using food insecurity as a measure of material well-being, Figure 6.7. showed similar results. Across 22 countries, 41% of young people in work are food insecure. The figure for young people in vulnerable employment in LICs who are food insecure is 50%: 15% are even severely food insecure, meaning that they have gone without food many times during the past year. Figure 6.7. also showed that many among the young people in work are worse off than those still in school or in NEET.

Job quality is closely linked to employment status. High job quality is associated with full-time wage employment, low job quality with vulnerable employment and underemployment. In terms of material well-being, working conditions and security, the best employment status to have is full-time wage employment for an employer. These young people have the lowest food insecurity rates and the highest rates of life satisfaction. Other types of employment, such as self-employment and contributing family work, are much more precarious, linked to higher poverty and poorer working conditions, and are therefore summarised as vulnerable employment. The young in vulnerable employment lack the social protection and safety nets to guard against times of low economic demand and are often incapable of generating sufficient savings for themselves and their families to offset these times. The third type of employment status is underemployment. The underemployed face exclusion from labour markets, and are unable to use their full labour capacity productively. They have a part-time occupation, but want to work full time and cannot find full-time work. Better-off young might well spend some time in unemployment, investing that time in finding a better full-time job. Most young people in underemployment also have lower earnings than those in full-time employment.

In most African countries vulnerable employment and informality are closely linked. Informal employment comes in two forms: informal employment in the informal sector (*i.e.* in micro-enterprises and other non-registered businesses[7]) and informal employment in a formal firm (*i.e.* employment without a contract and social protection in enterprises with five employees or more). Informal sector employment is the dominant form in most of sub-Saharan Africa. Heintz and Valodia (2008) find that self-employment of various kinds is the predominant form of informal employment, accounting for four-fifths of informal employment in Kenya, Ghana, Mali and Madagascar. Vulnerable employment and informal employment are thus closely linked.

Despite the close link between vulnerable employment and informal employment, informality needs to be considered separately from employment status. This is in part because some informal own-account workers might be quite well-off and not vulnerable at all. A small proportion of informal firms are quite successful, enjoying high productivity and growth rates. Such entrepreneurs actively choose informality to avoid paying taxes and complying with regulations, and also to opt out of social insurance schemes and other public services that they consider to be of low quality (Jütting and Huitfeldt, 2009, Perry *et* *al.*,2007; Maloney, 2004; Jütting *et al.*, 2008). Although formality and participation in social protection should generally be encouraged, successful informal entrepreneurs, especially among the young, can provide many lessons for creating jobs for the young. On the other hand, where informal employment in the formal sector is a widespread practice, wage and salary workers might carry high economic risk and wage employment is thus no longer identical with good jobs. This is the case in some middle income countries: Charmes (2009) finds paid employment accounts for 65% of informal employment in Egypt and 79% in South Africa during the 2000s, up from 50% and 75% respectively during the 1990s. De Vreyer and Roubaud (2012) come to similar findings for urban West Africa in the early 2000s, where informal employment accounted for 40% of wage employment. In MICs and some urban areas, vulnerable employment is thus still a good measure of bad jobs, but tends to underestimate the full extent of bad jobs in the economy.

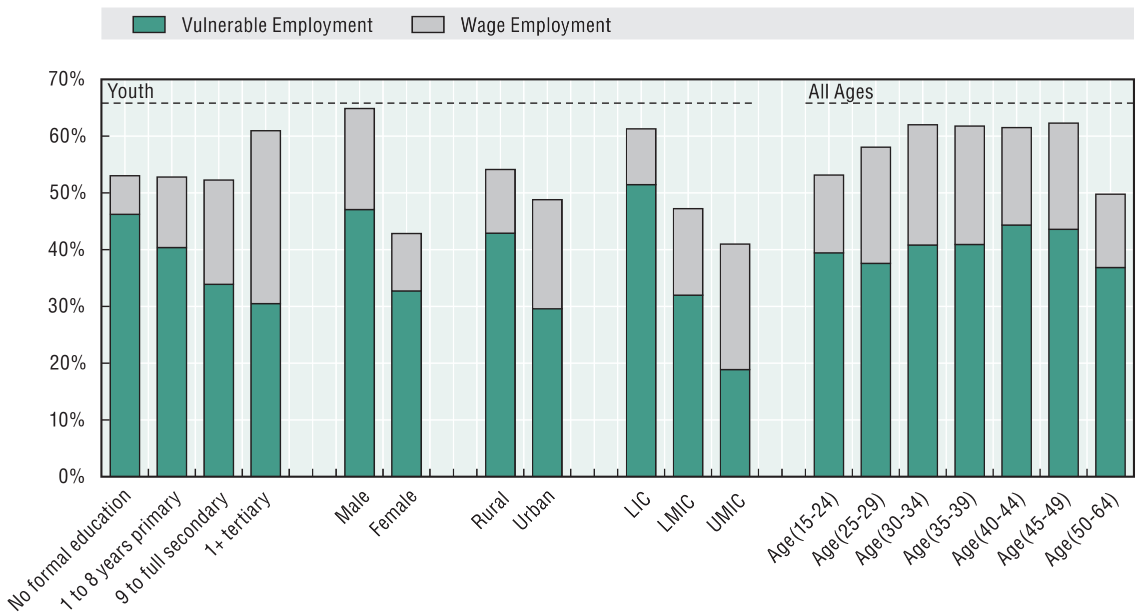
Vulnerable employment is the most prevalent form of youth employment in most African countries. Only upper middle income countries have more wage employment. According to Gallup World Poll data, in 2010, 75% of the working young were in vulnerable employment in low income countries, and 57% in lower middle income countries. In upper middle income countries, 26% of working youth are in vulnerable employment. Among the countries in the LFS analysis, Mali has the highest share of vulnerable youth employment with 95%, South Africa the lowest with 12% (Table 6.1.).

Table 6.1. **Wage employment and vulnerable employment among Africa's working young**

Country	Wage employment	Self-employment	Contributing family work	Other	Total	Vulnerable employment[8]	
						Full-time or voluntary part-time	Under-employment
Gallup World Poll (2009/10)							
LICs	24.7	43.2	32.1	0	100	49.9	25.4
LMICs	43.0	43.2	13.8	0	100	35.1	21.9
UMICs	73.6	23.3	3.1	0	100	10.3	16.1
LFS (2002-2007)							
Botswana	62.8	7.2	29.9	0.1	100	35.7	
Congo	20.1	55.3	17.8	7.5	100	72.5	
DR Congo	10.1	49.1	36.3	4.2	100	85.4	
Egypt	64.9	4.1	31.0	0	100	35.1	
Ethiopia	17.9	24.1	58.0	0	100	82.1	
Ghana	13.3	26.2	50.4	10.2	100	75.6	
Malawi	14.9	18.9	56.0	10.3	100	74.9	
Mali	5.4	41.6	53.0	0	100	94.6	
Nigeria	72.6	17	8.5	1.9	100	25.5	
Rwanda	27.7	16.8	55.5	0	100	72.3	
Senegal	12.3	41.7	46.0	0	100	88	
South Africa	84.8	7.09	5.9	2.1	100	11.8	
Tanzania	8.0	9.0	20.2	62.8	100	28.5	
Uganda	14.0	20.9	63.6	1.6	100	84.4	

Shows the distribution of wage and vulnerable employment among young people who are working or NEET, excluding students, by education, gender, rural and urban living and country income level. On the right side the graph also shows the distribution of employment by age cohort.

Figure 6.8. **Employment and its drivers**



Source: Authors' calculations based on Gallup World Poll (2010).
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Living in a rural area and having little education are good predictors for being in vulnerable employment. The average young worker in Africa lives in a rural area and works in family-based farming. Of youth in rural areas 79% are in vulnerable employment compared to 61% in urban areas: 72% have no, or only some, primary education. Among working young people who have no education 90% are in vulnerable employment. For those with secondary education the proportion is 70% and falls to 55% for those with at least one year of tertiary education.[9]

Box 6.2. **Child labour and working poverty**

Child labour is still a pervasive phenomenon which conditions the life of future generations. It is estimated that 60% of child labour in the world is in agriculture, and especially in its most hazardous forms (ILO, 2011a). Child labourers of today are likely to become the unskilled youth of tomorrow. They find it harder to get jobs, start their own businesses or run productive farms. They are less able to provide for their families, they put their own children to work to meet basic household needs, and the cycle of poverty continues. The elimination of child labour is fundamental to promoting better employment prospects for youth. Children need time and energy to participate fully in relevant and good quality education to become skilled youth able to meet the demands of the labour market or become successful entrepreneurs. They will be more likely to have higher incomes as youth and adults through increased productivity as producers or employees. This is in part because as educated producers, they will be more likely and able to innovate, adopt new technologies and allocate resources efficiently.

The strongest predictors for job quality and wage level are education and the country's income level Multivariate analysis of both Gallup World Poll (Annex 2) and LFS data (AfDB, 2012) reveals that the strength of a country's economy and the level of education are strong predictors for being in wage employment rather than vulnerable employment and for having a higher wage. The share of wage employment increases with education and is much higher among university educated youth and adults than among those with no or little education.

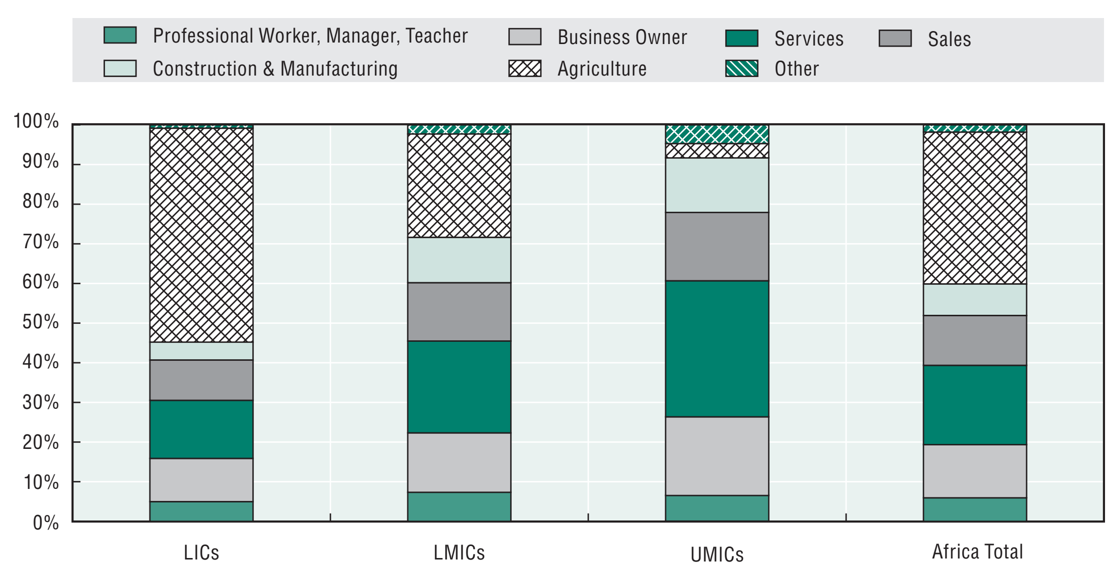
The most powerful predictor for being in vulnerable employment is working in farming. Everything else being equal, not working in farming has a stronger influence on the likelihood of being wage employed than having tertiary education. This result underlines the very small role that commercial farming plays in employment in most of Africa compared to traditional farming.

Women are less likely to work than men, but among working women vulnerable employment is more frequent than among working men. Education has a stronger positive impact on women than on men.

Youth employment by sectors

Understanding the types of work that young people undertake is important in identifying their role in the economy and how best to support them. Many barriers and obstacles that youth face are specific to the type of work they do. Young people in agriculture, for example, could be much more productive if they knew about better production methods or had access to important inputs such as tools and fertilisers. Equally important is better access to markets to sell their products, which often represents a big hurdle for agricultural producers in rural areas. Many young people in urban areas, on the other hand, work as street vendors or hawkers (see also Box 6.3.). They face very specific challenges such as credit constraints, of which their suppliers will take advantage in order to pocket most of the profits, or harassment by public officials who also want a share of their profits. Knowing *where* young people work can thus help policy makers to support them most effectively.

Figure 6.9. **Where young Africans work**



Source: Authors' calculations based on Gallup World Poll (2010).

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While the average young worker in Africa is in family-based agriculture, other important occupations are services and sales and 13% are business owners. Manufacturing plays only a small role in LICs but is important in UMICs. According to Gallup World Poll data, the average young worker in Africa lives in a rural area and works in farming attached to the family: 38% of working youth in Africa are in agriculture. Yet this average changes dramatically with a country's income level. In upper middle income countries only 4% of working youth are in farming – not far from the OECD average of 2%. Of African young people 20% work in services, including clerical work, transportation, repair and installation work, and 13% in sales, while 13% identify themselves as business owners. The proportion of business owners among the young increases significantly with a country's level of economic development, in all probability reflecting better conditions for entrepreneurs. In upper middle income countries 20% of working youth are business owners, compared to 11% in low income countries (Figure 6.9.). Construction and manufacturing jobs account for only 8% of the working young across Africa and only 5% in low income countries. In upper middle income countries 14% of working young people are employed in construction and manufacturing.

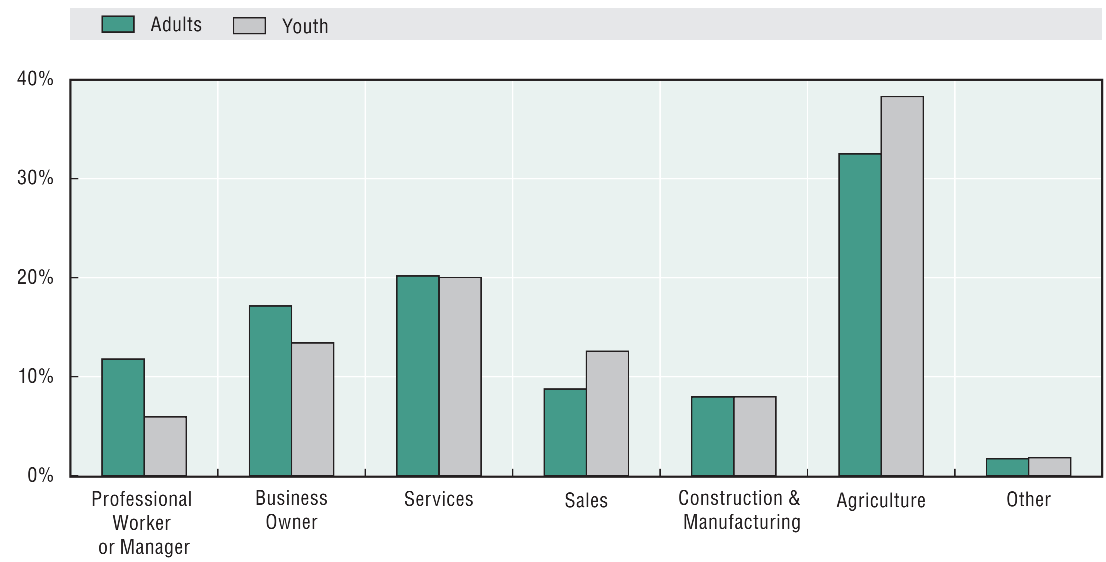
Box 6.3. **Street trading in Africa, a typical urban sales job**

Informal street trading accounts for a large proportion of new urban jobs in sub-Saharan Africa, the result of a combination of factors such as urbanisation, migration and economic development (Skinner, 2008). The main concerns of street traders relate to the right to a place to work and harassment by police, city officials and retail traders. Other worries have to do with the strong position of wholesale traders and access to capital. Often traders have to borrow from the wholesale traders at very high interest rates. The strengthening of organisations of street traders and their participation in urban planning are central to addressing these concerns. "Best practice" is found in Dar es Salaam (Tanzania) and Durban (South Africa), where street traders have been issued licences to operate. Associations of street traders have established good relationships with city authorities and specific infrastructure was set up in central locations. However, many street traders are not members of any organisation.

Source: Jütting and Huitfeldt (2009).

Adults are more likely to be professional workers or business owners, reflecting higher entry requirements and scarcity of opportunity for youth (Figure 6.10.). The occupation category with the best income, status and education profile is that of professional worker. This includes all white collar professions, such as doctors, lawyers, teachers, accountants etc., as well as employees with executive functions in the private and public sectors. In Africa 12% of working adults fall into this category, compared to only 6% of youth. This gap partly reflects the higher entry requirements into this occupational category, often requiring tertiary education or several years of working experience. However, it also reflects a scarcity of these good jobs for young people compared to adults, as a result of reductions in the public sector workforce through lower recruitment. Business owners are also more likely to be found among adults than the young (17% versus 13%). Although the business owner category is largely made up of informal self-employment at low rates of productivity, the higher proportion of adults reflects entry barriers into self-employment in the form of capital requirements and the need for business expertise, skills and a network of contacts that are usually accumulated through working experience.

Figure 6.10. **Youth and adults by occupation**



Source: Gallup World Poll (2010), authors' calculations.
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Who are the Unemployed, Discouraged and Inactive Youth in Africa?

The NEET category is made up three distinct states of employment: unemployment; discouragement; and inactivity, or having left the labour force. Traditional labour market analysis counts the unemployed among the labour force, whereas the discouraged and inactive are considered to be outside it.

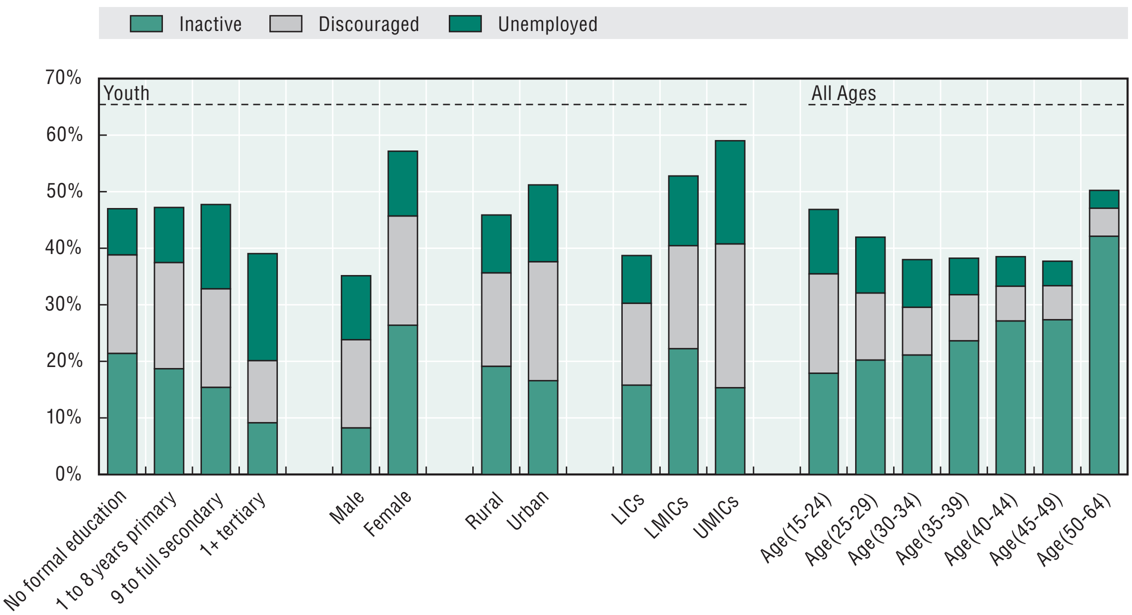
- The *unemployed* are without work, actively looking for a job and able and willing to start work.
- The *discouraged* are equally without work and able and willing to start work, but are not looking for a job. Most of them have given up or never even attempted to search for a job because they consider it futile. When asked the main reason why they are not working, almost a third of the discouraged young answer that they are unemployed (Figure 6.14.), clearly unaware of the labour analysts' definition of unemployment.
- Finally, the *inactive* are either not doing anything at all or pursuing activities that do not contribute directly to any economic activity, as work in a family enterprise or on a family farm would.

Figure 6.11. shows the distribution of youth in unemployment, discouragement and inactivity among those that are working or NEET, excluding students, by education, gender, rural and urban living and country income level. On the right side the graph also shows the distribution of employment by age cohort[10]. Three important observations stand out:

- First, unemployment increases with education, but discouragement and inactivity decrease.
- Second, women have much higher rates of inactivity (*i.e.* not actively participating in economic activities, including agricultural work or work for a household enterprise), but similar rates of discouragement and unemployment.
- Third, unemployment and discouragement are higher among younger cohorts than older ones, but the proportion of the inactive increases with age.

The following three subsections take a closer look at each of these NEET categories and these observations.

Figure 6.11. **Who are the unemployed, discouraged and inactive youth in Africa?**



Source: Authors' calculations based on Gallup World Poll (2010).

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The unemployed

This section takes a closer look at the unemployed by a number of characteristics, such as whether they live in rural or urban areas, their education and gender. Knowing more about the characteristics of the unemployed is important if their needs for support are to be understood.

Unemployment is higher among urban youth. Most Africans live in rural areas and so do most of Africa's young and most of the unemployed. However, among those who live in urban areas unemployment rates are higher than among the rural young. In some countries, the urban youth unemployment rate was estimated to be more than six times higher than the rate in rural areas (AfDB 2012, Figure 6). In multivariate analysis of the determinants of unemployment, the urban coefficient nearly always comes out as positive and significant (Annex 2 and AfDB, 2012). This higher rate of urban youth unemployment seems to be the result of migration by the young from the countryside to towns in the hope of better opportunities, increasing the young urban population as well as competition in the urban labour market. The proportion of young people as a proportion of the urban population tends to be slightly higher than their share of the rural population In Rwanda, 26% of the urban population are young, compared to 23% of the rural population. In Mali the equivalent statistics are 19% and 13% respectively (AfDB, 2012).

A similar pattern holds for education: most unemployed young people have little education but the young who do have some education are more likely to be unemployed. Certainly most young unemployed have little education, because Africa's overall education profile is very poor. However, unemployment rates tend to be higher among the educated than the uneducated. Young people with no education are more likely to be discouraged or working. While this pattern holds for almost all African countries, unemployment rates among the educated tend to be much higher in MICs than in LICs (Table 6.2.). The highest rates of unemployment among university graduates are found in North African countries and South Africa. In Tunisia the unemployment rate among university graduates in 2008 was 33% among men and 46% among women (Stampini and Verdier-Chouchane, 2011). In Egypt unemployment among university graduates was 34.2% in 2006. In South Africa it was 34.9% in 2007 (Table 6.2.). These high rates point at serious mismatch and school-to-work transition problems that will be discussed in more detail in the section on education later in this report.

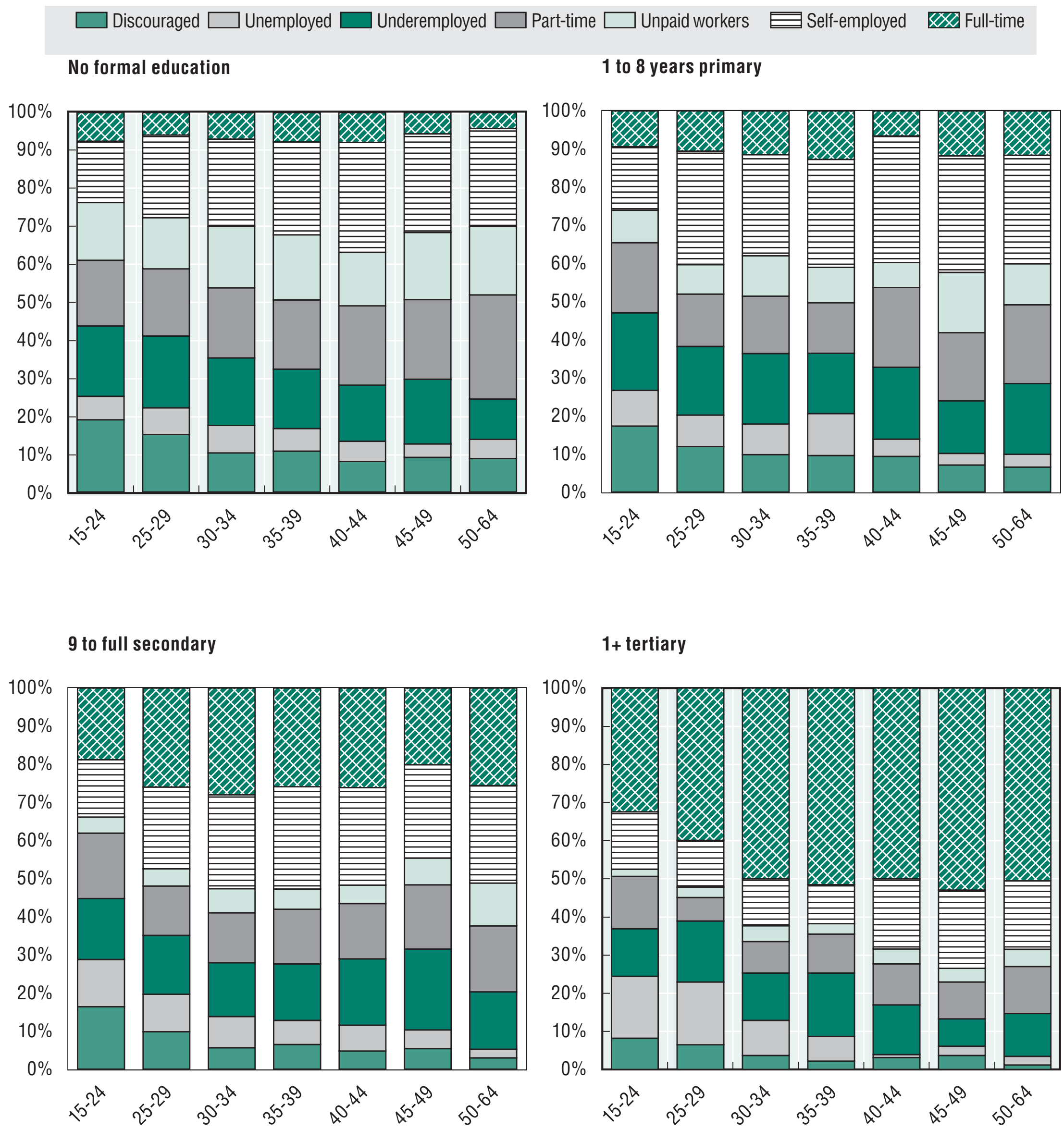
Table 6.2. **Youth unemployment by level of education (%)**

Data Source	Country	No education	Basic education	Secondary education	Vocational	University/Tertiary
Gallup World Poll (2009/10)						
	Low Income	7.9	12.1	15.9	..	18.8
	Middle Income	22.7	17.5	29.5	..	34.6
National surveys (2002-2007)						
	Botswana	24.4	33.7	37.8	29.7	33.0
	Congo	0.0	39.7	43.4	0.0	47.8
	DR Congo	0.0	0.0	0.1		4.8
	Egypt	4.9	9.7	51.2		34.2
	Ethiopia	1.9	6.9	37.0	21.6	13.5
	Ghana	3.2	6.2	14.6	17.2	46.1
	Malawi	1.3	0.6	4.5	11.7	23.2
	Mali	10.2	18.5	54.1	65.1	85.3
	Niger	7.9	16.9		16.1	
	Nigeria	11.7	15.6	19.7	14.7	21.1
	Rwanda	4.6	5.1	20.2	10.7	
	South Africa	31.4	54.9	54.3	49.7	34.9
	Senegal	14.1	25.2	30.2	14.3	6.8
	Tanzania	2.3	8.1	32.8	23.4	23.2
	Uganda	0.9	2.1	6.3	6.6	19.0

Source: Gallup World Poll (2009/10) and national household surveys, authors' calculations.

In spite of their higher rates of unemployment, those with higher levels of education are more likely eventually to escape unemployment than those with lower levels of qualifications. As was seen in the preceding section, young people with a university education not only have the highest unemployment rates, they also have the highest rates of wage employment. In addition, analysis of earnings provides evidence that those with higher level qualifications earn more when they are in employment (see annex 6.2.). Previous research (World Bank, 2008) has shown that, over time, as young people gain initial experience, higher education increases the employment incidence and enhances occupational mobility. Figure 6.12. and Figure 6.13. show that unemployment and discouragement rates among those with secondary and tertiary education are much lower for those over 30 than for younger cohorts, suggesting that most unemployment, and even discouragement, among educated youth is largely a transitory phenomenon.

Figure 6.12. **Employment status by education and age cohort in LICs**



Source: Authors'calculations based on Gallup World Poll (2010).
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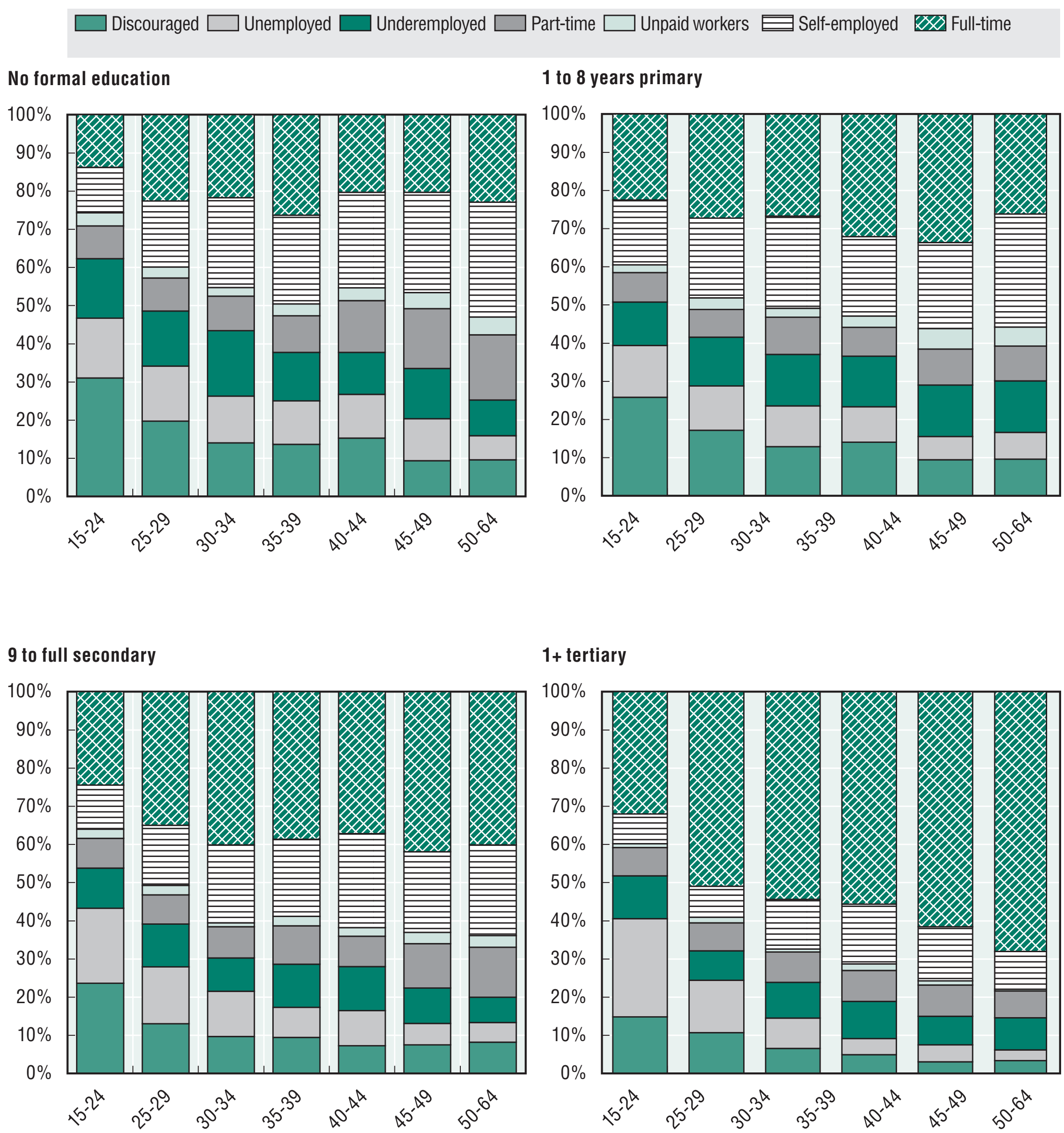
Figure 6.13. **Employment status by education and age cohort in MICs**



Source: Authors' calculations based on Gallup World Poll (2010).

StatLink http://dx.doi.org/10.1787/888932600507

A closer look at the educated unemployed reveals that the unemployment rate varies by type of educational degree. Among university educated youth in Tunisia the unemployment rate is lowest for engineers (24.5%), and highest for graduates in economics, management and law (47.1%) and in social sciences (43.2%) (Stampini and Verdier-Chouchane, 2011). Assuming similar patterns across other countries the high numbers of students choosing to enter these fields with high unemployment rates are surprising.

Unemployment among educated youth thus fits Myrdal's bill of "bourgeois" unemployment, but is also the result of important mismatches between the education on

offer and what is in demand from employers. The better educated often come from better-off families and can afford to stay unemployed while waiting ("queuing") for a good job, often in the public sector, behaviour frequently observed in North African countries, but also in Ethiopia (Serneels, 2004) and Senegal. The strong link between field of study and unemployment rate, however, suggests a major mismatch.

Unemployment is slightly higher among women than men. There are considerable variations among countries. Across the Gallup World Poll sample the unemployment rate among young women is 18% compared to 15% for men. This masks strong variations among countries and regions. Across sub-Saharan Africa the unemployment rate for women is 16% compared to 14% for men. In North Africa, however, 31% of women are unemployed compared to 19% of men. In some countries unemployment rates among women are much lower than among men. According to LFS data, the unemployment rate among women in Rwanda is only 60% that of men and in Niger this ratio is 50%. As appears from the following sections, however, women are more likely to be discouraged or out of the labour force than men.

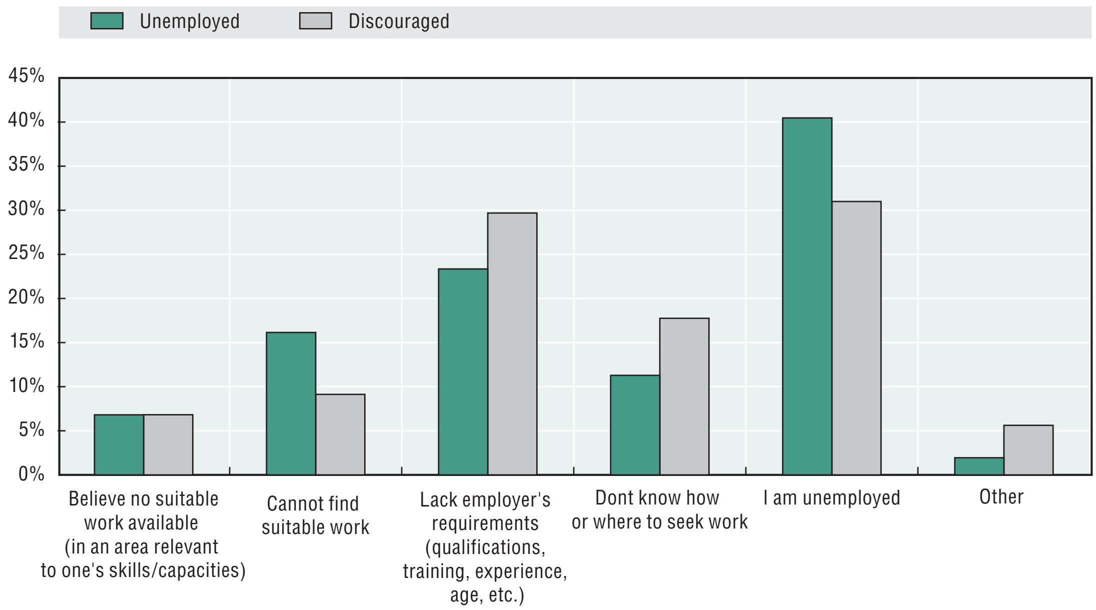
The discouraged

Discouraged young people are more disadvantaged than the unemployed, have less education, higher food insecurity and are more likely to be women. Across the Gallup World Poll sample, 71% of the discouraged young have never been to school or have had only primary education. The impact of education on discouragement is opposite to that on unemployment. For many African countries the more education young people have, the better their chances of *not* being discouraged (Figure 6.12. and Figure 6.13.). The effect is even slightly stronger for women. In LICs food insecurity among discouraged youth is 52% compared to 34% among those who are unemployed (Figure 6.7.). Like unemployment, discouragement is more frequent among women, and young women are more likely to be among the discouraged than young men. Across the Gallup World Poll sample women are on average 20% more likely to be discouraged than men.

Discouragement generally results from labour market exclusion. The discouraged are more likely than the unemployed to say that they do not know where, or how, to find work, or that they lack employers' requirements (Figure 6.14.), indicating that they have given up their job search as a reaction to rejection, or have never actively searched because they see little chance of success. Kingdon and Knight (2000) find that in South Africa discouragement is negatively correlated with the likelihood of finding employment, given characteristics such as education and location. The lower the chance of finding a job, the higher the rate of discouragement. The same holds for the Gallup World Poll sample. Multivariate analysis of the determinants of being discouraged, rather than unemployed, produces negative coefficients for education as well as the share of wage employed given education and location. In other words, the more education young people have, and the higher the likelihood of finding wage employment, the less likely it is that they will be discouraged.

Discouragement is higher among urban youth. Like all young Africans, discouraged young people are more likely to live in a rural area. However, when the impact of education is taken into account urban youth are more likely to be discouraged than rural youth. There seem to be two explanations: more competitive urban labour markets, and higher average income in urban areas. First, many young people come to urban areas in the hope of finding work, making urban labour markets more competitive and the finding of employment more difficult. The result is greater discouragement among young people who have not succeeded in finding employment in spite of their search. Second, average income in urban areas is significantly higher than in rural areas. Based on the correlation between higher incomes and higher inactivity rates described in previous sections, urban areas exhibit higher rates of unemployment and inactivity because more of the young can afford it than in rural areas.

Figure 6.14. **Unemployed versus NEET: self-reported reasons for not working**



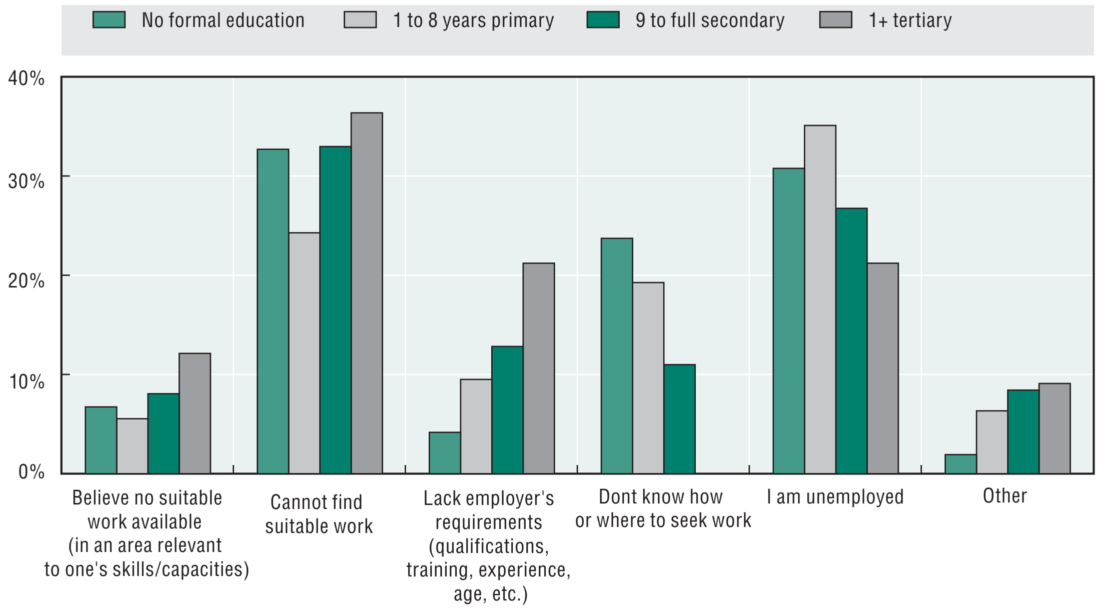
Source: Authors' calculations based on Gallup World Poll (2010).
StatLink http://dx.doi.org/10.1787/888932600526

Although young people with higher education are less likely to be discouraged, a significant problem exists. Across most countries only 3% of the discouraged have tertiary education. Nevertheless the discouraged account for over 10% of the university educated in the labour market. Young people with higher education are even more likely to point to lacking the skills required by employers as the reason for being out of work than discouraged youth with less education (Figure 6.15.). Clearly, the young with university education have higher expectations about a job than those who have never been to school. But ineffective education that does not provide the young with the skills sought by employers seems to be a significant problem at all levels of education. Discouraged youth with higher educational qualifications need specific support, helping them to acquire job-relevant skills and to apply the educational training they have obtained in a way that can be useful to them in the labour market or as entrepreneurs. Although they often have the lowest proportions of entrepreneurial aspirations, many highly educated young could become robust entrepreneurs if given the motivation and financial possibilities. Subsequent sections will look into the issue of entrepreneurship in more detail.

The inactive

Among the NEET inactive youth are the worst off. Their average education is the lowest of all NEET. Indeed, 38% have no education at all and another 40% have some or full primary education only. Of inactive youth 47% have gone without food several times or more during the last year. Inactive youth are 40% more likely than the average young African to live in a rural area. Only those who work for a family business without pay (contributing family workers) have a worse record across these characteristics.

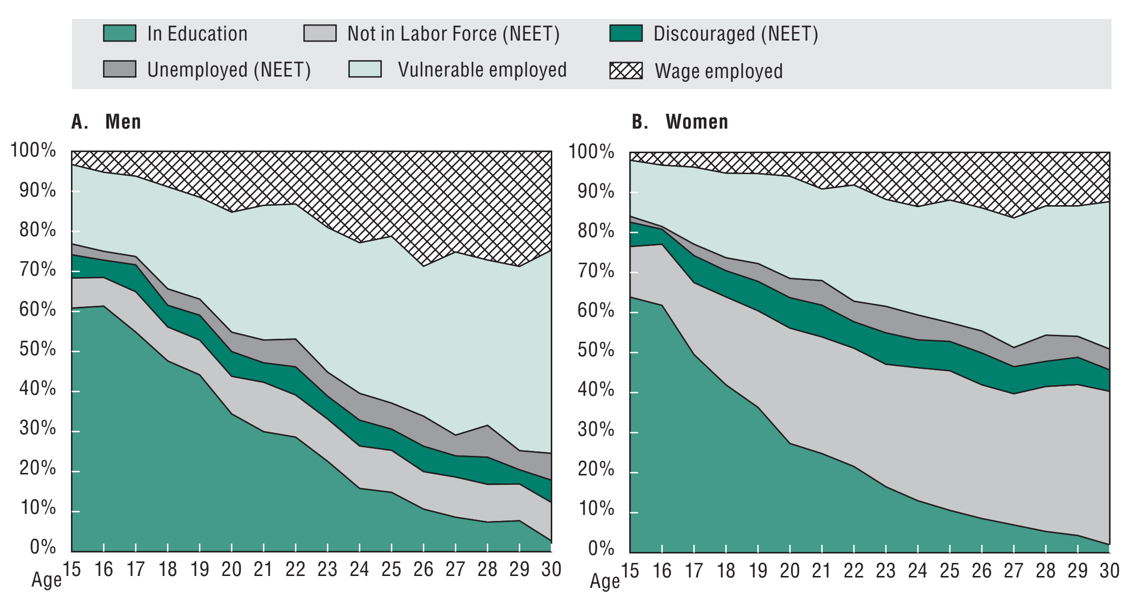
Figure 6.15. **Self-reported reasons for not working among discouraged youth by educational achievement**



Source: Authors' calculations based on Gallup World Poll (2010).
StatLink http://dx.doi.org/10.1787/888932600545

Inactive youth are disproportionately women. On average there are three inactive women for each inactive man. Figure 6.16. shows the distribution of NEET categories by age and gender. The share of women who leave the labour force seems to be driving the differences observed across the other employment categories. Inactive youth are unlikely to make their way back into the labour market. Inactivity often starts immediately after the end of schooling and increases with age. It is the only NEET category for which the adult rate exceeds the youth rate.

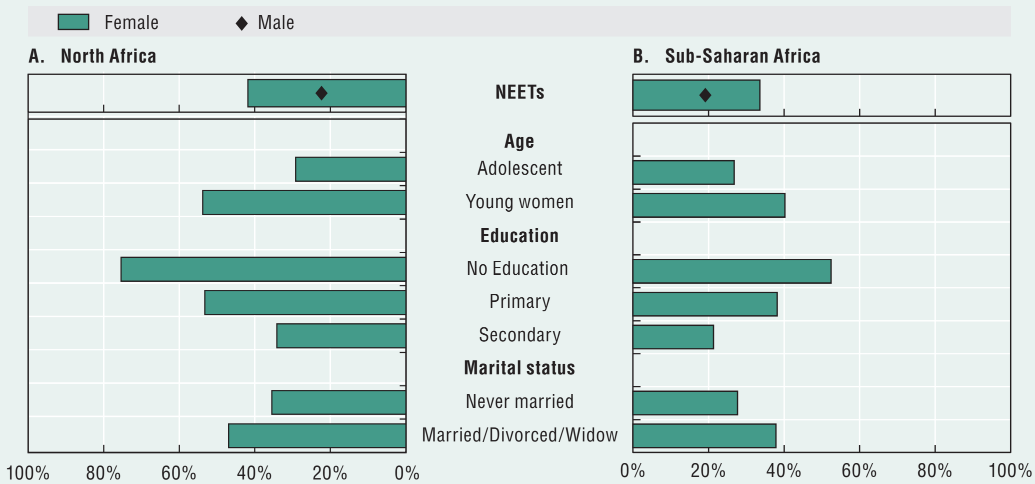
Figure 6.16. **Transition pathways by male and female youth (15-30)**



Source: Authors' calculations based on Gallup World Poll (2010).
StatLink http://dx.doi.org/10.1787/888932600564

Box 6.4. Women’s struggle to join the labour market

Despite a “feminisation of the labour force” that has taken place in the last decades, women still face enormous obstacles in entering the labour market. Generally, in less developed countries, young women experience higher NEET rates than young men. In African countries 20% of young men aged 15-24 are NEETs while the rate for young women in the same age group is 35%. Although the female African NEET rate is lower than that observed in other countries such as India and Turkey, where it reaches 60% and 50% respectively, it still exceeds the rates observed in other countries, such as Brazil and Mexico, and is much higher than that seen in European countries. In many African countries, the lack of qualifications still represents a critical barrier for women’s employment, especially in good quality jobs. In spite of significant improvements across the world, Western, Eastern and Central African countries present the lowest participation rates in primary and secondary education, as well as the largest gender gaps in education (OECD, 2012b). The figure in this box shows that women with higher levels of education are less likely to be NEETs than women with less education both in North and Sub-Saharan African regions.



StatLink http://dx.doi.org/10.1787/888932605846

Discriminatory social institutions play an important role in shaping women’s employment outcomes. Early marriage, which disproportionately affects young girls in some countries in the region, decreases the chances that girls continue studying or engage in economic activities, as they usually became responsible for home tasks and the care of children (UNICEF, 2005). The figure in this box shows that both in North and Sub-Saharan African regions married women are more likely to be NEETs than unmarried women. Young girls are much more likely than young men to be married early and therefore look for more flexible jobs that they usually find in the informal sector. The rates of women in informal employment are higher than those for men across several world regions including Africa, being especially high in informal employment categories with lower earnings. The segmentation of women in the lowest categories of informal employment increases their risk of poverty and, because of the lack of social protection, increases their vulnerability (OECD, 2012b). Gender inequalities in education and employment can also have a negative intergenerational impact, as it has been well demonstrated that children are less likely to be educated or immunised if their mother has not been educated or is not in work (UNICEF, 2006).

The figure in this box shows that the likelihood that girls will continue studying or engage in an economic activity decreases as they enter their early 20s. Adolescence is a decisive time for boys and girls everywhere. But in most African countries while adolescent boys enter the labour market, adolescent girls usually leave school, missing their chance to enter the labour force. For instance, a study done in Kenya on the transition from school to work in the 15-24 age group shows that the NEET rates for women increased as their age increases much more than for men (OECD, 2012b). In African countries there is a need for policies that tackle the specific barriers women face in the labour market and a need to address discriminatory social institutions which hold them back from realising their full potential. The failure to overcome the constraints which prevent women from entering the labour market can have lasting effects on poverty and social exclusion over the course of their lives.

The employment outlook for young people

Public and private formal sector hiring is insufficient

On current trends the employment outlook for young people in Africa is challenging, in spite of strong job growth before the crisis. The arithmetic of population and job growth illustrates the challenge well: although job growth was strong during the decade preceding the global economic crisis, it was nowhere near enough to absorb the growing labour force. The existing private and public employment capacity is simply too small. For 2000-07, the ILO (2011b) estimates that the working age population of Africa grew by 21% (2.6% per year). Job growth during the same period was even stronger at 23%, *i.e.* 2.9% per year. But in absolute numbers, while the working age population grew by 96 million, the number of jobs grew only by 63 million. With 10 to 12 million young people entering the African labour market every year, job growth must be much stronger to make a dent in the number of unemployed and discouraged youth.

Growth of good jobs in wage employment is even more limited. The estimates presented in the preceding paragraph were for total job creation, not only for good jobs in wage employment but also vulnerable employment. Wage employment creation is much more difficult to estimate as data are scarce. Assuming that wage employment is being created at a similar, or even higher, pace than vulnerable employment, its overall growth will still be very small given the low rates of wage employment in most African countries. In Uganda, for example, although wage jobs grew at 13% every year between 2003 and 2006, they only accounted for one out of five of the new jobs created (World Bank, 2011c).

This is especially true of the public sector, which has been significantly downsized in many African countries over the last two decades. According to Gallup World Poll data only 21% of those aged under 30 with at least secondary education work for the government, compared to 37% among adults aged 30 and over, or almost double. In many countries, this discrepancy is even larger. In Egypt, Morocco and Uganda, for example, the proportion of government workers among young people is only one third that of adults. In South Africa, Nigeria and Tanzania it is around 40% and in Kenya and Tunisia around 50%. To put this in context, in Egypt government work accounts for over 50% of employment among those over 30 with at least secondary education, in Tunisia 35% in South Africa 25% and in Kenya 16%.

Given strong population growth, the role of the public sector as an employer will continue to shrink. Gallup World Poll data would indicate that African governments currently employ about 25 million people aged 30-64, which corresponds to about 10% of Africa's population in this age group, and 14 million aged 15-29 which corresponds to about 5% of Africa's population in this age group.[12] Taking into account rapid population growth, to keep these ratios until 2025, African governments would have to create 29 million new public sector jobs, or 1.9 million a year – an unlikely prospect. North African countries in particular have very high ratios of public sector employment. Based on the same calculation, Egypt would have to create 230 000 public sector jobs annually until 2025 and Tunisia 25 000.

The formal private sector is too small to absorb the growing labour force and transition between formal and informal work seems limited. For most of the young, working as a salaried employee in the formal sector remains a distant dream, especially in countries where the public sector has been shedding labour over the last two decades. Instead, those young people who cannot afford unemployment and a prolonged job search are confined to the informal sector and low quality jobs. Once they are stuck in the informal sector, a move into the formal sector other than through self-employment becomes difficult. Analysing panel data of youth and adults from Ethiopia, Ghana and Tanzania, Falco *et al.* (2010) and Sandefur *et al.* (2007) find very low transition rates from self-employment into private wage employment or public employment. In all three countries more than 80% of those in self-employment or unemployment were still in that category two years later (2004-06). Figures 6.12. and 6.13. also suggest a significant degree of labour market segmentation, given that the shares of wage and vulnerable employment remain the same across age cohorts of 30 years and above. Unfortunately, only very few studies exist that follow individuals over time to give a better understanding of the transition dynamics between labour market segments.

Box 6.5. **Senegal an example of insufficient employment capacity in the formal sector**

The high rate of unemployment and underemployment suggests that not enough jobs are being created : around 100 000 higher education graduates arrive on the labour market each year and fewer than 30 000 formal hiring contracts are registered by the service that gathers employment statistics.

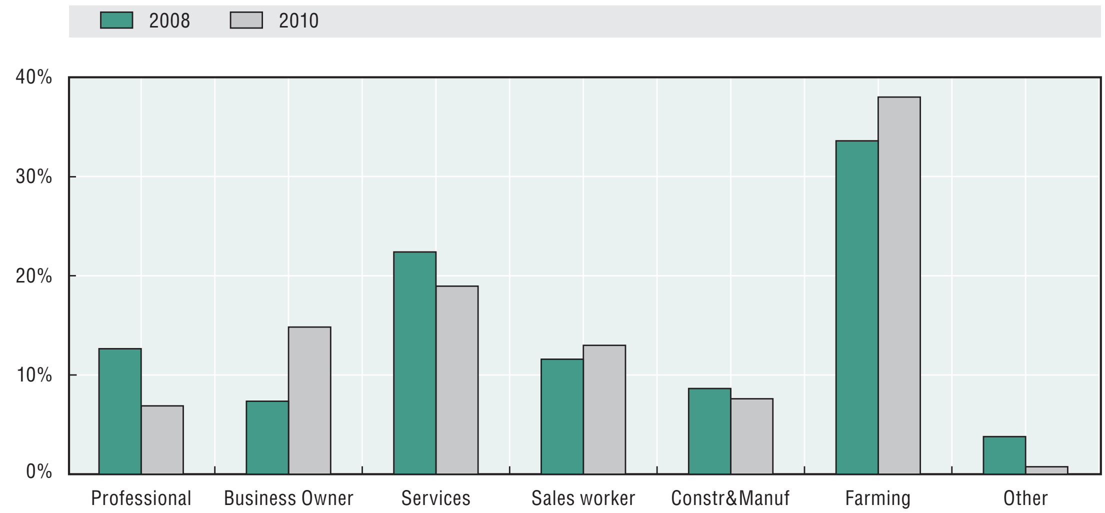
An inquiry carried out as part of the YEN/YIF (2009) study among 378 businesses in 26 key sectors found that 10 264 jobs had been created for young people between 2010 and 2014, of which 6 183 were temporary. The size of the latter category reflects the trend among employers to outsource services for the sake of greater flexibility.

The formal private sector, therefore, does not provide a significant number of job opportunities. The IMF (2010) reports that the volume of employment in the formal sector has stagnated for the past 15 years; the informal sector remains the chief source of jobs. The World Bank (2007), the YEN/YIF (2009) study and the national report on competitiveness in Senegal estimate that the informal sector accounts for 80% to 97% of jobs created. Commerce is the main sector of activity in the informal sector and the principal source of employment in the periurban areas with a large number of street vendors. USAID (2011) shows that the great majority of young Senegalese think the informal sector could not be a best final choice and accept a temporary job while waiting for a formal one.

Source : AEO 2012 Country Note Senegal

The recent economic crisis had a strong negative impact on the employment outlook for young workers. Across a sample of 19 countries where the Gallup World Poll survey was done in both 2008 and 2010, the occupational profile of youth deteriorated significantly during that period. Figure 6.17. shows that professional work and services, the two occupational categories with the highest education and income profile, shrank significantly among employed youth. Business ownership, which largely includes informal self-employment, as well as sales and agricultural work, the two occupational categories with the poorest education and income profiles, instead expanded. Although there is reason to hope that this trend will be to some degree reversed with growth picking up again, it falls within the larger trend of a labour market for youth in Africa that is becoming more rigid.

Figure 6.17. **Youth employment by occupation 2008 and 2010: Informal sector activities and farming have absorbed the impact of the crisis**



Source: Gallup World Poll (2010), authors' calculations.
StatLink http://dx.doi.org/10.1787/888932600583

Youth employment in the informal sector: an opportunity, not a nuisance

The preceding analysis leads to three conclusions.

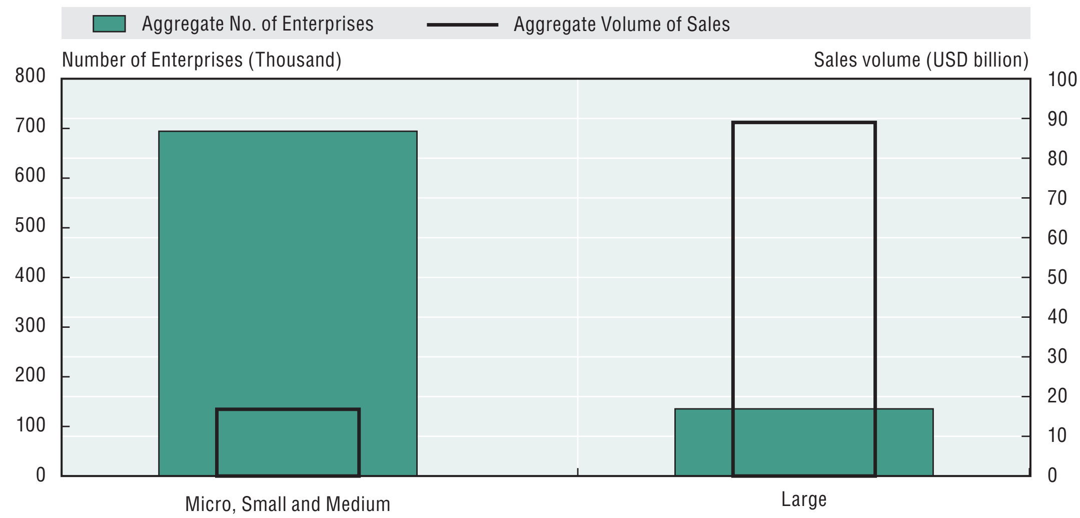
- First, the formal sector is incapable of absorbing the large amount of new entrants to the labour market.
- Second, informality and vulnerable employment are the norm for many young Africans and provide an alternative to unemployment and inactivity.
- Third, given quantity constraints on formal sector employment, the informal sector will continue to play an important role in absorbing young entrants to the labour market and has to be part of any policy that addresses youth employment.

The fact that labour markets are segmented and that developing economies often contain several sectors operating at very different levels of productivity has been among the early insights of development economists. Although true, this had led to ignoring the potential of rural and informal employment. For Lewis (1954) the movement of workers from unproductive agriculture into the productive industrial sector is the very process of development itself. Once most agricultural workers have migrated to industry and the rural workforce has been reduced to a size at which its members can work with high productivity, wages across the economy would start to rise, like a tide lifting all boats. The rural or "traditionalist" sector has since been primarily seen as the pool of unproductive agricultural surplus labour and urban areas as the centres of industrial growth. The informal sector has suffered a similar fate in the development debate. The traditional view holds that it consists of a large share of subsistence entrepreneurs and a rather small share of growth-oriented firms. As a result, little attention has been paid to the potential of the rural and informal sectors as engines for growth.

At first glance the rural and informal sectors do indeed seem to have little to contribute to development and growth. Most entrepreneurs operate at very low levels of capital and productivity. Figure 6.18. from Yoshino (2011) shows the dilemma of Africa's micro and small enterprises: they absorb labour but the returns they make on this labour are very small.

Rural work does not look much better. Rural youth are more likely to be poor and less likely to be in school. Only 37% of the rural young are full-time students, compared to 49% in urban areas. Rural youth also have a much worse employment profile than urban youth, with higher rates of vulnerable employment and higher rates of food poverty.

Figure 6.18. **Aggregate sales and number of enterprises in sub-Saharan Africa, by size**

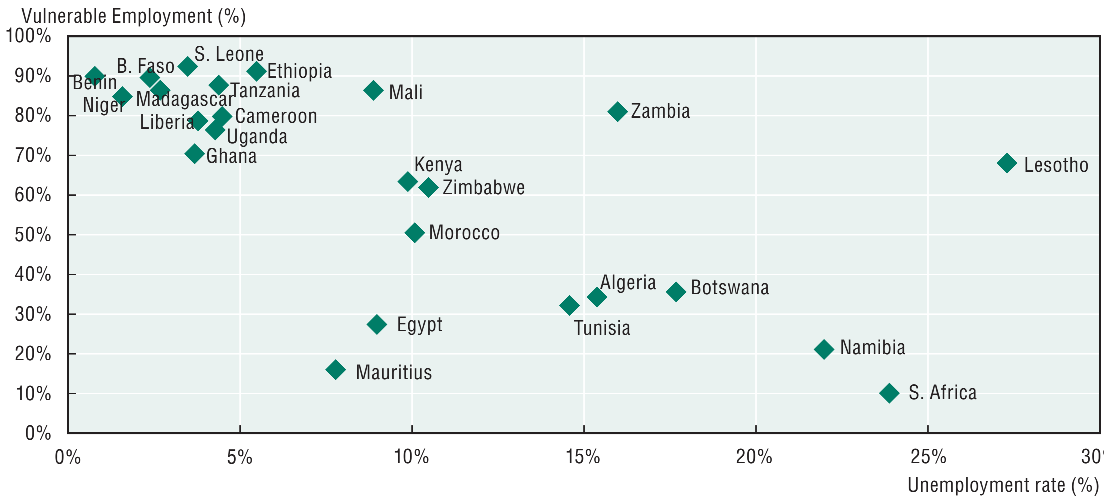


Source: Yoshino (2011) data from Enterprise Surveys in 17 African countries.
StatLink http://dx.doi.org/10.1787/888932600602

African policy makers face a dilemma presented by a large informal sector that suffers from very low productivity and wages, but at the same time absorbs all those who cannot find good quality jobs elsewhere and provides a livelihood for the vast majority of young people. Informality and unemployment are both a result of the type of development that fails to generate enough good jobs for all. This phenomenon has been accentuated by the poor capacity of the private and public sectors to accommodate rapid growth in the population and labour force and has been worsened by labour market discrimination and segregation between men and women, social groups and different occupations (Jütting and Huitfeldt, 2009). Figure 6.19. shows the important trade-off between vulnerable employment and unemployment. Given the informal sector's sheer size in most African countries, and the fact that it is born out of the absence of other opportunities, it has to be seen as part of the solution, not the problem.

The informal sector presents opportunities and is part of the solution to Africa's youth employment challenge. Recent evidence for a number of countries in Latin America, Africa and Asia shows that returns to capital in the urban informal sector are high, often in the range of 60 to 70% annually, in particular at very low levels of capital (Banerjee and Duflo, 2004; McKenzie and Woodruff, 2006; De Mel *et al.*, 2008; McKenzie and Woodruff, 2008; Kremer *et al.*, 2010; Fafchamps *et al.*, 2011; Göbel *et al.*, 2011; Grimm *et al.*, 2011a). This finding contradicts the conventional wisdom that there is little potential in subsistence activities and that most own-account activities are a simple reaction to a lack of alternatives. Quite to the contrary, there seems to be significant potential for growth among microentrepreneurs. Yet high returns remain largely unexploited as a result of a number of economic, institutional and social constraints (Grimm *et al* 2011a; Grimm *et al.*, 2011b). Removing these constraints would enable entrepreneurs to grow their business, achieve their full productive potential and create good quality jobs for themselves and others.

Figure 6.19. **The trade-off between vulnerable employment and unemployment**



Source: Authors' calculations based on national housefold surveys.
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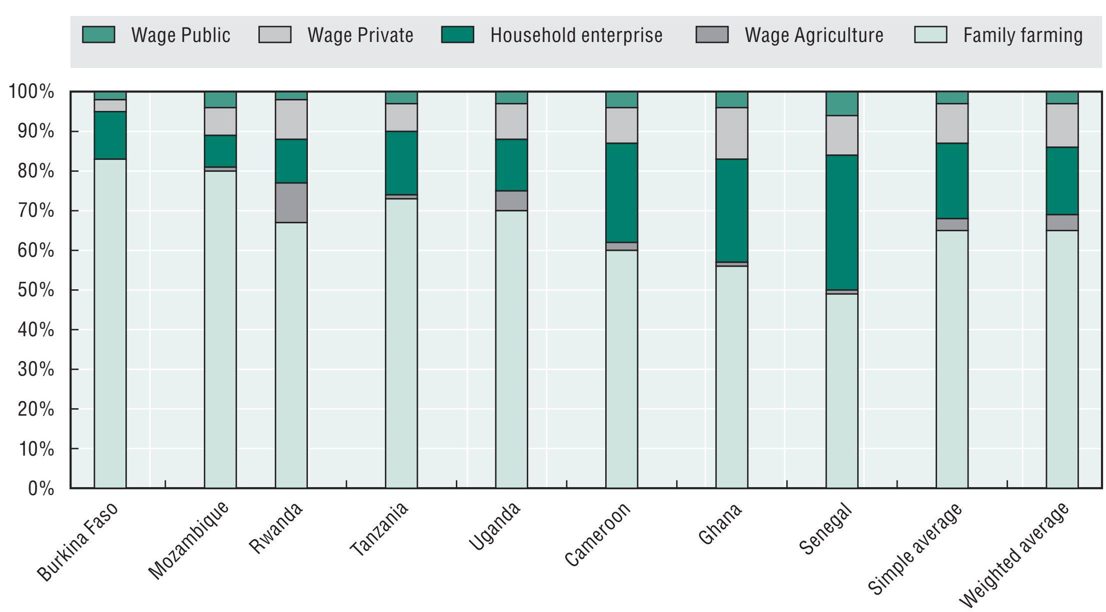
In the same way, the rural sector has potential as an engine of inclusive growth and youth employment. Although rural youth face tougher conditions than urban youth and have higher rates of vulnerable employment and working poverty, in several countries rural economies are showing strong potential for economic growth and poverty reduction. For many households farming is an important part of their livelihood, involving many young workers. More and more households in rural areas are branching out into other sectors, initially complementing farming and later supplementing it with economic activities that yield higher returns.

Figure 6.20. **Distribution of primary employment by type**

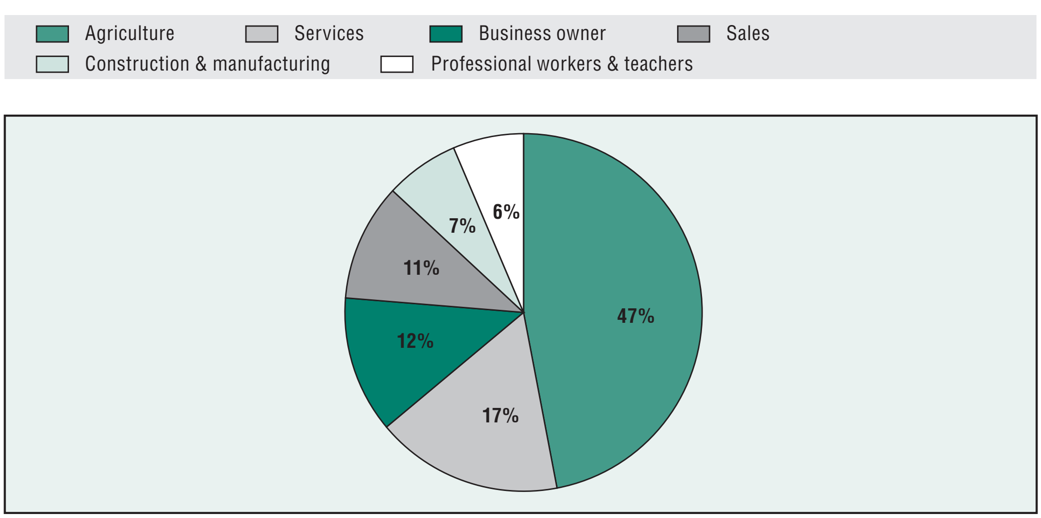


Source: World Bank, *Africa's Pulse*, 4, 2011; data are from the following years: Burkina Faso 2003, Mozambique 2008/09, Tanzania 2005/06, Uganda 2005/06, Rwanda 2005/06, Ghana 2005, Cameroon 2001, and Senegal 2005.
StatLink http://dx.doi.org/10.1787/888932600640

Fox and Pimhidzai (2011) show that in Uganda "the phenomenal growth of farm household enterprises in the informal sector drove household livelihood transformation; ownership of a non-farm enterprise is a significant predictor of welfare". In sub-Saharan countries, higher country income levels are associated with a growing number of household enterprises and less subsistence farming, rather than a significant increase in wage jobs (Figure 6.20.) tells a similar story for countries of all income levels: MICs have fewer young people engaged in farming and more business owners, who are largely micro-entrepreneurs. In upper middle-income countries this trend is even stronger. Yet the proportion of young people who are professional workers, which is the core category of wage employees, is only marginally larger in MICs than in LICs.

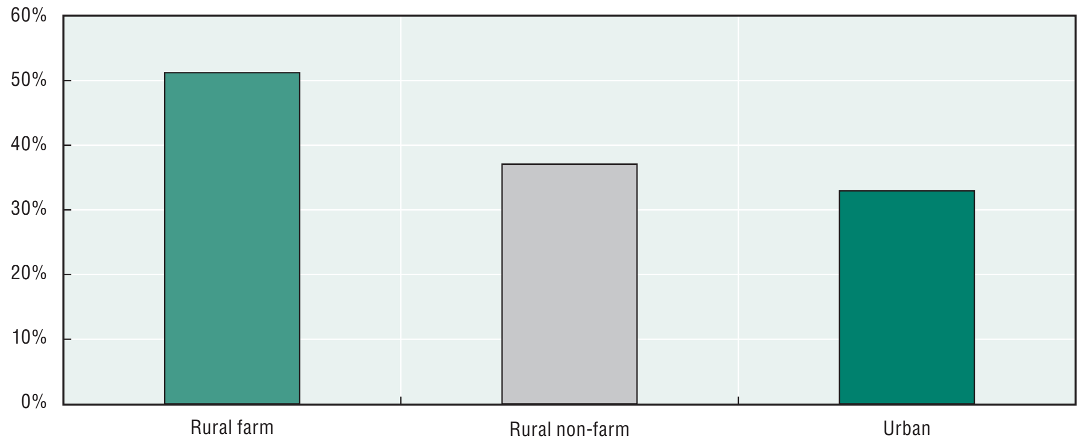
Already today more than half of young workers in rural areas pursue activities other than farming. With 47% of all working youth in rural areas primarily engaged in agriculture, that is the largest sector, but more than half of the rural young pursue non-farming activities for their livelihoods (Figure 6.21.): 17% provide services, including public services, installations and repairs, transport and clerical work; 11% are in sales; 7% work in manufacturing and construction; 7% are white collar professionals, government officials or teachers; 12% run their own businesses. In spite of low earnings, young people in the rural non-farm sector are on average much better off than their counterparts in farming and are closer to their urban contemporaries in their employment and poverty profiles (Figure 6.22.). Of youth in rural areas who work in non-farm activities 34% are wage employed, compared to only 10% of rural youth working in farming. Among the young in rural non-farm work 5% are unpaid and 37% part-time employed (voluntary and involuntary), compared to 18% unpaid (family) workers and 50% in less than full-time employment. With 22% and 24%, the rates of self-employment are similar for rural youth on and off-farm.

Figure 6.21. **Occupations of rural youth: more than half work outside agriculture**



Source: Gallup World Poll (2010), authors' calculations.
StatLink http://dx.doi.org/10.1787/888932600659

Figure 6.22. **Food insecurity amongst working youth: farm, non-farm, urban**



Source: Authors' calculations based on Gallup World Poll (2008-10).
StatLink http://dx.doi.org/10.1787/888932600678

Young people in the countryside are the most enthusiastic about creating their own businesses. Across the Gallup World Poll sample, 23% of the rural young have plans to start a business, compared to 19% of urban youth. Similarly, it is the least educated youth who have plans for a business: 28% of youth with primary education or less have business plans, compared to 22% of youth with secondary or tertiary education.

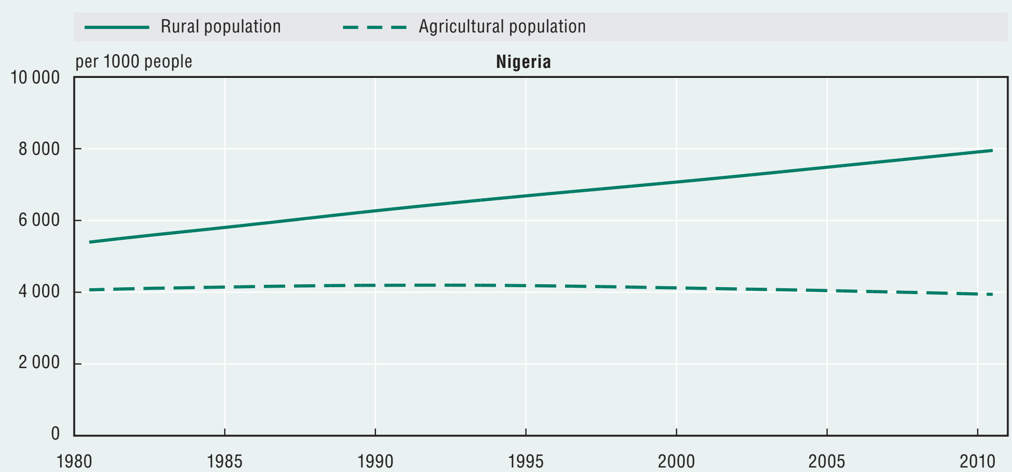
The rural farm and non-farm economies are closely linked. Higher agricultural productivity leads to more non-farm activities and non-farm income increases demand for agricultural goods. As agricultural productivity increases, savings and labour become available for households to diversify and invest in small-scale activities outside agriculture, such as simple services (repairs, hair dressing), manufacturing (handicrafts, sewing and textiles, etc.) and sales. At the same time an increase in rural incomes also translates into an increased demand for non-food products, creating an opportunity for the provision of such goods to become viable and profitable. Haggblade *et al.* (2009) estimate that an increase of agricultural value added of one US dollar translates into an additional 30 to 50 cents value added in the rural non-farm economy. "Ensuring that most households are able to diversify their livelihoods into the non-farm sector through productive informality not only increases growth, but it allows the majority of the population to share in the growth process" (Fox and Pimhidzai, 2011). See Box 6.1. for a discussion of the link between rural and urban employment creation.

To develop their full potential the young in informal work in urban and rural areas need specific support and an environment that allows them to develop professionally. Young people struggling with their own businesses, but showing potential in the form of managerial skills, can benefit greatly from targeted support. Capital market constraints and risk stand out as important barriers (Grimm *et al.*, 2011b). Rural youth often face similar problems. In addition, they are put at a special disadvantage by government programmes that target only urban youth and jobs. Adapting schooling and skills trainings in rural areas to rural needs would be an important step in supporting rural youth.

Box 6.6. Settlement dynamics and rural employment creation in West Africa

In 1950 West Africa was a sparsely populated, predominantly rural area with six urban centres of more than 100 000 inhabitants and a level of urbanisation of 7.5%. Today the region counts almost 300 million people, 122 cities exceeding 100 000 inhabitants and an urbanisation rate of 40%. These fast evolutions have profoundly transformed the region's economy. It went from one in which agricultural activities dominated the lives of local people, living mostly in semi-autarchy, to one that saw the emergence and concentration of a non-agricultural economy in both urban and rural areas. Urbanisation, and with it the increasing division of labour, is the underlying process in this complex rural-urban transformation. This transformation also greatly alters the rural economy. Today, densely populated and well-connected rural areas are far more diversified local economies than a simple rural–urban distinction captures. Studies show that in certain rural areas only 50% of the population are involved in agricultural production, with others mainly employed in upstream and downstream activities such as extension services, marketing, banking and other basic services such as health and education. This diversification reflects an increasing integration of agriculture into the market economy: a process that started with the rapid development of export crops and later accelerated with the demand originating in a rapidly growing urban food market.

Settlement dynamics and rural employment creation in West Africa



Source: FAO Stat.
StatLink http://dx.doi.org/10.1787/888932605865

One way of capturing the diversification of the rural economy and the structural transformation of agriculture is to look at the changes in the ratio of non-agricultural producers to agricultural producers (NAP/AP). This relationship expresses a division of labour between agricultural producers and consumers and an estimate of the market size for agricultural food production. Only when a critical size is reached will farming techniques evolve through investments in labour and capital. The NAP/AP ratio is strongly correlated to the ratio of urban to rural population (U/R), with increases in the level of urbanisation having an accelerating effect on agricultural transformation. For instance, in Nigeria between 1960 and 2000 the NAP/AP ratio increased twice as fast as the level of urbanisation.

This rural transformation is not a geographically blind process. Rural areas close and well connected to large urban markets have higher productivity and greater product diversification and division of labour. Today many farms in Nigeria, Ghana and Côte d'Ivoire operate as businesses and create demand for a variety of non-farm products and services. By contrast, farming techniques and livelihoods in rural communities distant from commercial opportunities have barely changed. Settlement dynamics will continue to influence the economic geography of West Africa. Urbanisation and increasing food demand will create opportunities for rural farm and non-farm employment. The success and speed of this transformation will depend on the adoption of more intensive practices in labour, capital and services. However, not all areas will have the same opportunities in terms of resource endowments and market development. Policies need to integrate the economic interactions between urban and rural spaces and its geographic disparities.

Source: Sahel and West Africa Club Secretariat; www.oecd.org/swac/waf.

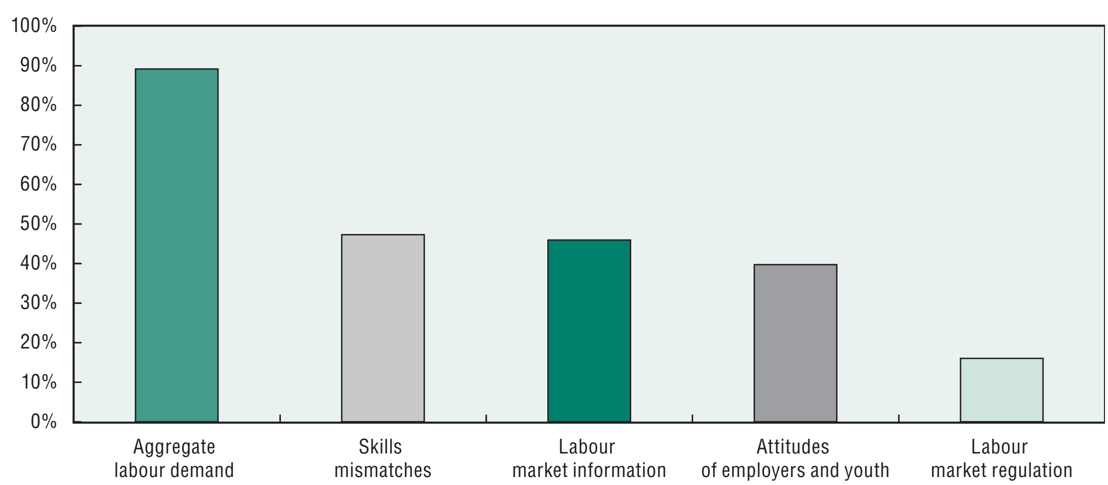
Obstacles and needs of young people in African labour markets

This section describes the obstacles young Africans face in labour markets and what they need to overcome them. The underlying analysis is based on a simple framework of labour demand, labour supply and labour market institutions. Based on this framework, a survey undertaken among 37 country experts for this report asked them to identify the biggest obstacles youth face in labour markets. In addition, the Gallup World Poll includes questions about the obstacles that youth face in finding a job, as well as about their attitudes and aspirations with regard to employment and becoming entrepreneurs. Figure 6.24. presents the results from the survey. After comparing the experts' view to the responses of young people, this section will follow the ranking of obstacles by experts and analyse each one.

Youth face specific entry barriers but the biggest obstacle is insufficient demand for their labour. Those barriers include discrimination against those seeking their first job, a strong preference for work experience on the part of employers, the need for professional networks to obtain a job, and labour regulations that lead to segmented labour markets where job-holders (adults) are protected and job-seekers (youth) face strong reluctance on the part of employers who fear the high costs and commitments involved in hiring. However, the biggest problem the young face is lack of demand for their labour. As expected, given the overall employment outlook for young people in Africa, country experts identified "aggregate labour demand" as a major obstacle to youth in the labour market in 89% of countries. The working poor thus remain in work that yields little output and pays little income because there is no demand for the type of labour they offer (usually at a low skill level) in sectors that pay better wages. Similarly the unemployed and discouraged face a lack of demand for their labour and remain in inactivity. The fact that inactivity rates are high at all levels of education underlines the importance of a general lack of jobs as the most pressing problem for the young in African labour markets. Interventions that focus on labour supply instead of demand will thus leave limited impact only.

Lack of skills and of knowledge about where to find jobs, attitudes by employers and labour regulations are hurdles too, but much less substantial ones. Skills mismatches, labour market information and attitudes by employers were identified as major obstacles in fewer than half the countries in the survey (Figure 6.23.). Labout market regulation is a major obstacle in only 16% of countries. As will be seen in the following section, this tallies with the perceptions of African firms, for whom labour regulation and a deficient education of the workforce come at the end of a long list of obstacles that are much more important to their

Figure 6.23. **Labour market challenges faced by youth**



Source: AEO Country Experts Survey 2012; 37 countries.

StatLink http://dx.doi.org/10.1787/888932603680

business development and hence their ability to create jobs (Figure 6.24.).Interventions that focus on labour supply instead of demand will thus have limited impact only. As will be seen most governments turn to initiatives targeting skills to address youth employment.

Young people agree that a lack of jobs is the most pressing issue, but they are also disillusioned in respect of the need for "connections". Figure 6.24. shows how young people in 10 North African countries answer the question: "what is the main obstacle to finding a job for young people?" The largest proportion of respondents (28%) points to a lack of good jobs available as the main obstacle. The second largest group, however, believes that "jobs are only given to people who have connections", reflecting frustration with a system that is perceived as unfair, because connections depend largely on personal background and access to privileged circles that most youth do not have and cannot obtain. At the same time, the practice of distributing jobs on the basis of connections is a clear indication of the scarcity of good jobs. In a robust labour market, employers compete for workers and have to cast a wide and open net to attract the workforce they need. It is only under conditions of an oversupply of young labour market entrants that employers can rely on connections to fill their positions. Information about where to find jobs is seen as a much smaller problem by the young.

Figure 6.24. **Youth perceptions of main obstacles to finding a job**

Source: Gallup, authors' calculations.
StatLink http://dx.doi.org/10.1787/888932600716

Discouragement about the job market is much higher among highly educated youth. Young people with less education see their lack of skills as a bigger problem (Figure 6.25.). Among university graduates 30% consider that connections are paramount, compared to 13% among young people without education. The young with less education see instead "lack of proper training" as the main obstacle to finding a job. All young people without a university education consider their lack of training an important obstacle. The difference between those without education, with primary education and with secondary education is very small (19% for no education versus 21% for secondary education). These results underline that youth of all educational backgrounds face a shortage of jobs. Young people with less education assume that their lack of education is to blame. Interestingly, the young with secondary education are the most likely to perceive their inadequate education to be the main obstacle to finding a job, more so than their contemporaries without any education. Young people with university education face a lack of jobs similar to that of the other groups. However, as they have gone through all the available educational channels, they see not their lack of training but a job market that is unfair (because of the need for connections) and ineffective (because of a lack of good jobs available) as the main obstacle. This dynamic could partly explain the link between the high unemployment rates among university educated youth observed in many North African countries and the youth uprisings in Egypt and Tunisia in early 2011.

Figure 6.25. **Disillusion about a fair job market increases with education**

Note: Only the top 3 answers are shown, see the preceding figure for the remaining answer options.
Source: Authors' calculations based on Gallup World Poll (2010).
StatLink http://dx.doi.org/10.1787/888932600735

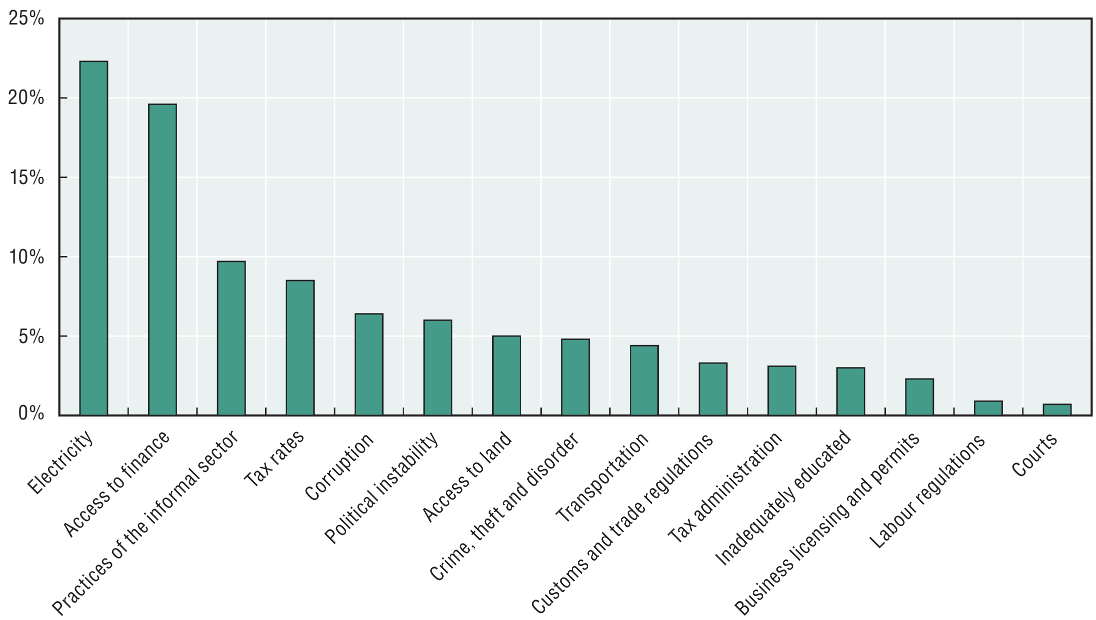
The following sections will describwe in more detail each of the barriers faced by young people in African labour markets and the resulting needs for support.

Lack of Jobs – Youth need enterprises to grow and provide jobs

A vigorous private sector is the most important vehicle for creating jobs for young people in Africa. Governments must make it a priority to address the obstacles that enterprises face. The poor employment outlook, the experts' assessment and the perceptions of young North Africans all converge on insufficient demand for young people's labour as being the most important bottleneck to youth employment. The preceding employment outlook section showed that the role of the public sector is shrinking and that enabling job creation in the private sector (in both small and large firms) is the only viable option for large-scale job creation in Africa. That section also showed that private sector employment is dominated by small and micro-enterprises, whereas productivity is mainly found in large firms. Both segments need support to grow and create jobs.

In sub-Saharan Africa, electricity and finance, not regulation or education, are the biggest obstacles. Although the relatively low level of education of Africa's workforce and overly rigid labour regulations are often presented as some of the major obstacles to business development, African firms themselves do not see things that way. The World Bank's Enterprise Surveys show that only 0.9% of firms in sub-Saharan Africa consider labour regulations, and only 3% an inadequately educated workforce, as the biggest obstacles to business. Instead, access to electricity (22% of firms) and finance (20%) are by far the greatest hindrances (Figure 6.26.). Getting an electricity connection costs more on average in sub-Saharan Africa than anywhere else in the world: 5 429% of income per capita, whereas the average in OECD high-income economies is 93% of income per capita. Firms need 137 days to get access to electricity in sub-Saharan Africa; about double (65 days) the time that is needed in Latin America and the Caribbean, although that is less than in Eastern Europe and Central and South Asia.

Figure 6.26. **Biggest obstacles to firms in Sub-saharan Africa**



Note: Percentage indicates what firms identify as most important obstacle
Source: World Bank (2006-2011).
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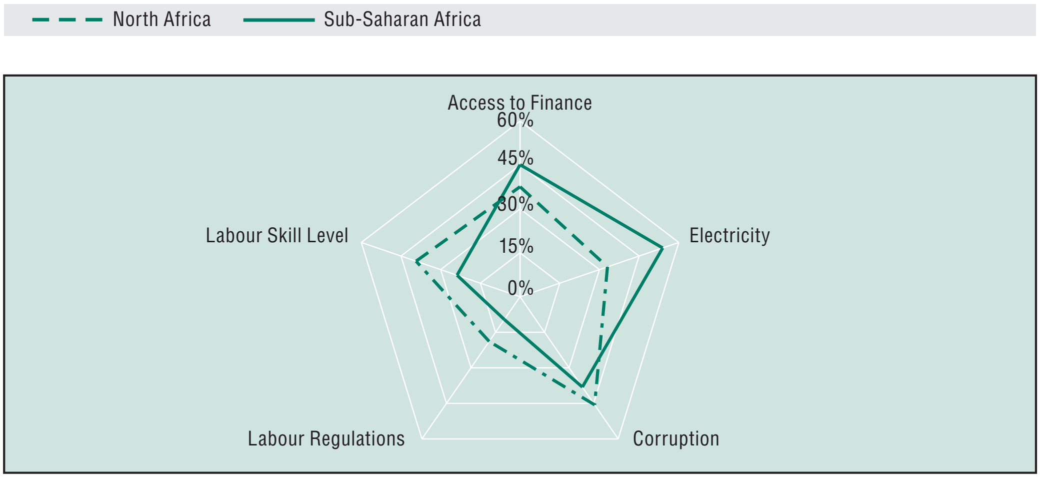
The complexity of obstacles increases with a country's income level. Gelb *et al.* (2007a) found that the most fundamental constraints (such as macroeconomic stability, electricity, access to finance) appear to be most binding at low levels of income. Then, as a country develops, firms must confront a number of problems caused by weak governance and low administrative and bureaucratic capacity (corruption, level of taxation, quality of administration). Finally, as a country moves up to a higher-income status, labour regulation becomes a more serious determinant of the business climate, largely because the state has a stronger capacity to implement it. A later section takes a closer look at the role of labour regulations in youth employment. Figure 6.27. compares the responses of sub-Saharan African and North African firms as to which major obstacles they are facing. In North Africa corruption is the biggest obstacle. The skill level of the labour force is a much more important obstacle than in sub-Saharan Africa, indicating a more skill-intensive economic structure and the presence of major skills mismatches.

Figure 6.27. **Obstacles to enterprises in North Africa and Sub-Saharan Africa**



Source: World Bank (2006-2011).
StatLink http://dx.doi.org/10.1787/888932600773

The employment outlook section showed that private sector employment is dominated by small and micro-enterprises, whereas productivity is mainly found in large firms. Both segments need support to grow and create jobs, but have different needs.

For large firms increased participation in international markets is important for long-term job growth. Reviewing the African manufacturing sector, Bigsten and Söderbom (2005) find few prospects for an expansion of jobs in the sector in countries where most manufacturing enterprises focus on supplying the domestic market only. Instead potential is found in firms that compete internationally through the adoption of modern technology and orientation towards new markets. However, the conditions for competing internationally are difficult in most African countries. Gelb *et al.* (2007b) show that "indirect costs (electricity, transport, communications, security, rent, business services, bribes) form a larger share of the costs of firms in African countries than elsewhere". In Kenya, for example, the average gross (at factory level) total factor productivity (TFP) is about 70% that of China. Kenya's net (in the international market) TFP, however, is only about 40% that of China (Eifert *et al.*, 2005). Transport costs remain a particularly severe bottleneck for firms that want to expand beyond local markets and go far beyond infrastructure bottlenecks alone. Corruption plays an important role as well. According to a recent 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, 2012b).

Job creation in small firms needs a two-pronged strategy: 1) removing barriers to small and microenterprises, enabling them to grow and fill the missing middle, and 2) supporting young people to be entrepreneurs and create their own jobs. Very few small and microenterprises manage to grow into large firms. A dynamic of high job creation at the point of market entry of new micro-enterprises can be observed, but also a high level of job destruction by failing enterprises. There is very little contribution to employment through post-entry expansion (Shiferaw and Bedi, 2009, for example, show this using data from Ethiopian manufacturing enterprises). Instead a segmented market can be seen, of already existing large firms and many struggling small enterprises that remain small. Elhiraika and Nkurunziza (2007) find that no country in their analysis has a long-term concentration of firms in the medium-size group. To foster job creation governments must focus on removing the barriers that are specific to small and micro-enterprises and support their growth into productive firms. At the same time for many young people entering self-employment is the only viable alternative given a lack of opportunities for wage employment. These young people face specific challenges and need special support to develop their businesses.

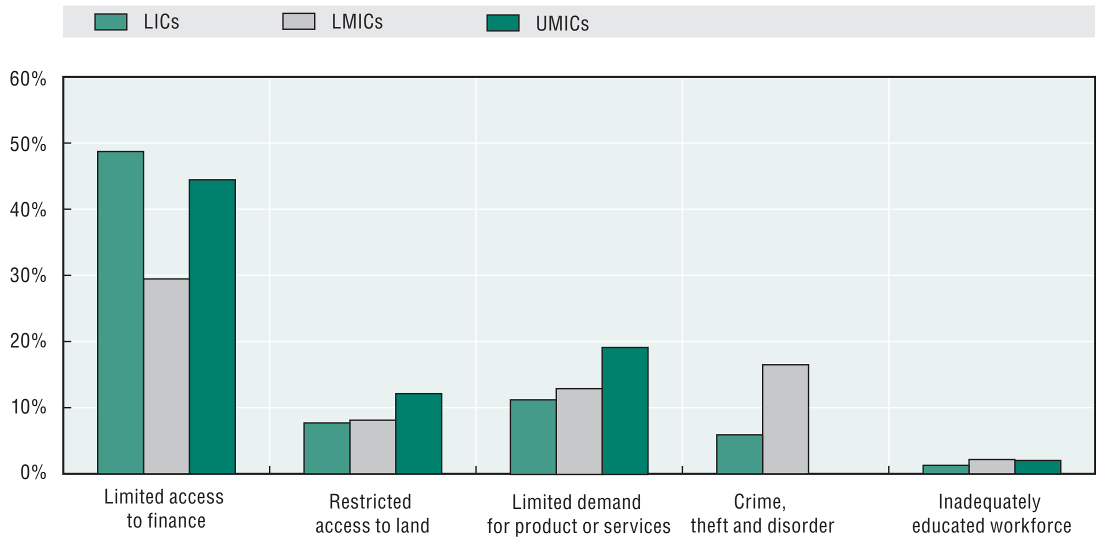
Small firms and micro-entrepreneurs, who are largely informal, are most constrained by access to finance and land, as well as by high levels of risk. Figure 6.28. shows the obstacles faced by informal firms in a small sample of low and middle-income countries. As a consequence of their informality, small and micro-businesses are constrained in their ability to obtain the necessary financing from banks. These businesses often lack basic accounting and have no collateral, since property rights, especially for land, are tenuous at best. In addition, in most countries the number of banks is small. Those that are in the market enjoy high profits from working with the existing large firms. There is little incentive to provide credit to small and medium-sized enterprises (SMEs). Bigsten *et al.* (2003) show that the likelihood of getting a loan request approved is much higher for large firms than for small firms. Microcredit institutions have sprung up in many countries, catering to micro-entrepreneurs. However, SMEs that have grown beyond the threshold of microfinance face a dearth of credit providers and a financial system that is often entirely focused on large firms.[14] Risk also plays an important role for capital accumulation: even in the capital scarce West African economies, SMEs in risky activities seem to overinvest when they start their businesses and adjust capital stocks downwards subsequently (Grimm *et al* , 2011a). Savings and insurance devices could be important tools for enabling small entrepreneurs to take risks and invest in the growth of their business.

Corruption and regulation are not among the top concerns for small and micro-enterprises, but are a disincentive to grow bigger. Harassment is a problem. Research in West African capital cities shows that, contrary to common belief, informal production units are not massively victims of corruption by public officials (Lavallée and Roubaud, 2011). Enterprise surveys of formal and informal firms show that exposure to regulatory predation increases with size and visibility (Gelb *et al.,* 2007a). Governance is of more concern to larger firms, perhaps because of their visibility and need to make informal payments to ease the burden of regulation. Aterido and Hallward-Driemeier (2010) also found that larger enterprises spend significantly more time dealing with officials and bureaucracy. Although not a primary target of corrupt officials demanding kickbacks and special fees to smooth administrative processes, informal microenterprises are often the target of harassment by officials. The most famous case is certainly that of Mohamed Bouazizi who set himself on fire to protest against the confiscation of his wares and the harassment and humiliation that he reported was inflicted on him by a municipal official and her aides. His self-immolation subsequently led to the Tunisian revolution.

Figure 6.28. shows that demand constraints are greater for informal firms in LMICs and UMICs. As income levels rise and the middle class expands, demand for higher quality products increases, while demand for products from the informal sector, which are usually of lower quality and have a lower prestige, decreases. This effect could partly explain the relatively small informal sector share in some MICs.

Although the informal sector is important for job creation and growth, governments should undertake efforts to increase formalisation. They must recognise the important role the informal sector plays in job creation and create an environment that supports the growth of these firms. However, the informal sector also represents lost potential for tax income and is by definition irresponsive to government regulation, even when it is benign. Governments thus have an interest in formalisation. So do many informal firms: 57% of

Figure 6.28. **The chief obstacles faced by informal firms**



Source: World Bank (2008-10), authors' calculations.

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them see formalisation as way to obtain better access to financing (Enterprise Surveys). Nevertheless there are many good reasons for firms to stay informal(see Box 6.7.). Policies to increase formalisation must therefore aim at providing incentives and information, not penalisation of informality. Jütting and de Laiglesia (2009) propose a strategy that combines providing incentives for formalisation to those in the upper tier of informality with giving those excluded from the formal labour market the necessary means to become more productive and improve their risk management.

Box 6.7. **Why are most of Africa's firms informal?**

Contrary to common assumption, the primary reason why so many firms are informal is a lack of information about what is required to register (33% of firms chose this response; Enterprise surveys). Other reasons are the taxes that formal businesses have to pay (24%) and the high costs of registration (20%).

When there are fluctuations in demand, an informal firm finds it easier to adjust because of its simple and flexible technology, and hence it can avoid some of the costs associated with idle capacity. The ease with which an informal firm can vary its employment level can save on wage costs. (Bigsten and Söderbom 2005)

Skills required for business activities are usually gained outside formal education, therefore training opportunities and access to informal networks are another advantage: working in the informal sector may be the only chance of accumulating experience or even of training and apprenticeship for low-skilled young workers. Moreover, talented workers may have better prospects for upward mobility in the informal sector (Jütting et al., 2008). Although wages are generally lower in the informal sector, individuals with specific characteristics may have a comparative advantage in informal employment that can be translated into higher earnings compared to potential pay in the formal sector (Jütting et al., 2008).

Young people can benefit from specific programmes that support their entrepreneurial activities, but these must be well targeted. Support for young entrepreneurs ranges from measures that provide jobseekers with financial and technical assistance to create their own businesses, including microcredit and entrepreneurship training and mentoring, to measures that improve their chances to expand. Self-employment programmes are relatively cheap and can create permanent and value-added jobs, as long as projects are carefully selected and supported, and entrepreneurs have access to credit and markets (Puerto, 2007). Based on personal characteristics such as education and managerial ability, Grimm *et al.* (2011c) identify a large group of 'constrained gazelles'. These are micro-entrepreneurs who exhibit similar characteristics to successful entrepreneurs but operate at very low levels of capital, held back by the many constraints listed above. Based on data from urban informal entrepreneurs in West Africa in the early 2000s, they estimate the share of constrained gazelles among young people to be 27% compared to 49% among adults. Assuming similar distributions elsewhere, support programmes must strive to identify these 27% of young entrepreneurs with potential and help them overcome the many barriers they face in terms of access to finance, risks and skills.

Without appropriate targeting, support programmes are likely to fail and even do harm, especially when providing finance. Where firms and young entrepreneurs are not chosen carefully, based on their skill, drive and business plans, providing credit can be wasteful and harmful. Many small firms collapse as a result of using credit (Nkurunziza, 2008) or simply do not pay the money back. In Tunisia, for example only around 50% of young entrepreneurs have repaid their loans, mainly because of the lack of clients (MDGF, 2009). In Benin, the Fonds National de Promotion de l'Entreprise et de l'Emploi des Jeunes (FNPEEJ), created in 2007, encourages the entrepreneurial spirit of young people by financing business creation, but because of the non-repayment by a large number of beneficiaries (up to 81%), in September 2011, the deficit reached more than 1.6 billion CFA francs. In the long run such high rates of non-repayment can create the impression that funding provided for young entrepreneurs is free and not a credit.

Programmes to support youth must be comprehensive. To start a business, young people do not only need capital: knowledge on how to run a company is also required. Entrepreneurship training provides young people with the skills they need to create and manage a sustainable business likely to generate jobs. Mentoring and business incubators can be valuable tools to convey these skills. To be efficient, training has to mix (Henry *et al.*, 2005) technical skills, such as written and oral communication; technical management and organising skills; business management skills, such as planning, decision making, marketing and accounting; and personal entrepreneurial skills such as self-discpline, risk taking and innovation. The following section discusses the educational and training needs of youth in more detail.

To better understand how to support young entrepreneurs, more rigorous evaluation is necessary. In spite of some positive examples of well-functioning programmes that offer comprehensive support to young entrepreneurs (see Box 6.8.), far too little is known about how to support young entrepreneurs in Africa. In many cases training activities, and especially financing mechanisms, fail to create lasting jobs. Particularly where financing is provided directly through government services the failure rate is high (CGAP, 2004). Rigorous evaluations are necessary to identify what works and what does not work and develop evidence based programmes.

Box 6.8. **Senegal's Synapse Centre – an example of a comprehensive training and financing approach for young entrepreneurs**

A good example of a comprehensive programme for young entrepreneurs can be found in Senegal, where the minimum cost of setting up a formalised business is 255% of annual average per capita income. To overcome this barrier, the Synapse Centre was created in 2003. It provides potential young entrepreneurs with the experience, support and advice they need to establish and run successful businesses and contribute to overall economic growth and job creation. Its initiative, Promise Programme, is a highly intensive youth entrepreneurship training programme of 14 months that combines traditional entrepreneurship theory with interactive case-based studies, practical experience, personal development retreats, and professional business consulting and mentoring. This support has included the provision of incubator facilities including office space, monthly training workshops, group learning, mentoring, and counselling (provided by some of the best-known companies in Senegal). The centre also serves to link young entrepreneurs to the government's National Fund for Youth Employment (FNEJ) giving them access to low-interest loans for their businesses. Its objective is to ensure that each participant establishes a successful business which in turn gives something back to society. By 2008 17 promising entrepreneurs had graduated from the first class; nine young participants had become entrepreneurs as founders of new companies; and 35 business leaders had been recruited to mentor young entrepreneurs. The nine successful entrepreneurs have created 137 jobs within their businesses. Synapse's annual budget of USD 80 000 equates to one job created for every USD 584 spent. The experience of Synapse has shown that the increased self-confidence resulting from the mentoring initiative enables entrepreneurs to expand their personal vision through a leadership experience that they otherwise might not have had.

Education and skills mismatches – Young people need more comprehensive education that responds to labour market needs

Education is not the biggest bottleneck to youth employment but it is a major one. Figure 6.29. showed that AEO country experts consider lack of education and skills mismatches to be major obstacles for young people in labour markets in about half the countries in the survey. Figure 6.30. showed that a lack of proper training is the third most cited reason by young people from North Africa why they do not find jobs.

The preceding analysis has established a number of facts about youth employment and education:

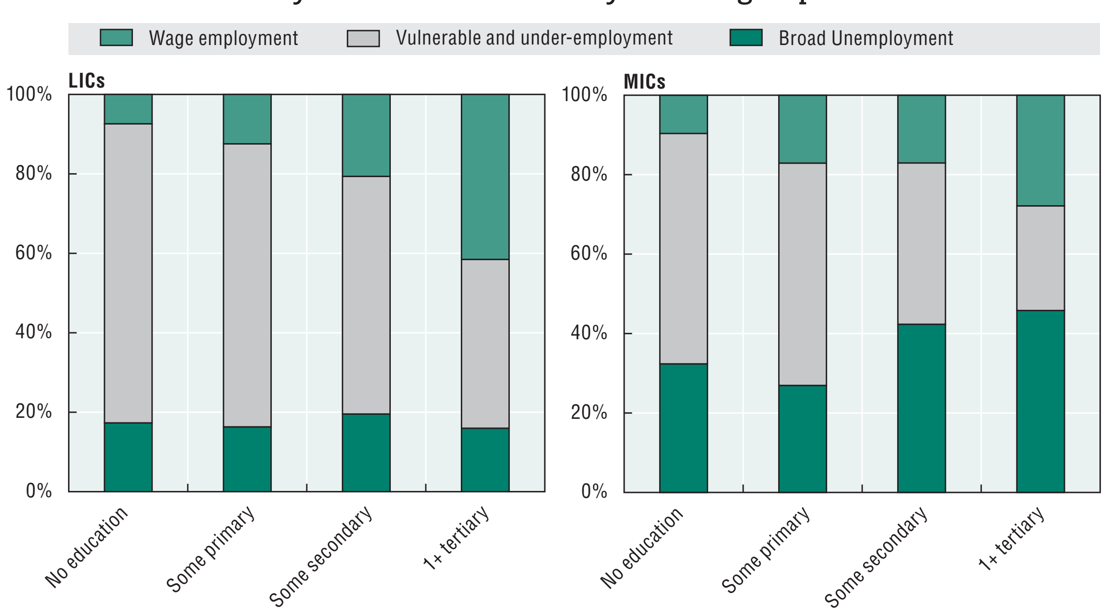
- The chances of being wage employed rather than in vulnerable employment are significantly higher for young people with more education. For those in employment wages are higher.
- Higher education is linked to higher unemployment among young people but lower unemployment among adults.
- Among those with higher education the unemployment rate varies by type of educational degree.
- Young people with education face a higher likelihood of unemployment and discouragement in MICs than in LICs
- Discouragement and being out of the labour force are higher among young people with no, or only a little, education. Overall, NEET rates are lowest among young people with tertiary education.

The analysis suggests that much unemployment, and even discouragement, observed among educated young people are largely transitory phenomena and the result of queuing for good jobs by the better off. However, the length of this transition, which can often take many years, and the strong link between field of study and unemployment rate, suggest a serious mismatch between the skills young people bring with them when they leave the education system and those that are sought after in labour markets.

High vacancy rates in the presence of large scale unemployment confirm the existence of skills mismatches and are especially substantial in MICs. Although there are large numbers of unemployed young people and a constantly growing labour supply, many enterprises in Africa struggle to fill open positions. In Egypt, for example, about 1.5 million young people are unemployed (ILO 2011b), while at the same time private sector firms cannot fill 600 000 vacancies. In South Africa the situation is even more extreme, with 3 million young people in NEET and 600 000 unemployed university graduates versus 800 000 vacancies (The Economist, 2012a). Figure 6.29. shows that unemployment among those with higher education is much higher among youth in MICs than in LICs, suggesting that mismatches between the skills young people have and what the education system offers are greater as countries grow wealthier. A survey among recruitment and temporary work agencies conducted for this report in nine African countries shows that such agencies have a greater struggle to find suitable candidates with tertiary education in South Africa and Tunisia than in countries with much lower incomes such as Kenya, Ghana and even Niger.

Mismatches are not confined to university graduates but also strongly affect young people with secondary education. Figure 6.29. shows that broad unemployment is higher among the young with secondary education than those with tertiary education in LICs and just slightly lower in MICs. Taking into consideration NEET youth, Figure 6.11. showed that NEET rates are highest for youth with secondary education. Given that broad unemployment is much lower among adults with secondary education than among those with primary education or less, mismatches seem to be a serious problem for young people with secondary education. Figure 6.34., which will be presented in the next section, shows that among youth not in employment, those with secondary education have the highest proportion of respondents who provide "lacking employers' requirements" as the reason for not being in work.

Figure 6.29. **Youth employment and unemployment by education and country income groups**



Source: Gallup World Poll (2010), authors' calculations.

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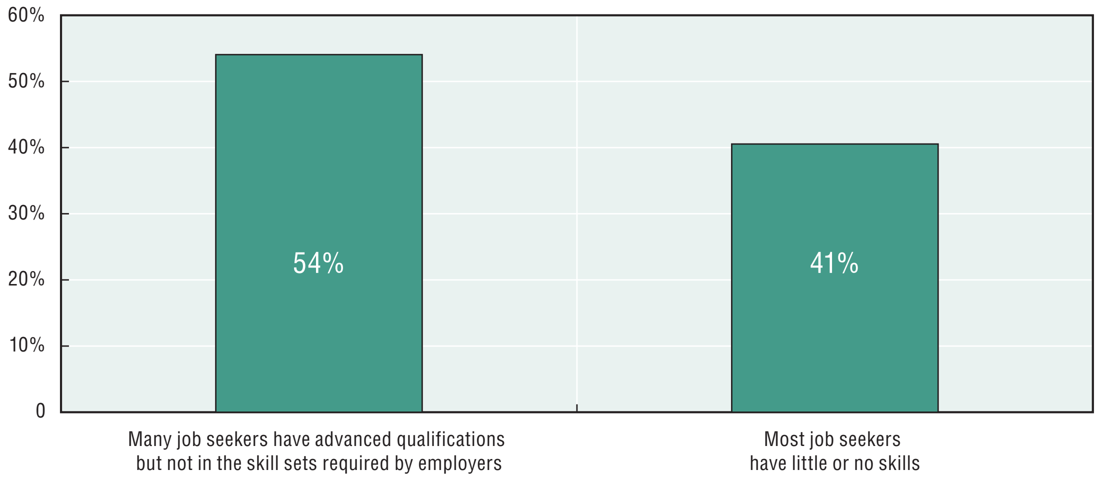
A complete absence of skills is a problem too, but skills mismatches seem more relevant. In a survey among experts on 36 African countries about the major challenges youth face in labour markets, 54% found a mismatch of skills between what job seekers have to offer and what employers require to be a major obstacle. They were 41% to identify a general lack of skills among job seekers as a major obstacle (Figure 6.30.). See also Box 6.4. on the improving levels of education in Africa.

Figure 6.30. **Lack of skills versus skills mismatching, in percentage of countries that consider either as the biggest obstacle**



Source: AEO country experts survey.

StatLink http://dx.doi.org/10.1787/888932600830

Skills mismatches point to a poor quality of education and the absence of linkages between education systems and employers as underlying problems. The recruitment and temporary work agencies surveyed reported a general lack of targeted education and frequent major discrepancies between candidates' profiles and the skills required for a job. A shortage of technical and mechanical employees or electricians coexists with a surplus of workers in audits, sales and communication. In manufacturing in particular many of the positions that go unfilled are at a level that does not require tertiary education and does not pay the salaries that university graduates expect. What are required, rather, are the technical skills necessary to maintain equipment and supervise unskilled workers. Higher education systems in Africa need to become more diversified to meet the need for a variety of levels of skills and education. The rest of this section will analyse mismatches at each educational level in descending order.

At the tertiary level, young Africans are confronted with a university system which has traditionally been focused on educating for public sector employment, with little regard for the needs of the private sector. Often a degree from a tertiary institution is an entry requirement for government employment, with little attention paid to a specific skill set. At the same time tertiary education in technical fields tends to be significantly more expensive than in the social sciences, which makes expansion of such faculties more challenging for public education institutions. Private providers of education could fill this void, leaving the government with duties of quality control and oversight.

As a result African universities do not educate for African needs. As is shown in the preceding discussion of youth in NEET, unemployment rates vary by field of study. Graduates in technical fields such as engineering and information technology (IT) have less problems finding employment than those from the social sciences or humanities. At the same time these latter fields have much higher enrolment and graduation numbers (Table 6.1.) and consequently much higher unemployment numbers. According to African recruitment and temporary work agencies, the most difficult sectors in which to find candidates with tertiary education are those that need specific technical qualifications, such as the extractive industries, logistics, the chemical and pharmaceutical industries, manufacturing in general and agri-business (results from AEO survey). Given Africa's comparative advantage in agriculture and the great potential for international trade in processed agricultural products, the low number of graduates in the area of agriculture is striking. With 2% of students specialising in agriculture the discipline occupies the same rank among graduates in Africa as it does in Europe, even though agriculture contributes 13% to Africa's GDP compared to 1.4% in Europe (both for 2010, World Bank, 2011c). Agri-business is one of the few sectors for which finding high level managerial candidates is almost impossible in Africa, according to a large recruitment firm active in many African countries. Given the important role extractive industries play in many African countries, the lack of graduates available to work in the sector is similarly striking.

On a positive note, some sectors are educational success stories. The fields with the fewest problems in finding candidates are banking, education, commerce and IT and telecommunications. Banking and IT and telecommunications, in particular, are fast growing sectors, suggesting that the link between industry needs and tertiary education works well in these areas.

Table 6.3. **What do students study? University graduation rates in Africa and the world (2008-2010)**

	Education, humanities and arts	Social sciences, business and law	Science	Engineering, manufacturing and construction	Agriculture	Health and welfare	Services	Other
Sub-Saharan Africa	26%	44%	12% (3% ICT)	4%	2%	5%	0%	7%
North Africa	22%	51%	8% (1% ICT)	10%	1%	6%	1%	1%
Asia	23%	30%	6%	20%	4%	9%	4%	4%
Latin America	23%	38%	7%	9%	2%	13%	3%	5%
OECD	25%	37%	10% (3% ICT)	11%	2%	11%	4%	1%

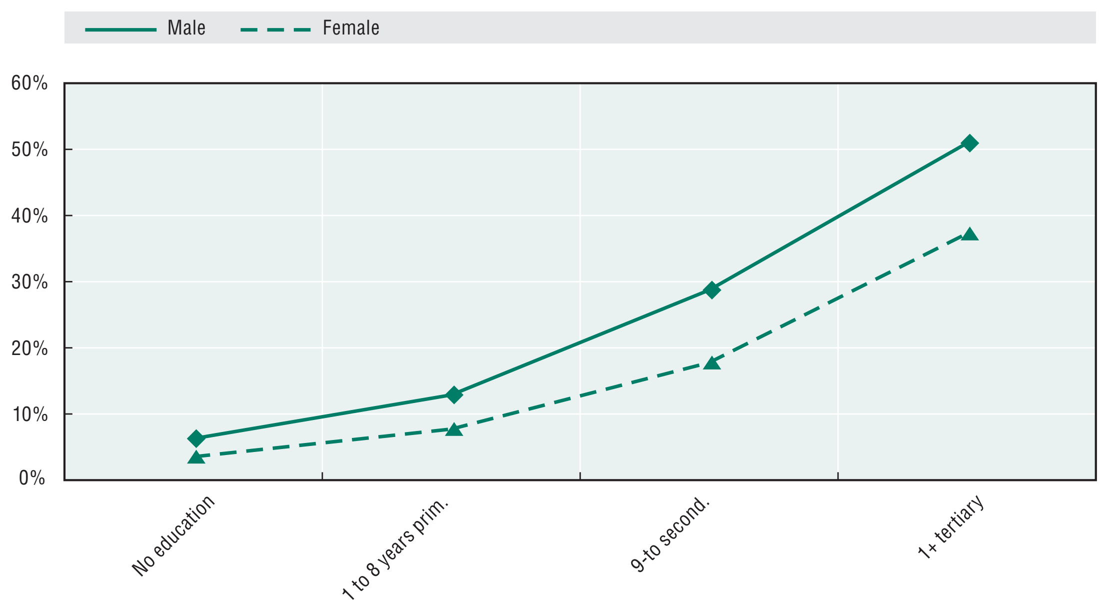
Source: AEO data, UNESCO.

With the aim of narrowing the skills gap and thus adjusting supply from graduates of higher education to the current needs of the labour market, some countries have changed education curricula. In 2008, the Ethiopian government introduced a policy designed to shift the balance of subjects in all public universities away from the humanities and towards the sciences and technology, on a 70:30 basis. The strategy is based on an assessment that graduates of medicine, engineering and technology generally have better employment opportunities inside and outside the country than graduates in the social sciences and, to some extent, the natural sciences (UNECA, 2011).

Universities must educate with an eye to African markets, improving education in technical fields and agriculture, and improving quality. This approach also includes more and better guidance to students to steer them towards employment in the private sector, away from enrolment in traditional public sector entrance subjects in the arts, humanities and social sciences.

Below tertiary level, the focus must be on expanding secondary level education. **Returns to primary education are low**. Academics believed for a long time that returns to education are linear, *i.e.* increase continuously with every year of education obtained (see for example Psacharopoulos and Patrinos, 2002). However, more recent evidence (see Kuépié *et al.*, 2009 for results from urban West Africa, Dias and Posel, 2007 for South Africa and Teal, 2011, for a discussion of African evidence), suggests that returns are not continuous in years of education but linked to the level of education attained. Figure 6.31. shows that the likelihood of being wage employed increases strongly with a secondary school education (based on Gallup World Poll data, see also Annex 6.2.). Household surveys show the same for the likelihood of earning a higher wage (AfDB, 2012). Primary education makes a small difference, compared to no education at all, in terms of labour market opportunities. In other words, returns to education are positive and strongly convex. Teal (2011) consequently observes that: “If in fact the earnings function is convex, so that the marginal returns to education are lowest for the individuals with the least education, giving priority to investment in primary education may have little impact on incomes unless the individuals affected by the reforms proceed to higher levels of education.” The fact that so many children and young people do not proceed from primary to secondary education (see Box 6.4. on education levels in Africa) despite the strong convexity of returns to education suggests that strong barriers are in place, such as high costs and poor quality of primary schools that do not prepare adequately for secondary school.

Figure 6.31. **Probability* of being wage employed by educational level (multivariate analysis)**



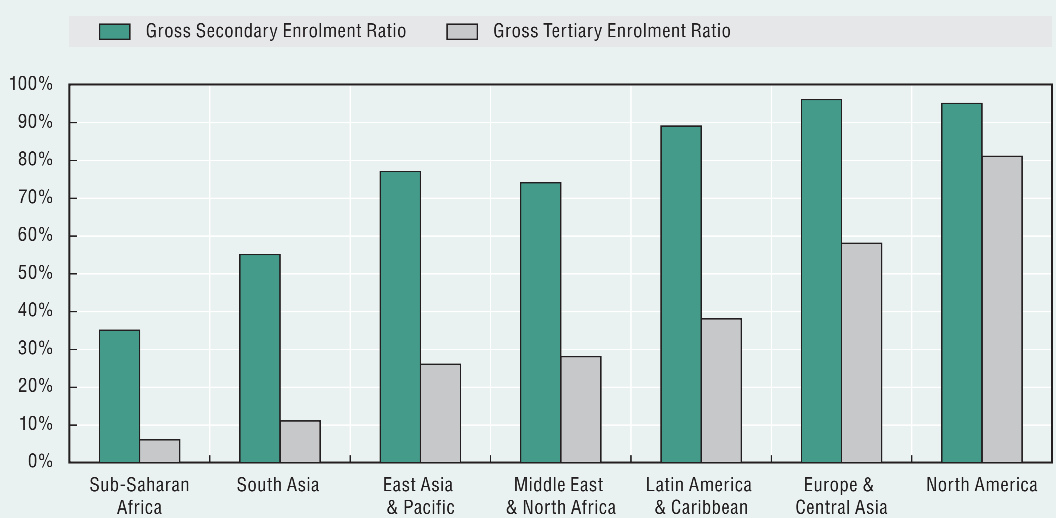
Source: Authors' calculations based on Gallup World Poll (2010).
*see annex
StatLink http://dx.doi.org/10.1787/888932600849

Especially in MICs, changing economic structures are putting mounting pressure on education systems to go beyond primary education. South Africa is a good example. In the absence of the large manufacturing or agri-processing sectors that utilise low-skilled workers in most African countries, secondary education is often the minimum requirement for entry to wage employment in the formal sector. South Africa’s post-apartheid economic development was largely one of capital-intensive technological change in production methods and a shift towards skill-intensive services (banking, telecommunications) away from the low-skilled manufacturing which had previously been the employer of large parts of the labour force. The shift has led to stronger demand for skilled labour and less demand for unskilled labour[16] (Bhorat and Hodge, 1999; Dias and Posel 2007; Banerjee *et al.* (2008); Fourie, 2011; Rodrik, 2006). Rodrik observes that "this structural change away from the most low-skills intensive parts – and resultant skills supply-and demand mismatches – is key to understanding the concentration of unemployment among the young, unskilled and black population." Given these dramatic changes and the move of the economy towards equilibrium with demand for higher skills, the only chance for South Africa's youth is a concerted effort in investing in better education. Africa is making progress with the provision of education but serious quality gaps remain (Box 6.9.).

Box 6.9. **Education levels in Africa and the world**

Young people in Africa (and in sub-Saharan Africa in particular) have a very low educational profile compared to other regions in the world. In sub-Saharan Africa, the gross enrolment ratio at secondary level is 35%, and that at tertiary level just 6% (figure in this box). Although these levels are very low compared to other regions, they reflect rapid growth over the last decades. Based on current trends 59% of 20-24 year olds will have secondary education in 2030, compared to 42% today. Given Africa's high population growth this translates into 137 million 20-24 year olds with secondary education and 12 million with tertiary education in 2030. In spite of this vigorous expansion large gaps remain in the quality of the education provided. Seventeen countries, including Mali, Niger, Ethiopia, Senegal, Côte d'Ivoire, Nigeria and Angola among others, have literacy rates of less than 75% (World Bank, 2012b). The increase in the number of higher education graduates has often been at the expense of quality, as expenditure per student has been decreasing throughout Africa. Within ten years (1999 to 2009), the number of higher education graduates in low-income sub-Saharan African countries almost tripled (from 1.6 million to 4.9 million). It is expected that this figure will reach 9.6 million in 2020.

Secondary and tertiary enrolment ratios, by world region



Source: Authors' calculations based on World Development Indicators 2011.
StatLink http://dx.doi.org/10.1787/888932605884

Expansion is not enough. Quality and relevance of education must be improved to reduce the skills mismatch. The previous analysis has shown that the level of broad unemployment is especially high at secondary level, suggesting serious skills mismatches. Most general secondary education in Africa has long followed the ideal of providing the prerequisites for an academic education or a white collar (office) job in the formal (and urban) sector. Yet, as earlier sections have shown, only a small minority of young people have access to either of these options. Moreover, the skill set many formal employers are looking for is a more practical and applied one than that provided in most schools, including behavioural and interpersonal skills, as well as basic familiarity with concepts relevant to business.

Technical and vocational skills development (TVSD) has the potential to provide young people with more applied skills and better chances in the labour market. Skills can be obtained either through structured and specialised institutions or through on-the-job practical experience, or both – the so-called "dual" training. In a review of training programmes in 90 countries Fares and Puerto (2009) find that programmes that combine on-the-job and in-class training provide a combination of soft skills (behavioural skills) and hard skills (technical or administrative skills) that can have a significant positive impact on employment and earnings of programme participants. Dual training, such as internships or apprenticeships, allows young people to apply the theories learnt in class in real environments, to develop professional skills, such as time management and professionalism, and to gain practical experience (Angel-Urdinola *et al*., 2010). Our analysis of labour force surveys and household surveys finds higher marginal returns for vocational training than general secondary education in five out of eight countries (see Annex 2). Kuépié *et al.* (2009) show that returns to vocational education are higher than to general secondary education in urban West Africa.

However, TVSD provided by government has suffered from neglect and irrelevance. TVSD accounts for less than 5% of training among youth in Africa (AEO, 2008). Where they exist, TVSD systems in Africa suffer from a shortage of qualified staff, obsolete equipment, ill-adapted programmes and weak links with the job market.

Instead traditional apprenticeship in the informal sector predominates. For instance, in Senegal some 400 000 young people are in apprenticeship annually, compared to some 7 000 graduates from the formal vocational training centres; and up to 80% of skill development in Ghana is through the apprentice system (AEO, 2008). In urban informal sectors in West Africa apprenticeships in small (informal) firms and on-the-job learning account for over 90% of the training of young workers (Nordman and Pasquier-Doumer, 2011). The informal sector is also an important beneficiary of skills training. Kuépié *et al.* (2009) show that returns to vocational training are highest in the informal sector, emphasising the importance of practical skills for this sector.

Given the importance of the informal sector, TVSD systems must adapt to its needs in terms of skills and course structure, especially in rural areas. In view of the very large informal sector in African labour markets, vocational training should emphasise the qualification of workers in this sector. But the provision of public TVSD has often been inadequate as courses are rigid, and it is biased toward white collar jobs in the urban wage sector (Adams, 2008). Unresponsive TVSD is a particular challenge in rural areas, where this form of education could have significant impact on the lives of the poor by enhancing agricultural skills and productivity. Research undertaken in Tanzania in 2011 showed that of 23 vocational training centres in rural areas directly managed and financed by the Vocational Education and Training Authority, only three were offering training connected with the agricultural sector. In most African countries the situation is even more extreme, as in Malawi, where no agricultural training is provided in vocational centres (Dalla Valle, 2012). A recent World Bank report finds similar problems in Uganda, where government-provided vocational training does not reach young people in the rural non-farm economy because it is too focused on formal post-secondary training, offering courses of long duration, which people in informal sector enterprises cannot attend without losing their source of livelihood (Bakiene *et al.*, 2012).

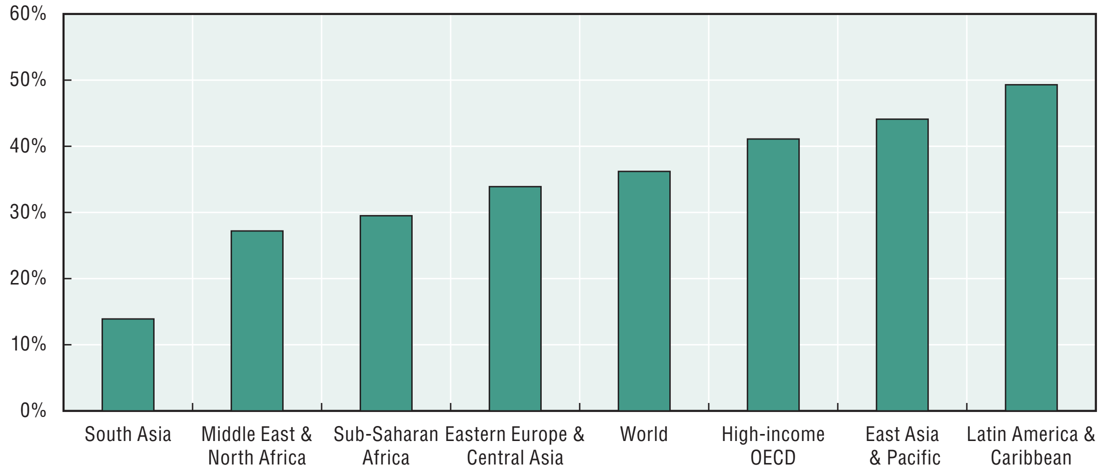
Instead of excluding informal sector training, governments should address poor identification of job seekers by introducing skills certification systems that attest to competencies and thereby facilitate recognition and comparison in the labour market, reducing asymmetric information between job seekers and employers (AEO, 2008, World Bank, 2010). Certification and recognition contribute to building an employment history which will favour access to better employment opportunities in formal sector jobs. Benin, for example, created a Vocational Skill Certificate (national diploma attesting to the attainment of skilled worker level through a reformed traditional apprenticeship) and the Occupational Skill Certificate (certificate attesting to the completion of an apprenticeship) to recognise the skills acquired through informal apprenticeships. It has also put in place a consultative mechanism involving the National Federation of Craftworkers, local craft workers groups and the relevant ministry to steer the process (AEO, 2008).

To be successful TVSD systems need a clear vision of the desired outcome and have to be focused on sectors with promising employment prospects. In many African countries responsibilities for TVSD are scattered across a large range of ministries and agencies and are not integrated with the overall education system. In Egypt for example TVSD centres are run by a wide range of 22 ministries and agencies, depending on the field of specialisation of the respective centre (AEO, 2008, country note Egypt). In addition two ministries deal with education-related issues, namely the ministry of education and the ministry of higher education, and are also involved in developing TVSD specific policies and frameworks. In recognition of the need for coherence the Supreme Council for Human Resource Development was established in 2000. However, coherence continues to be work in progress. Effective TVSD systems must provide the economy with the skills it needs. In South Africa the sector education training authorities (SETAs), set up by the 1998 National Development Act, aim to identify the skill needs of industrial sectors (including skill shortages and gaps), as well as constraints on the effective utilisation of skills in relation to the objectives of the national skills development strategy. All training initiatives in the enterprises are competency-based, depending on the specific competences required by the world of work (AEO, 2008).

African countries should strengthen partnerships with the private sector at all levels of education. The 2008 edition of the AEO showed that a deeper involvement of employers in the provision of in-service training has significant potential to increase the relevance as well as the cost-effectiveness of training systems. Close co-ordination with the private sector ensures that TVSD systems are aligned with the skills needs of the labour market. Partnerships with industry help accurately define the qualifications for each trade and the content of relevant occupational standards. Moreover, programmes offered by the private sector, such as on-the-job training or internships, allow both firms and workers to obtain information on the other side of the market and eliminate constraints on information asymmetry problems, such as the unidentified quality of workers from the employers' side, and unknown sorts of skills required from the workers' side (Attanasio *et al.*, 2009).

Africa trails other regions of the world in the proportion of enterprises offering training to their employees. Figure 6.32. shows that fewer than a third of formal firms in sub-Saharan Africa and the Middle East-North Africa (MENA) region offer training programmes for their permanent employees. Although this analysis is not restricted to young people, it shows that there is room for improvement in the involvement of firms in training and education. Both enterprises and governments must strive for closer co-operation and a stronger involvement of firms in the education of young people. Box 6.5. presents a successful example of training provision for young people in Africa by a large multinational company.

Figure 6.32. **Firms offering training to their employees in Africa and the world, in percentage of total**



Source: World Bank (2006-10).

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Box 6.10. Cisco Networking Academy. A successful example of private sector involvement in education and training

The Least Developed Countries (LDC) Initiative launched by US-based IT company Cisco, replicated later by Cisco networking academies, is a good example of partnership between several organisations including the United Nations. Cisco set out to provide Internet-based learning and information technology (IT) skills training in half the world's 50 least developed countries including 11 West African countries (Benin, Côte d'Ivoire, the Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Senegal and Togo). In 2008, over 9 200 students aged between 25 and 34 were enrolled throughout West Africa (YEN-WA, 2008). A survey of the LDC Initiative conducted in six countries showed that two-thirds of respondents found IT jobs after completing the programme and that 10% started their own businesses. Currently, 31% of students graduating from the courses are women, exceeding the target of 30% (OECD, 2009).

Labour Market Information and Matching – a problem for disadvantaged youth, most public services are ineffective

Lack of information flows between job seekers and hiring employers can hamper the effectiveness of job search, especially for disadvantaged youth. Figure 6.23. showed that 46% of AEO country experts consider a lack of information flows in labour markets to be a major obstacle for young job seekers. Figure 6.34. in the next section shows that this is primarily a problem for youth with no, or only a little, education. They are more likely not to know where to look for a job and hence need more support with their job search. This is a challenge for job search systems: evidence from Europe suggests that job search assistance works mainly for individuals with sufficient education and better labour market prospects, and less for the more disadvantaged (Kluve, 2006).

Young people themselves do not see knowledge about where to find jobs as a major problem. In North Africa young people do not seem to consider knowledge about job opportunities to be a serious constraint. In Figure 6.33. it is ranked below many other problems that are considered to be bigger obstacles for young job seekers. In many countries, it is mainly through informal placement methods – typically through family and friends – that a young person finds work. In Algeria for example, access to jobs is linked to personal or family relations at a proportion of 41 % (AEO 2012 Algeria country note).

Many governments invest in job information systems, but with questionable effectiveness. The AEO survey of 37 country experts shows that although 23 countries offer the possibility of registering at a public employment service, only seven reach more than 50% of young job seekers (Table 6.4.). Public agencies are generally not very successful in helping young people find work: in Algeria, the ANEM (National Agency for Employment) has been able to find jobs for only about 11% of those registering and ANAPEC (National Agency for Promoting Employment and Skills) in Morocco about 9% (Barbier, 2006; Achy 2010; European Commission, 2010). In advanced economies, such systems are usually linked to unemployment benefits. Without a link to benefit collection, which exists in only three countries in the sample, it is difficult to ensure widespread participation in a particular government information system.

Private agencies are often more effective than public agencies, but only work with the urban formal sector as they are to a larger extent oriented towards employers' needs and provide services within smaller and targeted segments of the labour market. However, they generally focus on the most easily placed unemployed and concentrate on metropolitan areas, ignoring the other parts of the country (Angel-Urdinola *et al.*, 2010). In this sample in only one country are more than 50% of the young registered.

Table 6.4. **Job information systems in African countries**

No. of countries	Register at a public employment service and receive unemployment benefits	Register at a public employment service (no benefits)	Get job search assistance from private employment agencies	Get school-to-work assistance from colleges and universities through programmes with the private sector
This service does not exist	31	10	12	9
Less than 25% of young job seekers	1	11	21	23
Between 25% and 50% of young job seekers	0	5	2	1
More than 50% of young job seekers	2	7	1	1

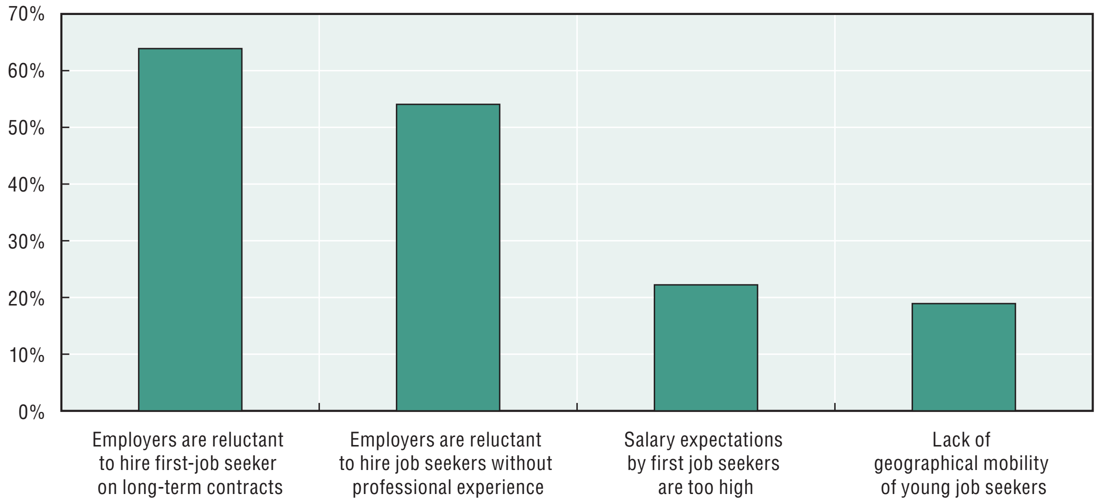
Source: AEO country survey; 37 countries.

Attitudes and expectations by employers and youth – Employers need incentives to hire those seeking their first jobs, young people need guidance to adapt their expectations.

Attitudes and expectations are important factors in the job search process. Young people with expectations of a lifetime job in the public sector will spend much time looking for such a job even if their chance of obtaining one is very small. Employers, on the other hand, reject people seeking their first jobs because they want experienced candidates who have proven skills.

A survey among country experts shows that employers' hesitations about hiring young job seekers are serious obstacles for the young in many African countries (Figure 6.33.). Employers everywhere prefer candidates with experience over those without it. Especially where education systems are generally poor, job seekers without working experience are likely to have few relevant skills and employers would need to invest in training. Waiting for those young people who already have some experience allows employers to benefit from the training that job seekers might have received elsewhere. Experience can also be evidence of the employability of a young person. Given the large numbers of the unemployed young in Africa, employers can easily reject job seekers without any experience because there will be many others available who already have some experience. As long as the large surplus of unemployed youth persists, employers will try to benefit from their ability to choose and give preference to the experienced and those who have obtained training elsewhere.

Figure 6.33. **Employers' expectations are a challenge for young people entering the job market, in percentage of responding countries**



Source: AEO Country Experts Survey 2012; 37 countries.

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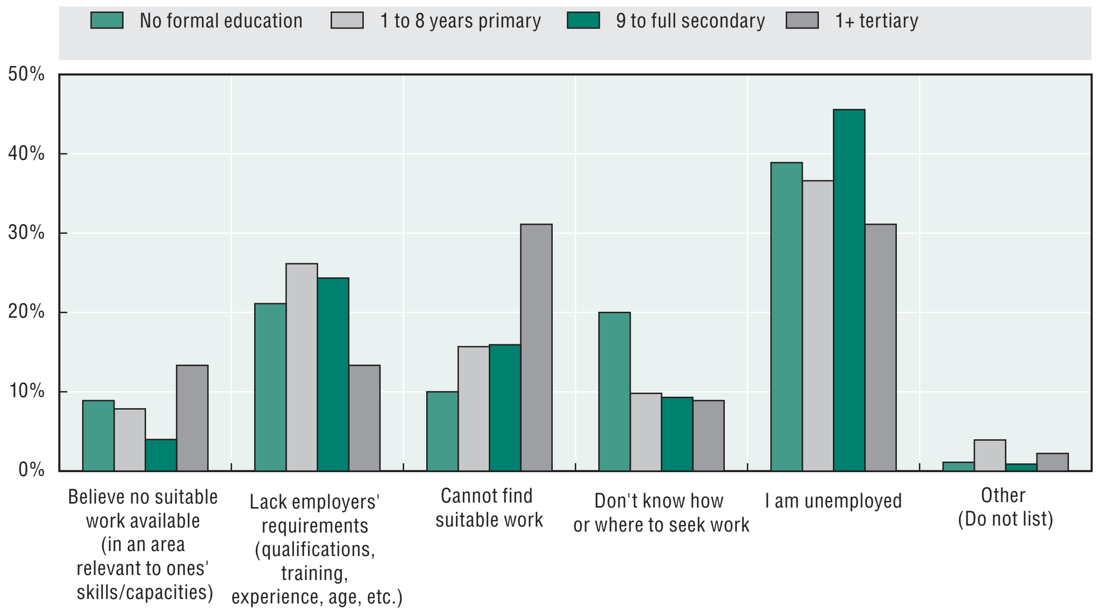
Employers therefore need incentives to give young job seekers a chance. But these must be designed carefully to avoid negative side effects and displacement of existing workers. Apprentices and interns are time-consuming and costly for employers who should be compensated in one way or another. In some countries direct or indirect incentives are offered to companies in exchange for recruiting young people: employers are given funds that cover a part or the whole of the salaries of young workers, as well as other financial advantages such as social security waivers or reduction in labour taxes. This programme allows employers to narrow the gap between the presumed low productivity of inexperienced young workers and real wages. However, wage or training subsidies have unintended side-effects that can limit net employment gains in the short term (Calmfors 1994). These include deadweight loss (a subsidy is paid to unemployed person who would have also have been hired in the absence of the programme), substitution effects (jobs created for the target groups replace jobs for other groups) and displacement effects (the possible reduction of jobs elsewhere in the market). Subsidies can also impose a stigma effect on participants: if targeting is based on socio-demographic characteristics, employers may have a negative perception of the target group, limiting the impact of the programme (National Treasury, South Africa 2011).

Given the small size of the formal sector, informal firms need to be targeted as well. According to Charmes (2012) informal firms can even have learning advantages for youth, providing an even richer learning environment, because they have few staff and young interns or apprentices will be exposed to a much wider range of business activities. However, in the case of informal entrepreneurs tax incentives are not appropriate since informal entrepreneurs are not supposed to be taxpayers. Other creative solutions are necessary.

Figure 6.34. **Unemployed and discouraged youth: Self-reported reasons for not working**



Source: Authors' calculations based on Gallup World Poll (2010).
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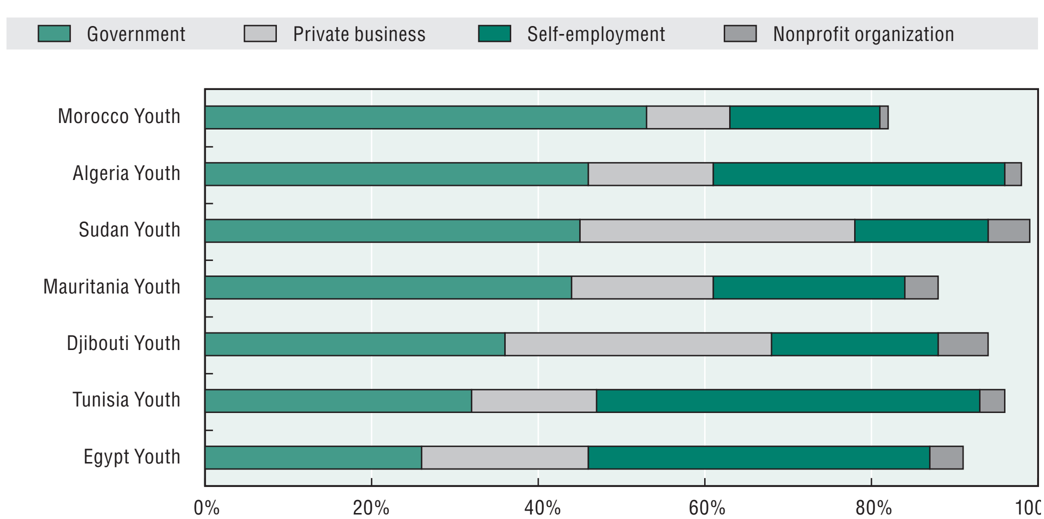
Many young Africans have expectations that do not match the realities of the labour markets they face. Young people with higher education, in particular, are often unwilling to take jobs that do not fit their profile and may well offer lower pay or less job security than they expect. Figure 6.34. shows that among unemployed and discouraged youth with at least one year of tertiary education 25% report not being able to find work that suits their skills and capacities. For young people without education this share is only 8%. Along similar lines, De Vreyer and Roubaud (2012) find that in the early 2000s in West Africa 82% of jobs created were in the informal sector, but only 48% of the young wanted informal sector jobs. The public sector, which created virtually no jobs in the two years preceding the survey (fewer than 4% of new jobs), was still the target of 27% of young people's aspirations.

Figure 6.35. **Where do you want to work, assuming equal pay and benefits?**



Source: Silatech (2009), based on Gallup World Poll data.
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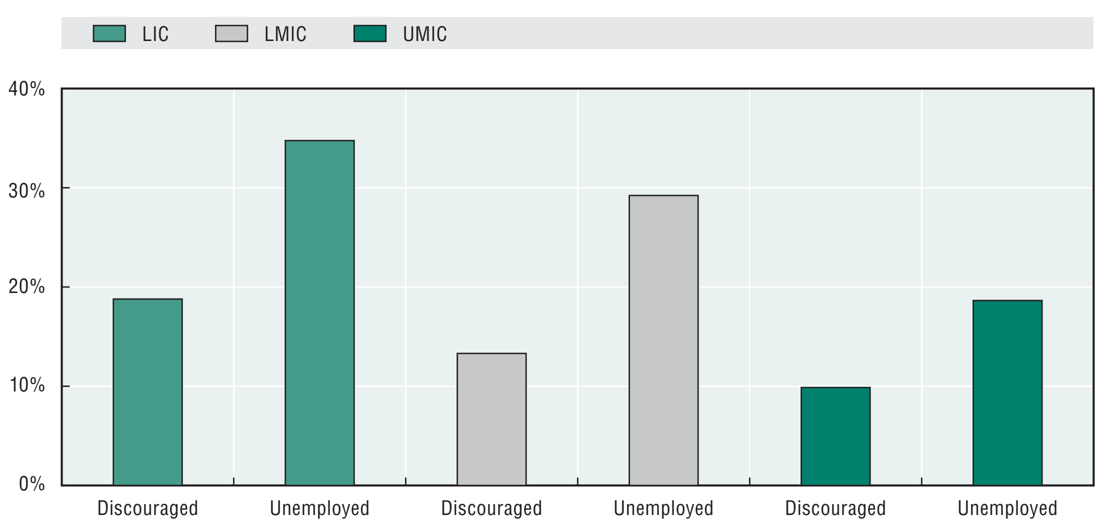
In North Africa in particular many young people want a government job and will face disappointment. Figure 6.35. shows their answers to the question: “Assuming equal pay and benefits, where would you prefer to work?” in seven North African countries. Egypt and Tunisia, the two North African Arab Spring countries, have the largest proportions of youth who prefer government employment to private sector jobs or self-employment. In Egypt 53% of the young want a government job, but only 18% of those aged 25-29 have one. In Tunisia 46% of youth want a government job, but the proportion of the 25-29 age group with a government job is the same as in Egypt. In both countries, employment with private business seems to have no appeal to young people. This large gap between young people’s expectations and the reality of the job market has undoubtedly caused much frustration and will continue to do so until expectations have adjusted. The expectations gap also causes higher youth unemployment since young people hold out for the expected public sector job instead of searching for work in the private sector. Creating more public sector employment cannot be a sustainable response to this gap. Public employment proportions are already very high in North African countries. Instead efforts must be made to help young people develop realistic expectations and to create a strong private sector, capable of offering attractive jobs.

Unemployed young people in MICs are less inclined to start their own business than those in poor countries. Figure 6.36. shows that among unemployed and discouraged youth, those in poor countries are the most likely to have a plan to start a business. Among the unemployed in LICs 35%, compared with only 19% of the unemployed in UMICS, have a business plan. Similarly, young people with less education are more likely to save money in to start a business than their contemporaries with higher education. These results indicate a shift of attitude among the young. As education and a country’s income levels increase the young are more likely to expect salaried employment. Although this is to a certain extent backed by a higher likelihood of finding such employment, it also inhibits job creation through young entrepreneurs. In UMICs such as South Africa or Algeria, where more than 50% of young people are in NEET, this lack of entrepreneurial attitude might partly explain the small share of informal sector activity among the young. Yet such activity would be greatly preferable to inactivity and discouragement. Young people in these countries need early guidance on the labour market they will face once out of school as well as support and incentives to engage in entrepreneurship instead of NEET.

Figure 6.36. **Unemployed and discouraged youth with plans for a business, by country income group**



Source: Authors' calculations based on Gallup World Poll (2010).

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Labour market regulation – The young need rules that make employing young people attractive

Young people need labour market regulations that ensure, as far as possible, that work is decent but at the same time do not inhibit labour market turnover and do not create dual labour markets with a well protected segment of older incumbents and a less protected segment of youth who would have to bear the full brunt of any adjustments. The country survey finds that severance pay provisions are the major type of employment protection with negative impact on youth employment. In developing countries, employment protection rules are often a low-cost alternative to providing social insurance to workers. Decoupling social protection from employment status would thus be an important step that could help with labour market flexibility and protection of vulnerable youth at the same time. Individual unemployment saving accounts (IUSAs) can provide a useful building block in such a strategy. In addition, young people need more flexible labour regulations which allow for internships and shorter term contracts for young people to help them obtain their first working experience and prove their employability.

Both African enterprises and AEO country experts consider labour regulations to be far down a long list of more important obstacles to youth employment (Figure 6.34. and Figure 6.37.)**. This is not because labour regulations in Africa are very youth friendly but because enforcement is often low and other problems are more pressing.** In fact, World Bank *Doing Business* (2012a) data, which are based on assessments of labour regulations as they are stipulated in national law, rather than their implementation in practice, shows labour regulations in Africa to be the most rigid in the world. The average rigidity of employment of sub-Saharan African labour regulation in 2008 was 47.1, compared to 35.8 in North Africa; 23.0 in East Asia and 31.7 in Latin America (Fox and Sekkel, 2006). According to enterprise survey data, which are based on responses by firms based on their day-to-day experience, on the other hand, only 1% of firms in sub-Saharan Africa consider labour regulations to be their most important obstacle, compared to 8% in Latin America, the region with the highest value. Among African countries, those with higher income are more likely to rate labour regulations as an important obstacle than poorer countries, suggesting that governments have stronger implementation capacity but also that other constituencies, such as organised labour gain in strength (Gelb *et al.*, 2007a).

Nevertheless, overly rigid labour regulations exercise a burden on youth. Although the evidence is mixed as to whether employment protection legislation (EPL) has a negative impact on total employment, the link between stricter EPL and negative outcomes for youth has been more clearly established. International experience shows that EPL can push employment from the formal to the informal sector and reduce turnover, thereby limiting opportunities for new entrants, *i.e.* young people (Box 6.11.). Furthermore, even though *de jure* labour regulations might have little practical meaning in many poor countries because of low enforcement capacity on the part of the government and a large informal sector, they may still discourage investors. Foreign investors with limited knowledge of the local context in particular might be deterred by seemingly strict labour regulations that could increase operating costs if enforced.

In North African countries labour regulations are particularly rigid. Morocco (132nd) and Egypt (141st) rank amongst the countries with the least efficient labour markets according to the World Economic Forum's Global Competitiveness Index (GCI) of 142 countries. The rules in these countries are so strict that they have a doubly negative impact on young job seekers. On the one hand, employers are reluctant to employ youth in permanent positions because of very high job protection and dismissal costs. On the other hand, the rules make it very difficult to set up internships or short-term contracts which would help graduates to acquire valuable skills for the market place while allowing companies to test the employees over a fixed period before making a longer-term hiring decision (World Economic Forum, Arab World Competitiveness Report 2011/12). Both sets of rules need urgent reform. Establishing new rules for internships and short-term contracts only, without also easing the protection requirements on existing contracts, could easily lead to the creation of a dual labour market where the brunt of adjustment will always be felt by the unprotected workers, who are often the young (Box 6.11.).

Box 6.11. Effects of employment protection legislation around the world

Fears that EPL might significantly lower aggregate employment have not materialised, according to the available evidence, although there are notable differences from country to country. The assessment of evidence for OECD countries (OECD, 2006) concludes that the effect of EPL on overall unemployment is probably small. Studies of its impact on total employment find negative effects in some countries and none at all in others. Much of the evidence comes from Latin America, which tends to have both more costly job security provisions (Heckman and Pagés, 2000) and more available data. Even within Latin American economies, the evidence is mixed (Freeman, 2009): there are sizeable effects on unemployment in Colombia, but not in Chile, while findings from cross-country analysis do not always coincide with those from time-series or panel studies (see Kucera and Xenogiani, 2009). This suggests that measures of job protection legislation and its cost taken across countries tend to hide important differences in implementation.

On the other hand, there are also cautionary tales of employment protection that is overly restrictive or increases costs while offering only limited benefits. The inference is that the quality and details of employment protection legislation matter. In stark contrast with the modest aggregate effects observed in Latin American studies, research in India not only finds that pro-worker employment legislation shifts workers and output from the formal to informal sector (Besley and Burgess, 2003), but that pro-worker legislation brings workers no gains. Similarly, Kucera and Xenogiani (2009) interpret findings that link the regulatory burden to the size of the informal economy as representing how labour is regulated (especially through firm entry) rather than how much it is regulated. The effects of labour regulation on employment outcomes also depend on enforcement, which is typically imperfect. Increased enforcement efforts in the case of Brazil led to lower rates of informality but also to more unemployment and smaller firms (Almeida and Carneiro, 2009). In Indonesia during the 1990s, increased compliance with minimum wages was the key pathway to increased pay in the textile, footwear and apparel industry (Harrison and Scorse, 2010).

EPL may have a larger effect on youth employment in another respect, insofar as it limits turnover in the labour market and therefore creates barriers for new entrants. Studies of changes in EPL for Chile and Colombia do find that weaker EPL is associated with declines in job tenure, higher separation rates, and increased hiring in the formal sector (Freeman, 2009). Using a firm-level dataset for a set of 16 industrialised and developing countries, Haltiwanger et al. (2008) find that, although industry and firm size account for a large share of gross job flows, labour regulations are associated with lower job flows. If labour legislation reduces the ability of firms to adjust their workforce accordingly, particularly in downturns, it may have effects on aggregate performance.

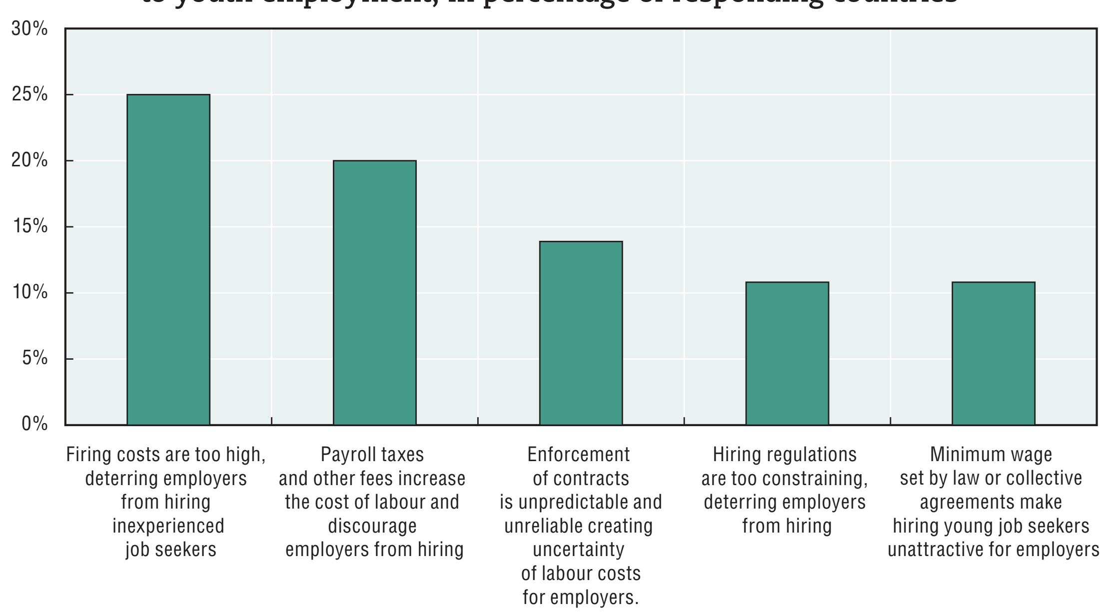
Lower gross flows may raise youth unemployment by increasing the time new entrants need to find a job. This may only be a transitional difficulty for many young people, but those who remain unemployed for long periods may develop disadvantages that will affect them permanently throughout their careers. One answer to such challenges is the creation of specific non-standard employment contracts (with limited protection) for the young. However, experience suggests that such fixes, albeit effective, can create a trap which leads to those eligible remaining caught in fixed-term contracts with relatively little prospect of upgrading human capital. From a general standpoint, this leads to dual labour markets – although in quite a different form from the divide between formal and informal employment – which can seriously harm social cohesion. If labour regulations generate two-speed labour markets, the brunt of adjustment is felt mostly in the more flexible part of the market, usually the most unprotected one. Informal workers, and those with little job security, therefore feel all the more insecure.

Source: OECD, 2012a..

AEO country experts, asked about a range of labour regulation elements, identified high dismissal costs as the most important obstacle to youth in African labour markets. High firing costs, usually in the form of regulations of severance pay, can discourage employers from hiring young workers, especially in a risky business environment when it is difficult for firms to predict staffing needs. In many countries with no or very few unemployment benefits, severance pay is the only safety net provision that exists, leading to strong pressure from labour constituencies to keep it generous.[17] The widespread lack of safety nets in many African countries might thus be contributing to forms of employment protection that discourage job creation and impact negatively on youth by imposing high firing costs on employers. Indeed, employment protection rules have often been considered a low-cost way of providing social insurance to workers in developing economies with high shares of informal employment. (Heckman and Pagés, 2004; OECD, 2011). As a result, much employment is shifted to the informal sector, where labour regulation does not apply. At the same time, the high share of informal employment and unemployment results in a small tax base and insufficient resources to establish universal social protection.

Decoupling social protection from employment status can help with labour market flexibility and protection of vulnerable youth at the same time. Decoupling social protection from employment status and shifting the cost burden of social protection away from employment could help to break this cycle of imposing high costs of social protection on employers, which limits labour market flexibility and leads to a large informal sector that does not contribute to social protection systems. Decoupling employment and protection would also make it possible to extend social protection to informal workers and youth in inactivity, thereby providing disadvantaged young people and the working poor with essential support and increasing labour market flexibility. Individual unemployment saving accounts (IUSAs) can provide a useful building block of such a strategy (Robalino *et al.,* 2009).

Figure 6.37. **AEO country experts' rating of labour regulations as obstacles to youth employment, in percentage of responding countries**



Source: AEO Country Experts Survey 2012; 37 countries.

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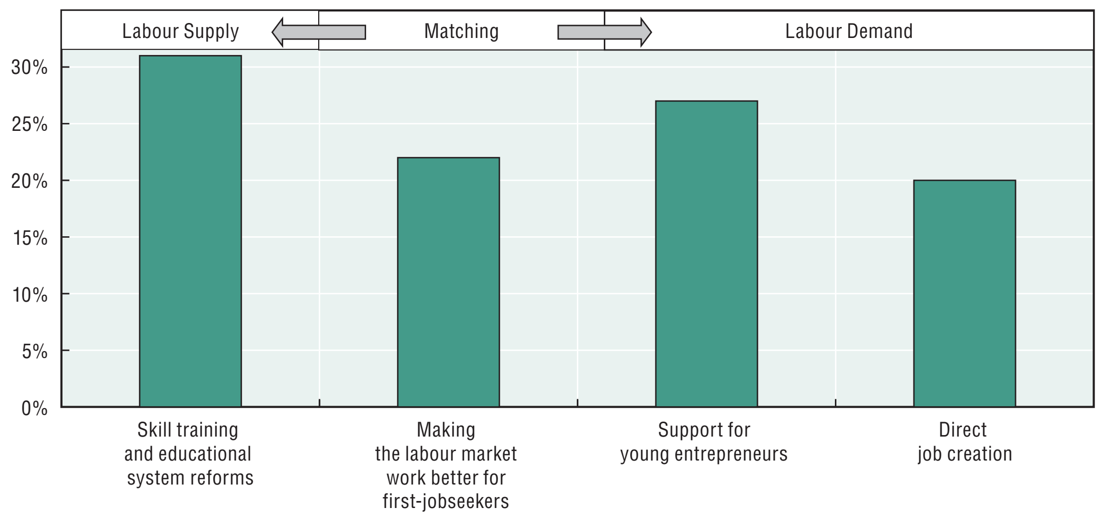
Government action to promote youth employment: a poor track record

Almost every African country is running Active Labour Market Programmes (ALMPs) to reduce unemployment and promote employment for young people. Following the framework of analysis from the preceding section, ALMPs can be classified into three categories, addressing labour demand, labour supply, or labour market mediation and matching**.**

- Programmes addressing *labour demand* aim to create jobs through promoting entrepreneurship; but also through direct jobs creation (public works programmes).
- Programmes addressing *labour supply* generally aim to increase the productivity and employability of young people by providing skill training, and improving the educational system
- Programmes addressing *labour market mediation and matching* improve the functioning of the labour market and link demand and supply through better matching services

Figure 6.38. **Initiatives targeting youth employment, in percentage of responding countries**



Source: AEO Country Experts Survey 2012; 37 countries.

StatLink http://dx.doi.org/10.1787/888932600982

Figure 6.38. shows that programmes addressing labour supply and skills training are most frequent. In the sample 31 countries have programmes that address labour supply while 27 run programmes to promote entrepreneurship and 20 conduct direct job creation programmes. Measures to make the labour market work better for those seeking their first job are less frequent, involving 22 countries. Generally governments do not limit themselves to one field of action only but most of them undertake several initiatives.

However, the track record of many programmes is poor and coverage is low. Among 36 AEO country experts, 21 said programmes implemented to tackle youth unemployment are dysfunctional and have a low coverage; programmes are well-developed covering more than 50% of young jobseekers in only one country (Morocco). According to a survey carried out in 19 countries (Afrobarometer, 2008) 69% of respondents think that their government handles job creation badly while only 27% find that their government is dealing well with the matter. The country notes accompanying this report as well as the literature on the promotion of youth employment in Africa, much of it discussed in preceding sections, identify the following shortcomings shared by many government programmes:

- Responsibilities for youth employment policies are split between too many government actors with insufficient co-ordination among them;
- Lack of data and understanding of the challenges young people face, especially in the informal sector;
- Lack of evidence on what really works and therefore programmes that are poorly designed and funded;
- Piecemeal programmes that are not sufficiently comprehensive to address all the major bottlenecks that hold young people back.

Box 6.12. presents experiences with success and failure in promoting youth employment from UNDP's regional programme for youth employment in West Africa.

Box 6.12. **UNDP YERP: Lessons of success and failure in youth employment initiatives**

Established in 2009 the Regional Programme for Youth Employment and Social Cohesion (YERP) is a project managed by the United Nations Development Programme (UNDP's) regional Service Centre based in Dakar, Senegal.

In spite of its recent creation YERP has achieved some notable successes. One example is the training of youth and provision of credit for the development of agri-businesses in Guinea. The project aims to train 200 Guinean youths over the next two years. In collaboration with IFAD, ILO, UNIDO and WFP, and the Songhai Centre in Benin, YERP is offering training in youth entrepreneurship, self-employment and project design in agricultural projects. Thanks to her training at the Songhai Centre, Fatimatou Saidou Diallo, a 34-year Guinean young mother, has expanded her farm, where she produces chickens and eggs. A revolving loan from a microfinance institution established by UNDP to support agricultural entrepreneurship allowed her to buy 3 000 chicks and 1 700 laying hens for her farm. In addition to a higher income, she now employs six youths full time and has trained a large number of others. She also offers continued advice and monitoring services to four chicken farms in the area. During a January 2012 visit to her farm, the UNDP administrator hailed the courage of young people like Ms. Diallo who take the risk of borrowing and investing in sectors where their elders do not see opportunity.

The key to the success of this project and similar ones is the collaboration of several institutions, each contributing its specific expertise. More important, however, the integration of training, post-training coaching and access to low-interest credit is the most important aspect of this success story. Through YERP's revolving fund, the trainees are able to start their own businesses. The fund is deployed through six local micro-finance institutions selected by a steering committee. Since the beginning of the programme, 3 406 young people – 1 845 young women and 1 561 young men have benefited from the revolving fund to create and develop their own businesses in sectors including retail trade, textiles, agri-business, food industry and breeding. The rate of loan recovery is very high, making the fund self-sustaining.

A case where success has been less obvious can be seen in that of a skills training initiative developed in The Gambia to promote youth employability. YERP targets women and youth with the objective of reducing unemployment, underemployment and poverty. GAMJOBS (Gambia Priority Employment Programme), in collaboration with the National Training Authority (NTA), is implementing a Master Crafts Persons Apprenticeship Training Programme that promotes education as well as technical and vocational training (TVET) in several fields: textiles, cookery, hairdressing, mobile telephone repair and information technology, agriculture, tie-and-dye, soap making, food processing, auto mechanic, agriculture/horticulture, carpentry, construction, electrical installations and fisheries. All skills training programmes offered under this project are NTA accredited. The objective was to offer women and young people the opportunity to increase their skills, giving them the tools to seek employment or become self-employed at the end of their training. Currently, out of the initial target of 1 000 young men and women, 388 have been trained in entrepreneurship but have had to wait a long time before accessing funds to start their own business.

The impact of this initiative has been limited by its delay in implementation. For example, it emerged that the tools and other equipment that were expected to be provided by the NTA to Master Crafts Persons and some of the protective gear for the trainees had not been procured in time, negatively affecting the quality of the training, its duration and retention of trainees. Moreover, unlike the integrated approach adopted in the Guinean case, vocational training was not integrated into The Gambia's funding strategy for youth employment. Furthermore, the lack of co-ordination between training initiatives, procurement process for training equipment and micro credit meant that the trainees could not mobilise the required start-up capital to start their own small businesses. In the end, a number of trainees did not benefit immediately from their training

Source: UNDP.

Government action to promote youth employment needs better coordination. The lack of institutional co-ordination and the heterogeneity of the actors intervening in the fight against youth unemployment are a major obstacle in Africa. In many countries the responsibility for youth employment policy is split among a wide range of ministries and agencies, often operating in isolation and with little co-ordination. The lack of a coherent strategic approach results in fragmentation of efforts and wasted resources.

Efforts to improve availability and quality of employment data in Africa are crucial. In most African countries employment data are very scarce, preventing a better understanding of what young people need to obtain good jobs. As discussed earlier in the context of the data used for this report, data on employment are notoriously difficult to obtain in Africa. Unemployment registers exist in some countries, but are often confined to urban areas and are not comprehensive, leaving household surveys as the only alternative to obtain comprehensive data. However, employment focused surveys, such as LFSs, are sparse in Africa. Only the better-off middle income countries in Southern and North Africa conduct them regularly. Good panel surveys that follow individuals over time and provide data on the longer term impact of evaluation and the dynamics of movement between different segments of the labour market are even rarer. Where LFSs exist, they are often outdated (more than five years old) and do not contain adequately disaggregated data (by age, gender, location). In the country expert survey only six respondents considered the government to have very good knowledge of the situation of youth in the labour market. The governments of 14 countries are considered to have only little or no knowledge. The lack of data makes it difficult for policy makers to understand the nature of the employment challenge and take informed decisions on how to support young people in the labour market.

The scarcity of data on informal employment and entrepreneurship in particular is a major obstacle given the importance of this sector for youth employment. Box 6.13. presents the 1-2-3 survey experience in Africa, which should be replicated to improve the grasp of, and response to, youth employment challenges.

Box 6.13. **Measuring employment and informal economy: the 1-2-3 Survey experience in Africa**

In spite of its universally-recognised role as a transmission belt between macroeconomic dynamics and poverty, information on African labour markets remains thin because of a lack of data. LFS, a core statistical tool to measure households' economic activities in most countries in the world, are not well adapted to sub-Saharan Africa (SSA). The predominance of the informal sector in African economies is a further hindrance to traditional survey tools. This sector is by far the leading job provider in urban areas, and the second in rural areas after agriculture. However the informal sector remains largely neglected, in need of sound, evidence-based policies.

The 1-2-3 Survey has been specifically created to fill this measurement gap. The 1-2-3 Survey is a mixed household/enterprise survey specifically designed to capture the informal sector in all its dimensions (Razafindrakoto *et al*., 2009). Phase 1 is an extended LFS, providing accurate labour market indicators which go beyond the unemployment rate. It includes main and secondary jobs by status of firm (formal/informal) and their attributes. Phase 2 is an enterprise survey, carried out on a representative sub-sample of informal firms identified in Phase 1 which seeks to measure their main economic and productive characteristics. Phase 3 is an income and expenditure type household survey, the sample of which is drawn from Phase 1 and the aim of which is to estimate the weight of the formal and informal sectors in household consumption. Since its debut in Cameroon in 1993 and in Madagascar in 1995, the 1-2-3 Survey has been conducted in 15 African countries, as well as in Latin America and Asia. Initially covering only the main agglomerations most of the surveys are now conducted nationwide.

The 1-2-3 Survey allows for varying configurations reflecting the needs and particularities of different countries. In some countries a panel data component has been included (Benin, Burundi, Madagascar). The survey can be used to construct ad hoc control groups to evaluate the impact of labour or informal sector policies and projects (for instance, microcredit in Madagascar). It has become a benchmark used in a wide range of applications, and some of its contributions (sampling and questionnaires) have been gradually incorporated into other types of household surveys.

1-2-3 Surveys have allowed researchers to address a wide range of issues in multi-country studies, such as returns to education, skills-jobs mismatches, vulnerability in employment, labour market segmentation and formal/informal earnings gaps, ethnic and gender discrimination, migration in its different components, job satisfaction, intergenerational transmission and inter-sector and intra-sector equality of opportunities. Some of these contributions are gathered in a book on urban labour markets in SSA (De Vreyer and Roubaud, 2012). Based on Phase 2, informal sector potential, constraints (economic, institutional and social), and heterogeneity have been investigated in depth in the frame of a multi-partner international research programme (Grimm et al., 2011b).

Among the challenges ahead, first, LFS and informal sector surveys should be institutionalised and conducted with a greater frequency. The 1-2-3 Surveys should be implemented in non-Francophone countries. Second, the survey results should serve as inputs to enlarge the depth of national accounts, by measuring consistently the informal economy's contribution. Finally, the surveys should serve to elaborate, monitor, evaluate and expand specific policies dedicated to improving labour market functioning and supporting the informal sector.

Source: François Roubaud, DIAL.

Policy makers and programme designers need much better evidence of what works and what does not in youth employment promotion. Despite abundant international reporting on ALMPs, evidence of long-term benefits and cost-effectiveness is insufficient, as most programmes remain largely unmonitored and unevaluated. Any programme aimed at bringing young people into employment is based on an assumption of what the main obstacles to youth employment are and how they can best be removed given the country context and target group. Implementation puts these assumptions to the test and most often reveals additional factors that had not been taken into account at the planning stage. Without good monitoring and evaluation, however, these additional factors remain in the dark. Programmes fail, but the reason for such failure remains unknown. Without understanding the causes of failure, corrective measures are not possible and new programmes will repeat the same mistakes. Similarly, programmes might show the expected results, but at a high cost (see Box 3 on public works and cost effectiveness). Cost-effectiveness analysis is necessary to design programmes that get the best results for a given amount of resources. The current level of knowledge on which programmes are the most effective in the different contexts of LICs and MICs is very low. In a global review of evaluations of ALMPs targeting youth, Betcherman *et al.* (2007) found that Sub Saharan Africa and the Middle East and North Africa region had the lowest coverage and quality of evaluations of such programmes. More and better evaluations mixing control group designs with participative methods and cost-effectiveness analysis are needed to help policy makers identify what really works best.

Box 6.14. **Public works programmes: Better for social protection than promoting youth employment**

Faced with insufficient labour demand and many youth in NEET, governments use public works programmes as short term fixes to create jobs. Evaluations show, however, that they are generally better suited to provide a social protection floor than to promote youth employment. In terms of job creation, most programmes provide only short-term employment opportunities. There is little evidence that participation in public works programmes improves the transition to formal private sector employment (Dar and Tzannatos, 1999; Betcherman, *et al.* 2004). Finally, public works programmes can create dependency on cash transfers, hindering beneficiaries' transition to unsubsidised employment (Puerto, 2007).

One example of a public works programme is AGETIP Senegal (Agence d'Exécution des Travaux d'Intérêt Public contre le sous-emploi), a US$ 33 million initiative created in 1989. The programme was conceived primarily as a means of providing employment to young people. Although largely regarded as a success, an evaluation of the programme showed an average cost of USD 37 per job per day (World Bank, 2007b). Given that a large share of Senegal's population lives on less than USD 2 per day (PPP) and that most of these jobs remained temporary, the cost-effectiveness of this programme is low.

In contrast to AGETIP, the PSNP (Productive Safety Net Programme) in Ethiopia, launched in 2005 was conceived primarily as a means to distribute transfers both in cash and in kind to chronically food-insecure households, while at the same time creating community assets through a required employment component (Holmes and Jones, 2011; Koohi-Kamali, 2010). Two recent evaluations of the programme showed an asset-protection impact. Beneficiaries of the programme showed higher growth in income and assets than non-beneficiaries (Sabates-Wheeler and Devereux, 2010; Devereux and Guenther, 2009). The evidence from PSNP, and other similar initiatives, indicates that programmes designed primarily as a means of cash transfer are more successful than those aiming to provide employment.

Programmes to promote youth employment can be most effective when addressing all important constraints, not just one. Evaluation shows that programmes based on a single initiative are unlikely to work for the unemployed young. Instead programmes are most effective when they address financial and skill gaps at the same time. Skill building and temporary employment programmes need to be followed by job placements. Strong co-operation with the private sector to understand employers needs and create opportunities for young people in the form of apprenticeships and internships are crucial.

Young people are Africa's greatest asset, but need solutions to structural problems

Today's young people in Africa are more numerous and better educated than ever before. These young people represent a great opportunity, but also enormous challenges to which African countries must rise. Africa's strong economic growth of the last decade has translated into jobs but not enough of them, particularly not for young labour market entrants. Working poverty and vulnerable employment continue to be realities for the majority of young people in Africa, especially in the poorest countries. In countries that are further along the path of economic development, NEET rates of youth are rising as the informal sector faces lower demand from a middle class that prefers higher quality products, while the still small formal economy is moving towards a higher skill equilibrium leaving behind those without the right skills.

The youth employment challenge in Africa is primarily structural and therefore needs structural solutions. Specific initiatives aimed at bringing a select group of youth into employment might have a positive impact, but will not be sufficient to change the dynamics substantially. Despite the challenging short-term outlook, the long term perspective is good, if African governments effectively tackle the hurdles young people face.

To tackle the challenges young people face in African labour markets, policy makers must address bottlenecks constraining the demand for labour, while at the same time helping young people to obtain the skills to succeed in a tough labour market.

The analysis presented in the chapter has clearly shown that any youth employment policy must centre on job creation in the private sector and provide the right conditions for businesses of all sizes to grow and expand their workforce. The constraints companies face change with their size and a country's income level. Electricity is the biggest constraint to all firms. Larger firms tend to suffer from high costs of transport inhibiting their competitiveness. Small enterprises are held back by insufficient access to finance and land. Micro-credit has been able to solve some of this but only for the smallest enterprises, it cannot support expansion. Under current conditions, hardly any small enterprises manage to grow to medium size.

Labour regulations, often the first object of blame for poor labour market outcomes for young people, are not a binding constraint in poor countries. Although unfavourable on paper, they are much less relevant in practice. As countries grow richer and better at enforcing rules, however, overly stringent labour regulations become more of a concern. Reforms should be enacted before reaching this state. Creating social protection systems that are linked to the individual, irrespective of employment status, could be an important component of such reforms, easing the burden of severance pay.

Given the small size of the formal sector in most African countries, governments must change their outlook on the informal sector and on rural areas and promote job creation there too. Together these sectors account for the large majority of young people and show significant potential that can be harnessed. Research shows that among the many informal micro entrepreneurs, some show very high returns to their investment and promising entrepreneurial skills but are held back by many constraints. Identifying these young entrepreneurs that have potential, supporting them and tackling the constraints they face, especially in access to finance, markets and insurance against risks, can enable them to create jobs for other young people. Formalisation should be supported through incentives and information, not punishment and coercion.

In rural areas non-farm household enterprise activities have been growing substantially over recent years, allowing households to diversify their income sources and young people to find economic opportunities. Youth in rural non-farm employment are on average much better off than youth in farming and already today across all of Africa 53% of young people in rural areas are not in agriculture, but engaged in other activities. Household enterprises in rural areas need further support. Their needs are similar to those of other firms, but also include better linkages to markets and urban centres, as well as skills and training adapted to the rural environment.

To provide young people with the right skills and to overcome skills mismatches, governments must focus on expanding education beyond primary schooling and improve its quality and relevance. The analysis in this chapter has shown that higher education is linked to higher unemployment among young people, but also to better employment status, higher wages and lower unemployment among adults. Skills mismatches are at work. It has also shown that returns to education are much more significant at secondary schooling than earlier, which makes a strong case for expanding education beyond primary school. The long transition time from schooling into employment for many youth suggests that education at this level is too generalised and instils few of the practical skills that small firms or self-employment require. TVSD can be an important tool especially when done in cooperation with firms, but plays a minimal role for the time being. A much larger share of youth goes through informal apprenticeships. Governments must find ways to recognise these and combine them with formal education. At the university level, Africa has the highest share of social science and humanities graduates of any world region. Its share of engineers is the lowest. Only 2% of students are in agriculture, the same as in OECD countries, although this sector is clearly Africa's comparative advantage. Education in technical fields is expensive and requires scarce expertise. Governments should seek cooperation with the private sector to provide high quality technical education at both secondary and tertiary levels.

Finally, more evaluation and labour market information is key for better youth employment programmes. The coverage of labour force surveys and evaluations of labour market programmes in Africa is very low compared to other regions. As a result, policy makers and programme designers have little evidence to go on and many programmes show few results. Governments and donors should focus on filling this void.

Notes

1. The ILO definition of vulnerable employment is based on employment status only. It does not take into account the number of hours worked. It therefore does not account for those that are wage employed but underemployed. Gallup World Poll data on the other hand provides employment status for full-time workers only, part-time workers are categorised as either voluntary or involuntary. Analysis based on Gallup World Poll data in this chapter, therefore counts any employment that is less than full-time as vulnerable.

2. Adapted from ILO.

3. See also note 1.

4. It should be noted that although the TRENDS model is used here to fill some data gaps, its projections are subject to severe data limitations for most African countries.

5. See Charmes (2009) for an analysis of the linkages between self-employment and informality. In the 1990s in sub-Saharan Africa 72% of the self-employed were in informal employment. In North Africa this share was 63%.

6. Figure 6.4. also serves to dispel the "lump-of-labour fallacy", the belief that older workers occupy the jobs young people could have if the old were just to retire. Although this may be plausible in the context of a stable or shrinking government workforce –as is shown later– the high correlation between adult and youth unemployment suggests otherwise. Countries with high adult unemployment also have high youth unemployment and vice versa. Both adult and youth unemployment thus reflect the overall demand for labour. In most sectors, adult labour and youth labour are sufficiently different to be only marginally substitutable. Adults have more experience and often fulfil different roles from those of labour market entrants. Adults can therefore not easily be replaced by labour market entrants.

7. ILO definitions,1993 & 2003: non-farm household businesses, unregistered businesses and firms with less than five workers.

8. Gallup World Poll data allows making a distinction between the underemployed and other vulnerable workers, which is not made in all LFS.

9. Data from Gallup World Poll.

10. This figure is the counterpiece to Figure 8. For each category the sum of the two bars is equal to 100.

11. Some urban areas are exceptions to this trend: Kuépié and Nordman (2011) find that unemployment rates for young men with higher education are lower than for youth with little education in Brazzaville and Pointe Noire. Young women follow the same trend observed elsewhere in Africa.

12. Population refers to the total cohort, not only those in the labour force.

13. Already in the 1990s Antoine *et al.* (2001) identified a deteriorating trend of employment opportunities for young people in urban West Africa.

14. In Egypt, for example, most banks demand collateral of 150% of the loan amount, making access to finance impossible for small businesses that face credit constraints to growth.

15. Böhme and Thiele (2011) show this mechanism at work using data for West African urban areas.

16. Rodrik (2006) reports that the employment share of tradables dropped from 40% in 1982 to 30% in 2004, whereas the share of private non-tradables sectors (financial services, construction, trade, retail, transport, and other services) increased from 28% to 36% during the same time. In 2004 about 60% of workers employed in manufacturing were classified as low-skilled and unskilled, compared to only 25% in private non-tradable sectors (financial services, construction, trade, retail, transport, and other services).

17. See for example Business Daily (Kenya), November 9, 2011: Africa: Cost of Sacking Workers Erodes Kenya's Appeal to Big Investors "It (the costly severance pay) is necessary because we do not have unemployment benefits like in other countries,» said Noah Chune, a labour economist and education director at the Central Organisation of Trade Unions (COTU). He said that sacked Kenyan workers do not have any other source of income to fall back on." Accessed at http://allafrica.com/stories/201111091241.html, on 2 March 2012.

Figure Notes

Figure 6.3. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.7. LIC group: Burkina Faso, Burundi, Central Afr. Rep., Chad, Congo Dem. Rep., Kenya, Liberia, Malawi, Mali, Niger, Rwanda, Sierra Leone, Tanzania, Uganda, Zimbabwe, ; MIC group: Botswana, Cameroon, Cote d'Ivoire, Ghana, Nigeria, Senegal, South Africa, Zambia

Figure 6.8. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.9. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.10. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.11. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone,

Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.12. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe,

Figure 6.13. MIC group: Algeria, Botswana, Cameroon, Djibouti, Egypt, Ghana, Libya, Mauritania, Morocco, Nigeria, Senegal, Sudan, South Africa, Tunisia

Figure 6.14. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.15. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.16. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.17. LIC group: Benin, Burkina Faso, Burundi, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Madagascar, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, Tanzania, Togo, Uganda, Zimbabwe; LMIC group: Angola, Cameroon, Congo, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan, Zambia; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.21. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.22. LIC group: Burkina Faso, Burundi, Central Afr. Rep., Chad, Congo Dem. Rep., Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zimbabwe; LMIC group: Angola, Cameroon, Congo, Cote d'Ivoire, Ghana, Nigeria, Senegal, Zambia; UMIC group: Botswana, South Africa

Figure 6.24. Algeria, Comoros, Djibouti, Egypt, Mauritania, Morocco, Somalia, Sudan, Tunisia

Figure 6.25. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.29. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.34. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.36. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

Figure 6.39. LIC group: Burkina Faso, Burundi, Central Afr. Rep., Chad, Congo Dem. Rep., Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zimbabwe; LMIC group: Angola, Cameroon, Congo, Cote d'Ivoire, Ghana, Nigeria, Senegal, Zambia; UMIC group: Botswana, South Africa

Figure 6.40. LIC group: Burkina Faso, Central Afr. Rep., Chad, Comoros, Kenya, Liberia, Mali, Niger, Sierra Leone, Somalia, Tanzania, Uganda, Zimbabwe; LMIC group: Cameroon, Djibouti, Egypt, Ghana, Mauritania, Morocco, Nigeria, Senegal, Sudan; UMIC group: Algeria, Botswana, Libya, South Africa, Tunisia

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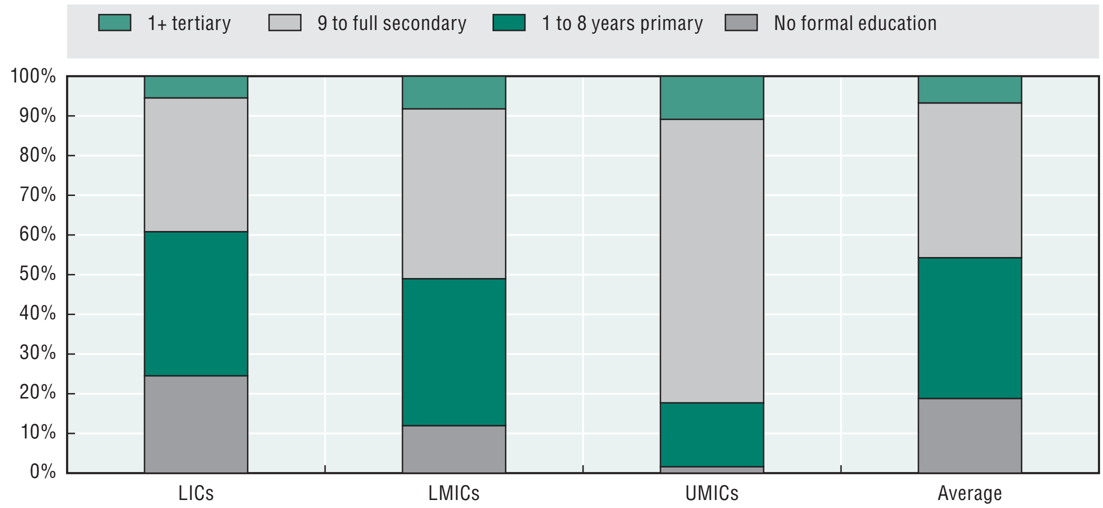
Annex I: Basic characteristics of African youth

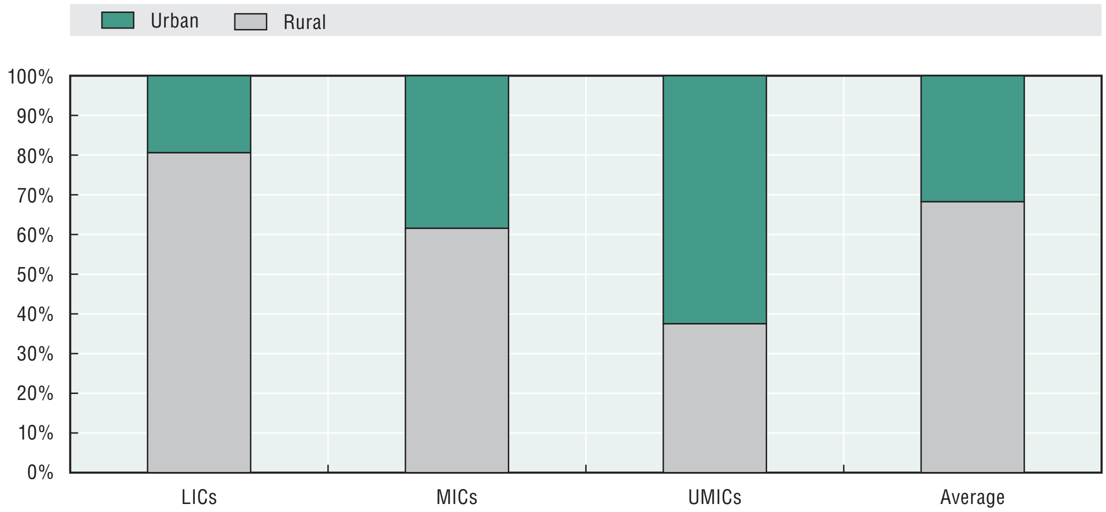
Some basic statistics about African 15-24 year olds by country income group, based on Gallup World Poll data.

Figure 6.39. **Education levels among 15-24 year old Africans**



Source: Authors' calculations based on Gallup World Poll (2008-10).
StatLink http://dx.doi.org/10.1787/888932601001

Figure 6.40. **African youth in urban and rural areas by country income**



Source: Authors' calculations based on Gallup World Poll (2008-10).
StatLink http://dx.doi.org/10.1787/888932601020

Annex II: Multivariate analysis of determinants of employment status

This annex explains the multivariate analysis with Gallup World Poll data that underlies the analysis of determinants of employment states among young people referred to in the sections on the unemployed and on education of this chapter

The Model

$$\Pr(y = outcome\ i) = \begin{cases} \dfrac{1}{1+\sum_{i=2}^{m} e^{X_j' \beta_j^{(outcome\ i)}}}; & if \text{ outcome } k = \text{base outcome} \\ \dfrac{e^{X_j' \beta_j^{(outcome\ k)}}}{1+\sum_{i=2}^{m} e^{X_j' \beta_j^{(outcome\ i)}}}; & if \text{ outcome } k = 2, \dots, m \end{cases}$$

The objective is to estimate the effects of each explanatory variable () on the probability to be in one of the 3 categories of employment status (y): NEET, vulnerable employment or wage employment. As the dependent variable (y) takes on more than two categories and those categories have no natural ordering, we use a Multi-logit model and robust estimators to control for heteroscedasticity. The probability of an outcome of the dependent variable is then:

Where the vector X of explanatory variables are:

Age groups	- age15-24 (*reference group*), age[25-29], age[30-34], age[35-39], age[40-44], age[45-49], age[50-64].
Female dummy	- female 1, male 0
Marital dummy	- married 1, Never married 0
Education levels	- no education (*reference group*), [1-8years primary], [9years to full secondary], [1year or more Tertiary]
Urban dummy	- urban 1: rural 0
Country income groups	- low income countries (*reference group*), Low middle income countries [LMIC], Upper middle income countries [UMIC]
Food insecurity dummy	- food insecure 1, food secure 0

Determinants of employment status

Table A1 shows odds ratios which are easier to interpret than pure probabilities. Odds ratios measure the likelihood of being in the corresponding outcome of the dependent variable relatively to being in the base outcome of the dependent variable. In this case the base outcome is NEET. Coefficient values greater than one reflect a higher relative probability to be in the corresponding case than in the reference case and vice versa for values smaller than one. For example, the relative probability of y = *WageEmployed* to the base outcome (NEET) is:

$$\frac{\Pr(y = WageEmployed)}{\Pr(y = NEET)} = e^{X_j' \beta_j^{(WageEmp.)}}$$

Table A.1. **Multinomial logistic regression of the determinants of employment status. The reported coefficients are the relative risk ratios (odd ratios) - (base outcome= NEET)**

VARIABLES	Being Wage employed (1)	Being Vulnerable worker (2)
age15-24 (= reference group)		
age[25-29]	1.607***	1.315***
	(0.143)	(0.083)
age[30-34]	1.969***	1.405***
	(0.192)	(0.100)
age[35-39]	1.752***	1.590***
	(0.188)	(0.124)
age[40-44]	1.706***	1.595***
	(0.205)	(0.135)
age[45-49]	1.952***	1.835***
	(0.253)	(0.168)
age[50-64]	0.876	0.976
	(0.108)	(0.073)
female (vs reference =male)	0.343***	0.472***
	(0.020)	(0.020)
Education levels (reference group = No EDU)		
EDU [1-8years primary]	2.732***	1.530***
	(0.275)	(0.080)
EDU [9years to full secondary]	5.841***	1.380***
	(0.562)	(0.077)
EDU [1year or more Tertiary]	17.052***	1.797***
	(1.972)	(0.163)
Urban (vs reference =rural)	0.853**	0.663***
	(0.057)	(0.035)
Country income groups (reference = LIC)		
Country group (= LMIC)	1.078	0.754***
	(0.080)	(0.041)
Country group (= UMIC)	0.732***	0.185***
	(0.059)	(0.014)
food insecure (vs reference = no)	0.571***	0.922*
	(0.036)	(0.039)
Married and divorced (vs reference=Single)	1.211***	1.190***
	(0.086)	(0.061)
Constant (_const)	0.181***	1.864***
	(0.020)	(0.118)
Regression statistics		
Number of Observations =	13342	
Log pseudolikelihood =	-11886	
Wald chi2 (30) =	2493	
Prob > chi2 =	0.0000	
Pseudo R-squared =	0.114	

Source: Authors' calculations based on Gallup World Poll (2010).
Note: Robust standard errors in parentheses. Significance: *** p<0.01, ** p<0.05, * p<0.1.

The impact of education on the probability to be wage employed

Table A2 shows the predicted probabilities to be in wage employment given educational attainment for young men and young women, also shown in figure 31 of the chapter. The results are based on the model described above, controlling for all factors contained in the vector of explanatory variables X.

Table A.2. **Returns to education.**
The marginal probability of wage employment at each level of education

	Male	Female
EDU [No Edu.]	0.063	0.035
EDU [1-8years primary]	0.129	0.077
EDU [9years to full secondary]	0.287	0.178
EDU [1year or more Tertiary]	0.509	0.373

Source: Authors' calculations based on Gallup World Poll (2010).

Part Three

Country Notes

The content of the country notes reflects the political developments in the countries at the time this report was sent to print (13/04/2012).

An updated analysis, dated 28/05/2012, is available on www.africaneconomicoutlook.org/en/countries.

ALGERIA

- **Growth should be maintained in 2012 and 2013, driven by public investment, internal demand and oil prices.**
- **The main challenges lie in diversifying the economy and intensifying reform.**
- **The unemployment rate among young people is put at 21.5 %, as opposed to 10% for the active population at large.**

Growth in Algeria is estimated to have reached 2.8 % in 2011 (4.8 % if oil and gas are excluded) and should pick up speed in 2012 and 2013, while inflation should stay at a moderate level. Oil and gas production is gradually dropping, from 43.2 million tonnes in 2007 to around 32 million tonnes in 2011. Nevertheless, it accounts for 98% of exports by volume and 70% of tax revenues. The agricultural and services sectors recorded growth of 10% and 5.3% respectively in 2011. In 2012 there is sure to be a conspicuous intensification of political and economic reforms in response to social pressures. The state of emergency in place since 1992 was recently lifted and new legislation passed, relating in particular to political activity and information. New measures were introduced to improve the business climate for small and medium-sized enterprises (SMEs), such as new ways of paying for imports, tax breaks for investment finance and treatment of bank debts. The revision of the public procurement code allowed for an increase in the national preference rate to 25%. Budgetary policy will remain expansionary, with a continuing rate of public investment in line with the five-year 2010-14 plan valued at USD 286 billion. The budget deficit is deepening rapidly but is still moderate.

The chief challenges that Algeria faces in the short and medium terms are the need to diversify the economy, strengthen political and economic reform, improve the business climate, reduce regional inequalities and create jobs. Overall unemployment is estimated at 10% but among the young aged between 15 and 24 the figure rises to 21.5 %. Existing employment programmes have been strengthened; in particular the aid scheme for integration into employment (DIAP) and it has been made easier for young entrepreneurs to obtain credit.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.3	2.8	3.1	4.2
CPI inflation	3.9	4.1	4.3	5.2
Budgetary balance % GDP	-1.0	-1.7	-4.3	-4.9
Current account % GDP	7.6	9.3	5.2	5.9

Source: National authorities' data: estimates (e)and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932601875

ANGOLA

- **Real Gross Domestic Product (GDP) growth is expected to improve substantially in 2012 and 2013 as oil fields come back into operation and new projects begin production.**
- **Angola's main challenges are to improve the exchange rate system and public financial management.**
- **Unemployment affects chiefly the unskilled but there are a growing number of jobless young graduates.**

In 2011 strong growth in the non-oil sector was offset by a decline in oil revenues as a result of lower crude production and exports. Real GDP growth is expected to improve substantially as oil fields come back into operation and new projects start production. Inflation is expected to fall to single figures in 2013. Angola continued to implement the International Monetary Fund (IMF) Stand-By Arrangement (SBA) programme directed at achieving fiscal and monetary tightening; reforms to improve the exchange rate system, including public financial management; and fiscal transparency. In 2011 the country took measures to overhaul the tax regime; established a debt management unit; and put in place measures to manage and track the flows from the oil sector to the budget. The Central Bank moved from a temporary rationing system to an auction approach and developed a comprehensive strategy for private sector development. A contraction in capital expenditure and better expenditure control during 2011 allowed the authorities to make domestic arrears repayments of USD 7.5 billion, which it had incurred since 2009.

Economic growth and fiscal sustainability are still highly dependent on oil revenues. However, oil sector activities are capital-intensive and lack linkages to the real economy. As a result the sector employs less than 1% of the total labour force. This constrains economic diversification and prevents much-needed job creation. The unemployment rate is estimated at around 26% but many jobs are in the informal economy, in agriculture or in street vending. Much unemployment is among the unskilled but there are now also a growing number of unemployed young people with skills that are not tailored to the needs of the country. In spite of steady progress made in improving social conditions the country still faces massive challenges in reducing poverty and unemployment and in improving human development.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.4	3.5	8.2	7.1
CPI inflation	14.5	13.5	10.0	9.4
Budget balance % GDP	6.8	7.3	4.7	5.0
Current account % GDP	8.9	13.5	10.1	9.8

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932601894

BENIN

- **The slight improvement in the country's economy in 2011 should continue in 2012 and 2013.**
- **The modernisation and diversification of the agricultural sector and development of the country's infrastructure are essential if there is to be strong and sustainable growth.**
- **Improving basic social services and finding jobs for the young are major challenges.**

Economic activity in Benin got progressively back on track in 2011 after the presidential and legislative elections held between March and April. The recovery of agriculture after the floods and the repair of infrastructure helped restore economic growth, which should accelerate in 2012. The nation's economy is, however, still characterised by severe vulnerability to shocks, arising from the low level of diversification of sources of growth. Modernisation and diversification of the agricultural sector and infrastructure development will prove to have a decisive role in making possible strong and sustainable growth. Monetary policy will need to seek to lessen the inflationary pressures arising from the partial removal of subsidies to petrol prices in Nigeria while ensuring that there is enough liquidity to sustain economic activity.

In the social context, with 35% of the population living below the poverty level it is hard to see the Millennium Development Goals (MDGs) being achieved by 2015. The 2011-15 poverty reduction strategy programme (PRSP) places emphasis on achieving the education and health targets. Unemployment and underemployment are twice as high among young people as among adults, chiefly because of the insufficient amount of jobs, reluctance by employers to take on those seeking their first jobs and the mismatch between training and employment. Several programmes have been established but the results have been mixed because, in particular, of the scant resources allocated to structures responsible for employment and of the lack of reliable information about the situation of youth employment.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.6	3.0	4.2	4.1
CPI inflation	2.1	2.7	5.4	2.9
Budget balance % GDP	-1.6	-0.6	-0.2	-1.1
Current account % GDP	-6.9	-8.7	-8.7	-9.0

Source: National authorities' data; estimates (e) and projections (p) based on author's calculations.
StatLink http://dx.doi.org/10.1787/888932601913

BOTSWANA

- **In 2012 inflation is expected to ease and real Gross Domestic Product (GDP) growth projected to fall back slightly.**
- **The country still faces high levels of poverty, inequality and unemployment.**
- **Youth unemployment is posing a major challenge that Botswana aims to address through various policy initiatives.**

In 2011 real GDP growth remained robust thanks to excellent performances in mining, construction and manufacturing. Growth is expected to fall back in 2012 and return to a robust level in 2013. Inflation is expected to drop within the objective range of 3% to 6% in 2013 as a result of projected declines in public spending in 2012. The country is undergoing fiscal consolidation following the increased budget deficits caused by the global financial crisis. The government is committed to reducing the budget deficit and achieving a balanced budget by 2012/13, through improved revenue collection and restrained recurrent and development expenditures, while maintaining economic growth. The external debt level is low and sustainable and is estimated to decline to 20.4% in 2011 and further to 12.3% of GDP by 2015, in line with fiscal consolidation measures that focus on completion of continuing infrastructure projects and limited expenditure on high-return projects.

In spite of its impressive economic performance, Botswana still faces high levels of poverty, inequality and unemployment, as well as high HIV/AIDS prevalence rates. Although there has been a decline in the proportion of the population living below the poverty line, from 30.6 % in 2002/03 to about 20.7 % in 2009/10, the poverty level is high by middle income country standards and is coupled with severe income inequality. Unemployment stands at 17.6% with youth unemployment posing a major challenge. According to the labour force survey of 2005/06, unemployment in the 12-29 age group accounted for 63.4% of the total unemployed labour force. Botswana is addressing these challenges through poverty reduction initiatives, involving implementation of job creation programmes.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.2	6.6	4.4	3.9
CPI inflation	6.9	7.7	6.2	4.8
Budget balance % GDP	-10.9	-5.6	-3.3	-3.1
Current account % GDP	-5.0	-2.7	1.7	5.8

Source: Data from national authorities (ISTEEBU and the Banque Centrale du Botswana); estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year = April (n) / March (n+1).
StatLink http://dx.doi.org/10.1787/888932601932

BURKINA FASO

- **In 2012 the rate of economic growth should accelerate slightly but will be accompanied by inflationary pressures.**
- **The improvement of governance and, especially, the strengthening of debt management capabilities are key issues.**
- **Underemployment and unemployment, which chiefly affect the young, are major challenges.**

The slight increases in growth projected for 2012 and 2013 should be mainly driven by mining (gold and manganese), cotton ginning and food production. Investment in infrastructure should also help speed up growth and improve the country's economic competitiveness while making access to regional and international markets easier. The economy will, nevertheless, still be vulnerable to external shocks, and in particular climatic conditions (such as poor rainfall), a drop in the price of gold and the steep rise in oil prices. Inflationary pressures should increase in 2012 making control of prices a major challenge to be faced at a time of food crisis. Political determination to fight corruption and the implementation of institutional reforms should contribute to better governance in 2012 and 2013. At the same time accountability mechanisms in respect of the management of public finances and capacity to manage debt need to be strengthened to improve its sustainability.

The level of unemployment is low, at 1.8%, and mainly involves the young and urban populations. Underemployment affects a large part of the population, particularly in the countryside. The poor qualifications and underpayment of workers contribute to a persistence of poverty. To alleviate these problems the country needs to implement policies to ensure that there is a match between training and the needs of the market and to speed up the transformation of the economy to make it possible for the private sector to absorb the flow of job-seekers.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.9	5.1	5.3	5.5
CPI inflation	-0.6	2.8	3.9	2.8
Budget balance % GDP	-10.7	-8.1	-7.6	-8.5
Current account % GDP	-3.2	-0.9	-0.4	-2.6

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932601951

BURUNDI

- **The economy is expected to record moderate growth in 2012 and 2013.**
- **Structural reforms and the fight against poverty are hampered by the inadequacies of the country's institutions and political instability.**
- **The high rate of youth unemployment is a major challenge which Burundi has to confront.**

An upturn in coffee production and building activity should help towards moderate growth in 2012 and 2013. But this growth will be vulnerable to fluctuations in oil prices, weather conditions, delicate social conditions and uncertainties linked to external aid. Internal resources need to be mobilised through continuing structural reforms and better economic governance, with a view to reducing the country's reliance on external funding. If the management of the country's finances is to be improved the state needs, in particular, to disengage from the coffee sector and to develop public-private partnerships in the energy sector. Politically, the opposition boycott of the last presidential election in June 2010 has raised fears about Burundi's political stability.

On the social front the country has made significant progress in the implementation of policies providing for free education and health. It now needs to address the high rate (put at almost 60%) of youth unemployment, which constitutes a threat to social stability. This high level can be explained by a number of factors. The formal private sector is poorly developed and hesitates to take on young people without professional experience. The public sector is reluctant to recruit at a time when the overall wage bill needs to be controlled, there is strong population growth, and training and education are often too theory-based and mismatched to demand.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
xReal GDP growth	3.9	4.0	4.8	5.3
CPI inflation	6.5	8.3	12.3	10.5
Budget balance % GDP	-7.5	-7.7	-7.2	-7.4
Current account % GDP	-2.8	-18.1	-28.0	-27.5

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932601970

CAMEROON

- **Economic growth in the years ahead should be sustained by the recovery in oil production.**
- **Cameroon needs to improve its economy's competitiveness and business climate to lessen the risk of a drop in external demand arising from the crisis in Europe.**
- **Involving the youth in the economic life of the country is a major challenge.**

Growth in 2012 and 2013 is expected to be consolidated, supported by a recovery in the oil sector, but carries a risk of a rise in inflation which has, nevertheless, been kept beneath the community limit of 3%. The budgetary and trade balances should improve as a result of the growth in oil revenues. However, a continuing slowdown in economic activity in the Eurozone could lead in the medium term to poorer performances since the European Union remains the country's principal trade partner. In this context the main challenges lie in the pursuit of policies for stimulating the agricultural sector, developing infrastructure, and increasing energy supply, essential to sustaining growth. The government also needs to continue the implementation of structural reforms to improve the competitiveness of the economy and the business climate. The political context was marked in 2011 by the decision to entrust the organisation of the presidential election to an independent body, "Elections Cameroon".

Unemployment among young people aged between 15 and 35 is estimated at 13% but there is a very high degree of underemployment, which is at 71.9% at the national level and 54.4% and 79.2% respectively in urban areas and the countryside. Promoting youth employment is a major issue for the government. It was given a boost with the implementation of a youth plan (2009-2013) which sought to put into effect a national youth policy adopted in 2006. Several plans designed to support the integration of young people into society and the economy were drawn up but their application has not always been coherent with the national employment policy. Furthermore it is essential to align the jobs strategy on a partnership between universities and businesses to ease the process of transition to the labour market.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GP growth	3.2	4.1	4.4	4.6
CPI inflation	1.3	2.5	2.7	2.7
Budget balance % of GDP	-1.1	-1.3	0.2	0.8
Current account % GDP)	-5.8	-6.3	-5.4	-3.5

Source: Statistics department of the AfDB, based on national authorities' data : estimates (e) and projections (p) based on author's calculations.
StatLink http://dx.doi.org/10.1787/888932601989

CAPE VERDE

- **Economic growth is expected to remain high and stable at its current level from 2011 to 2013.**
- **Cape Verde has performed in an exemplary manner in terms of public sector governance but infrastructure poses increasing constraints on sustainable economic growth.**
- **It is one of the few countries in Africa likely to attain all eight Millennium Development Goals (MDGs).**

In 2011 the government's countercyclical public investment programme (PIP) compensated for the contraction of private sector investment and maintained an adequate level of infrastructure development. For 2012/13, the authorities' base scenario assumes tightened fiscal policy and prudent monetary policies. Cape Verde's medium-term development strategy aims to transform the economy by diversifying its productive base. A major effort is underway to develop maritime services and fisheries, financial and information technology (IT) services, and air transportation services. But the country continues to face a number of basic constraints and challenges to its development. Its insularity, fragmented territory and small population limit its internal market. Infrastructure is of insufficient quality, thereby impeding competitiveness, and its business environment, while improving, needs further reform. Cape Verde has also seen an increase in inequality, especially between rural and urban areas. It is dependent on external financial resources, including development aid and transfers from its diaspora, and is vulnerable to external shocks.

The country faces a relatively high unemployment rate, particularly among the young (who represent over 50% of the labour force), and the lack of productive employment and entrepreneurship present a fundamental long-term challenge to the country. Pro-growth fiscal policy therefore needs to be accompanied by improvements in the business environment and the easing of credit constraints to encourage job creation. On the demand side, efforts need to focus on revising the curricula for tertiary education as well as on targeted training programmes to reduce skills mismatches and shortages.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.4	5,0	5,1	5,2
CPI inflation	2,1	4,5	3,3	2,5
Budget balance % GDP	-10,8	-10,7	-10,1	-10,5
Current account % GDP	-12,4	-15,0	-12,3	-10,2

Source: Data National authorities' data; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602008

CENTRAL AFRICAN REPUBLIC

- **Growth should improve in 2012, driven by the agricultural sector and the recovery of investment in the mining sector.**
- **Improvement in the public finances should make possible the return of foreign aid.**
- **The high rate of youth unemployment is made worse by the absence of any specific policy in favour of jobs.**

The economic outlook for 2012 is favourable in the light of the resumption of investment in the mining and oil sectors and of outside investment in the area of infrastructure. Inflation should rise because of a recovery in internal demand but should stay at a level beneath the convergence criteria of the Central African monetary and economic community (CEMAC). The recovery in public finances carried out in 2011 and continued in 2012 should make possible the agreement of a new economic and financial programme with the International Monetary Fund (IMF) during 2012, and lead to the lifting of the suspension of several external budgetary supports. These prospects, however, remain dependent on better security, peace, and the strengthening of the political dialogue through the disarmament, demobilisation and reintegration (DDR) programme.

Youth unemployment reflects the social, political and economic problems that the country has been facing for several decades. The high rate of joblessness among the young and the absence of real job opportunities are made worse by the country's demography, where young people predominate among the active population. There are no specific policies directed at fostering employment and professional training. The government aims to establish by 2015 an institutional and regulatory framework to encourage the creation of jobs, strengthen the bodies responsible for executing employment policy and professional training, and to set up an information and management system for the labour market. The country also needs to improve its business climate and diversify its productive sector if it is to create new recruitment possibilities.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.3	3.0	4.2	4.6
CPI inflation	1.5	1.0	2.8	2.9
Budget balance % of GDP	-1.4	-2.4	-1.6	-1.4
Current account % GDP	-9.9	-8.4	-6.9	-7.9

Source: National authorities' data : estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602027

CHAD

- **The economy is expected to rebound in 2012 when a refinery and new industrial units come into operation.**
- **This upsurge in activity will help improve the public finances and the external position.**
- **At 34% in urban areas unemployment hits hardest young people and especially those seeking their first jobs.**

Growth should accelerate in 2012, driven partly by the coming on stream of an oil refinery and partly by the non-oil sector where plans for new electricity and cement plants are under way. Growth should fall back in 2013 as oil production progressively decreases but this slowdown could be compensated for by a rise in oil prices and a better performance in the cotton ginning sector and the cross-frontier cattle trade. Attempts to control and rationalise current expenditure need to be maintained by the government. Inflation should stay below the 3% limit set by the convergence criteria of the Central African monetary and economic community (CEMAC) for 2012/13. Chad's economic prospects depend on a number of factors. They include management of the fall-out from the conflict in Libya, the conclusion of an agreement with the International Monetary Fund (IMF), the reaching of completion point of the Heavily Indebted Poor Countries (HIPC) initiative, worsening economic relations with China, and managing the consequences of climate change.

It is estimated that 55% of Chad's 11.2 million inhabitants live in poverty, the proportion reaching 87% in the countryside. The arrival of the oil era has not produced the wealth for other sectors that might have enabled them to create enough jobs to meet the demand from unemployed young people. Nor has the government used oil revenues to set up the training structures necessary for the development of employment in the oil extraction industry.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	14.3	2.8	7.0	3.2
CPI inflation	-2.1	-0.6	2.6	3.0
Budget balance % of GDP	-3.8	0.4	0.2	-1.1
Current account % of GDP	-0.5	2.3	3.0	0.6

Source: Statistics department AfDB, based on national authorities' data; estimates (e) and projections (p) based on author's calculations.
StatLink http://dx.doi.org/10.1787/888932602046

COMOROS

- **In 2012/13 exports of agricultural products, together with infrastructure developments, should contribute to a modest increase in growth.**
- **Reaching completion point in the Heavily Indebted Poor Countries initiative will make possible the cancellation of multilateral debt.**
- **Unemployment affects 14.3 % of the active population and particularly the young (44.5%).**

Growth should accelerate slightly in 2012 in spite of unfavourable economic conditions in France, which is home to most Comorian expatriates. This growth should derive from the completion of several major infrastructure projects in the fields of transport, tourism and energy. However, this increase in activity in 2012 and 2013 could have a negative effect on import prices and the trade deficit. In 2012 the Comoros will face a major challenge in reaching completion point of the Heavily Indebted Poor Countries (HIPC) initiative. If this is achieved the way would be opened to a major reduction in the debt stock in the framework of the Multilateral Debt Relief Initiative (MDRI), reducing the debt/export ratio from 349% in 2011 to a sustainable level of 150%.

Young people face a high level of unemployment which affects about 45% of the working age population, or one young person in two. This unemployment is basically structural and affects both qualified and unqualified young people. It is the consequence of inadequate economic growth and the many constraints faced by enterprises: high energy costs, the poor state of infrastructure, high taxes, and heavy financial charges. On the supply side young Comorians are insufficiently trained to meet the needs of the labour market. The public sector is, for the time being, the chief provider of jobs in the Comoros.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.0	2.0	3.1	3.5
CPI inflation	3.8	1.9	4.6	3.5
Budgetary balance % of GDP	7.2	-0.1	-1.9	-2.1
Current balance % GDP	-8.7	-7.7	-6.8	-8.8

Source: National authorities' data; estimates (e) and projections (p) based on author's calculations.
StatLink http://dx.doi.org/10.1787/888932602065

CONGO, DEMOCRATIC REPUBLIC

- **Growth was affected by inflationary tensions and a highly charged political climate but remains significant for the period 2010/13.**
- **Improvement in governance should in the long run have a positive effect on people's living standards.**
- **More than 70% of the young are underemployed, in particular in urban areas.**

Growth should remain above 5% in 2012 and 2013, driven by agriculture, the extractive industries, trade and construction. The macroeconomic policy conducted in 2011 sought to limit net credit to the state to contain inflationary pressures and preserve the value of the currency. Furthermore, the country benefited in 2011 from the cancellation of its outstanding debt. Even so, the budgetary balance deteriorated in 2011 because of a poor mobilisation of revenues and the financing of the electoral process. The government adopted planning instruments and budgetary planning in the provinces to improve governance. It also abolished some redundant taxes and illegal levies to improve the business climate.

But the social situation remains fragile, in particular as a result of major food shortages among the population and problems in access to drinking water and sanitation. Progress towards achieving the Millennium Development Goals (MDGs) remains very slow. Poverty affects 70.5% of the population and the country has no social protection policies or measures in place to help the young find jobs. Even young university graduates face enormous problems in entering the labour market: of the 9 000 young people leaving university each year fewer than 100 find work. Nevertheless the second poverty reduction strategy paper (PRSP 2) covering the period 201216 envisages the creation of 900 000 jobs a year for young people, a target that is ambitious but, however, very hard to attain.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.2	6.5	5.1	6.0
CPI inflation	23.5	14.8	15.1	12.2
Budgetary balance % of GDP	2.4	-6.3	-7.8	-11.0
Current balance % of GDP	-11.7	-10.3	-3.0	-3.0

Source: National authorities' data : estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602084

CONGO REPUBLIC

- **Renewed activity in Brazzaville's industrial zone and the continuation of the public investment programme should drive growth in 2012.**
- **Support from the International Monetary Fund (IMF) has made it possible to re-establish macroeconomic stability.**
- **The overall national level of unemployment is estimated at 16%: that of young people 25%.**

The economic prospects for Congo remain favourable for 2012 and 2013. They are predicated on the start of production by at least half of the 16 industries at present being established in the Brazzaville industrial zone and the continuation of the public investment programme, which envisages a real rise of 55% in capital spending in 2012. Major reforms have been set in motion in the framework of the Heavily Indebted Poor Countries (HIPC) initiative but the main challenge faced by the government is to maintain the overall rhythm of the reforms. Governance of the extractive industries sector has been improved and a new code for public procurement adopted. A commitment has been made to fiscal reform and a general action plan to improve the business climate was adopted in February 2011. Notwithstanding these advances Congo still faces major challenges, in particular the economy's heavy dependence on the oil sector which makes it highly vulnerable to external shocks and explains the weak effect growth has on employment.

The national unemployment rate is put at 16%. But 25% of those in the 15 to 29 age group have no work and the figure rises to more than 42% if those who have been so discouraged that they are no longer looking for a job are included. The high level of unemployment among young people is the result of a number of factors: the poor quality of the education and training systems, a policy of guaranteed jobs in the public sector which has left young people lacking sufficient skills for the private sector, and the lack of an entrepreneurial culture. To these should be added the inadequate number of jobs created in the formal sector because the economy is not diversified enough and because of an environment which is far from favourable to the development of the private sector.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	8.8	5.3	5.7	4.7
CPI inflation	5.0	2.5	4.9	3.1
Budget balance % of GDP	16.3	22.0	20.0	18.5
Current account % of GDP	4.7	13.3	14.6	14.5

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602103

CÔTE D'IVOIRE

- **Economic recovery in 2012-13 will depend on strengthening the peace process and restoring the country's productive capacity.**
- **The country is expected to reach completion point of the Heavily Indebted Poor Countries (HIPC) initiative in 2012.**
- **Before the crisis that followed the elections the rate of unemployment among the young was put at 24.2%, a factor that contributes to persistent poverty.**

Economic recovery is expected in 2012, provided that a number of conditions are met. These include a continuing normalisation of the security situation, strengthening peace-building, an improvement in the business climate and attempts to restore the country's productive capacity with the introduction of incentives in favour of the private sector. Growth will be driven by public investment and vigorous secondary and tertiary sectors. The rate of inflation should drop progressively thanks to flexibility in the replenishment of markets and the stabilisation of the prices of oil products. In the medium term the overall macroeconomic framework is tied to the 2012-14 economic and financial programme supported by the International Monetary Fund (IMF). The implementation of this may make it possible for the country to reach completion point of the Heavily Indebted Poor Countries (HIPC) initiative in 2012 and benefit from the Multilateral Debt Relief Initiative (MDRI). Reaching the macroeconomic targets depends on speeding up the reforms that seek to improve governance and the business climate, as well as good performances by the financial, energy and coffee/cocoa sectors. At the political level strengthening and maintaining peacekeeping through more intensive dialogue and an improvement in the security environment are major challenges for the country.

There is a high rate of unemployment among the young and many jobs are short-term. Entry by young people into the world of work is held back in particular by the mismatch between training and employment and a weak system for finding job opportunities. The agency responsible for studying and promoting employment (AGEPE) has insufficient means to fulfil its purpose effectively.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.4	-5.9	8.6	5.5
CPI inflation	1.7	4.9	3.6	3.1
Budgetary balance % GDP	-2.3	-2.5	-2.8	-3.5
Current account % GDP	4.6	3.0	3.7	0.7

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602122

DJIBOUTI

- **Growth is expected to accelerate in 2012/13 thanks to a resumption of port activities and foreign direct investment (FDI).**
- **The country conducts prudent macroeconomic policies and pursues the structural reforms agreed with the International Monetary Fund (IMF).**
- **More than 70% of the population live in poverty and more than half of those of working age have no jobs.**

Growth is expected to speed up in 2012 and 2013 as a result of resumption of activity in the port sector, the implementation of investment postponed since the start of the international economic and financial crisis, the extension of the container terminal at Doraleh and the exploitation of the country's geothermic resources. In February 2012 the country signed an historic tripartite co-operation agreement with Ethiopia and South Sudan envisaging the construction of telecommunications, road, railway and oil transport infrastructure to link landlocked South Sudan with Djibouti. The country has ambitions to become a regional platform for commercial, logistical and financial services. The government continued during the year faithfully to respect the IMF programme, the fourth review of which was concluded in July 2011. But improvements in the population's living conditions, and in particular the reduction of poverty levels, are major challenges for a country where 75% of people live in poverty and 42% in extreme poverty.

Young people are hit very hard by the unemployment which is endemic in the country. The authorities have instituted initiatives seeking to encourage young people to start their own businesses to absorb the unemployment among them and to stimulate private sector development. Historically the state has been the main source of jobs, which explains the mismatch between young people's skills and the needs of the labour market. The authorities are seeking to remedy this state of affairs through training that adequately corresponds to the expectations of employers.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.5	3.5	4.8	6.7
CPI inflation	4.0	5.1	2.1	2.1
Budgetary balance % GDP	-0.6	-0.5	2.1	2.9
Current account % GDP	-5.5	-6.9	-6.6	-8.5

Source: National authorities' data : estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602141

EGYPT

- **Growth should remain depressed, as Egypt has yet to meet its people's demands for 'bread, freedom, and social justice'.**
- **Reforms of the inefficient energy subsidy system and state-owned enterprises are a priority if rising social spending needs are to be met.**
- **Youth unemployment, at twice the national rate, requires urgent multi-stakeholder intervention.**

Following the 25 January 2011 revolution, the first parliamentary elections in modern Egypt were concluded in January 2012, and an elected president should be in office by the middle of the year. Political actors have declared their commitment to accountability and transparency of public institutions and services, bringing the hope of a new era of economic opportunities. But the revolution has also thrown up several challenges. Economic growth faltered in 2011 and should only pick up again in 2012/13. Continued political unrest has led to a fall in tourism and foreign direct investment (FDI), both key sources of foreign exchange. As a result, the Central Bank has rapidly depleted its foreign reserves to maintain the exchange rate. The reform of the inefficient energy subsidy system and state-owned enterprises is a priority, to allow for increased spending on education, health, and social safety nets for the very poor. As Egypt strives to meet the short-term demands of the revolution, it will need to lay a foundation for medium to long-term economic reforms that would secure inclusive growth – which was one of the main demands of the revolution.

Egypt must also address human development shortfalls and social inequality, which disproportionately affect women and the rural population. The poor quality of education fails to meet job market needs; the youth unemployment rate is 23%, twice the national average. A National Action Plan on youth, aiming at increasing youth employability, providing job opportunities and developing labour market policies and programmes, has failed to produce results. Most jobs created in Egypt are of poor quality and in the informal sector. Failure to develop a multi-stakeholder solution to this problem could jeopardise all other potential gains from the revolution.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5,1	1,8	0.8	2.8
CPI inflation	10,1	11,8	10.8	10.4
Budget balance % GDP	-8,1	-9,4	-8.5	-8.5
Current account % GDP	-2,0	-4,1	-1.3	1.0

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602160

EQUATORIAL GUINEA

- **Growth rebounded strongly in 2011 and should remain high in 2012/13.**
- **The oil wealth brings no benefit to most of the population, 75% of whom live below the poverty threshold.**
- **Unemployment among the young continues to grow and economic activity does not make it possible to create enough jobs.**

The economic upturn of 2011 was backed by a rise in activity in the oil sector and public investment but the growth outlook for 2012 and 2013 remains moderate. Equatorial Guinea remains heavily dependent on oil which provides 78% of Gross Domestic Product (GDP) formation even though the government has considerable financial means at its disposal to diversify the economy. An increase in public spending and higher imports, in particular of food, mean that the rate of inflation should stabilise at above 7% in 2012. Management of the public finances performed badly for reasons connected to an inadequate planning of investment spending. Equatorial Guinea has one of the highest per capita GDPs on the continent and the country has become one of the largest oil producers in sub-Saharan Africa and a prime destination in Africa for private foreign investment. But there has been no positive effect on the diversification of the economy, poverty reduction or improvement in the population's standard of living.

Between 2010 and 2020 between 25 000 to 49 000 young people should enter the labour market each year. But job creation takes place on a very limited scale, in particular because the non-oil sector is too small but also because the oil sector accounts for only 4% of the workforce. In addition the young people have few or no qualifications, do not reach the minimum criteria for entering the labour market and do not really have access to information about job opportunities. The national economic and social development plan (NESDP) which aims at diversifying the economy envisages a number of measures which indirectly contribute to youth employment but for the time being little progress has been made.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	-0.8	7.0	4.0	6.6
CPI inflation	7.5	7.2	7.1	6.5
Budgetary balance % GDP	-4.8	-2.3	-3.0	-2.6
Current account % GDP	-23.8	-17.9	-16.4	-8.7

Source: National authorities' data: estimates (e) and projections based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602179

ERITREA

- **Growth was high in 2011 because of investment in mining but it is unlikely to be maintained in the near future.**
- **The economy is affected by national security considerations, drought and the impact on remittances of the global financial crisis.**
- **There are huge problems in creating jobs for the large population of young people.**

Economic growth was strong in 2011 because of substantial investment in mining projects, in particular the Bisha gold mine. This mine and the output from silver, copper and zinc mines are expected to be the major sources of growth in 2012 and 2013. However, growth in the near future is unlikely to be as high as it was in 2011 because mineral prices are expected to fall. The high budget deficit in 2011 is expected to improve further in both 2012 and 2013. In 2011 inflation was estimated to be in double figures. It is expected to decline slightly as a result of improvements expected in agricultural production but will remain high. The current account improved in 2011 because of the higher earnings from mineral exports. Eritrea is expected to maintain a small current account surplus in the medium term, especially if gold prices remain stable. For the future, the country's policy on issues of regional security, especially the relationship with its large neighbour, Ethiopia, could force it to maintain a large military infrastructure. The threat of famine and food insecurity; the discovery of substantial mineral deposits in parts of the country; the large foreign investment into their exploitation; and the relationship of the country with the international community including China will determine the extent to which the high growth witnessed in 2011 will be maintained.

Eritrea has a large population of young people and the creation of job opportunities for them is a major challenge. The government has put emphasis on the expansion of higher education but it is not clear if it is accompanied by a strategy that will guarantee jobs for most of the graduates.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.2	8.2	6.3	3.5
CPI inflation	12.7	13.5	12.5	12.0
Budget balance % GDP	-16.1	-16.2	-13.5	-12.5
Current account % GDP	-5.8	0.2	1.3	0.3

Source: IMF; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602198

ETHIOPIA

- **In 2011 Ethiopia sustained its high growth of the last few years but momentum is likely to slacken slightly in 2012 and 2013.**
- **The country's five-year growth and transformation programme should promote high and broad-based growth.**
- **So far growth has not provided adequate employment opportunities for the young.**

In 2011 the Ethiopian economy continued on the high growth trajectory of the past six years. Growth has been broad-based, with the services and the manufacturing sectors growing at faster rates than the other sectors. This growth momentum is expected to continue in 2012 and 2013. Ethiopia's five-year Growth and Transformation Plan (GTP) over 2010/11-2014/15 emphasises agricultural transformation and industrial development as drivers of growth. In 2010/11 macro-management proved highly challenging, as evidenced by rising inflation. Domestic and exogenous factors were responsible for the rebound in inflation. These included loose monetary policy, rising prices of imported inputs, drought, malfunctioning of the domestic market, and supply constraints. Rises in food prices have been the major cause of current inflation. However, inflation is expected to decline markedly in 2013. The government has been pursuing prudent fiscal policies which have focused on domestic revenue mobilisation and a reduction in domestic borrowing. This led to improvements in its fiscal position in 2011. However, the fiscal deficit is expected to increase during the GTP period. The balance of payment position improved in 2010/11, reflecting strong export growth and increases in private transfers and external financing.

Ethiopia has made considerable progress in social and human development. For instance, it is among the few countries in sub-Saharan Africa making fast progress toward the Millennium Development Goals (MDGs) but youth employment is a major problem. The unemployment rate is higher for young people, at 27%, compared with other age groups.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	11.4	10.7	7.0	7.6
CPI inflation	17.5	26.7	29.3	14.5
Budget balance % GDP	-1.7	-1.6	-2.2	-1.9
Current account % GDP	-4.9	-6.3	-8.6	-8.4

Source: Data from local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602217

GABON

- **The growth rate of real Gross Domestic Product (GDP) should slow in 2012 and 2013.**
- **The country needs to improve its fiscal sustainability and its external competitiveness, given the prospect of declining oil reserves.**
- **The overall unemployment rate is 16% but that of young people is 30 %.**

Economic activity was intense in 2011, supported by a rise in public investment for the building and repair of the road infrastructure and of stadiums in preparation for the 2012 football African Cup of Nations competition, hosted by Gabon and Equatorial Guinea. The outlook for 2012, and to a lesser degree 2013, appears favourable. Prices for the country's exports (oil, manganese, wood) are holding up. Oil companies are maximising production from old wells. The Nkok special economic zone will start operations. But the country's macroeconomic situation remains dependent on the price of oil, which accounts for more than 60% of state revenues and 75% of its exports. Gabon will need to improve its fiscal sustainability and its external competitiveness given the prospect of a decline in oil reserves. Economic management displays a determination to raise Gabon to the status of emerging nation by 2035 with a diversification of the economy and an improvement in the business climate.

Inequalities of income and poverty persist. Unemployment among young people is double the national average. The government has set aside specific funds to support the reforms undertaken by the national jobs agency and an "e-employment" project, working with the Economic Commission for Africa (ECA) and the Economic Community of Central African States (ECCAS). These activities need to be backed up by the direct creation of jobs through foreign direct investment (FDI) in the special economic zones and the non-oil extractive sector (manganese and iron).

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6.6	5.8	4.4	3.3
CPI inflation	1.5	2.1	3.1	2.8
Budgetary balance % GDP	4.8	7.4	8.5	9.2
Current account % GDP	8.2	8.8	9.6	11.2

Source : National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602236

GAMBIA

- **In spite of the global downturn, economic growth will remain robust, driven mainly by an expansion in agriculture.**
- **The country's economic governance has improved but political governance remains a challenge.**
- **To address the problems of high youth unemployment and poverty, Gambia will implement a programme for accelerated growth and employment.**

Economic growth slowed in 2011 but is expected to stabilise in 2012 and 2013. It has been driven mainly by the performance of the agricultural sector. Poor weather conditions that harmed crop production in 2011 and the global crisis of recent years have negatively affected Gross Domestic Product (GDP) growth. Nevertheless, reforms in agriculture implemented by the government will continue to boost the economy and sustain its growth. Inflation rose in 2011 because of the increase in food and energy prices, since the country imports half its food needs, and the local currency lost value slightly against all major currencies over this period. Inflation is forecast to remain moderate in 2012 and 2013 because of the continuation of the tight monetary policy to contain it below a target of 5%. Similarly, the budget deficit as a percentage of GDP is expected to fall again in 2012 and 2013 through restrictive fiscal policy and both domestic and external debt will be controlled to address problems of heavy debt. These policies will be complemented by the government's efforts to reform tax policies and improve revenue administration and public financial management systems.

Youth unemployment is a major challenge in Gambia and is estimated at over 40%. The new Programme for Accelerated Growth and Employment (PAGE) that will be implemented between 2012 and 2015 is ambitious and aims to reduce both poverty and unemployment.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6,3	5,5	5,6	5,6
CPI inflation	3,9	4,7	4,8	5,0
Budget balance % GDP	-5,4	-4,2	-3,8	-2,8
Current account % GDP	-17,0	-17,5	-16,9	-16,4

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602255

GHANA

- **Real Gross Domestic Product (GDP) is projected to remain robust in 2012 and 2013.**
- **Major risks to the fiscal outlook for 2012 lie in forthcoming elections and wage pressures from the implementation of the new pay policy.**
- **Young people are increasingly forced to rely on economic opportunities created by themselves in the informal sector.**

Ghana recorded fast growth in 2011, buoyed by oil revenues and the strong export performance of cocoa and gold. Real GDP growth is projected to remain robust in 2012 and 2013, aided by expansion in oil production and mining activities and the industrial sector. Inflation is projected to remain in single digits in 2012 and 2013. Similarly, the excellent fiscal performance in 2011 is expected to carry through to 2012 as a result of tax reforms instituted during the year. Unless maintained within prudent levels, public spending in election year 2012 could compromise macroeconomic and fiscal consolidation in the years ahead. At the same time, adverse developments in global commodity prices and foreign investment flows are expected to pose challenges to monetary policy.

Gains in economic growth, however, were not translated into adequate job opportunities in the formal sector. An estimated 54% of the labour force remains in informal economic activities with only 11.5% in the formal sector. Of those in formal sector employment, young people account for only 14% of regular wage earners. The young face significant challenges in finding formal sector employment and are increasingly forced to rely on economic opportunities that they create themselves in the informal sector, as self-employed workers, domestic employees, apprentices or unpaid family workers. The 2010 National Youth Policy and the national development strategy are steps in the right direction in terms of co-ordinating youth policy issues as transversal themes in government agencies' strategies.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.7	13.7	8.3	7.7
CPI inflation	10.8	8.7	8.2	7.7
Budget balance % GDP	-5.9	-4.3	-1.8	-1.5
Current account % GDP	-8.2	-11.6	-8.0	-9.0

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

StatLink http://dx.doi.org/10.1787/888932602274

GUINEA

- **Economic growth should accelerate in 2012 and 2013.**
- **The satisfactory outcome of the implementation of the referral programme should make it possible for the country to reach an agreement with the International Monetary Fund (IMF).**
- **The mismatch between education and training on the one hand and the needs of the labour market on the other lies behind the high rate of 30% unemployment among the young.**

In 2011 the nation's economy managed to overcome a difficult socio-economic climate to show a recovery in activity. Driven by an improved performance in the agricultural sector, better productivity in the mining sector and a robust performance in the construction sector, there should be continuing sustained growth in 2012 and 2013. Monetary policy in 2011 saw a rise in the required reserve ratio and the repo rate to limit liquidity and rein in the money supply. But inflation is set to remain at a high level, in double digits, in 2012 and 2013. Guinea is emerging from a long period of political instability and the socio-political situation remains uncertain. Political differences concern the future of the electoral process and financial and logistical problems. Nevertheless satisfactory results from the implementation of the referral programme should allow Guinea to reach agreement on a deal with the International Monetary Fund (IMF).

The fall in living standards has been aggravated by the problems of access to basic services and conflicts in neighbouring countries. Unemployment is essentially an urban phenomenon and affects in particular young people between the ages of 20 and 29. Government efforts to reduce youth unemployment and underemployment have not produced the results hoped for because of the mismatch between the training and education on offer and the needs of the economy, as a result of the absence of reliable support structures and qualified staff.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	1.9	4.0	5.1	5.5
CPI inflation	15.5	21.2	16.7	10.1
Budgetary balance % GDP	-13.9	-13.8	-8.1	-6.6
Current account % GDP	-6.5	-9.1	-6.1	-6.2

Source : National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602293

GUINEA-BISSAU

- **Guinea-Bissau's economic performance depends essentially on the price of cashew nuts on the world market, which is expected to fall in 2012, and the quick return of political stability.**
- **Presidential elections following the death of the incumbent president in January 2012, are now uncertain following the military's coup.**
- **Youth unemployment stands at about 30 %.**

How the economy performs in Guinea-Bissau depends essentially on exports of cashew nuts and their price on the world market: and this is expected to fall in 2012 as a result of the Eurozone debt crisis. The rate of Gross Domestic Product (GDP) growth should slow slightly in 2012 and 2013 and the current account deficit worsen. Price increases in imported goods will drive inflation, on the rise in 2011, back below the 3% West African Economic and Monetary Union (UEMOA) norm from 2013. THe country was due to have presidental elections in March 2012, following the sudden, natural death of President Malam Bacai Sanah. The second round of the Presidential elections, between current Prime Minister Carlos Gomes Jr. and Kumba Yala was cancelled after the military, unsatified with the ongoing security sector reform, staged a coup on Thursday 12 April. Guinea-Bissau is plagued by continous political instability, undermining its economic development.

Youth unemployment stands at around 30%. But the deterioration of the education system in the aftermath of conflicts and low skill levels are major obstacles on the path to finding paid work. The government is working with the International Labour Organization (ILO) and United Nations Development Programme on drawing up a national jobs policy. A project to support job and income creation was established in June 2011 in a bid to help with the return to civilian working life of demobilised troops.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.5	5.1	4.6	4.9
CPI inflation	2.2	4.6	3.4	1.9
Budgetary balance % GDP	-0.2	-1.6	-0.2	-1.2
Current account % GDP	-7.6	-6.7	-7.7	-7.9

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602312

KENYA

- **The economy experienced moderate growth in 2011 which is expected to rise slightly in 2012 and 2013.**
- **The year 2011 witnessed drastic currency depreciation and rapid inflation, both of which are expected to stabilise in the next two years.**
- **Youth unemployment constitutes 70% of total unemployment.**

In 2011 Kenya's economy recorded moderate growth, driven primarily by financial intermediation, tourism, construction and agriculture. Gross Domestic Product (GDP) growth is projected to expand modestly in 2012 and 2013. In 2011 it was held back by an unstable macroeconomic environment characterised by rising inflation, exchange rate depreciation and high energy costs. Limited rainfall in the first half of 2011 resulted in a decline in aggregate food production, a factor that contributed significantly to runaway inflation. The inflationary pressures experienced in 2011 and the depreciation of the Kenyan shilling (KES) can be traced back in part to the Central Bank of Kenya's decision to cut its repo rate from 7% to 6% in December 2010 in a bid to revive lending and stimulate growth. However, increased consumer demand pushed up prices and put pressure on the Kenyan shilling as demand for imports increased substantially. Inflation is projected to fall to single figures in 2012 and 2013 thanks to improved food production and stability in fuel prices. The year 2011 was marked by the passing of legislation to put into effect the new constitution and the appearance of six Kenyan citizens at the International Criminal Court, while political parties began preparing for elections expected in 2012.

Youth unemployment is a growing problem in Kenya as it makes up 70% of total unemployment. The Youth Enterprise Development Fund, operational over the last five years as the main intervention agency, has, among other actions, disbursed almost KES 6 billion to some 157 538 youth enterprises; organized youth trade fairs; built simple infrastructure for young people; and started pre-financing training for the young. The fund will be expanded in the coming years to ensure increased employment for the young.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.6	4.5	5.2	5.5
CPI inflation	4.1	14.0	7.6	6.9
Budget balance % GDP	-7.0	-6.9	-8.0	-7.5
Current account % GDP	-6.8	-12.2	-11.5	-12.4

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602331

LESOTHO

- **Lesotho recorded modest growth in 2011 in spite of severe flooding at the beginning of the year. Over the medium term economic growth will remain moderate.**
- **Private sector participation continues to be impeded by structural constraints while showing a very high potential for creating employment and alleviating poverty.**
- **Youth unemployment is a critical development challenge.**

The impact of heavy flooding during early 2011 slowed the pace of the country's economic growth. Growth is projected to recover in 2012 and 2013, aided by a better performance in the manufacturing sector and improved global demand for diamonds, notwithstanding growth of imports and the low revenue from the Southern African Customs Union (SACU). Investment in Phase II of the Lesotho Highland project and rehabilitation of infrastructure damaged by flooding will contribute to recovery in growth. Fiscal policy remains dependent on the performance of the SACU revenue which will average 27% of GDP in the medium-term, much higher than the average of 15% in 2010/11. Lesotho has adopted a strategic approach to reduce public debt to sustainable levels using accumulated reserves to service debt and to build adequate levels of international reserves. The expiry of concessions on textile exports under the World Trade Organization (WTO) in 2012 will affect the country's exports to the United States and hence economic growth in the medium term.

Youth unemployment is a critical development challenge. According to the 2008 Labour Force Survey (LFS), among those aged 15 to 24 the rate of employment stood at 45.1%. At 52.5%, men had a comparatively higher rate than women (37.8%). The effort to ease the challenges of integrating young people into the labour market through the promotion of self-employment led to the creation of the Youth Employment Promotion Project (YEP) in 2006. The recent evaluation of the YEP by the United Nations Development Programme (UNDP) indicates satisfaction with the programme, as evidenced by the financial subvention the government will be making to the expanded programme in coming years.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.6	3.1	4.0	4.5
CPI inflation	3.6	4.7	6.7	5.3
Budget balance % GDP	-3.0	-8.0	-3.4	-0.5
Current account % GDP	-22.5	-17.3	-9.7	-14.0

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year = April (n) / March (n+1).
StatLink http://dx.doi.org/10.1787/888932602350

LIBERIA

- **Liberia is expected to experience high growth in 2012 and 2013 thanks to exports of natural resources.**
- **Reforms in public financial management have improved public sector efficiency and transparency.**
- **The development of the human capital of young people remains a challenge.**

In 2011 Liberia's growth was driven by the first exports of iron ore since the end of the war, strong rubber exports and increased timber production. Foreign direct investment (FDI) in mine construction and recent investments in palm oil plantations will contribute to growth in the coming years and the growth rate should be even higher in 2012 and 2013. Long-term growth is expected to be driven by natural resource extraction, but to avoid the bias in favour of natural resource-based growth of the past that contributed to the conflict, there are attempts to diversify the sources of growth and create employment. The rate of inflation was low in 2011 and is projected to remain low in 2012 and 2013. Although public expenditure increased, the budget deficit was low in 2011 and it is projected to remain stable in 2012 and 2013. The government has simplified procedures to start a business and improved access to credit. Nevertheless, the general business climate remains difficult and development is constrained by poor transport, inadequate energy infrastructure, especially in rural areas, and scarcity of the skills demanded by the private sector. Efficiency, transparency and accountability have been improved through public financial management reforms and the introduction of information management systems, but institutional capacity is still weak.

Liberia has improved youth literacy and made strides in preventing and treating infectious diseases. However, it still faces some of the highest maternal mortality rates in the world and access to sanitation facilities is very limited, especially in rural areas. Free public education is provided for younger children but its quality needs improvement. Liberia has numerous programs for improving youth employment and career training but coverage is limited and coordination is poor.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.5	6.9	8.8	7.2
CPI inflation	7.5	8.5	5.6	5.7
Budget balance % GDP	0.6	-0.8	-1.4	-0.8
Current account % GDP	-43.5	-36.6	-59.3	-63.4

Source: Data from Ministry of Finance and IMF; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602369

LIBYA

- **Libya's civil war has left it with a severely depressed economy, in particular by reducing the production and export of oil, the primary source of revenue.**
- **The interim government must guarantee political stability, encourage economic reforms, and address national and regional inequalities.**
- **Existing challenges to youth employment are compounded in the short term by war-related obstacles.**

The fall of the former government created, for the first time, an opportunity for the country to pursue the economic and social reforms that the previous regime's vested interests had prevented. Yet the revolution also brought numerous challenges. The country temporarily stopped producing oil, the chief source of its revenue, while the freezing of its international assets created major obstacles with respect to liquidity. The conflict resulted in the formal economy coming to a halt. Nevertheless, the economy is expected to pick up as the political situation stabilises. The speedy return of foreign oil companies, along with strong international support, bodes well for the country's post-conflict recovery. The interim government, led by the National Transitional Council, is taking measures to build on the oil industry's strengths while repairing the former government's mismanagement. It is unlikely that Libya's spending will decrease, given the need to pay for infrastructure projects as well as the increase in the wage bill. However, the budget balance that was in deficit in 2011 is expected to be positive again in 2012. In spite of Libya's many challenges, such as economic management, social inclusion policies and governance, the country will be able to make important strides in its reconstruction efforts if the interim government is able to maintain stability.

Youth unemployment, one of the main grievances that led to the 2011 uprising, has been aggravated by the economic difficulties created by the civil war. Libya has traditionally relied on the public sector to create jobs, a measure that has proved unsustainable, but the country's inefficient private sector has been unable to compensate for the lack of jobs. Business environment inefficiencies have slowed down efforts to reform and encourage the private sector. At the same time, Libya's education system inadequately prepares students to meet labour market demands.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.9	-41.8	20.1	9.5
CPI inflation	2.5	11.4	6.0	5.1
Budget balance % GDP	8.7	-17.1	13.6	12.2
Current account % GDP	11.4	-6.0	15.8	13.1

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602388

MADAGASCAR

- **The rate of growth is forecast to speed up in 2012 and 2013.**
- **Most public sector reforms have been slowed, or even halted, by the political crisis.**
- **The nationwide level of unemployment is 3.8% while that of young people is 5.9%. But there is a very high level of underemployment, which stands at 42.2%.**

The political crisis persisted in 2011 and continued to have an impact on the social and economic situation of the country. Nevertheless, the rhythm of growth should pick up in 2012 and 2013. This outlook is partly linked to the political prospects that are taking shape in the light of the signature on 17 September 2011 of a roadmap for a way out of the crisis and partly from the robust performance of the mining sub-sector. But the present persisting economic crisis in the Eurozone could adversely affect this dynamism.

The weak performances of the nation's economy since the political crisis began, have resulted in a sharp deterioration in standards of living. Budgetary constraints and a shortage of human resources have helped weaken even further basic social services and their ability to respond to the needs of the population. Of the Millennium Development Goals (MDGs) only that relating to HIV/AIDS will be reached in Madagascar. The political crisis has acted as a brake on the reform of the public sector where it has not brought it to a halt. The combined political and international financial crises are thought to have cost 336 000 jobs and made about 90% of those remaining vulnerable. The rate of unemployment in Madagascar among those aged under 25 is 5.9%, while at the national level it is 3.8%. But the underemployment rate is very high, at 42.2%. The country does have a national employment policy (NEP) which is implemented through a national employment support programme (NESP). The mismatch between education and training and the skills needed, in particular by the private sector, is a major problem for youth employment.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	0.5	0.6	2.4	4.5
CPI inflation	9.2	9.5	8.3	8.2
Budgetary balance % GDP	-0.9	-1.3	-1.3	-1.2
Current account % GDP	-9.7	-3.4	-4.4	-4.7

Source: National authorities' data : estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602407

MALAWI

- **Prospects for 2012 and 2013 indicate a slight deceleration of growth.**
- **The suspension of direct budget support by donors will have implications for growth in the future.**
- **Youth unemployment and underemployment remain a challenge in both the formal and informal sectors.**

Real gross domestic product (GDP) growth fell in 2011 after poor macroeconomic fundamentals prompted suspension of donor support. Reduced external inflows contributed to lower levels of reserves and shortages both in foreign exchange and in essential commodities, including fuel and inputs for manufacturing. This was worsened by poor earnings from tobacco, the main export. Agriculture continues to be the main driver of GDP growth in Malawi, although mining and construction recently increased their contribution. Prospects for 2012 and 2013 show continued slow growth. Inflation has been maintained at single digits over most of this period. Average inflation may rise in 2012 if the country fails to address the macroeconomic challenges of 2011. The suspension of the International Monetary Fund programme and the external budget support had an impact on the government's ability to deliver on its development objectives. These were major causes of the foreign exchange and fuel crises that also affected private sector operations. Joyce Banda was appointed as Malawi's new President after President Mutharika died of a heart attack on 5 April 2012. Banda's appointment, until scheduled elections take place in 2014, is in line with Malawi's constitution, stipulates that the vice-president takes over if the president dies.

Youth unemployment remains a challenge in both the formal and informal sectors, although according to the official definition, only 2.7% of young people aged from 15 to 24 are unemployed. This rate does not reflect underemployment in the agricultural sector which employs up to 80% of the labour force, nor reveal that working poverty is high because of to low wages: the minimum daily wage is less than USD 1 a day. Poor labour force data and inconsistencies in definitions make it hard to assess the extent of the problem. The absence of an updated policy for youth, lack of coherent responsibilities among government agencies and weak institutional capacity for skills development remain serious challenges. In addition, a small manufacturing base and skills mismatch in the labour force continue to hamper job creation.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6.7	5.8	5.0	5.2
CPI inflation	7.4	7.6	7.8	8.1
Budget balance % GDP	-0.8	-2.0	-3.6	-3.0
Current account % GDP	-17.5	-18.1	-18.5	-12.1

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602426

MALI

- **The return of political stability will be essential for growth to resume, in addition to favourable agricultural conditions and a rise in gold and cotton prices as well as trade with Côte d'Ivoire.**
- **The restoration of the electoral process and the state of security in the north of the country are the two main issues facing the country.**
- **Unemployment affects 15.4% of young people.**

The macroeconomic environment in Mali was hit in 2011 by a sharp fall in agricultural production caused by rains that were uneven and often fell at the wrong time or place. This drop in food production was compounded by a combination of external shocks, in particular the crisis after the elections in Côte d'Ivoire, the war in Libya and the rise in the prices of oil, gas and food products. Growth in 2012 and 2013 will essentially depend on the return of political stability and on the assumption that the harvest is good, prices for gold and cotton rise, and trade with Côte d'Ivoire increases. The chief risks threatening forecasts for 2012/13 relate to the organisation of the different national votes that were planned before the coup on 22 March 2012 (referendum and presidential and parliamentary elections), the restoration of territorial integrity and developments in the state of security in the north of the country which was the scene of violence in early 2012 as well as proclamation of independence of the Azawad region by Tuareg rebels. The budgetary deficit narrowed in 2011 but will deteriorate in 2012 and 2013 because of costs linked to the elections and management of the crisis in the north.

Youth unemployment is a critical problem in Mali. For the age group 15 to 39 it is put at 15.4% while for the population at large the rate is estimated to be 9.6%. Since 1988 the authorities have been pursuing a national employment policy that regards employment as an essential factor in human development and an effective weapon in the fight against poverty. The national employment policy is operated through several projects and programmes which include the youth employment programme (YEP) and a ten-year programme of professional training for employment (PRODEFPE). In spite of these initiatives the results achieved in the area of job creation have not met expectations.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.8	2.7	3.5	5.1
CPI inflation	1.4	3.0	3.8	2.2
Budgetary balance % GDP	-2.7	-1.0	-3.5	-3.4
Current account % GDP	-7.5	-5.4	-3.1	-4.7

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602445

MAURITANIA

- **The national economy should record solid growth between 2010/13.**
- **Acute food shortages are expected in 2012.**
- **In urban areas 50.8% of young men and 69% of young women have no jobs, a deeply worrying state of affairs.**

The performance of the Mauritanian economy depends essentially on heavy investment in the mining sector, in particular gold-mining, public investment programmes and the good performances of manufacturing industries. In addition, the rise in world prices of basic products has necessitated the implementation of a social policy to help the poorest sectors of the community and was limited by a better allocation of resources. Nevertheless the budget deficit should continue to deteriorate because of a weak mobilisation of external resources. Furthermore 2012 threatens to be a year of acute food crisis because of drought and a real threat to the country's livestock. In 2011 a dialogue took place that included the presidential majority and the opposition. This helped ease the tension which caused a postponement of parliamentary and municipal elections and made it possible to establish a calmer political climate, with the creation of an independent national electoral commission and liberalisation of radio and television.

Youth employment remains a cause of serious concern. Unemployment hits hardest those in urban areas and the young. In towns and cities the unemployment rate is 35% and 50.8% of young men and 69% of young women aged between 15 and 24 have no job. In November 2011, with help from the European Union (EU) the government launched an ambitious three-year project aimed at creating a better match between training and work. It is directed in particular at young people who have dropped out of schooling. But the problem of the employment of graduates from higher education remains comprehensive and worrying. In the Human Development Index (HDI) Mauritania dropped 37 places between 2011 and 2012.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.2	4.3	4.7	4.9
CPI inflation	6.3	5.5	6.0	6.4
Budgetary balance % GDP	-1.8	-2.1	-3.1	-2.6
Current account % GDP	-8.7	-5.3	-6.6	-6.3

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602464

MAURITIUS

- **The real Gross Domestic Product (GDP) growth rate is expected to remain moderate in 2012 and 2013.**
- **A debt management strategy is being finalised to bring the public debt down to 50% by 2018.**
- **The country remains a top tier performer in social and human capital development but finding and keeping employment remain a challenge.**

While macroeconomic performance has been reasonably strong, uncertainties in the global economic environment continue to threaten economic recovery. Anchored by a series of countercyclical policy measures the country achieved moderate real GDP growth in 2011, supported by recovery in the tourism sector and strong performances in the financial services, transport and communications, and fisheries sectors. Prospects for a rebound in 2012 remain weak as external demand contracts, with forecasts showing a further decline in growth. In 2012 and 2013, inflation is projected to fall back to low single figures. The Mauritian government has taken steps to deepen the domestic debt market and improve capacity for its management. In this context a debt management strategy is being finalised and the public debt management unit is being reorganised. In 2012 domestic debt is projected at 54.1% of GDP. The target for the government is to bring it down to 50% by 2018.

Youth unemployment remains a challenge in Mauritius. Major problems include finding and keeping jobs. Although the youth unemployment rate fell to 21.9% in 2011 from 22.5% in 2010, it is almost three times higher than the national rate of 7.9%. At 26%, female unemployment is disproportionately higher among the unemployed young, compared to 19.2% for men. The National Human Resource Development Plan provides the policy framework for education, training programmes and career development to meet the skill demands of employers and reduce the mismatch between demand and supply of manpower.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	4.2	4.1	4.0	4.2
CPI inflation	2.9	6.5	3.7	3.5
Budget balance % GDP	-3.2	-3.8	-3.7	-3.9
Current account % GDP	-8.2	-9.8	-10.2	-10.0

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year July (n-1) / June (n)
StatLink http://dx.doi.org/10.1787/888932602483

MOROCCO

- **Sustained interior demand and a good performance by the agriculture sector should make it possible to maintain a stable level of growth in 2012 and 2013.**
- **The position of the state has been strengthened by the new constitution.**
- **Unemployment among young graduates remains high because of a mismatch between training and real demand and the inability of the public sector to satisfy the demand for jobs it generates.**

Morocco's sustained growth should be maintained in 2012 and 2013, relying simultaneously on an effective model of economic opening and liberalisation, a boom in the agricultural sector and a dynamism in internal demand that should offset the fall in exports. Inflation remains at a moderate level although forecasts for 2012 and 2013 envisage a slight increase. The budgetary deficit deepened in 2012 because of the state's expansionist policy but should improve in 2012 and 2013. Morocco has to react to the deteriorated economic situation in Europe, its chief economic partner, and come to terms with the impact of the Arab spring, which led to the abolition of the former legislature, the adoption of a new constitution and the swearing-in of a new government.

The country faces major social challenges. These include the persistence of inequalities and very substantial social disparities, as well as a dysfunctional labour market which creates a high level of unemployment and presents a structural problem whose chief victims are women and young urban graduates. The policy of promoting employment is predicated on strong economic growth and proactive public policies to make it easier to get the unemployed into work and encourage entrepreneurial activities. The problems young people face in getting a first job are mainly related to the mismatch between the level of training and the needs of the labour market, and the attraction that the public service holds for the young at the expense of the private sector. Reform of higher education is under way to give young people a better preparation for the needs of the private sector.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.7	4.6	4.5	4.8
CPI inflation	1.0	0.9	1.6	1.8
Budgetary balance % GDP	-4.6	-6.1	-5.6	-5.0
Current account % PIB	-4.3	-6.5	-5.3	-4.1

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602502

MOZAMBIQUE

- **Growth is expected to remain robust in 2012 and 2013 after Mozambique began exporting coal in 2011.**
- **The main short-term challenge is reconciling ambitious infrastructure investment and social safety nets.**
- **Many new entrants to the labour market have to take marginal jobs.**

Coal export earnings from the first mining mega-projects that began operations in 2011, coupled with strong performances in the financial services and transport and communications and construction sectors, lifted real Gross Domestic Product (GDP) growth. The resumption of strong foreign direct investment (FDI) inflows, mostly in extractive industries, strong agricultural growth and infrastructure investment are expected to lead to high real growth in 2012 and 2013. The Central Bank's consistent tight monetary policy, supported by a prudent fiscal policy, cut year-end inflation to low double digit levels in 2011. The favourable framework is expected to contain inflation, allowing room for monetary policy easing in 2012. The roll-out of pro-poor measures prepared during 2011, coupled with an ambitious infrastructure investment programme, should widen the fiscal deficit. Mozambique's main medium-term challenge is the broadening of its fiscal base as aid flows decrease. Poverty levels seem to be stagnant with 54.7% of the population living below the national poverty line.

Mozambique has a high population growth rate and an estimated 300 000 new entrants into the labour market every year. The country's high economic growth rates have largely been driven by capital-intensive projects, particularly in the extractive industries. The overall unemployment rate stands at 27%. The formal economy is largely urban and only accounts for about a third of all employment. As a result many new entrants into the labour market are forced into marginal jobs in the informal economy, both in rural and urban areas, with little prospect of secure employment. Youth unemployment is an issue addressed by several government initiatives. However, there is currently no separate youth employment strategy.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6,8	7,2	7,5	7,9
CPI inflation	12,7	10,8	7,2	5,6
Budget balance % GDP	-4,0	-3,3	-6,8	-7,4
Current account % GDP	-12,1	-25,6	-25,5	-20,0

Source: Data based on estimations using National Institute of Statistics data; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602521

NAMIBIA

- **Economic growth slowed in 2011 but prospects for the medium term remain favourable.**
- **Risks to the country's positive outlook include a severe slowdown in the global economy and the structural reductions in the Southern Africa Customs Union.**
- **The rate of youth unemployment and the incidence of poverty and inequality are high.**

The Namibian economy slowed in 2011, reflecting modest performances in mining and agricultural activities. Prospects for the medium term remain favourable with Gross Domestic Product (GDP) growth driven by construction, livestock and crop farming, manufacturing and mining. After years of fiscal surpluses arising from prudent macroeconomic policies, the fiscal situation has deteriorated substantially, reflecting the global economic crisis and expansionary policies to support growth. Namibia's membership of the Common Monetary Area (CMA) severely weakens the role of monetary policy. The dual currency system in the country, with the Namibian dollar (NAD) and the South African rand (ZAF) in circulation, means that the country has limited monetary instruments and the main lever of policy discretion of the Bank of Namibia (BoN) is to maintain a different repo rate from that set by the South African Reserve Bank. Risks to Namibia's positive outlook include a severe slowdown in the global economy resulting from the sovereign debt crisis in the Eurozone and the structural reductions in the Southern Africa Customs Union (SACU).

Namibia's future is also overshadowed by massive challenges of poverty, high unemployment and inequality. The country is confronted with a high average unemployment rate of 51.2%, and 80% for the young aged 15 to 19 if jobless people not actively seeking work are included. The high youth unemployment rate is mainly attributable to an educational system that does not equip learners with the skills required in the labour market, although the education sector receives the highest share of the national budget. Namibia does not have an employment policy, but there are several programmes targeting young people, including the National Youth Service, which provide young people with the required skills through vocational training and support them in starting their own businesses.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6.6	3.8	4.4	4.0
CPI inflation	4.5	4.8	6.6	4.3
Budget balance % GDP	-1.4	-7.6	-6.5	-6.4
Current account % GDP	2.0	-4.0	-1.4	-1.0

Source: Data from Central Statistics Office; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year April (n) / March (n+1).
StatLink http://dx.doi.org/10.1787/888932602540

NIGER

- **The mining and oil sectors, combined with public investment, will produce very good economic outcomes in 2012 and 2013.**
- **The government and the International Monetary Fund (IMF) reached an agreement in December 2011 on a new triennial programme 2012-2014.**
- **The characteristics of young people are still unsuited to the needs of the labour market.**

The overall growth of Niger's economy slowed in 2011 as a result of bad weather and the repercussions of the crises in Côte d'Ivoire, Nigeria and Libya. But the growth rate of Gross Domestic Product (GDP) should be very high in 2012, thanks in particular to the good performance of the oil sector. The return to civilian rule after the military transition that followed the coup d'état of 18 February 2010 had an immediate effect on the public finances and led to the return of many technical and financial partners. In December 2011 the government and the IMF reached agreement on a new three-year programme 2012-14. The budget deficit deepened in 2011 but prospects are good in terms of tax receipts given the fiscal revenues expected from the oil sector. The entry into service of the oil refinery at Zinder at the end of 2011 will also help ease the structural deficit in the trade balance as Niger will become a net exporter of petroleum products in 2012.

Worries continue to surround the social situation. There has been progress in improving people's standard of living but this has not yet been translated into a significant reduction in poverty. Labour demand is fairly low, a sign of the economy's very limited propensity to create jobs, something that represents a major obstacle for youth employment. This is one of the results of the weakness of the secondary sector (an average 10% of GDP) which is supposed to absorb most young graduates. In any event, in many cases (40%) they do not meet the requirements of employers, their qualifications most often being unsuited.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	8.0	4.2	11.2	6.0
CPI inflation	0.9	3.4	2.9	2.7
Budgetary balance % GDP	-2.5	-4.9	-0.6	-0.4
Current account % GDP	-20.9	-27.2	-26.5	-23.5

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602559

NIGERIA

- **Growth remained robust in 2011 and the outlook for the near term remains favourable.**
- **The economy remains vulnerable to global economic shocks that weigh on the fiscal position and macroeconomic stability, threatening growth prospects.**
- **High rates of poverty and youth unemployment continue to persist in spite of robust growth.**

Growth in the Nigerian economy was robust in 2011, driven mainly by the non-oil sector; in particular telecommunications, construction, wholesale and retail trade, hotel and restaurant services, manufacturing and agriculture. The outlook for the mid-term remains positive. To mitigate the negative impacts of the global economic crisis, the government pursued an expansionary fiscal policy to maintain growth and social sector spending that led to pressure on consumer prices. A major challenge to increasing the absorptive capacity of the Nigerian economy is the dilapidated state of infrastructure, in particular power, road transport and railways; and the overdependence of the economy on the oil and gas industry. These are priorities for the transformation agenda of the current administration and are being addressed through the creation of an enabling environment for private sector participation in infrastructure development, and through the development of the non-oil sector. In spite of the dominance of the oil sector, agriculture plays a significant role in the national economy, accounting for the largest single share of Gross Domestic Product (GDP). Sustainable growth in the agricultural sector is a principal factor in promoting inclusive economic growth, reducing poverty and ensuring the nation's food security.

In spite of its robust growth the Nigerian economy has failed to generate decent jobs and poverty is widespread. The unemployment rate is currently 23.9% compared to 21.1% in 2010. The unemployment rate among the young is 37.7%, one of the highest in sub-Saharan Africa. Poverty is also very high and persistent. Social indicators in health and education remain weak.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.8	6.7	6.9	6.6
CPI inflation	13.7	10.2	10.1	8.4
Budget balance % GDP	-7.7	-0.2	0.3	0.2
Current account % GDP	6.2	11.6	10.8	9.2

Source: Data from National Bureau of Statistics; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602578

RWANDA

- **Growth remained robust in 2011 but a slowdown is expected in 2012 and 2013.**
- **The outlook depends on securing financing for the state-led investment programmes, an improved external environment and recovery in credit to the private sector.**
- **Skills mismatch and limited job growth are major causes of youth unemployment.**

In 2011 growth was driven by good harvests, an increase in exports largely due to rising commodity prices and high domestic demand driven by expanding credit to the private sector. Expansion in government spending and recovery in tourism also contributed to the growth. Gross Domestic Product (GDP) growth is expected to moderate in 2012 as programmed fiscal consolidation reduces aggregate demand and also as a result of global economic uncertainties. Macroeconomic policy in 2012 and 2013 is expected to remain focused on promoting economic growth while maintaining stability. Fiscal policy will aim at achieving fiscal consolidation and a gradual withdrawal of the fiscal stimulus. Although the overall balance of payments is expected to remain in surplus in 2012 and 2013 because of the expected inflows to finance public and private investments, persistent trade deficits will remain significant challenges over the medium term.

Youth unemployment remains a major challenge, with over 42% of the young either unemployed or underemployed in the subsistence agricultural sector. The main causes of youth unemployment are skills mismatch and limited job growth. The average skills deficit is estimated at 40% and in some categories current demand exceeds supply by 60% across the public, private and not-for-profit sectors. Job creation in the non-farming sector, estimated at 74 000, is also inadequate for the approximately 200 000 young school-leavers entering the job market annually. Policy frameworks for skills development and job creation for both urban and rural areas, and to increase gender equality, are already in place but more needs to be done to translate these policies into tangible impacts.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.2	8.6	7.6	6.9
CPI inflation	2.3	5.6	6.0	6.9
Budget balance % GDP	-0.6	-2.2	-2.1	-1.4
Current account % GDP	-7.5	-7.6	-11.3	-10.9

Source: Data from national authorities'; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602597

SÃO TOMÉ & PRÍNCIPE

- **Growth in 2011 was moderate and is expected to remain so in the mid-term.**
- **The continuing and future reforms will continue to be focused on improving public financial management, banking supervision and labour regulations.**
- **Difficulties in integrating the young into the labour market are compounded by the absence of a youth employment policy.**

São Tomé and Príncipe is a fragile state, vulnerable to external shocks and highly dependent on agriculture and overseas development assistance (ODA). The service sector has so far been the dominant factor driving economic growth, accounting for about 48.6% in 2011 and employing nearly 60% of the workforce. Overall economic growth was driven mainly by the construction, consumer, retail, tourism and mining sectors. The government has made significant progress in reforming public finance management. However, despite tight fiscal policy, the overall budget deficit is expected to remain high in 2012 and 2013. The strict monetary policy also helped the authorities to preserve their minimum threshold of international reserves at the level required by an agreement signed with Portugal. Over the medium to long term, São Tomé and Príncipe should take advantage of a number of opportunities within the region to attain sustainable economic development. These include capitalising on the benefits of its proximity to some African countries and removing the constraints of non-trade barriers that hinder effective integration in the region. The free and transparent presidential election held in July/August 2011 demonstrated the country's commitment to peace and stability.

The integration of the young into the labour market has been challenged by the absence of a youth employment policy. The government's inability to generate employment makes young people the most vulnerable section of the population, which in turn may be a challenge to political stability and economic prosperity.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	4.5	4.3	4.4	4.6
CPI inflation	12.9	9.2	6.5	8.1
Budget balance % GDP	-11.1	-15.9	-14.7	-17.6
Current account % GDP	-25.4	-33.9	-30.8	-28

Source: Data from national authorities'; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602635

SENEGAL

- **Economic growth should improve in 2012 and 2013, driven by investment in energy and roads.**
- **Senegal succesfully managed its political transition after the second round of the presidential election, won by Macky Sall, yet the newly elected government faces high popular expectations.**
- **The rate of employment among the young is 25% lower than that of adults.**

Economic growth should improve in 2012 and 2013 with the implementation of the government's programme based on the economic policy support instrument (ISPEII) 201013 agreed with the International Monetary Fund (IMF) and on the 2011-15 economic policy document. The chief investments will be in the energy sector and the roads sector with work continuing on the toll road. The poor performance of agriculture in 2011 and the danger of a global economic recession are factors that could make a possible social explosion still worse. The continuing deepening of the budget deficit in 2012 and 2013 makes it necessary to place greater emphasis on the quality of public spending. In this respect the implementation of reforms could be made easier by the new legitimacy conferred on the leadership emerging from the 2012 presidential and parliamentary elections.

Young Senegalese have great difficulty in entering the labour market and their employment rate is 25% lower than that of adults. Measures taken by the state and its partners have not so far yielded the results hoped for in terms of the numbers and quality of jobs created for young people. The demographic weight of the young and the results of the measures taken to help them make it imperative that initiatives to favour their employment form part of an overall approach.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	4.1	4.0	4.2	4.7
CPI inflation	1.2	3.0	2.6	1.9
Budgetary balance % GDP	-5.2	-5.3	-6.3	-6.7
Current account % GDP	-6.1	-8.7	-9.1	-9.8

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602616

SEYCHELLES

- **Gross Domestic Product (GDP) growth in the Seychelles was higher than expected in 2011 but is on a declining trend.**
- **The government persisted with economic reforms and a fiscal policy stance aiming at reducing public debt.**
- **Youth unemployment is relatively low, but challenges remain, such as a certain reluctance to hire first-time jobseekers and a preference for expatriates.**

In spite of a decline in foreign direct investment (FDI) and higher food and fuel prices, the Seychelles economy grew at 5% in 2011, higher than previously expected. This performance was due to an 11% rise in tourism numbers and the positive impact of economic reforms. Tourism will continue to be the main driver of economic growth in 2012/13 but as 70% of tourists come from Europe, the financial crisis there means GDP growth is expected to slow further in 2012. Higher inflation and interest rates, combined with continued fiscal consolidation, will dampen domestic demand. From 2013 GDP growth is expected to increase, thanks to a more favourable global economic environment, local reforms, and higher investment and consumption spending. Following the re-election of President James Michel, the government maintained a fiscal policy aiming at reducing public debt, and will continue to post budget surpluses in 2012 and 2013. The planned introduction of value added tax (VAT) in 2012 is well on track, and a new Public Finance Bill was approved by the cabinet in late 2011. Progress continues to be made in improving the regulatory framework of investment. Amendments to the Financial Institutions Act have established the legal basis for new financial products, boosted competition and reduced the state's role in the financial sector. Seychelles has recently prepared a new sustainable development strategy and a new national development plan will be prepared in 2012.

Youth unemployment in the Seychelles is relatively low, as there are generally enough jobs on offer, and the government provides various training programmes. However, challenges remaining include the attitude of Seychellois youth and the impact of drugs and substance abuse, which explain why there is some reluctance to hire first-time jobseekers and a preference for expatriates.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6.7	5.0	4.0	5.0
CPI inflation	-2.4	2.5	3.5	3.7
Budget balance % GDP	2.5	3.8	2.8	0.8
Current account % GDP	-22.7	-21.8	-24.6	-27.9

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602654

SIERRA LEONE

- **Because of increased mining activity, including that at new iron ore mines, Gross Domestic Product (GDP) growth is expected to accelerate in 2012.**
- **Governance has improved in recent years and reducing corruption is one of the government's priorities.**
- **Although there have been some improvements, the country's social indicators are amongst the lowest in the world and further efforts need to be exerted to meet the MDGs.**

Real GDP growth is projected to increase significantly in 2012 thanks to the recovery of the mining sector and the discovery of huge deposits of iron ore. In spite of this growth, the inflation rate was in double figures in 2011 because of high international oil and agricultural prices on the one hand and the depreciating national currency, the Leone (SLL), on the other. The rate of inflation is expected to fall progressively in 2012 and 2013 partly as a result of improvements in domestic agricultural production, new taxes, and a slower rate of currency depreciation. The removal of fuel subsidies and the rise in royalties from diamond production led to an improvement in the overall fiscal balance in 2011. In addition, corrective action taken in 2011 to strengthen fiscal discipline is expected to contribute to the reduction in the fiscal deficit in 2012 and 2013. However, the current account deficit increased substantially in 2011 because of the increase in the trade balance deficit which was fuelled by the rise in imports of machinery. The tightening of fiscal and monetary policy will also help Sierra Leone to manage better its debt sustainability. Furthermore, major reforms aimed at reducing corruption and providing free health care, as well as improving the decrepit transport, power and public health infrastructure, top the list of the government's priorities. Governance has improved in recent years following the implementation of the national anti-corruption strategy.

Youth unemployment is a challenging social problem in Sierra Leone. At 60%, the youth unemployment rate is one of the highest in West Africa. The second Poverty Reduction Strategy Paper (PRSP II) for 2008-2012 contains new legislation for youth-friendly initiatives that aim to provide a favourable environment for youth development, employment and empowerment.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.0	5.7	6.2	6.2
CPI inflation	17.8	18.1	11.7	9.4
Budget balance % GDP	-6.4	-5.3	-4.5	-3.6
Current account % GDP	-18.3	-55.7	-9.9	-9.6

Source: Data from National Bureau of Statistics; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602673

SOUTH AFRICA

- **Economic growth is slowing marginally in 2012 because of the global economic weakness and domestic constraints but should pick up in 2013.**
- **The business climate is conducive for the private sector, but poverty and inequality remain particularly high.**
- **South Africa favours demand-side measures to resolve youth unemployment, by job creation and employment incentives.**

South Africa's economic growth increased marginally in 2011 and is projected to slow in 2012, mainly as a result of domestic structural weaknesses and a fragile global economic recovery, and to recover in 2013, subject to global recovery and to an orderly resolution of the Eurozone fiscal crisis. Average annual inflation rose in 2011 and will continue to do so in 2012, before stabilising in 2013.

Private consumption will slow in 2012 but accelerate in 2013. Public consumption will moderate whereas investment is on the rise. Merchandise exports increased markedly in 2011. Foreign direct investment (FDI) into South Africa also increased in 2011. As domestic expenditure improves with the expected increase in fixed investment in 2013, South Africa's import intensity is expected to rise, putting some pressure on the trade balance over the next two years. This, together with increased outflows in service, income and current transfers, is likely to widen the current account deficit in 2012 and in 2013.

The budget deficit deepened in fiscal year 2011/12, but it is projected to improve during the coming two fiscal years, primarily as a result of a moderation in primary spending growth. Borrowing from abroad by public corporations, which hold about 21% of the external public debt, to finance infrastructure improvement led to a significant rise in foreign borrowing in fiscal year 2010/11. However, debt burden indicators do not signal a significant risk of debt servicing difficulties. Foreign debt remains less than 10% of the total public debt.

Unemployment fell to 23.9% at the end of 2011 from 25% in the third quarter. The government's broad strategy to cut unemployment is part of the New Growth Path (NGP), which has as an objective the creation of 5 million jobs over a decade.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.9	3.1	2.8	3.6
CPI inflation	4.3	5.0	6.2	5.4
Budget balance % GDP	-4.2	-4.8	-4.4	-4.2
Current account % GDP	-2.8	-3.1	-3.9	-4.3

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year April (n) / March (n+1).
StatLink http://dx.doi.org/10.1787/888932602692

SOUTH SUDAN[1]

- **The recent closure of oil pipelines and resulting sharp decline in government revenues have considerably dimmed expectations for short term growth in Africa's newest country.**
- **At independence in July 2011 prospects seemed bright but the government has postponed the implementation of its ambitious national development plan.**
- **Mobilising young people's skills will be of critical importance.**

South Sudan's economy performed well in 2011, thanks to favourable oil prices, higher levels of donor support following independence, and a notable increase in Foreign Direct Investment (FDI), especially from East Africa and China. The government introduced a national development plan to provide the platform for orderly infrastructure development, agricultural and rural transformation, and the enhancement of social service provision. An important goal of the government is to establish institutions to ensure social and political cohesion in a still turbulent country. South Sudan's prospects worsened markedly towards the end of 2011 as the progress made in negotiations with Sudan on issues ranging from external debt to oil transit fees began to unravel. South Sudan's closure of the oil pipeline in retaliation for what it considers punitive transit fees entails a loss of close to 100% of government revenue. This fiscal gap is unlikely to be closed soon. For the longer term, an alternative oil pipeline to the sea through East Africa has been proposed.

Thanks to oil and a relatively low population of about 9 million South Sudan has one of the highest per capita Gross Domestic Products in the East Africa region. The continuing oil revenue crisis has been a powerful demonstration of the need for economic diversification. The country has some of the most fertile land in Africa, with abundant sources of water, from lakes and rivers, including the Nile. Its wild animal population and flora are unmatched in the region and prospects for niche tourism are good.

In the future, issues of economic equality, at the household and state levels, are going to weigh heavily on government policies and programmes in the face of lower revenues and of hopes for quick improvements in living standards that are still high among the population. Following the long civil war, the country's population remains restive. The return of close to a million South Sudanese from the North has further complicated the picture. With a 40% literacy rate the young are perceptibly more suited to mobilisation for development than the rest of the population and will determine the country's future. Well-educated and trained, the extent to which the government incorporates them into development will determine the progress the country makes in the medium to long term.

1. Since South Sudan is a new country, historical data was not available to run the AEO model. There are therefore no macroeconomic projections and the related Table 1 for South Sudan.

SUDAN

- **Real GDP is expected to grow only modestly during the next two years, chiefly because of the loss of oil revenue and population following the secession of South Sudan.**
- **The government has attempted to address increased economic and social challenges through the introduction of austerity measures.**
- **Youth unemployment, particularly among university graduates, is high and increasing.**

In 2011 real Gross Domestic Product (GDP) grew modestly following the loss of 75% of oil revenues and the secession of South Sudan in July 2011. The outlook for growth in 2012 and 2013 is expected to be affected by the same factors. Average inflation surged in 2011 because of the rise in food prices and the depreciation of the Sudanese pound (SDG). Similarly, the current account deficit is estimated to deepen in 2012 because of the loss of oil revenues, intensifying armed conflict and the financing of peace agreements. As a result of economic sanctions and an already heavy debt burden, external borrowing options remain severely limited, raising the likelihood of an expansion in internal borrowing. The government has put in place a three-year economic emergency programme aimed at cutting spending. It partly removed subsidies on sugar and oil products and is expected to restore fiscal discipline at all levels of government by controlling expenditure.

Youth unemployment is high and growing. Sudan's labour market is underdeveloped and heavily dependent on agriculture and the informal sector. Currently, labour force participation and the unemployment rates among the young stand at 32.9% and 22%, respectively, compared to 43% and 11% for adults. Sudan's high birth rate has resulted in a relatively young population and a high proportion of young people of working age. Existing youth employment programmes are not co-ordinated under a coherent national growth and employment strategy that focuses on the young, and no measures have been taken to address disparity in employment along urban-rural and gender lines. These programmes and initiatives remain ineffective, as they face the challenge of facilitating the transition from school to work, as well as that of the victims of civil wars and ex-soldiers into productive civilian activities.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	5.0	2.8	2.0	2.8
CPI inflation	13.0	15.3	19.8	17.0
Budget balance % GDP	-3.1	-4.3	-3.4	-4.3
Current account % GDP	-6.4	-7.5	-12.3	-8.0

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602711

SWAZILAND

- **Growth stalled in Swaziland in 2011 and is expected to deteriorate in the mid-term.**
- **The fiscal crisis is the main factor hampering, with the need to manage high revenue volatility.**
- **With youth unemployment of over 50%, job creation is a key policy priority.**

Swaziland faced a challenging 2011 because of a collapse of transfers from the Southern African Customs Union (SACU) receipts, a high level of expenditure (especially wages) and the limited ability of the government to borrow. The crisis has led to cuts in capital and social spending, constraining aggregate demand and undermining future growth. In 2012/13 the SACU revenues are projected to increase by almost 150%, but decline again markedly in 2013/14. This pattern emphasises the need to manage high revenue volatility, strengthen domestic revenue mobilisation, develop new financing sources, reduce corruption, strengthen procurement and spend windfall revenues prudently. Swaziland's monetary policy is restricted by its membership of the common monetary area. Unless long-standing fiscal and structural bottlenecks in trade and the business environment are addressed, growth in 2013 and beyond is projected to remain one of the lowest in sub-Saharan Africa.

Despite its middle-income status, Swaziland is marked by high levels of inequality and poverty (63% of the population in 2010), together with the highest HIV prevalence rate in the world. With high unemployment, especially among the young and women, lack of jobs and absence of an entrepreneurial spirit are key challenges both for prosperity and political stability. Growth-oriented fiscal policy should be accompanied by strengthened governance and the business environment as well as improved access to credits by small and medium-sized enterprises (SMEs). Reforms on the demand side of the labour market need to be accompanied by changes in the curricula for tertiary education and the establishment of training programmes to avoid skills mismatches and shortages. The fiscal crisis underscored the need to develop adequate social protection schemes to safeguard the living standards of the poor and the vulnerable.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	2.0	1.1	0.6	1.0
CPI inflation	4.5	7.8	6.5	5.5
Budget balance % GDP	-14.3	-9.6	1.3	-5.6
Current account % GDP	-16.1	-11.4	-3.3	-5.3

Source: Data from national authorities'; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year April (n) / March (n+1).
StatLink http://dx.doi.org/10.1787/888932602730

TANZANIA

- **Real GDP growth remains strong in spite of continuing economic problems in the Eurozone and recurrent domestic power shortages.**
- **The government has to maintain tight fiscal and monetary policies to contain inflation and to reduce dependence on aid.**
- **Youth unemployment, at 8.8%, disproportionately affects women and young people in rural areas.**

Tanzania's economy showed resilience to shocks and is expected to remain buoyant, with its Gross Domestic Product (GDP) growing in 2012 and 2013, well above the regional averages. Services, industry and construction continue to be the driving forces but frequent power cuts continue to damage output potential. Exports, which received a boost during the crisis as demand for gold in world markets continued to rise, are expected to perform well, with growth forecast at 10.9% and 9.7% in 2012 and 2013. Overall recurrent spending has outpaced revenues and grant financing, contributing to growing fiscal deficits and higher public debt. The budget deficit shrank in 2011 and is expected to stabilise in the next two years. Tanzania's inflation rate is expected to ease in 2012 and 2013, after having jumped well above its target last year and into double digits as a result of higher food prices. The Tanzania shilling (TZS) has been under pressure since 2010, falling by 10.6% in 2011 and making imports more expensive. Increased oil imports for power generation are driving strong demand for foreign currency.

Unemployment is a concern with nearly 2.4 million people — most of them young — out of work, representing 10.7% of the population. The employment situation of the urban young, in particular, is critical. Lack of sufficient job opportunities for young women, who have increasingly been participating in the labour market, further complicates the situation. The effects of the current global crisis could create additional challenges, in particular with respect to tourism and export-oriented sectors.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.0	6.4	6.8	7.1
CPI inflation	6.5	12.7	9.0	8.3
Budget balance % GDP	-7.1	-6.6	-6.6	-6.6
Current account % GDP	-7.8	-6.4	-4.9	-6.5

Source: Data from national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602730

TOGO

- **The growth rate should show an improvement in 2012 and 2013.**
- **Progress in managing the public finances and the external debt have made it possible to cut the risk of excessive indebtedness.**
- **In urban areas 21.4% of young people are unemployed: in the countryside the figure is 5.4 %.**

Economic activity grew in 2011 and should continue to grow in 2012 and 2013 after an increase in production in the primary sector and substantial results in the secondary sector. The budgetary deficit should deepen in the years ahead as a result of the continuation of the countercyclical policy adopted to counteract the effects of the global crisis. The country has made perceptible progress towards meeting the convergence criteria of the West African economic and monetary union (UEMOA). Achieving completion point of the Heavily Indebted Poor Countries (HIPC) initiative and the progressive clearing of internal debt open up new opportunities for the country, which will need to adopt a prudent debt strategy for the future. The country took a step backward in 2011 in establishing an environment conducive to business. Togo has embarked on a process of modernising its public administration with an e-government project which began a three-year process of implementation in 2012. The government continues to insist that it seeks a climate of peace and reconciliation. These efforts enabled Togo to find a privileged place in the international community: since October 2011 the country has had a non-permanent seat on the United Nations Security Council and occupied the presidency in February 2012.

In urban areas youth unemployment is 21.4 % while in the countryside it is 5.4%. But the rate of underemployment is higher in rural areas at 21.7%, compared with 16.1% in towns and cities. The education system is not adapted to the labour market or the country's future growth sectors. In addition to the creation in May 2010 of a ministry of basic development, arts and crafts trades, youth and employment the government has launched several initiatives in favour of youth employment.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
GDP growth	3.7	3.9	4.2	4.4
CPI inflation	1.4	3.7	2.6	3.0
Budgetary balance % GDP	-2.8	-3.8	-4.1	-4.5
Current account % GDP	-7.1	-8.0	-8.6	-9.6

Source: National authorities' data: estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602768

TUNISIA

- **Tunisia expects moderate growth in 2012 and 2013 but that will depend on internal and regional stability.**
- **Recovery will also be conditional on an improvement in transparency and the business climate.**
- **Separately from emergency measures the structural problem of youth unemployment calls for far-reaching reforms.**

The revolution of 14 January 2011 served to expose the structural weaknesses of the Tunisian economy which continues to be characterised by a heavy dependence on traditional sectors of low added value and a sharp polarisation between the offshore and onshore sectors. The fundamentals of the nation's economy deteriorated overall and the growth rate of Gross Domestic Product (GDP) recorded a slight decline in 2011, chiefly as a result of the political uncertainties which had a negative effect on tourism, mining and foreign direct investment (FDI). The banking system was weakened. The conflict in Libya also had an unfavourable effect on the Tunisian economy. Nevertheless the medium-term economic outlook remains positive.

Since the revolution there has been a speeding up of reforms affecting the governance of the public administration, regional development and press freedom. The first democratic elections since independence took place on 23 October 2011 and enabled the country to embark upon a new phase of transition. Economic recovery in 2012 will depend on the ability of the government to put in place the policies needed to stimulate the economy, in particular to improve transparency and the private sector climate. Recovery will also be linked to the situation of the economy in Europe, the country's main trading partner, and the stabilisation of Libya.

With 70% of those out of work aged under 30, unemployment among young people, and in particular those graduating from higher education, was already a major problem before the revolution. Programmes to encourage employment do exist, in particular financial incentives for employers to take on young people and training programmes, to which in 2011 an emergency programme was added. Tunisia has to find the most effective short-term measures and undertake the necessary structural reforms, with special reference to the education system.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	3.1	-1.1	2.5	3.7
CPI inflation	4.4	3.5	4.7	4.9
Budgetary balance % GDP	-1.3	-3.9	-5.5	-4.9
Current account % GDP	-4.8	-7.4	-6.5	-6.1

Source: National authorities' data : estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602787

UGANDA

- **In 2011 the economy experienced a perceptible slowdown but real Gross Domestic Product (GDP) growth is projected to improve in 2012 and 2013.**
- **The surge in consumer prices, infrastructure constraints and socio-political factors remain concerns affecting growth.**
- **Youth unemployment was estimated at 4.3%, higher than for the labour force as a whole, at 3.8%.**

Real GDP growth is expected to improve in 2012, mainly because of good prospects in the oil sector. But this will depend on the ability of the authorities to address major constraints arising from infrastructure problems, particularly in the energy sector, and to mitigate various risk factors, including those linked to climate change. Inflationary pressures are forecast to drop progressively in 2012 and in 2013, reflecting both global falls in food and fuel prices and the impact of monetary tightening by the Bank of Uganda. The government is expected to rein in expenditure growth, but lower revenue collections brought about by the slowdown in economic activity are likely to offset any improvements in the fiscal balance. On the external front, the current account deficit is projected to deteriorate in 2012 and 2013 as import growth accelerates and exports are hit by the global economic slowdown.

Uganda has one of the youngest and fastest growing populations on the African continent and thus faces the associated challenge of providing jobs of good quality to its young people. In 2009/10, it was estimated that there were 5.9 million young people between the ages of 15 and 24, or 19.3% of the population. On a strict definition, youth unemployment was estimated at 4.3%, higher than for the labour force as a whole, at 3.8%. Youth unemployment and underemployment trends in Uganda arise from a variety of factors, including the lack of employable skills, limited access to financial and technical resources, the insufficiently vocation-oriented nature of the education system, and a mismatch between skills and requirements in the jobs market.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	6,1	4,1	4,5	4,9
CPI inflation	4,1	18,8	16,0	14,1
Budget balance % GDP	-4,9	-7,4	-8,0	-8,9
Current account % GDP	-8,4	-3,6	-10,2	-11,1

Source: Data from national authorities'; estimates (e) and projections (p) based on authors' calculations.
Figures for budget balance refer to fiscal year July (n-1) / June (n).
StatLink http://dx.doi.org/10.1787/888932602806

ZAMBIA

- **The outlook for the Zambian economy remains favourable in the medium term, underpinned by good performances and outputs in many sectors and by single figure inflation.**
- **The country remains vulnerable to external shocks, including risks from a sluggish global economic recovery.**
- **High youth unemployment and slow progress in poverty reduction overshadow any gains made from growth and limited inflation.**

The Zambian economy slowed in 2011, mainly as a result of low growth in mining. However, the medium-term economic outlook looks favourable. Growth will be solid, underpinned by sustained expansion in agriculture, construction, manufacture, and transport and communications and by a rebound in mining. Inflation is projected to remain in single digits, reflecting prudent monetary policy, while the objective of exchange rate policy is to maintain external competitiveness. Increasing domestic revenues remains a priority for the medium term but huge infrastructure developments will require additional resources. The government plans to issue a USD 700 million sovereign bond in 2012 to bridge the infrastructure funding gap. Risks to Zambia's sustained growth include vulnerability to exogenous shocks, and sluggish global economic recovery, which could reduce demand for the country's exports. Moreover, maintaining investor confidence after the recent reversal of the privatisation deal involving Zambia's telecommunications company, and the subsequent downgrading of the country's outlook by a ratings agency, will be critical to attracting foreign investment.

Tackling high youth unemployment remains one of the government's foremost policy challenges. As a proportion of the total labour force, 63% of the urban young in the 15-19 age group remained out of work while unemployment is 48% for the 20-24 age category. In rural areas 16% of the 15-19 group and 7% of the 20-24 age group are unemployed although these figures mainly reflect informal agriculture employment. Significant gender disparities are also prevalent. With about 300 000 young people entering the labour market in an average year, the government has put in place a National Youth Policy and the Youth Enterprise Fund which stress creation of youth employment through entrepreneurship to accelerate poverty reduction. The government has also announced plans to transform the Zambian National Service into a Zambian Youth Training Service with a mandate to strengthen youth skills training.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	7.6	6.6	6.9	7.3
CPI inflation	8.5	8.7	8.0	8.5
Budget balance % GDP	-3.0	-2.6	-3.6	-3.0
Current account % GDP	3.6	5.4	3.6	4.0

Source: Data from national sources; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602825

ZIMBABWE

- **Growth slowed in 2011 and is expected to slow further in 2012 because of inconsistencies in policy and political uncertainty.**
- **Regulations involving the economic empowerment programme and dilapidated infrastructure will continue to constrain the economy.**
- **Unemployment, especially among the young, has increased in recent years.**

Growth slowed in 2011 and is expected to slow further in 2012 in the face of policy inconsistencies and political uncertainty. The subdued growth reflects the challenges facing the economy including limited resources and the high cost of capital; inconsistencies, especially with respect to economic empowerment and indigenisation regulations; dilapidated infrastructure; obsolete technologies; frequent breakdown of machinery; and power and water shortages. These downside risks are further exacerbated by the disputes among the government partners about the new constitution, the national referendum to adopt it and pending national elections. However, in 2013, economic activities in the agricultural, mining, manufacturing and transport sectors are expected to drive improvements in growth. Even though the government is operating on a cash budget principle, the budget deficit for 2011 improved and is projected to improve further in 2012 and 2013. Inflation should rise but is projected to remain within single digits in 2012 and 2013. Overall, inflationary developments in the short to medium term will continue to be influenced by the USD/ZAF (South African rand) exchange rate, inflation developments in South Africa, international oil prices and local utility charges.

While there are no recent official data on unemployment, it is believed to have increased over the years. Young people aged 15-24 years make up the bulk of the unemployed, accounting for almost 60% of all those out of work in 2004. To deal with the problem, the government adopted a national employment policy framework in June 2010 which integrates youth employment initiatives.

Macroeconomic indicators

	2010	2011(e)	2012(p)	2013(p)
Real GDP growth	9.0	6.8	4.4	5.1
CPI inflation	3.1	5.3	6.5	6.7
Budget balance % GDP	-4.3	-3.2	-2.8	-3.0
Current account % GDP	-19.7	-25.5	-24.5	-26.8

Source: Data from national sources; estimates (e) and projections (p) based on authors' calculations.
StatLink http://dx.doi.org/10.1787/888932602844

Part Four

Statistical Annex

Statistical Annex

List of Tables

Methodology

The aggregate figure for Africa, when reported, does not include countries whose data are unavailable.

When used, the oil exporting countries group refers to Algeria, Angola, Cameroon, Chad, Congo Dem. Rep., Congo Rep., 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 South Africa, Namibia, Swaziland, Lesotho and Botswana, fiscal year 2011 is from April 2011 to March 2012.

Table 7. Exports, 2010

The table is based on exports disaggregated at 6 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 4 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 (2005-2010) (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, 2005-10

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 on: www.unctad.org/wir). It is the unweighted average of scores of: 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 (Source: UNCTAD, World Investment Report 2011).

Table 11. Aid Flows, 2005-10

The DAC countries are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and the Commission of the European Communities.

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 5: probability that a newborn infant would die before the age of 5.

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 $1 or $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 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 its life, the conditions of mortality remain the same as observed at its birth. Life expectancy at birth with AIDS is the estimated average number of years a newborn infant would live under the hypothesis that, during its life, the conditions of mortality remain the same as observed at its birth in particular the characteristics of AIDS epidemic. 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 is 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 is estimated whether or not they have developed symptoms of AIDS. HIV/AIDS adult prevalence is the estimate of the adult population (15-49) living with HIV/AIDS. Malaria notified cases are 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. The Measles incidence is the number of new cases of measles reported during the reference year.

MCV: Measles Containing Vaccine.

DTP3: Third dose of Diphtheria and 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 Perception Index

The Corruption Perception Index (CPI) is a composite indicator based on surveys of business people and assessments of country analysts. A background paper presenting the methodology and validity of the CPI is available on the Transparency International website: http://www.transparency.org/publications/publications/other/corruption_perceptions_index_2011

Table 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 from the *Agence France Presse* (AFP), with the aim 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, Lafay and Morrisson . All of those 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 25 African countries and since 2006 for 52 countries. AFP's daily press briefs have been the source for the indicators since 2008. Before that, the weekly newspaper 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 MTM, requiring a slight upward adjustment of past data to ensure comparability. We estimated correction coefficients for each country in the series (the average coefficients were 1.10 for public protests, 1.04 for public violence and 1.46 for political hardening). The indicators presented in the tables have been adjusted accordingly for the years 1996-2005.

In previous AEO reports the public protest and public violence indicators were combined in a civil tensions indicator. This series has been split up into its components in this report to allow for a separate analysis of these two time series. The civil tensions indicator for 2011 can be found on the AEO website www.africaneconomicoutlook.org, where the indicator measuring political softening from previous years is also being continued.

Table 22: Public Protest

- **Strikes**

  0 = non-occurrence,

  1 = 1 strike or number of strikers lower than 1 000 (included),

  2 = 2 strikes or number of strikers between 1 000 and 5 000 (included),

  3 = 3 strikes or number of strikers strictly higher than 5 000.
- **Demonstrations**

  0 = non-occurrence,

  1 = 1 demonstration or number of protesters lower than 5 000 (not included),

  2 = 2 demonstrations or number of protesters between 5 000 and 10 000 (not included),

  3 = 3 demonstrations or number of protesters higher than 10 000.

Table 23: Public Violence

- **Unrest and violence (number of dead and injured)**

Dead

  0 = none,

  1 = between 1 and 10 (not included),

  2 = between 10 and 100 (not included),

  3 = higher than 100.

Injured

  0 = none,

  1 = between 1 and 50 (not included) or if the number of dead is between 1 and 10,

  2 = between 50 and 500 (not included) or if the number of dead is between 10 and 100,

  3 = higher than 500 or if the number of dead exceeds 100.

Table 24: Political Hardening

- **State of emergency (0 or 1)**
- **Arrests, 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 resources for the police, propaganda or censorship (0 or 1)**
- **Toughening of the political environment (dissolution of political parties, new law against democratie, expulsions, dismissals, curfew, ...) (0 or 1)**
- **Violence perpetuated by the police (number of dead and injured)**

Dead

0 = none,

1 = between 1 and 10 (not included),

2 = between 10 and 100 (not included),

3 = higher or equal to 100.

Injured

0 = none,

1 = between 1 and 50 (not included) or if the number of dead is between 1 and 10,

2 = between 50 and 500 (not included) or if the number of dead is between 10 and 100,

3 = higher than 500 or if the number of dead exceeds 100.

- **Extra juridical 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)**
- **Counter-demonstrations orchestrated by the government ights in "Political troubles"**

Weights
Strike 0.286
Dead 0.950
Injured 0.958
Demonstration 0.543
Coups d'état and attempts 0.059
Weights in "Softening of the political regime"

Weights

Lifting of state of emergency 0.282
Release of political prisoners 0.709
Measures in favour of human rights 0.373
Improvement of political governance 0.089
Relinquishment of political persecution 0.502
Political opening 0.373

Lifting of bans on strikes 0.323
Lifting of bans on public debates 0.522
Weights in "hardening of the political regime"
Weights
State of emergency 0.631
Violence perpetuated by the police: Dead 0.261
Injured 0.423
Arrests 0.402
Additional resources for the police 0.603
Toughening of the political environment 0.253
Prosecutions, executions 0.583
Bans on strikes 0.383
Bans on demonstrations 0.292
Closing of schools 0.092

Given the diversity of variables that make up the indicator for "Political Hardening" a principal component analysis was performed to assign each variable an appropriate weight in the composite index. The weights obtained were as follows: each intensity level of police violence is multiplied by 0.261 (if dead), 0.423 (if injured), 0.402 (if arrested). For dichotomous variables, the weights are: State of emergency (.631), Additional resources for the police (.603) and Extrajudicial prosecution (0.583), Prohibition of strikes (0.383), Prohibition of the press (0.292), Hardening of the political climate (.253), closure of schools (.092).

Table 1. **Basic Indicators, 2011**

	Population (thousands)	Land area (thousands of km²)	Population Density (pop / km²)	GDP based on PPP valuation (US USD Million)	GDP per Capita (PPP valuation, USD)	Annual real GDP growth (average over 2003-11)
Algeria	35 980	2 382	15	255 344	7 097	3.7
Angola	19 618	1 247	16	115 277	5 876	11.0
Benin	9 100	115	79	14 977	1 646	3.5
Botswana	2 031	582	3	26 514	13 056	3.9
Burkina Faso	16 968	274	62	22 285	1 313	5.8
Burundi	8 575	28	308	3 582	418	3.2
Cameroon	20 030	476	42	49 078	2 450	3.2
Cape Verde	501	4	124	2 397	4 789	6.1
Central Afr. Rep.	4 487	623	7	3 360	749	2.0
Chad	11 525	1 284	9	24 838	2 155	10.1
Comoros	754	2	337	866	1 149	1.8
Congo	4 140	342	12	19 506	4 712	4.9
Congo Dem. Rep.	67 758	2 345	29	23 823	352	6.1
Côte d'Ivoire	20 153	322	62	33 971	1 686	0.7
Djibouti	906	23	39	2 198	2 427	4.1
Egypt *	82 537	1 001	82	519 396	6 293	4.9
Equatorial Guinea	720	28	26	25 781	35 797	11.2
Eritrea	5 415	118	46	4 018	742	0.7
Ethiopia*	84 734	1 104	77	113 729	1 342	9.7
Gabon	1 534	268	6	25 191	16 419	3.6
Gambia	1 776	11	157	4 165	2 345	6.1
Ghana	24 966	239	105	76 347	3 058	7.0
Guinea	10 222	246	42	13 637	1 334	2.4
Guinea-Bissau	1 547	36	43	1 919	1 240	2.6
Kenya	41 610	593	70	79 720	1 916	4.6
Lesotho	2 194	30	72	2 527	1 152	4.0
Liberia	4 129	111	37	2 683	650	2.0
Libya	6 423	1 760	4	50 636	7 884	0.7
Madagascar	21 315	587	36	19 211	901	3.9
Malawi	15 381	118	130	14 179	922	6.2
Mali	15 840	1 240	13	18 184	1 148	4.8
Mauritania	3 542	1 026	3	8 991	2 539	4.5
Mauritius	1 307	2	640	19 193	14 689	4.2
Morocco	32 273	711	45	170 758	5 291	4.8
Mozambique	23 930	802	30	26 719	1 117	7.3
Namibia	2 324	824	3	15 571	6 700	5.0
Niger	16 069	1 267	13	12 148	756	4.9
Nigeria	162 471	924	176	401 539	2 471	7.5
Rwanda	10 943	26	415	13 608	1 244	7.7
São Tomé & Príncipe	169	1	175	331	1 964	5.4

Table 1. **Basic Indicators, 2011** (Cont.)

	Population (thousands)	Land area (thousands of km²)	Population Density (pop / km²)	GDP based on PPP valuation (US USD Million)	GDP per Capita (PPP valuation, USD)	Annual real GDP growth (average over 2003-11)
Senegal	12 768	197	65	22 506	1 763	4.4
Seychelles	87	0.455	192	2 484	28 407	3.3
Sierra Leone	5 997	72	84	5 374	896	6.4
Somalia	9 557	638	15	...	...	...
South Africa	50 460	1 221	41	515 877	10 223	3.6
South Sudan	...	620	...	...	...	...
Sudan	44 632	1 886	24	97 850	2 192	6.6
Swaziland	1 203	17	69	6 056	5 033	2.4
Tanzania	46 218	945	49	74 026	1 602	7.0
Togo	6 155	57	108	5 946	966	3.1
Tunisia	10 594	164	65	101 636	9 594	4.1
Uganda	34 509	241	143	57 451	1 665	6.9
Zambia	13 475	753	18	27 523	2 043	6.1
Zimbabwe	12 754	391	33	4 087	320	-3.3
Africa	1044 304	30 323	34	3159 013	3 025	5.2

Note: * Fiscal year July (n-1)/June (n)
Sources: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, The 2010 Revision.
AfDB Statistics Department, Various domestic authorities and AfDB estimates.

Table 2. **Real GDP Growth Rates, 2003-2013**

	2003	2004	2005	2006	2007	2008	2009	2010	2011 (e)	2012 (p)	2013 (p)
Algeria	6.9	5.2	5.1	2.0	3.0	2.4	2.4	3.3	2.8	3.1	4.2
Angola	3.3	11.2	20.6	18.6	22.6	13.8	2.4	3.4	3.5	8.2	7.1
Benin	3.9	3.1	2.9	3.8	4.6	5.0	2.7	2.6	3.0	4.2	4.1
Botswana	6.3	6.0	1.6	5.1	4.8	2.9	-4.9	7.2	6.6	4.4	3.9
Burkina Faso	8.0	4.6	8.7	5.5	3.6	5.2	3.2	7.9	5.1	5.3	5.5
Burundi	-1.2	4.8	0.9	5.1	3.6	4.5	3.5	3.9	4.0	4.8	5.3
Cameroon	4.0	3.7	2.3	3.2	3.3	2.9	2.0	3.2	4.1	4.4	4.6
Cape Verde	4.7	4.3	6.5	10.1	8.6	6.2	3.7	5.4	5.0	5.1	5.2
Central Afr. Rep.	-4.7	2.8	2.0	3.8	3.7	2.0	1.7	3.3	3.0	4.2	4.6
Chad	13.2	34.3	7.9	2.7	8.4	3.4	4.1	14.3	2.8	7.0	3.2
Comoros	2.1	1.9	2.8	2.6	0.8	0.6	1.1	2.0	2.0	3.1	3.5
Congo	0.8	3.7	7.6	6.2	-1.6	5.6	7.5	8.8	5.3	5.7	4.7
Congo Dem. Rep.	5.8	6.6	7.8	5.6	6.3	6.2	2.8	7.2	6.5	5.1	6.0
Côte d'Ivoire	-1.7	1.6	1.8	0.7	1.6	2.3	3.8	2.4	-5.9	8.6	5.5
Djibouti	3.2	3.0	3.2	4.8	5.1	5.8	5.0	3.5	3.5	4.8	6.7
Egypt *	3.2	4.1	4.5	6.8	7.1	7.2	4.7	5.1	1.8	0.8	2.8
Equatorial Guinea	14.4	32.7	8.8	1.3	21.4	10.7	5.7	-0.8	7.0	4.0	6.6
Eritrea	-2.7	1.5	2.6	-1.0	1.4	-9.8	3.9	2.2	8.2	6.3	3.5
Ethiopia*	-2.2	13.6	11.8	10.8	11.5	10.8	8.8	11.4	10.7	7.0	7.6
Gabon	2.5	1.4	3.0	1.2	4.8	5.3	1.9	6.6	5.8	4.4	3.3
Gambia	6.9	7.0	5.1	6.5	6.0	6.3	5.6	6.3	5.5	5.6	5.6
Ghana	5.2	5.6	5.9	6.4	6.5	8.4	4.0	7.7	13.7	8.3	7.7
Guinea	1.2	2.3	3.0	2.5	1.8	4.9	-0.3	1.9	4.0	5.1	5.5
Guinea-Bissau	-0.6	2.2	3.5	0.6	2.7	3.2	3.0	3.5	5.1	4.6	4.9
Kenya	2.9	5.1	5.9	6.3	7.0	1.5	2.6	5.6	4.5	5.2	5.5
Lesotho	4.7	2.3	2.7	4.3	4.7	5.4	2.9	5.6	3.1	4.0	4.5
Liberia	-31.3	2.6	5.3	7.8	9.4	7.1	4.6	5.5	6.9	8.8	7.2
Libya	13.0	4.4	9.9	5.9	6.0	5.6	0.5	2.9	-41.8	20.1	9.5
Madagascar	9.8	5.3	4.6	5.0	6.2	7.1	-4.1	0.5	0.6	2.4	4.5
Malawi	5.7	5.4	2.6	7.7	5.5	8.6	7.6	6.7	5.8	5.0	5.2
Mali	7.6	2.3	6.1	5.3	4.3	5.0	4.5	5.8	2.7	3.5	5.1
Mauritania	5.6	5.2	5.4	11.4	1.0	3.5	-1.2	5.2	4.3	4.7	4.9
Mauritius	4.3	5.8	1.2	3.9	5.4	5.5	3.1	4.2	4.1	4.0	4.2
Morocco	6.1	4.8	3.0	7.8	2.7	5.6	4.8	3.7	4.6	4.5	4.8
Mozambique	6.5	7.9	8.4	8.7	7.3	6.8	6.3	6.8	7.2	7.5	7.9
Namibia	4.2	12.3	2.5	7.1	5.5	3.4	-0.4	6.6	3.8	4.4	4.0
Niger	7.7	-0.8	7.2	5.8	3.4	9.3	-0.7	8.0	4.2	11.2	6.0
Nigeria	10.2	10.5	6.5	6.0	6.4	6.0	7.0	7.8	6.7	6.9	6.6
Rwanda	2.2	7.4	9.4	9.2	7.6	11.5	6.0	7.2	8.6	7.6	6.9
São Tomé & Príncipe	5.4	6.6	5.7	6.7	6.0	5.8	3.3	4.5	4.3	4.4	4.6
Senegal	6.7	5.9	5.6	2.5	4.9	3.7	2.1	4.1	4.0	4.2	4.7

Table 2. **Real GDP Growth Rates, 2003-2013** (Cont.)

	2003	2004	2005	2006	2007	2008	2009	2010	2011 (e)	2012 (p)	2013 (p)
Seychelles	-5.9	-2.9	8.0	8.9	9.9	-1.0	0.5	6.7	5.0	4.0	5.0
Sierra Leone	9.5	7.4	7.3	7.4	6.4	5.5	3.2	5.0	5.7	6.2	6.2
Somalia	...	...	...	...	...	...	...	...	...	...	...
South Africa	2.9	4.6	5.3	5.6	5.5	3.6	-1.5	2.9	3.1	2.8	3.6
South Sudan	...	...	...	...	...	...	...	...	...	...	...
Sudan	7.1	5.1	6.3	11.3	10.2	6.8	4.5	5.0	2.8	2.0	2.8
Swaziland	2.2	2.9	2.5	3.3	3.5	2.4	1.2	2.0	1.1	0.6	1.0
Tanzania	6.9	7.8	7.4	6.7	7.1	7.4	6.0	7.0	6.4	6.8	7.1
Togo	4.8	2.5	1.2	3.9	2.1	2.4	3.4	3.7	3.9	4.2	4.4
Tunisia	5.6	6.0	4.1	5.4	6.3	4.6	3.0	3.1	-1.1	2.5	3.7
Uganda	6.2	5.8	10.0	7.0	8.1	10.4	4.2	6.1	4.1	4.5	4.9
Zambia	5.1	5.4	5.3	6.2	6.2	5.7	6.4	7.6	6.6	6.9	7.3
Zimbabwe	-17.2	-6.9	-2.2	-3.5	-3.7	-17.7	6.0	9.0	6.8	4.4	5.1
Africa	5.3	6.1	5.9	6.2	6.5	5.5	3.1	5.0	3.4	4.5	4.8

Note: * Fiscal year July (n-1)/June (n)
Sources: AfDB Statistics Department, Various domestic authorities and AfDB estimates.

Table 3. **Demand Composition and Growth Rate, 2010-2013**

	2010						2011 (e)				2012 (p)				2013 (p)			
	Final Consumption		Gross Capital Formation		External Sector		Total Final Consump-tion	Gross Capital Formation - Total	Exports	Imports	Total Final Consump-tion	Gross Capital Formation - Total	Exports	Imports	Total Final Consump-tion	Gross Capital Formation - Total	Exports	Imports
	Private	Public	Private	Public	Exports	Imports												
	% of GDP						Real Percentage Growth				Real Percentage Growth				Real Percentage Growth			
Algeria	34.5	18.0	26.4	15.0	37.5	31.4	7.8	0.5	-2.7	3.3	7.4	6.8	-1.4	11.5	5.3	7.3	1.6	7.8
Angola	40.7	24.1	2.4	13.7	62.3	43.2	-1.8	9.7	-0.3	-2.7	-1.0	6.6	9.2	1.3	-1.7	2.4	7.6	-0.5
Benin	76.6	11.9	11.9	9.1	15.1	24.6	5.2	6.9	-4.7	8.2	3.1	5.7	5.4	2.9	5.0	4.0	1.8	5.5
Botswana	53.4	20.9	19.6	13.1	32.6	39.7	-0.5	10.2	16.5	4.3	-1.0	5.1	9.4	0.0	-0.9	5.9	7.9	1.4
Burkina Faso	60.6	17.4	19.0	9.3	18.3	24.5	5.3	-2.2	18.2	3.0	3.0	5.9	11.4	2.8	4.4	6.0	9.6	5.1
Burundi	78.3	42.5	10.8	11.5	9.9	53.0	-2.2	5.5	6.7	-4.4	8.0	3.0	2.0	8.4	4.6	2.0	3.3	2.5
Cameroon	75.0	11.6	16.8	2.2	17.3	23.0	3.7	7.3	-0.3	2.3	3.0	5.8	9.1	3.2	2.9	5.3	11.5	3.2
Cape Verde	63.7	26.0	19.0	18.7	39.3	66.8	3.8	0.8	9.5	3.8	1.0	2.2	8.0	0.4	6.8	4.9	3.6	6.0
Central Afr. Rep.	90.0	8.2	7.1	5.3	11.0	21.6	2.9	0.6	6.2	2.7	3.5	14.2	2.0	5.2	3.7	14.2	1.9	5.0
Chad	60.7	20.4	20.6	9.1	35.6	46.5	5.2	-0.3	-4.6	1.7	2.4	8.4	11.3	1.6	4.2	8.6	-0.9	6.2
Comores	100.4	20.9	7.9	4.6	14.9	48.7	3.2	6.0	6.0	6.5	2.8	6.9	3.2	3.4	5.6	8.6	4.1	9.2
Congo	23.3	7.7	22.7	9.7	82.8	46.2	5.4	29.6	11.7	35.9	3.1	28.3	11.9	30.4	4.9	20.4	12.1	24.9
Congo Dem. Rep.	71.5	13.3	15.5	13.7	67.4	81.4	3.8	17.3	10.7	11.7	1.9	4.4	9.9	5.5	5.4	13.5	7.2	9.7
Côte d'Ivoire	66.0	14.4	6.8	3.5	49.0	39.7	-9.2	-18.3	-2.6	-11.8	7.5	12.9	10.0	9.3	6.5	9.4	4.8	7.6
Djibouti	69.3	21.0	10.4	13.4	36.5	50.6	2.3	28.1	-1.4	9.5	4.0	19.9	-0.6	8.3	5.4	20.6	0.5	9.6
Egypt*	74.6	11.2	11.3	8.2	21.3	26.6	1.8	-1.0	-3.8	-3.6	-0.9	5.2	1.8	0.7	2.5	6.5	2.5	4.5
Equatorial Guinea	35.7	3.7	19.6	28.8	69.9	57.7	17.9	5.0	2.1	7.3	7.2	6.9	4.3	6.7	0.9	6.5	7.0	4.1
Ethiopia*	86.1	8.6	8.0	16.7	13.6	33.0	10.1	17.0	2.6	11.3	12.1	4.4	0.5	14.2	10.8	3.4	2.5	9.8
Gabon	33.2	13.0	15.8	10.4	61.2	33.6	8.2	8.3	5.0	10.0	3.2	1.1	6.2	2.0	0.4	0.1	6.4	0.0
Gambia	89.6	8.0	9.4	8.5	23.4	38.9	4.8	13.2	0.9	4.7	8.4	-2.2	0.4	4.8	6.6	-1.7	2.4	2.7
Ghana	82.6	9.5	14.0	5.7	29.3	41.1	16.9	25.4	7.5	22.1	12.7	-0.3	9.9	13.2	10.8	2.3	6.3	10.3
Guinea	75.7	13.1	10.4	6.7	33.9	39.8	2.4	19.5	9.0	15.4	4.6	6.4	4.3	4.8	4.3	8.6	3.4	4.4
Guinea-Bissau	86.0	13.2	4.6	9.3	15.9	29.0	3.4	6.7	15.0	8.6	5.4	9.0	-0.5	4.9	3.8	7.8	6.2	4.3
Kenya	75.5	16.3	15.7	5.2	25.3	37.9	4.9	4.1	2.2	3.5	5.9	4.9	3.6	5.4	6.3	4.9	3.5	5.5
Lesotho	104.8	37.2	16.0	12.0	43.8	113.9	-4.7	3.9	11.1	-1.4	1.5	2.9	2.5	0.4	4.4	5.4	3.1	3.9
Liberia	140.0	28.9	50.3	11.1	55.5	185.9	-3.2	12.0	4.9	1.3	0.5	12.9	3.7	3.4	1.4	20.8	4.4	7.4
Libya	30.5	15.2	10.5	25.3	62.0	43.4	-21.6	-82.9	-44.9	-58.3	6.7	38.3	45.8	32.3	14.5	78.4	16.3	52.7
Madagascar	86.3	9.4	15.1	3.7	26.5	41.0	1.1	-11.2	4.2	-0.8	1.3	2.2	5.2	2.2	4.1	8.6	5.7	6.4
Malawi	86.2	10.4	13.9	11.8	24.2	46.5	5.3	14.1	4.2	8.6	5.4	5.9	3.7	5.8	5.5	5.9	5.2	6.1
Mali	60.8	16.9	13.3	11.2	23.7	26.0	4.9	-6.2	9.4	4.8	3.8	1.7	3.6	3.0	2.3	12.6	8.9	5.1
Mauritania	70.2	16.6	18.6	5.9	60.4	71.7	1.2	6.5	6.8	2.6	2.2	6.1	-1.2	0.9	2.9	7.3	2.4	2.9
Mauritius	73.7	13.9	17.6	6.1	52.5	63.8	2.7	7.9	6.4	5.6	4.6	11.5	3.0	6.8	4.3	8.8	3.4	5.4
Morocco	57.3	17.5	30.7	4.5	33.0	42.9	5.0	8.0	4.0	7.5	4.4	3.6	6.0	4.7	4.5	9.8	3.4	7.1
Mozambique	82.7	13.1	4.9	8.5	29.2	38.4	14.1	91.4	-23.7	33.5	6.8	14.2	13.0	12.2	2.4	-3.3	30.7	0.3
Namibia	61.2	22.8	14.4	6.8	44.6	49.9	2.2	16.4	3.9	6.5	2.7	-0.2	3.9	-0.1	4.3	3.4	3.6	3.8
Niger	73.1	15.3	28.9	4.8	21.1	43.1	5.8	6.0	5.6	9.1	9.8	15.7	14.5	13.3	5.5	10.7	5.9	8.7

Table 3. **Demand Composition and Growth Rate, 2010-2013** (Cont.)

	2010						2011 (e)				2012 (p)				2013 (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			
Nigeria	47.9	21.5	13.7	10.4	36.8	30.4	9.5	8.2	-10.4	0.2	7.1	5.9	3.6	4.6	6.8	6.4	4.0	5.1
Rwanda	83.3	15.5	14.8	6.2	10.9	30.6	8.3	14.5	2.1	8.9	10.3	3.3	1.7	9.4	8.5	2.3	2.8	6.8
São Tomé & Príncipe	103.9	14.3	11.1	14.3	10.6	54.1	4.5	8.8	9.4	8.1	2.2	11.4	5.0	4.1	1.2	12.1	6.1	2.7
Senegal	78.2	14.8	16.2	6.5	24.2	39.8	6.9	-6.9	3.6	4.5	2.3	13.9	3.1	3.6	3.2	13.3	2.6	4.5
Seychelles	54.2	32.8	24.5	4.6	83.9	100.0	5.4	13.2	2.4	6.2	7.2	10.6	1.7	8.9	7.2	10.8	3.3	8.8
Sierra Leone	80.5	12.6	9.3	3.5	22.0	27.8	4.7	9.2	4.4	2.7	6.2	4.0	7.2	5.7	7.1	9.3	1.6	7.4
South Africa	59.2	21.5	12.0	7.4	27.3	27.5	2.8	4.7	3.1	3.6	2.4	4.4	1.6	1.8	2.6	7.8	4.3	4.6
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	66.4	12.9	16.1	5.1	17.5	18.0	4.5	4.3	-13.0	-0.6	1.3	4.1	-5.4	-1.3	2.3	2.6	-1.0	-0.3
Swaziland	86.6	13.5	5.0	5.6	57.4	68.2	-2.4	15.0	1.9	-0.1	1.1	7.4	-1.5	0.8	0.8	7.4	0.7	1.8
Tanzania	62.6	16.1	23.8	8.2	27.8	38.6	2.7	9.2	10.4	3.5	4.1	9.2	10.9	6.3	5.3	9.2	9.7	7.4
Togo	84.9	12.0	10.9	7.8	38.5	54.2	4.8	9.5	1.8	5.6	3.8	6.5	3.9	4.0	5.4	6.5	3.1	5.7
Tunisia	64.1	16.6	21.7	5.3	51.4	59.1	1.5	-1.2	-7.1	-1.8	2.4	4.4	3.9	4.5	3.7	6.9	3.2	4.9
Uganda	83.3	9.2	16.9	5.5	19.6	34.5	2.4	10.7	2.1	3.1	5.2	14.3	-0.5	9.4	6.4	14.8	0.7	12.5
Zambia	53.2	14.0	18.8	2.8	44.3	33.0	6.1	9.5	4.6	6.2	8.7	15.3	4.4	11.7	7.8	10.3	5.5	8.4
Zimbabwe	83.0	13.2	20.2	2.7	36.0	55.0	9.9	15.9	9.1	21.0	7.5	9.4	4.7	13.7	8.1	6.7	7.0	12.6

Note: * Fiscal year July (n-1)/June (n).
Sources: AfDB Statistics Department, Various domestic authorities and AfDB estimates.

Table 4. Public Finances, 2010-2013 (percentage of GDP)

	2010			2011 (e)			2012 (p)			2013 (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	36.3	37.3	-1.0	38.9	40.6	-1.7	37.4	41.6	-4.3	35.6	40.5	-4.9
Angola	43.5	36.7	6.8	42.3	35.0	7.3	40.4	35.7	4.7	39.5	34.5	5.0
Benin	20.0	21.6	-1.6	21.3	21.9	-0.6	21.6	21.8	-0.2	20.7	21.7	-1.1
Botswana**	34.6	45.5	-10.9	34.1	39.7	-5.6	34.4	37.7	-3.3	34.4	37.5	-3.1
Burkina Faso	15.0	25.7	-10.7	17.2	25.3	-8.1	17.0	24.6	-7.6	16.4	24.9	-8.5
Burundi	37.4	44.9	-7.5	38.3	46.0	-7.7	36.1	43.3	-7.2	34.1	41.5	-7.4
Cameroon	16.6	17.7	-1.1	17.2	18.5	-1.3	17.9	17.7	0.2	18.3	17.5	0.8
Cape Verde	28.0	38.7	-10.8	26.6	37.4	-10.7	23.6	33.7	-10.1	24.2	34.7	-10.5
Central Afr. Rep.	17.9	19.3	-1.4	15.4	17.8	-2.4	16.5	18.1	-1.6	17.3	18.7	-1.4
Chad	20.5	24.3	-3.8	24.0	23.5	0.4	23.1	22.9	0.2	21.7	22.8	-1.1
Comoros	29.9	22.7	7.2	24.0	24.2	-0.1	22.8	24.8	-1.9	22.4	24.5	-2.1
Congo	38.0	21.8	16.3	44.2	22.2	22.0	47.2	27.2	20.0	50.5	32.0	18.5
Congo Dem. Rep.	33.0	30.6	2.4	27.8	34.0	-6.3	24.4	32.2	-7.8	23.2	34.2	-11.0
Côte d'Ivoire	19.7	22.0	-2.3	19.4	21.9	-2.5	19.6	22.4	-2.8	19.7	23.2	-3.5
Djibouti	40.7	41.3	-0.6	43.3	43.8	-0.5	43.7	41.5	2.1	41.4	38.5	2.9
Egypt *	22.2	30.3	-8.1	21.8	31.2	-9.4	21.8	30.3	-8.5	20.6	29.1	-8.5
Equatorial Guinea	29.8	34.6	-4.8	30.0	32.3	-2.3	29.7	32.7	-3.0	29.5	32.0	-2.6
Eritrea	18.6	34.7	-16.1	18.7	33.7	-15.0	18.8	30.9	-12.1	19.0	30.4	-11.4
Ethiopia*	17.2	19.0	-1.7	16.7	18.3	-1.6	17.8	20.0	-2.2	18.0	19.9	-1.9
Gabon	30.1	25.3	4.8	30.7	23.3	7.4	30.6	22.2	8.5	30.5	21.2	9.2
Gambia	18.7	24.1	-5.4	19.7	23.9	-4.2	18.2	22.0	-3.8	18.2	21.1	-2.8
Ghana	16.7	22.6	-5.9	17.4	21.7	-4.3	17.8	19.5	-1.8	16.5	18.0	-1.5
Guinea	15.7	29.7	-13.9	16.9	30.7	-13.8	16.9	25.0	-8.1	16.9	23.5	-6.6
Guinea-Bissau	20.2	20.4	-0.2	19.2	20.8	-1.6	21.3	21.5	-0.2	21.3	22.5	-1.2
Kenya*	24.9	32.0	-7.0	26.4	33.2	-6.9	26.1	34.1	-8.0	25.8	33.3	-7.5
Lesotho**	67.4	70.5	-3.0	56.4	64.4	-8.0	63.5	66.9	-3.4	65.6	66.1	-0.5
Liberia*	30.8	30.2	0.6	36.9	37.7	-0.8	34.0	35.3	-1.4	32.8	33.6	-0.8
Libya	62.0	53.4	8.7	38.0	55.1	-17.1	63.8	50.2	13.6	72.3	60.1	12.2
Madagascar	13.3	14.1	-0.9	12.2	13.5	-1.3	12.4	13.7	-1.3	13.1	14.3	-1.2
Malawi*	34.1	35.0	-0.8	33.5	35.5	-2.0	33.8	37.4	-3.6	33.3	36.3	-3.0
Mali	20.2	22.9	-2.7	22.5	23.5	-1.0	19.4	22.9	-3.5	19.5	22.9	-3.4
Mauritania	26.5	28.2	-1.8	25.5	27.6	-2.1	25.3	28.3	-3.1	24.9	27.5	-2.6
Mauritius*	21.9	25.1	-3.2	21.3	25.1	-3.8	21.4	25.0	-3.7	20.9	24.9	-3.9
Morocco	25.2	29.8	-4.6	25.9	31.9	-6.1	25.5	31.1	-5.6	25.3	30.3	-5.0
Mozambique	29.7	33.6	-4.0	29.4	32.7	-3.3	27.3	34.2	-6.8	26.1	33.5	-7.4
Namibia**	31.2	32.5	-1.4	27.3	34.9	-7.6	28.1	34.6	-6.5	27.6	33.9	-6.4
Niger	19.0	21.5	-2.5	18.4	23.3	-4.9	20.7	21.3	-0.6	21.3	21.7	-0.4
Nigeria	23.3	31.0	-7.7	28.2	28.4	-0.2	27.3	27.0	0.3	26.7	26.5	0.2
Rwanda	26.2	26.8	-0.6	25.4	27.6	-2.2	23.3	25.4	-2.1	21.3	22.7	-1.4

Table 4. **Public Finances, 2010-2013 (percentage of GDP)** (Cont.)

	2010			2011 (e)			2012 (p)			2013 (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
São Tomé & Príncipe	37.3	48.4	-11.1	32.1	48.0	-15.9	31.8	46.5	-14.7	27.4	45.0	-17.6
Senegal	22.0	27.2	-5.2	22.5	27.8	-5.3	22.6	28.9	-6.3	22.9	29.7	-6.7
Seychelles	35.4	32.8	2.5	39.1	35.3	3.8	39.7	36.9	2.8	39.9	39.0	0.8
Sierra Leone	20.4	26.8	-6.4	21.3	26.6	-5.3	19.4	23.8	-4.5	18.1	21.7	-3.6
Somalia	...	...	...	..	..	..	...	...	...	...	...	...
South Africa**	27.5	31.7	-4.2	27.7	32.5	-4.8	27.8	32.2	-4.4	28.0	32.3	-4.2
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	16.4	19.5	-3.1	12.1	16.4	-4.3	10.7	14.1	-3.4	10.6	14.9	-4.3
Swaziland**	25.0	39.3	-14.3	24.5	34.1	-9.6	37.3	36.0	1.3	29.3	34.9	-5.6
Tanzania*	20.5	27.6	-7.1	22.3	28.9	-6.6	21.5	28.2	-6.6	21.0	27.6	-6.6
Togo	19.3	22.1	-2.8	19.5	23.3	-3.8	20.7	24.7	-4.1	20.6	25.1	-4.5
Tunisia	24.0	25.3	-1.3	24.1	28.0	-3.9	23.2	28.7	-5.5	22.9	27.9	-4.9
Uganda*	14.8	19.6	-4.9	16.2	23.6	-7.4	14.7	22.8	-8.0	14.2	23.1	-8.9
Zambia	18.5	21.5	-3.0	16.7	19.3	-2.6	15.7	19.2	-3.6	15.0	17.9	-3.0
Zimbabwe	14.1	18.4	-4.3	17.0	20.2	-3.2	18.3	21.1	-2.8	18.7	21.8	-3.0
Africa	27.3	30.7	-3.5	27.0	30.6	-3.6	27.3	30.2	-2.9	27.0	30.0	-3.0

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).
Sources: AfDB Statistics Department, various domestic authorities; IMF country reports and AfDB estimates.

Table 5. **Monetary Indicators**

	Inflation (%)				Exchange Rate (LCU / USD)			Broad Money (LCU billion) 2011			Reserves, excluding gold, (USD million) 2011	
	2010	2011 (e)	2012 (p)	2013 (p)	2009	2010	2011	Level	% of GDP	Growth 2010/2011	Stock at year-end	Eq. months of imports
Algeria	3.9	4.1	4.3	5.2	72.7	74.4	72.7	9 322.2	68.4	14.2	182 822.0	40.0
Angola	14.5	13.5	10.0	9.4	79.3	91.9	93.7	3 838.8	39.4	21.7	27 473.1	7.6
Benin	2.1	2.7	5.4	2.9	471.1	494.7	469.6	1 568.7	44.5	8.4	976.3	5.4
Botswana	6.9	7.7	6.2	4.8	7.2	6.8	6.8	49.6	48.3	13.9	8 337.0	16.4
Burkina Faso	-0.6	2.8	3.9	2.8	471.1	494.7	469.6	1 368.5	28.8	3.7	843.3	3.4
Burundi	6.5	8.3	12.3	10.5	1 230.2	1 230.8	1 258.2	724.0	34.3	14.3	282.2	4.1
Cameroon	1.3	2.5	2.7	2.7	472.2	495.3	471.8	2 952.8	23.7	7.7	3 290.8	5.1
Cape Verde	2.1	4.5	3.3	2.5	79.2	83.2	79.0	123.2	70.0	10.2	278.2	2.5
Central Afr. Rep.	1.5	1.0	2.8	2.9	472.2	495.3	471.8	191.7	19.9	7.0	147.2	3.1
Chad	-2.1	-0.6	2.6	3.0	472.2	495.3	471.8	806.0	14.3	34.3	789.4	1.5
Comoros	3.8	1.9	4.6	3.5	353.3	371.0	352.2	71.6	32.1	4.2	160.5	6.6
Congo	5.0	2.5	4.9	3.1	472.2	495.3	471.8	1 614.0	21.7	14.1	5 896.4	8.9
Congo Dem. Rep.	23.5	14.8	15.1	12.2	816.8	905.3	919.4	2 447.7	17.5	24.6	1 840.9	1.9
Côte d'Ivoire	1.7	4.9	3.6	3.1	471.1	494.7	469.6	4 419.8	42.0	6.4	4 191.8	5.6
Djibouti	4.0	5.1	2.1	2.1	177.7	177.7	177.7	199.3	90.1	6.2	228.4	4.0
Egypt	10.1	11.8	10.8	10.4	5.5	5.6	5.9	1 010.5	74.4	10.0	16 870.0	3.5
Equatorial Guinea	7.5	7.2	7.1	6.5	472.2	495.3	466.8	1 272.6	14.3	22.9	3 234.7	4.3
Eritrea	33.0	12.7	13.3	12.3	15.4	15.4	15.4	47.5	…	19.4	88.1	1.7
Ethiopia	17.5	26.7	29.3	14.5	11.8	14.4	16.9	141.6	24.2	36.0	1 780.9	1.9
Gabon	1.5	2.1	3.1	2.8	472.2	495.3	471.8	1 415.9	17.7	1.9	2 233.1	4.6
Gambia	3.9	4.7	4.8	5.0	26.6	28.0	28.9	15.0	41.9	13.1	223.2	5.9
Ghana	10.8	8.7	8.2	7.7	1.4	1.4	1.5	16.8	28.5	22.2	…	...
Guinea	15.5	21.2	16.7	10.1	4 962.1	5 370.3	6 653.2	11 485.4	29.2	10.8	…	...
Guinea-Bissau	2.2	4.6	3.4	1.9	471.1	494.7	469.6	132.4	28.9	14.3	224.8	7.9
Kenya	4.1	14.0	7.6	6.9	77.4	79.2	89.4	1 476.3	44.6	16.3	4 264.4	3.2
Lesotho	3.6	4.7	6.7	5.3	8.5	7.3	7.3	8.2	60.7	24.3	…	...
Liberia	7.5	8.5	5.6	5.7	1.0	1.0	1.0	0.5	28.4	11.5	418.7	2.4
Libya	2.5	11.4	6.0	5.1	1.3	1.3	1.2	…	…	..	100 059.0	38.8
Madagascar	9.2	9.5	8.3	8.2	1 956.2	2 090.0	2 022.3	4 104.1	21.4	9.7	1 279.1	4.5
Malawi	7.4	7.6	7.8	8.1	141.2	150.5	156.4	258.8	28.1	26.9	211.1	1.4
Mali	1.4	3.0	3.8	2.2	471.1	494.7	469.6	1 432.3	28.6	10.7	1 418.4	4.6
Mauritania	6.3	5.5	6.0	6.4	262.4	275.9	264.4	353.5	24.7	13.3	210.8	0.8
Mauritius	2.9	6.5	3.7	3.5	32.0	30.8	28.7	349.4	107.6	9.5	2 582.7	4.4
Morocco	1.0	0.9	1.6	1.8	8.1	8.4	8.1	942.5	110.6	4.2	19 533.7	4.8
Mozambique	12.7	10.8	7.2	5.6	27 518.3	33 960.1	29 084.4	102.7	0.0	20.4	2 342.4	5.4
Namibia	4.5	4.8	6.6	4.3	8.5	7.3	7.3	58.3	62.4	9.5	1 795.9	3.3
Niger	0.9	3.4	2.9	2.7	471.1	495.3	468.1	638.6	21.1	10.3	659.5	2.3
Nigeria	13.7	10.2	10.1	8.4	148.9	150.3	152.8	13 050.0	35.4	13.2	35 211.9	6.6
Rwanda	2.3	5.6	6.0	6.9	568.2	583.1	601.8	714.4	19.4	16.0	825.4	5.3

Table 5. **Monetary Indicators** (Cont.)

	Inflation (%)				Exchange Rate (LCU / USD)			Broad Money (LCU billion) 2011			Reserves, excluding gold, (USD million) 2011	
	2010	2011 (e)	2012 (p)	2013 (p)	2009	2010	2011	Level	% of GDP	Growth 2010/2011	Stock at year-end	Eq. Months of imports
São Tomé & Príncipe	12.9	9.2	6.5	8.1	16 208.5	18 498.6	17 581.1	1 589.2	35.7	11.9	51.5	4.0
Senegal	1.2	3.0	2.6	1.9	471.1	494.7	469.6	2 922.5	48.3	15.0	2 536.0	4.9
Seychelles	-2.4	2.5	3.5	3.7	13.6	12.1	12.2	7.7	56.4	5.6	252.3	2.3
Sierra Leone	17.8	18.1	11.7	9.4	3 385.7	3 978.1	4 313.7	2 746.4	28.7	13.8	432.1	3.3
Somalia	...	...	...	...	....	....	....	…	…	…	…	…
South Africa	4.3	5.0	6.2	5.4	8.5	7.3	7.3	2 390.3	87.1	14.8	42 595.2	4.2
South Sudan	...	...	...	...	...	...	...	…	…	…	…	…
Sudan	13.0	15.3	19.8	17.0	2.3	2.3	2.7	42.8	24.7	20.7	220.0	0.2
Swaziland	4.5	7.8	6.5	5.5	8.5	7.3	7.3	10.0	35.1	10.6	600.5	2.6
Tanzania	6.5	12.7	9.0	8.3	1 320.3	1 409.3	1 576.9	11 957.9	29.7	22.0	3 726.2	4.5
Togo	1.4	3.7	2.6	3.0	472.2	495.3	471.8	800.3	50.7	11.6	746.3	4.4
Tunisia	4.4	3.5	4.7	4.9	1.4	1.4	1.4	45.4	68.6	6.5	7 640.5	3.5
Uganda	4.1	18.8	16.0	14.1	2 030.5	2 177.6	2 571.2	10 376.2	21.3	25.1	2 617.4	5.0
Zambia	8.5	8.7	8.0	8.5	5 046.1	4 797.1	4 853.2	19 521.3	17.2	9.0	2 468.9	4.1
Zimbabwe	3.1	5	6.5	6.7	…	....	....	2.9	45.5	30.5	…	...
Africa	7.4	8.5	8.4	7.3	…	…	…	…	…	…	496 911.9	13.6

Source: AfDB Statistics Department, various domestic authorities; International Financial Statistics and AfDB estimates.

Table 6. **Balance of payments Indicators**

	Trade balance (USD million)				Current account balance (USD million)				Current account balance (as % of GDP)			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
CAlgeria	18 200	26 406	21 350	16 198	12 230	17 454	10 253	12 402	7.6	9.3	5.2	5.9
Angola	32 253	47 266	52 243	57 237	7 321	14 020	11 434	11 844	8.9	13.5	10.1	9.8
Benin	- 598	- 845	- 847	- 932	- 454	- 653	- 662	- 735	-6.9	-8.7	-8.7	-9.0
Botswana	- 237	312	849	1 585	- 748	- 408	257	960	-5.0	-2.7	1.7	5.8
Burkina Faso	- 287	- 164	- 21	- 194	- 286	- 87	- 37	- 283	-3.2	-0.9	-0.4	-2.6
Burundi	- 337	- 378	- 415	- 430	- 301	- 303	- 538	- 602	-21.8	-18.1	-28.0	-27.5
Cameroon	- 649	- 977	- 382	128	-1 359	-1 670	-1 439	- 990	-5.8	-6.3	-5.4	-3.5
Cape Verde	- 680	- 905	- 848	- 902	- 207	- 334	- 268	- 237	-12.4	-15.0	-12.3	-10.2
Central Afr. Rep.	- 160	- 170	- 175	- 202	- 197	- 172	- 141	- 167	-9.9	-8.4	-6.9	-7.9
Chad	1 438	1 806	1 895	1 710	- 52	272	359	79	-0.5	2.3	3.0	0.6
Comoros	- 158	- 200	- 206	- 226	- 46	- 49	- 43	- 61	-8.7	-7.7	-6.8	-8.8
Congo	6 215	9 301	9 693	9 984	555	2 104	2 377	2 404	4.7	13.3	14.6	14.5
Congo Dem. Rep.	783	571	1 692	1 358	-1 534	-1 556	- 540	- 583	-11.7	-10.3	-3.0	-3.0
Côte d'Ivoire	3 998	4 113	4 064	3 569	1 052	678	851	175	4.6	3.0	3.7	0.7
Djibouti	- 283	- 414	- 448	- 498	- 54	- 86	- 87	- 123	-5.5	-6.9	-6.6	-8.5
Egypt*	-25 120	-23 429	-18 668	-17 556	-4 318	-9 373	-3 313	2 778	-2.0	-4.1	-1.3	1.0
Equatorial Guinea	3 970	5 481	5 887	6 807	-3 456	-3 408	-3 385	-2 008	-23.8	-17.9	-16.4	-8.7
Eritrea	- 415	- 285	- 183	- 163	- 119	18	105	102	-5.6	0.7	3.4	2.9
Ethiopia *	-6 321	-7 786	-10 713	-13 254	-1 293	-2 165	-4 031	-4 753	-4.9	-6.3	-8.6	-8.4
Gabon	5 069	7 439	7 598	7 482	1 093	1 499	1 616	1 872	8.2	8.8	9.6	11.2
Gambia, The	- 215	- 301	- 317	- 327	- 163	- 217	- 229	- 238	-17.0	-17.5	-16.9	-16.4
Ghana	-2 962	-3 909	-3 199	-4 117	-2 659	-4 560	-3 767	-4 886	-8.2	-11.6	-8.0	-9.0
Guinea	66	- 204	- 69	18	- 327	- 538	- 412	- 460	-6.5	-9.1	-6.1	-6.2
Guinea-Bissau	- 72	- 98	- 108	- 115	- 65	- 66	- 76	- 83	-7.6	-6.7	-7.7	-7.9
Kenya	-6 245	-9 383	-9 711	-10 246	-2 170	-4 536	-4 556	-5 271	-6.8	-12.2	-11.5	-12.4
Lesotho	-1 093	- 842	- 832	- 901	- 490	- 320	- 168	- 262	-22.5	-17.3	-9.7	-14.0
Liberia	- 459	- 811	- 893	- 817	- 431	- 607	-1 038	-1 212	-43.5	-36.6	-59.3	-63.4
Libya	14 011	3 906	15 659	15 111	8 104	-2 464	8 885	8 371	11.4	-6.0	15.8	13.1
Madagascar	-1 075	- 636	- 719	- 817	- 846	- 321	- 432	- 530	-9.7	-3.4	-4.4	-4.7
Malawi	- 620	- 768	- 856	- 931	- 898	-1 069	-1 163	- 827	-17.5	-18.1	-18.5	-12.1
Mali	- 314	46	227	131	- 704	- 560	- 456	- 681	-7.5	-5.4	-3.1	-4.8
Mauritania	148	637	267	277	- 314	- 286	- 336	- 342	-8.7	-5.3	-6.6	-6.3
Mauritius	-1 894	-2 375	-2 939	-3 222	- 797	-1 105	-1 322	-1 393	-8.2	-9.8	-10.2	-10.0
Morocco	-15 071	-20 347	-19 647	-22 408	-3 945	-6 857	-5 719	-4 747	-4.3	-6.5	-5.3	-4.1
Mozambique	-1 179	-3 615	-3 875	-2 942	-1 113	-3 662	-4 123	-3 524	-12.1	-25.6	-25.5	-20.0
Namibia	- 687	- 837	- 645	- 604	224	- 516	- 181	- 141	2.0	-4.0	-1.4	-1.0
Niger	- 764	- 957	- 895	- 989	-1 148	-1 765	-1 961	-1 907	-20.9	-27.2	-26.5	-23.5
Nigeria	38 731	47 959	53 640	57 395	12 599	28 082	29 525	29 966	6.2	11.6	10.8	9.8
Rwanda	- 787	-1 015	-1 132	-1 235	- 421	- 466	- 797	- 862	-7.5	-7.6	-11.3	-10.9
São Tomé & Príncipe	- 80	- 103	- 103	- 105	- 51	- 86	- 84	- 87	-25.4	-33.9	-30.8	-28.0

Table 6. **Balance of payments Indicators** (Cont.)

	Trade balance (USD million)				Current account balance (USD million)				Current account balance (as % of GDP)			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Senegal	-1 978	-2 314	-2 398	-2 595	- 785	-1 117	-1 167	-1 361	-6.1	-8.7	-9.1	-9.8
Seychelles	- 337	- 397	- 465	- 550	- 219	- 243	- 286	- 342	-22.7	-21.8	-24.6	-27.9
Sierra Leone	- 141	- 908	404	346	- 350	-1 237	- 252	- 277	-18.3	-55.7	-9.9	-9.6
Somalia	...	...	...	...	...	...	...	...	...	...	...	...
South Africa	3 716	3 127	3 194	1 077	-10 238	-11 613	-14 478	-17 254	-2.8	-3.1	-3.9	-4.3
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	2 367	- 633	-5 099	-1 624	-4 170	-4 750	-7 292	-4 791	-6.4	-7.5	-12.3	-8.0
Swaziland	- 150	- 73	- 271	- 336	- 595	- 448	- 119	- 192	-16.1	-11.4	-3.3	-5.3
Tanzania	-2 818	-2 623	-2 329	-2 896	-1 788	-1 634	-1 361	-1 972	-7.8	-6.4	-4.9	-6.5
Togo	- 435	- 494	- 505	- 569	- 227	- 268	- 286	- 339	-7.1	-8.0	-8.6	-9.6
Tunisia	-4 575	-7 248	-6 274	-7 397	-2 092	-3 497	-3 255	-3 251	-4.8	-7.4	-6.5	-6.1
Uganda	-1 698	-2 044	-2 636	-3 328	-1 490	- 687	-2 132	-2 727	-8.4	-3.6	-10.2	-11.1
Zambia	2 704	4 077	3 911	4 602	615	1 275	909	1 158	3.6	5.4	3.6	4.0
Zimbabwe	-1 782	-1 799	-2 193	-2 758	-1 853	-1 626	-1 870	-2 386	-19.7	-25.5	-24.5	-26.8
Africa	50 993	62 157	81 559	78 830	-10 981	-11 982	-7 232	- 778	-0.6	-0.6	-0.4	0.00
	81 559	78 830	-10 981	-11 982	-7 232	- 778	-0.6	-0.6	-0.4	0.00		

Note: * Fiscal year July (n-1)/June (n).
Sources: AfDB Statistics Department ; IMF WEO September 2011.

Table 7. **Exports, 2010**

	Product I	Product II	Product III	No of products accounting for more than 75 per cent of exports
Algeria	Petroleum oils and oils obtained from bituminous minerals, crude (45,0%)	Natural gas, in gaseous state (20,0%)	Natural gas, liquefied (8,7%)	4
Angola	Petroleum oils and oils obtained from bituminous minerals, crude (97,3%)			1
Benin	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (35,3%)	Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (15,5%)	Light oils and preparations (9,3%)	6
Botswana	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (43,7%)	Nickel mattes (21,9%)	Diamonds non-industrial nes excluding mounted or set diamonds (8,9%)	4
Burkina Faso	Cotton, not carded or combed. (37,4%)	Gold (incl. gold plated with platinum), non-monetary, in semi-manufactured forms (15,8%)	Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (10,8%)	5
Burundi	Coffee, not roasted, not decaffeinated (70,2%)	Black tea (fermented) and other partly fermented tea (13,1%)		2
Cameroon	Petroleum oils and oils obtained from bituminous minerals, crude (42,1%)	Cocoa beans, whole or broken, raw or roasted (15,8%)	Tropical wood specified in Subheading (7,2%)	6
Cape Verde	Yellowfin tunas (Thunnus albacares) (20,2%)	Fish, whole or in pieces, but not minced :-- Other (19,6%)	Mackerel (12,0%)	6
Central African Republic	Wood in the rough, other (31,0%)	Diamonds unsorted whether or not worked (22,3%)	Tropical wood specified in Subheading (15,7%)	4
Chad	Petroleum oils and oils obtained from bituminous minerals, crude (80,6%)	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (8,6%)		1
Comoros	Cloves (whole fruit, cloves and stems) (38,8%)	Vessels for the transportof goods & for the transportof both persons & goods (20,3%)	Essential oils, nes (15,6%)	4
Congo	Petroleum oils and oils obtained from bituminous minerals, crude (85,1%)			1
Congo Democratic Republic	Cathodes and sections of cathodes (24,7%)	Cobalt ores and concentrates (17,8%)	Copper ores and concentrates (11,9%)	6
Cote d'Ivoire	Cocoa beans, whole or broken, raw or roasted (32,3%)	Petroleum oils and oils obtained from bituminous minerals, crude (12,5%)	Cocoa paste, not defatted (8,8%)	10

Table 7. **Exports, 2010** (Cont.)

	Product I	Product II	Product III	No of products accounting for more than 75 per cent of exports
Djibouti	Live animals, n.e.s. (49,7%)	Coffee, not roasted, not decaffeinated (12,3%)	Sheep (8,5%)	4
Egypt	Petroleum oils and oils obtained from bituminous minerals, crude (18,3%)	Natural gas, liquefied (9,5%)	Light oils and preparations (5,5%)	76
Equatorial Guinea	Petroleum oils and oils obtained from bituminous minerals, crude (78,0%)	Natural gas, liquefied (14,7%)		1
Eritrea	Sheep (11,2%)	Cardamoms (9,2%)	Mens/boys's shirts, of cotton (8,6%)	19
Ethiopia	Coffee, not roasted, not decaffeinated (42,1%)	Sesamum seeds (22,5%)	Cut flowers fresh (10,7%)	3
Gabon	Petroleum oils and oils obtained from bituminous minerals, crude (75,8%)	Manganese ores and concentrates (12,3%)		1
Gambia	Cashew nuts, in shell (20,3%)	Crude oil (14,9%)	Titanium ores and concentrates. (11,2%)	9
Ghana	Cocoa beans, whole or broken, raw or roasted (46,4%)	Cocoa paste, not defatted (7,2%)	Manganese ores and concentrates (5,7%)	9
Guinea	Aluminium ores and concentrates. (31,7%)	Petroleum oils and oils obtained from bituminous minerals, crude (21,0%)	Natural gas, liquefied (20,7%)	4
Guinea Bissau	Cashew nuts, in shell, fresh or dried (92,9%)	Ferrous waste and scrap, iron or steel, nes (0,0%)	Logs, non-coniferous nes (0,0%)	2
Kenya	Black tea (fermented) and other partly fermented tea (18,6%)	Cut flowers fresh (13,1%)	Coffee, not roasted, not decaffeinated (6,1%)	48
Lesotho	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (37,0%)	Mens/boys trousers and shorts, of cotton, not knitted (15,0%)	Women's/girls', trousers & shorts, of cotton, not knitted (7,5%)	6
Liberia	Technically specified natural rubber (19,4%)	Petroleum oils and oils obtained from bituminous minerals, crude (15,4%)	Vessels for the transportof goods & for the transportof both persons & goods (15,0%)	6
Libya	Petroleum oils and oils obtained from bituminous minerals, crude (82,1%)	Natural gas, in gaseous state (6,9%)	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (4,5%)	1
Madagascar	Shrimps and prawns (9,5%)	Vanilla (6,6%)	Jerseys, pullovers, cardigans, waist-coats & similar articles, knitted/crocheted, of wool (4,6%)	32
Malawi	Tobacco, partly or wholly stemmed/stripped (53,0%)	Black tea (fermented) and other partly fermented tea (6,9%)	Natural uranium and its compounds; (6,8%)	5

Table 7. **Exports, 2010** (Cont.)

	Product I	Product II	Product III	No of products accounting for more than 75 per cent of exports
Mali	Cotton, not carded or combed. (35,7%)	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (29,1%)	Sesamum seeds (7,8%)	4
Mauritania	Iron ores & concentrates, non-agglomerated (49,3%)	Copper ores and concentrates. (13,6%)	Octopus, other than live/fresh/chilled (7,0%)	4
Mauritius	Tunas, skipjack and bonito (11,3%)	T-shirts, singlets and other vests, of cotton, knitted (11,0%)	Cane/beet sugar & chemically pure sucrose, in solid form, not containing added flavouring/ colouring matter (6,4%)	43
Morocco	Phosphoric acid and polyphosphoric acids (7,6%)	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (6,5%)		69
Mozambique	Aluminium unwrought, not alloyed (48,0%)	Electrical energy (7,5%)	Natural gas, liquefied (5,0%)	8
Namibia	Natural uranium and its compounds; (26,8%)	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (16,1%)	Unwrought Zinc, containing by weight 99.99 % or more of zinc (13,4%)	6
Niger	Natural uranium and its compounds; (80,6%)	Light oils and preparations (7,6%)		1
Nigeria	Petroleum oils and oils obtained from bituminous minerals, crude (85,9%)	Natural gas, liquefied (6,9%)		1
Rwanda	Coffee, not roasted, not decaffeinated (30,4%)	Niobium, tantalum and vanadium ores and concentrates (24,8%)	Black tea (fermented) and other partly fermented tea (13,8%)	4
Sao Tome and Principe	Cocoa beans, whole or broken, raw or roasted (36,3%)	Wrist-watches other than automatic winding (17,4%)	Articles of jewellery & parts thereof , of silver, whether/not plated/clad with other precious metal (9,7%)	8
Senegal	Petroleum oils & oils obtained from bituminous minerals (other than crude) & preparations (26,4%)	Portland cement (excl. white cement, whether/ not artificially coloured), whether/not coloured (10,5%)	Phosphoric acid and polyphosphoric acids (9,8%)	18
Seychelles	Tunas, skipjack and bonito (49,6%)	Bigeye tunas (Thunnus obesus) (8,3%)	Yellowfin tunas (Thunnus albacares) (6,9%)	5
Sierra Leone	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (26,9%)	Aluminium ores and concentrates. (14,8%)	Cocoa beans, whole or broken, raw or roasted (11,8%)	11
Somalia	Goats (31,3%)	Sheep (29,5%)	Live bovine animals other than pure-bred breeding animals (13,1%)	4
South Africa	Platinum unwrought or in powder form (7,6%)	Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (6,9%)	Iron ores & concentrates, non-agglomerated	92

Table 7. **Exports, 2010** (Cont.)

	Product I	Product II	Product III	No of products accounting for more than 75 per cent of exports
South Sudan	...	...	(6,6%)	...
Sudan	Petroleum oils and oils obtained from bituminous minerals, crude (90,3%)		...	1
Swaziland	Raw sugar, cane (16,5%)	Mixtures of odoriferous substances, of a kind used in the food or drinkof industries (15,2%)	Food preparations nes (10,7%)	20
Tanzania	Other Precious metal ores and concentrates, other than silver (14,5%)	Tobacco, partly or wholly stemmed/stripped (8,7%)	Coffee, not roasted, not decaffeinated (6,4%)	24
Togo	Cocoa beans, whole or broken, raw or roasted (26,7%)	Gold (incl. gold plated with platinum), in unwrought forms (excl. powder) (12,8%)	Cement clinkers (10,1%)	8
Tunisia	Petroleum oils and oils obtained from bituminous minerals, crude (11,7%)	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (6,8%)	Mens/boys trousers and shorts, of cotton, not knitted (4,7%)	94
Uganda	Coffee, not roasted, not decaffeinated (32,9%)	Tobacco, partly or wholly stemmed/stripped (9,9%)	Fish fillets and other fish meat (whether or not minced), fresh or chilled (9,3%)	13
Zambia	Copper cathodes and sections of cathodes unwrought (48,0%)	Unrefined copper; copper anodes for electrolytic refining (26,7%)		3
Zimbabwe	Tobacco, partly or wholly stemmed/stripped (20,5%)	Ferro-chromium containing by weight more than 4% of carbon (15,3%)	Nickel, not alloyed, unwrought (7,1%)	17
Africa	Petroleum oils and oils obtained from bituminous minerals, crude (46,6%) [46,6%]	Natural gas, in gaseous state (3,2%) [10,2%]	Natural gas, liquefied (3,1%) [16,3%]	34

Table 8. **Diversification and Competitiveness**

	Diversification index					Annual export growth %	Competitiveness Indicator 2006-2010(%)	
	2006	2007	2008	2009	2010	2006-2010	Sectoral effect	Global competitiveness effect
Algeria	2.3	2.4	2.5	3.6	3.8	4.6	1.7	-2.9
Angola	1.1	1.1	1.1	1.1	1.1	16.3	0.0	10.5
Benin	7.4	8.2	8.4	6.8	5.7	20.5	2.4	12.3
Botswana	1.8	2.7	4.0	7.7	4.0	-5.6	-6.0	-10.0
Burkina Faso	1.8	1.9	2.9	3.5	5.4	13.6	-1.4	9.2
Burundi	4.0	3.0	3.7	1.8	2.0	-0.7	3.5	-10.0
Cameroun	3.0	3.5	3.4	5.2	4.6	-3.6	-0.1	-9.4
Cape Verde	10.9	14.3	5.8	11.1	8.8	2.3	-3.2	-0.3
Central Afr. Rep.	4.1	4.3	5.9	5.3	5.5	0.9	0.3	-5.3
Chad	1.2	1.1	1.1	1.2	1.5	6.4	0.4	0.1
Comoros	6.3	5.2	6.8	4.6	4.3	-7.9	-9.7	-4.0
Congo	1.3	1.5	1.4	1.3	1.4	4.4	0.2	-1.6
Congo Dem. Rep.	6.2	7.5	7.0	7.9	7.3	68.7	5.9	56.9
Cote d'Ivoire	7.8	8.3	8.9	6.3	7.2	11.4	7.8	-2.2
Djibouti	21.9	5.9	8.8	6.9	3.6	-13.9	1.8	-21.5
Egypt	15.8	21.0	15.9	17.8	19.7	5.3	2.0	-2.6
Equatorial Guinea	1.2	1.3	1.5	1.7	1.6	3.9	-1.3	-0.6
Eritrea	21.3	2.1	14.8	13.2	21.7	-1.0	3.1	-10.0
Ethiopia	4.6	6.0	6.4	5.8	4.1	15.6	6.0	3.8
Gabon	1.8	1.8	2.1	2.0	1.7	15.1	3.8	5.4
Gambia	5.3	8.0	3.8	4.9	10.2	17.8	2.6	9.3
Ghana	4.7	4.4	4.9	3.8	4.3	14.0	7.9	0.3
Guinea	4.8	3.7	3.5	2.5	5.1	14.1	3.4	4.9
Guinea-Bissau	1.5	1.4	1.2	1.2	3.1	52.7	-0.6	47.5
Kenya	21.3	23.4	22.6	16.6	16.6	6.4	0.7	-0.1
Lesotho	7.9	6.4	4.8	6.3	5.6	0.0	-4.1	-4.1
Liberia	4.8	3.4	7.1	4.2	8.6	-12.1	5.9	-23.9
Lybia	1.3	1.4	1.3	1.6	1.5	5.5	-0.1	-0.1
Madagascar	22.8	26.1	29.0	31.7	33.1	-1.7	-2.6	-5.0
Malawi	3.0	3.9	3.8	2.5	3.4	22.1	9.0	7.3
Mali	3.2	2.0	2.3	4.8	4.5	-5.3	-0.1	-11.0
Mauritania	4.4	4.1	4.1	4.3	3.6	8.7	14.5	-11.6
Mauritius	12.5	13.6	15.1	18.7	24.4	2.9	1.1	-4.1
Morocco	73.2	69.0	36.1	60.5	49.4	6.9	3.1	-2.0
Mozambique	2.6	3.4	6.4	5.6	4.1	9.9	-4.5	8.6
Namibia	4.9	9.0	11.3	10.7	7.7	4.8	-3.5	2.1
Niger	2.7	1.4	5.8	1.9	1.5	-4.1	8.5	-18.5
Nigeria	1.3	1.3	1.3	1.3	1.3	7.3	0.8	0.7
Rwanda	3.4	5.1	4.7	6.2	5.4	21.2	3.2	12.2

Table 8. **Diversification and Competitiveness** (Cont.)

	Diversification index					Annual export growth %	Competitiveness Indicator 2006-2010(%)	
	2006	2007	2008	2009	2010	2006-2010	Sectoral effect	Global competitiveness effect
São Tomé & Príncipe	5.4	5.1	2.5	3.9	5.7	1.7	2.4	-6.4
Senegal	24.5	26.1	10.5	12.5	10.1	18.5	1.3	11.4
Seychelles	3.3	4.0	3.2	2.6	3.7	-0.3	3.4	-9.6
Sierra Leone	5.3	7.5	9.2	13.2	8.3	5.8	1.8	-1.8
Somalia	9.5	13.4	11.6	5.1	4.6	13.2	5.5	1.9
South Africa	41.9	41.2	38.7	41.5	41.7	9.2	5.1	-1.7
South Sudan	...	...	...	...	...	...	...	...
Sudan	1.3	1.2	1.2	1.2	1.2	14.9	0.8	8.3
Swaziland	19.9	22.5	21.1	16.1	14.0	-1.4	2.8	-10.0
Tanzania	31.4	30.9	36.2	26.2	21.0	13.6	3.9	3.9
Togo	15.3	9.1	5.3	5.4	8.5	15.5	4.8	4.9
Tunisia	45.2	36.5	35.4	45.8	38.1	9.2	-0.8	4.2
Uganda	8.5	11.1	7.7	7.0	7.5	12.7	2.6	4.3
Zambia	2.3	2.6	2.4	3.3	3.3	23.9	1.8	16.3
Zimbabwe	15.6	10.5	13.2	12.9	12.1	-8.6	4.1	-18.6
Africa	3.9	4.2	3.7	4.9	4.5	7.9	2.0	0.1

Sources: AfDB Statistics Department ; COMTRADE Database (Harmonized system, Rev.2) - UN Statistics Division.

Table 9. **International Prices of Exports, 2004-2011**

	Unit	2004	2005	2006	2007	2008	2009	2010	2011
Aluminum	(USD/mt)	1 715.54	1 898.31	2 569.90	2 638.18	2 572.79	1 664.83	2 173.12	2 401.39
Banana (US)	(USD/mt)	524.58	602.84	677.24	675.81	844.21	847.14	868.32	967.99
Coal (Australia)	(USD/mt)	...	...	49.09	65.73	127.10	71.84	98.97	120.94
Cocoa	(cents/kg)	154.98	153.81	159.19	195.23	257.71	288.88	313.30	298.01
Coffee (Arabica)	(cents/kg)	177.40	253.22	252.21	272.37	308.16	317.11	432.01	597.61
Coffee (Robusta)	(cents/kg)	79.30	111.45	148.93	190.92	232.09	164.42	173.59	240.76
Copper	(USD/mt)	2 865.88	3 678.88	6 722.13	7 118.23	6 955.88	5 149.74	7 534.78	8 828.19
Cotton	(c/kg)	136.57	121.70	126.66	139.52	157.39	138.20	228.34	332.83
Fish Meal	(USD/mt)	648.58	730.96	1 166.33	1 177.25	1 133.08	1 230.25	1 687.42	...
Gold	(USD/toz)	409.21	444.84	604.34	696.72	871.71	972.97	1 224.66	1 568.31
Groundnut oil	(USD/mt)	1 161.00	1 060.44	970.23	1 352.08	2 131.12	1 183.67	1 403.96	1 984.83
Iron ore	(c/dmtu)	37.90	65.00	77.35	84.70	140.60	100.95	145.86	167.76
Lead	(c/kg)	88.65	97.64	128.97	258.00	209.07	171.93	214.84	240.08
Logs Cameroon	(USD/CM)	...	...	318.48	381.32	526.89	421.47	428.56	487.04
Maize	(USD/mt)	111.80	98.67	121.85	163.66	223.12	165.51	185.91	291.68
Oil (crude)	(USD/bbl)	38.30	54.43	65.39	72.70	97.64	61.86	79.04	104.01
Palm oil	(USD/mt)	471.33	422.08	478.35	780.25	948.54	682.83	900.83	1 125.33
Phosphate (rock)	(USD/mt)	40.98	42.00	44.21	70.93	345.59	121.66	123.02	184.90
Rubber (US)	(cents/kg)	...	...	231.28	248.03	284.08	214.64	386.62	516.97
Sugar (EU)	(cents/kg)	66.97	66.54	64.56	68.09	69.69	52.44	44.18	45.46
Sugar (World)	(c/kg)	15.80	21.79	32.59	22.22	28.21	40.00	46.93	57.32
Sugar (US)	(cents/kg)	45.47	46.93	48.76	45.77	46.86	54.88	79.25	83.92
Tea (Avg. 3 auctions)	(c/kg)	168.56	164.71	187.21	203.61	242.05	272.40	288.49	292.05
Tea (Mombasa)	(c/kg)	155.42	147.75	195.23	166.49	221.76	251.96	256.00	271.90
Tobacco, US import u.v.	(USD/mt)	2 740.22	2 789.65	2 969.20	3 315.06	3 588.74	4 241.18	4 304.78	4 475.40

Sources: World Bank, Global Commodity Price Prospects, March 2012.

Table 10. **Foreign Direct Investment, 2005-2010 (USD million)**

	FDI inflows						FDI outflows						FDI inflows/GFCF (%)			Inward FDI* Potential Index
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2008	2009	2010	2009
Algeria	1081	1795	1662	2594	2761	2291	-20	35	295	318	215	226	5.5	5.8	4.9	77
Angola	6794	9064	9796	16581	11672	9942	221	194	912	2570	8	1163	316.4	200.8	221.8	55
Benin	53	53	255	171	135	111	-0.4	-2	-6	-4	31	7	12.7	8.4	8.6	135
Botswana	279	486	495	528	579	529	56	50	51	-91	-65	-38	16.9	17.7	13.8	91
Burkina Faso	34	34	344	137	171	37	-0.2	1	0.2	0.3	1	0	8.4	9.8	1.7	134
Burundi	1	0	1	14	10	14	-	-	0.0	-	-	-	8.0	5.8	7.9	-
Cameroon	225	309	284	270	337	425	-9	-1	-2	2	-9	2	6.5	9.1	11.5	107
Cape Verde	82	131	190	209	119	111	-	-	0.4	-0.1	0.2	0.1	31.1	17.2	12.9	-
Central Afr. Rep.	32	35	57	117	42	72	-	-	-	-	-	-	49.3	18.1	28.9	-
Chad	-99	-279	-69	234	462	781	-	-	-	-	-	-	18.5	35.0	41.3	-
Comoros	1	1	8	8	9	9	-	-	-	-	-	-	9.9	12.7	9.5	-
Congo	1475	1925	2275	2483	2083	2816	-	-	-	-	-	-	63.1	84.9	103.7	87
Congo Dem. Rep.	-	256	1808	1727	664	2939	13	18	14	54	35	7	67.4	30.5	82.1	136
Cote d'Ivoire	312	319	427	446	381	418	52	-27	-0.4	8	-7	0.4	19.2	16.3	18.7	119
Djibouti	22	108	195	229	100	27	-	-	-	-	-	-	138.0	67.2	23.6	-
Egypt	5376	10043	11578	9495	6712	6386	92	148	665	1920	571	1176	25.8	18.9	15.8	88
Equatorial Guinea	769	470	1243	-794	1636	695	-	-	-	-	-	-	-19.8	53.7	22.2	-
Eritrea	-1	0	0	0	0	56	-	-	-	-	-	-	-0.1	0.0	28.4	-
Ethiopia	265	545	222	109	221	184	-	-	-	-	-	-	1.9	3.5	3.2	131
Gabon	242	268	269	209	33	170	65	106	59	96	87	81	7.6	1.4	6.3	94
Gambia	45	71	76	70	47	37	-	-	-	-	-	-	21.6	15.0	11.3	125
Ghana	145	636	855	1220	1685	2527	-	-	-	9	7	8	21.0	37.4	42.1	104
Guinea	105	125	386	382	141	303	-	-	-	126	-	-	44.9	12.3	28.2	132
Guinea-Bissau	8	17	19	6	14	9	1	0.4	-0.3	0	0	0	8.2	15.3	9.9	-
Kenya	21	51	729	96	141	133	10	24	36	44	46	18	1.6	2.4	1.8	122
Lesotho	57	89	97	56	48	55	-	-	-	-	-	-	12.8	10.0	8.5	-
Liberia	83	108	132	395	218	248	255	47	65	119	-93	30	237.7	127.2	159.1	-
Libya	1038	2013	4689	4111	2674	3833	128	-534	3933	5888	1165	1282	55.3	48.9	55.5	63
Madagascar	86	295	773	1169	1066	860	-	-	-	-	-	-	37.9	51.7	56.2	133
Malawi	52	72	92	9	60	140	1	1	1	25	1	1	0.9	5.5	9.6	130
Mali	225	82	65	180	109	148	-1	1	7	3	4	5	11.2	6.2	8.6	123
Mauritania	814	106	138	338	-38	14	2	5	4	4	4	4	37.0	-5.4	1.4	-
Mauritius	42	105	339	383	257	430	48	10	58	52	37	129	16.7	11.7	19.1	-
Morocco	1654	2449	2805	2487	1952	1304	75	445	622	485	470	576	8.5	6.7	3.9	95
Mozambique	108	154	427	592	893	789	0.2	0.4	-0.3	0.0	-3	1	38.2	44.1	29.4	112
Namibia	348	387	733	720	516	858	-13	-12	3	5	-3	-4	34.8	25.4	34.3	98
Niger	30	51	129	566	739	947	-4	-1	8	24	10	14	37.7	48.4	41.9	138
Nigeria	4978	4898	6087	8249	8650	6099	15	322	875	1058	1542	923	48.2	51.9	31.9	93

Table 10. **Foreign Direct Investment, 2005-2010 (USD million)** (Cont.)

	FDI inflows						FDI outflows						FDI inflows/GFCF (%)			Inward FDI* Potential Index
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2008	2009	2010	2009
Rwanda	14	31	82	103	119	42	-	-	13	-	-	-	9.7	10.5	3.3	137
São Tomé & Príncipe	16	38	35	33	14	3	15	3	3	7	4	5	26.3	10.0	2.6	-
Senegal	52	210	273	272	208	237	-8	10	25	9	15	154	7.7	6.9	7.3	124
Seychelles	86	146	239	179	275	369	33	8	18	13	5	6	60.6	103.0	63.4	-
Sierra Leone	83	59	97	53	33	36	-8	-	-	-	-	5	39.9	24.2	20.7	127
Somalia	24	96	141	87	108	112	-	-	-	-	-	-	16.7	26.9	23.8	-
South Africa	6647	-527	5695	9006	5365	1553	930	6063	2966	-3134	1151	450	14.5	8.4	1.9	75
South Sudan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sudan	2305	3534	2426	2601	2682	1600	-	7	11	98	45	51	21.0	25.3	12.5	129
Swaziland	-46	121	37	106	66	93	21	1	-23	8	-7	8	31.7	20.2	27.4	-
Tanzania	494	597	647	679	645	700	-	-	-	-	-	-	11.0	10.4	10.6	115
Togo	77	77	49	24	50	41	-15	-14	-1	-16	-10	-31	5.3	9.6	7.4	128
Tunisia	783	3308	1616	2758	1688	1513	13	33	20	42	77	74	27.1	16.5	14.3	72
Uganda	380	644	792	729	816	848	-	-	-	-	-	-	22.1	22.6	21.0	120
Zambia	357	616	1324	939	695	1041	-	-	86	-	270	289	32.6	24.0	25.5	117
Zimbabwe	103	40	69	52	105	105	1	0.0	3	8	20	15	9.6	15.2	13.9	141
Africa	38155	46259	63131	73413	60167	55040	1968	6943	10719	9750	5627	6636	23.7	19.9	15.9	-

Note: * The potential Index is based on 12 economic and policy variables. See note on methodology for further details.
Sources: UNCTAD, FDI Online Database (March 2012) and World Investment Report 2011.

Table 11. **Aid flows, 2005-2010 (USD million)**

	ODA net total, All donors						ODA net total, DAC countries						ODA net total, Multilateral					
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Algeria	347	240	394	325	319	199	267	206	292	245	200	143	69	-3	93	102	107	58
Angola	415	164	248	369	239	239	248	-45	103	210	131	150	167	117	144	151	98	86
Benin	347	399	474	641	682	691	208	229	238	305	326	339	140	171	233	332	353	351
Botswana	48	69	108	720	279	157	30	36	64	683	223	106	20	34	45	39	56	51
Burkina Faso	693	901	951	1001	1083	1065	339	386	412	475	453	456	347	505	524	519	628	604
Burundi	364	431	479	522	561	632	180	223	202	255	264	283	183	208	277	267	297	349
Cameroon	414	1719	1926	549	648	538	332	1506	1697	298	268	266	79	207	220	240	380	271
Cape Verde	162	138	165	222	196	329	104	99	114	163	162	248	56	38	50	59	34	82
Central Afr. Rep.	89	134	177	257	242	264	61	65	118	129	99	113	28	68	59	128	143	150
Chad	385	289	359	422	561	490	162	153	227	277	356	285	214	132	130	141	205	206
Comoros	23	32	45	42	50	68	15	20	20	21	28	22	8	10	25	15	21	29
Congo	1425	258	119	485	283	1314	1344	169	49	383	226	1215	81	88	70	102	57	98
Congo, Dem. Rep.	1882	2197	1357	1766	2357	3413	990	1501	789	986	1099	2387	894	697	567	775	1255	1019
Côte d'Ivoire	91	247	171	626	2402	848	129	200	112	200	1721	438	-38	48	59	423	678	409
Djibouti	74	115	113	141	167	133	54	90	76	66	98	99	21	24	37	53	58	26
Egypt	1034	900	1136	1741	999	594	667	542	793	967	580	366	240	287	238	318	296	149
Equatorial Guinea	38	26	31	32	31	85	30	19	26	19	25	79	9	7	6	13	6	7
Eritrea	349	126	158	143	144	161	226	63	47	53	43	34	127	64	109	84	86	108
Ethiopia	1928	2034	2558	3329	3819	3529	1187	1026	1245	1843	1817	1927	714	983	1283	1453	1983	1567
Gabon	60	29	51	62	77	104	30	32	34	38	53	84	31	-3	16	24	25	21
Gambia	60	75	97	94	127	121	15	25	33	28	22	33	45	43	61	62	105	86
Ghana	1151	1243	1165	1307	1582	1694	615	595	710	726	821	900	529	647	453	575	755	791
Guinea	198	170	228	328	214	214	126	103	124	210	171	92	61	64	96	118	47	124
Guinea-Bissau	66	87	122	134	147	141	27	39	44	53	51	54	39	48	78	80	95	86
Kenya	759	947	1327	1366	1776	1631	521	776	827	953	1224	1159	230	167	496	408	547	467
Lesotho	67	71	129	144	122	257	40	38	62	66	71	94	29	33	67	78	47	160
Liberia	222	260	701	1251	513	1423	144	187	229	819	341	703	78	73	471	405	171	718
Libya	24	37.51	19	74	41	9	17	33	16	52	32	17	3.07	2.96	3	20	8	-10
Madagascar	913	782	894	843	444	473	498	261	387	274	242	214	416	517	502	564	201	250
Malawi	573	723	744	924	771	1027	325	398	401	432	435	517	247	313	332	482	332	508
Mali	721	866	1020	964	984	1093	371	398	558	531	575	684	326	459	458	433	408	408
Mauritania	189	226	347	452	373	373	105	94	133	139	122	106	81	129	212	287	231	249
Mauritius	35	19	69	110	155	125	22	9	44	16	64	58	10	13	28	95	93	69
Morocco	732	1102	1221	1451	930	994	288	569	631	614	705	599	313	361	327	455	323	384
Mozambique	1297	1639	1778	1996	2012	1959	760	938	1073	1341	1288	1357	535	698	682	652	723	598
Namibia	125	152	217	210	326	259	88	106	144	150	247	211	33	44	73	58	78	47
Niger	522	544	545	612	469	749	254	235	233	269	255	381	265	307	307	336	212	365
Nigeria	6409	11428	1956	1290	1657	2069	5931	10820	1385	637	688	849	477	607	570	651	967	1217
Rwanda	577	603	723	934	934	1034	281	321	375	452	520	548	296	281	347	480	411	485
São Tomé & Príncipe	32	23	51	47	31	50	18	18	31	26	20	33	14	5	20	21	11	17
Senegal	698	865	870	1069	1016	931	444	510	453	554	514	534	254	344	387	472	497	382

Table 11. **Aid flows, 2005-2010 (USD million)** (Cont.)

	ODA net total, All donors						ODA net total, DAC countries						ODA net total, Multilateral					
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010
Seychelles	17	14	11	13	23	56	8	7	1	5	12	29	7	7	8	7	11	10
Sierra Leone	340	380	550	378	448	475	129	180	381	175	196	200	211	200	169	204	252	274
Somalia	240	396	394	766	662	499	145	263	257	566	500	308	92	124	124	185	152	182
South Africa	690	715	807	1125	1075	1032	466	561	594	882	861	822	224	154	213	242	211	208
Sudan	1826	2048	2121	2566	2351	2055	1455	1518	1665	1821	1911	1509	319	440	334	603	379	495
Swaziland	47	35	51	70	56	92	21	12	12	18	19	31	26	23	39	53	38	60
Tanzania	1499	1883	2822	2331	2933	2961	861	996	1839	1373	1409	1655	629	885	982	960	1526	1300
Togo	83	80	122	330	499	421	59	55	65	176	362	253	23	24	58	153	136	168
Tunisia	362	431	321	375	503	551	268	286	194	251	350	355	101	154	137	133	159	192
Uganda	1192	1586	1737	1641	1785	1730	691	938	1003	1006	1013	1033	499	645	731	631	768	692
Zambia	1172	1468	1008	1116	1267	913	823	1115	714	704	701	593	347	350	294	412	564	320
Zimbabwe	373	278	479	612	736	738	187	200	372	532	620	521	186	78	106	80	115	218
Africa Unspecified	2452	2943	3883	4854	5708	4932	2024	2412	2956	3847	3628	3808	405	489	858	981	2020	1094
Africa Total	35833	44568	39553	45173	47808	47932	24628	31538	24601	27313	28157	29299	10742	12410	14207	16614	19358	18255

Note: ODA : Official Development Assistance.
DAC : Development Assistance Committee of OECD.
* Net disbursements.
Sources: OECD Development Assistance Committee 2012.

Table 12. **External Debt Indicators**

	Debt outstanding, at year end				Total debt outstanding (as % of GDP)				Debt service (as % of Exports of goods and services)			
	Total (Million USD)	Of Which : Multilateral (as % of total)	Bilateral	Private								
	2010	2010	2010	2010	2010	2011	2012	2013	2010	2011	2012	2013
Algeria	5164	0.2	54.8	45.0	3.2	1.9	1.6	1.5	0.8	1.3	1.3	1.1
Angola	15675	2.3	41.9	55.7	19.0	15.2	12.9	11.1	7.5	5.9	6.5	6.2
Benin	1246	75.9	24.1	0.0	19.0	18.8	20.7	21.3	4.9	6.2	7.1	7.3
Botswana	3454	47.8	0.0	52.2	23.2	25.5	25.1	22.6	4.0	6.3	6.5	6.3
Burkina Faso	2149	77.9	22.1	0.0	24.3	26.2	29.2	31.3	0.0	4.0	4.4	4.8
Burundi	445	64.0	30.2	5.8	32.3	29.8	28.7	27.8	1.8	3.9	6.8	9.5
Cameroon	1463	26.6	73.4	0.0	6.2	6.5	7.7	8.9	1.3	1.5	1.3	1.4
Cape Verde	1207	68.3	0.0	31.7	72.6	57.0	64.8	64.8	17.9	13.7	14.4	14.2
Central Afr. Rep.	380	7.6	92.4	0.0	19.1	21.8	27.5	31.7	3.1	3.1	8.3	9.5
Chad	2129	85.5	14.5	0.0	20.0	19.5	19.8	18.9	2.6	2.3	2.5	3.6
Comoros	257	42.0	55.7	2.2	48.4	39.3	37.4	33.0	12.1	9.7	9.5	8.3
Congo	2542	5.8	44.1	50.1	21.5	19.6	20.7	19.9	2.3	1.2	1.0	0.9
Congo Dem. Rep.	4426	44.5	46.4	9.0	33.7	47.0	46.2	40.8	2.0	0.9	0.9	1.0
Côte d'Ivoire	17641	19.5	31.3	49.3	76.9	78.8	73.1	70.5	7.5	7.0	8.2	9.9
Djibouti	634	54.5	45.5	0.0	64.4	54.7	54.8	53.6	7.9	8.4	11.5	11.5
Egypt	33771	25.9	64.4	9.7	15.7	15.3	13.7	12.2	9.9	12.5	10.5	9.9
Equatorial Guinea	724	...	14.3	85.7	5.0	5.8	8.0	8.8	0.3	0.3	1.8	2.0
Eritrea	969	64.5	35.5	0.0	45.8	36.0	29.4	25.3	33.5	13.0	8.0	7.1
Ethiopia	5373	39.3	60.7	0.0	20.2	17.0	16.2	16.2	3.7	5.7	6.8	9.5
Gabon	2185	16.5	47.6	36.0	16.5	13.8	13.5	13.4	6.3	4.6	6.1	5.8
Gambia, The	377	56.7	43.3	0.0	39.4	31.4	29.7	28.8	33.7	27.6	29.3	30.0
Ghana	8888	31.3	37.4	31.3	27.5	24.9	22.2	24.0	3.9	3.0	3.9	3.4
Guinea	3210	61.5	38.5	0.0	63.6	56.6	54.2	54.9	3.3	26.6	7.6	6.9
Guinea-Bissau	160	44.9	54.8	0.3	18.9	17.7	18.9	18.8	685.0	0.6	1.0	3.8
Kenya	7374	48.9	70.6	-19.5	23.0	22.1	23.6	24.5	5.3	5.1	4.9	5.1
Lesotho	729	85.8	14.2	0.0	33.5	44.3	55.5	53.7	3.8	5.0	5.2	5.3
Liberia	105	27.7	72.3	0.0	10.7	7.2	8.5	9.9	168.8	0.6	0.8	0.8
Libya	5574	...	57.4	42.6	7.8	...	...	...	0.0	...	...	...
Madagascar	2383	66.9	33.1	0.0	27.3	25.8	28.4	29.0	6.2	5.5	9.9	10.1
Malawi	866	62.5	37.5	0.0	16.9	16.3	16.1	14.9	1.4	1.7	2.2	2.6
Mali	2294	76.9	40.1	-17.0	24.4	23.4	24.9	26.1	4.9	4.2	5.0	3.4
Mauritania	3164	54.9	43.0	2.1	87.5	52.9	66.1	70.3	12.9	27.7	5.4	6.4
Mauritius	1221	32.7	0.0	67.3	12.6	13.7	13.5	16.0	2.5	2.6	2.5	2.5
Morocco	22337	40.0	42.7	17.3	24.6	23.9	24.5	24.3	6.7	6.3	7.3	6.6
Mozambique	6315	50.6	0.0	49.4	68.6	49.1	48.2	48.9	16.2	15.0	21.9	18.3
Namibia	2278	...	27.9	72.1	20.5	22.4	24.8	24.8	7.6	6.9	6.8	6.5

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	Private								
	2010	2010	2010	2010	2010	2011	2012	2013	2010	2011	2012	2013
Niger	888	63.9	36.1	0.0	16.2	17.6	17.8	18.5	1.3	3.1	3.2	3.4
Nigeria	4762	54.6	45.4	0.0	2.4	2.4	2.3	2.2	0.7	0.5	0.6	0.7
Rwanda	776	80.5	19.5	0.0	13.8	15.3	14.8	13.8	2.7	5.8	5.7	7.5
São Tomé & Príncipe	153	21.9	78.1	0.0	75.8	75.8	76.7	73.1	1.6	12.6	14.4	14.1
Senegal	6692	49.6	0.0	50.4	52.0	56.4	63.3	62.1	5.7	14.9	11.5	11.2
Seychelles	456	4.9	44.6	50.5	47.3	44.0	43.7	40.9	7.1	2.6	2.9	3.3
Sierra Leone	768	47.7	52.3	0.0	40.2	37.9	27.4	26.7	3.8	4.0	5.4	5.4
Somalia	2942	27.2	0.0	72.8	...	...	...	...	...	...	...	...
South Africa	98538	2.5	4.7	92.8	27.1	27.3	31.7	32.5	45.4	36.2	42.3	43.1
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	36794	15.3	68.7	16.0	56.3	62.0	70.0	73.3	3.5	6.4	6.7	7.8
Swaziland	430	38.9	47.3	13.8	11.6	16.8	24.6	27.8	1.6	2.4	3.5	10.6
Tanzania	8149	50.6	21.1	28.3	35.6	36.5	39.3	41.1	2.8	2.5	3.2	3.9
Togo	546	48.4	51.6	0.0	17.1	17.8	20.2	22.5	4.9	3.1	3.1	3.1
Tunisia	21501	30.9	25.1	44.0	49.7	51.4	52.5	52.8	10.7	11.6	11.4	11.2
Uganda	2839	80.7	15.8	3.5	16.0	16.9	15.7	13.5	2.7	2.7	2.8	3.0
Zambia	6663	25.0	0.0	74.9	38.9	31.2	32.9	31.6	3.3	2.4	2.2	2.2
Zimbabwe	8 823	15.7	0.0	84.3	94.0	150.9	136.3	123.7	17.3	30.6	25.2	22.8
Africa	370 829	23.3	31.3	45.5	21.6	20.9	21.1	20.7	11.6	10.0	10.6	10.6

Sources: AfDB Statistics Department; IMF, World Economic Outlook Database, September 2011; GDF Online Database, Worldbank.

Table 13. Demographic Indicators

	Total population (thousands) 2011	Urban population (% of total) 2011	Sex ratio (males per 100 females) 2011	Population growth rate (%)		Infant mortality rate (per 1000) 2011	Total fertility rate (per woman) 2011	Mortality under age 5 (per 1000) 2011	Distribution by age (%) 2011		
				2000-2005	2005-2010				0-14	15-64	65+
Algeria	35 980	67.1	101.9	1.5	1.5	22.4	2.2	28	26.8	68.6	4.6
Angola	19 618	59.4	98.2	3.3	2.9	98.4	5.3	160	46.2	51.3	2.5
Benin	9 100	42.5	97.4	3.1	3.0	79.4	5.2	126	43.6	53.4	3.0
Botswana	2 031	61.8	101.9	1.3	1.3	35.8	2.7	48	32.3	63.6	4.1
Burkina Faso	16 968	26.5	98.6	2.9	3.0	73.4	5.8	154	45.3	52.5	2.2
Burundi	8 575	11.3	96.5	2.5	2.9	96.3	4.2	156	37.7	59.5	2.9
Cameroon	20 030	59.2	99.7	2.3	2.2	88.0	4.4	141	40.5	56.0	3.5
Cape Verde	501	61.8	98.3	1.6	1.0	18.7	2.3	22	31.0	63.2	5.8
Central Afr. Rep.	4 487	39.2	97.1	1.7	1.8	98.6	4.5	160	40.1	55.9	4.0
Chad	11 525	28.2	98.9	3.4	2.8	126.6	5.9	200	45.4	51.8	2.9
Comoros	754	28.3	101.5	2.7	2.7	65.8	4.9	90	42.7	54.6	2.7
Congo	4 140	62.5	100.2	2.4	2.7	68.6	4.5	107	40.6	55.7	3.7
Congo Dem. Rep.	67 758	35.9	99.0	2.9	2.8	111.6	5.7	184	46.0	51.3	2.7
Côte d'Ivoire	20 153	51.3	103.7	1.7	1.8	71.4	4.3	112	40.6	55.5	3.8
Djibouti	906	76.3	100.1	2.0	1.9	77.0	3.7	107	35.4	61.2	3.4
Egypt	82 537	43.5	100.8	1.8	1.8	22.9	2.7	26	31.3	63.5	5.2
Equatorial Guinea	720	39.9	105.1	3.1	2.8	96.1	5.1	156	39.2	58.0	2.9
Eritrea	5 415	22.1	97.2	3.9	3.2	49.3	4.4	65	41.6	55.9	2.5
Ethiopia	84 734	16.8	99.1	2.5	2.2	65.2	4.0	100	40.8	55.8	3.4
Gabon	1 534	86.4	100.7	2.1	1.9	45.9	3.2	67	35.0	60.6	4.3
Gambia	1 776	58.9	97.5	2.9	2.8	68.6	4.8	96	43.7	54.1	2.2
Ghana	24 966	52.2	103.6	2.4	2.4	45.0	4.1	66	38.4	57.7	3.9
Guinea	10 222	35.9	102.2	1.6	2.0	86.7	5.2	138	42.8	53.9	3.3
Guinea-Bissau	1 547	30.2	98.3	2.0	2.0	112.6	5.0	186	41.2	55.5	3.3
Kenya	41 610	22.5	99.8	2.6	2.6	60.2	4.7	93	42.4	54.9	2.7
Lesotho	2 194	27.6	97.0	1.0	1.0	66.5	3.1	97	37.0	58.7	4.3
Liberia	4 129	48.2	101.1	2.6	4.3	79.1	5.2	111	43.5	53.7	2.8
Libya	6 423	78.1	101.5	2.0	1.9	13.7	2.5	15	30.7	64.9	4.4
Madagascar	21 315	30.6	99.4	3.0	2.9	41.6	4.6	58	42.8	54.1	3.1
Malawi	15 381	20.3	100.2	2.7	3.0	88.5	6.0	123	45.9	51.0	3.1
Mali	15 840	36.6	100.0	3.1	3.1	94.9	6.2	179	47.2	50.6	2.2
Mauritania	3 542	41.7	101.0	2.8	2.5	72.7	4.5	110	39.7	57.6	2.7
Mauritius	1 307	41.9	97.5	1.0	0.7	12.3	1.6	15	21.3	71.5	7.2
Morocco	32 273	58.8	96.1	1.1	1.0	30.0	2.2	33	27.7	66.8	5.6
Mozambique	23 930	39.2	95.0	2.6	2.4	80.8	4.8	128	43.9	52.8	3.3
Namibia	2 324	38.6	98.8	1.9	1.8	31.8	3.2	43	36.0	60.3	3.7
Niger	16 069	17.2	101.3	3.5	3.5	88.3	7.0	149	49.0	48.8	2.2
Nigeria	162 471	50.5	102.6	2.4	2.5	89.9	5.5	145	42.8	53.7	3.4
Rwanda	10 943	19.2	96.5	2.9	2.8	95.0	5.3	118	42.9	54.5	2.7

Table 13. **Demographic Indicators** (Cont.)

	Total population (thousands) 2011	Urban population (% of total) 2011	Sex ratio (males per 100 females) 2011	Population growth rate (%)		Infant mortality rate (per 1000) 2011	Total fertility rate (per woman) 2011	Mortality under age 5 (per 1000) 2011	Distribution by age (%)		
				2000-2005	2005-2010				0-14	15-64 2011	65+
São Tomé & Príncipe	169	63.0	98.1	1.6	1.6	48.8	3.6	71	39.9	56.4	3.8
Senegal	12 768	42.7	98.4	2.7	2.7	51.4	4.7	88	43.5	54.1	2.4
Seychelles	87	...	...	0.4	0.5	9.8	2.4	...	...	...	...
Sierra Leone	5 997	38.8	95.6	4.1	2.7	105.8	4.9	161	42.9	55.1	1.9
Somalia	9 557	37.9	98.4	2.5	2.2	102.3	6.3	166	45.0	52.3	2.7
South Africa	50 460	62.2	98.2	1.3	1.0	48.7	2.4	69	29.9	65.3	4.8
South Sudan	...	...	...	...	...	...	...	...	...	...	...
Sudan	44 632	40.8	101.5	2.3	2.5	59.2	4.3	90	39.8	56.6	3.6
Swaziland	1 203	21.3	96.9	0.9	1.4	67.8	3.3	98	37.9	58.7	3.4
Tanzania	46 218	26.9	99.9	2.6	2.9	56.6	5.5	87	44.8	52.0	3.2
Togo	6 155	44.1	98.1	2.4	2.2	69.6	4.0	108	39.3	57.3	3.4
Tunisia	10 594	67.7	99.9	1.0	1.1	19.1	2.0	23	23.3	69.7	7.0
Uganda	34 509	13.5	100.0	3.2	3.2	73.9	6.1	117	48.4	49.1	2.5
Zambia	13 475	35.9	100.5	2.4	2.7	85.3	6.3	138	46.5	50.4	3.1
Zimbabwe	12 754	38.8	97.3	2.4	2.7	50.7	3.2	78	38.2	57.6	4.2
Africa	1 044 304	40.4	100.0	2.3	2.3	72.9	4.4	113.8	40.2	56.3	3.6

Note: * Including Agalega, Rodrigues and Saint Brandon.
Source: AfDB Statistics Department ; United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects , The 2010 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 USD1.25	Below USD2	Survey year	Index	Lowest 10%	Highest 10%
Algeria	1995	30.3	14.7	22.6	1995	6.8	23.6	1995	35.3	2.9	26.9
Angola	2001	94.3	62.3	68.0	2000	54.3	70.2	2000	58.6	0.6	44.7
Benin	2003	46.0	29.0	39.0	2003	47.3	75.3	2003	38.6	3.0	31.2
Botswana	1993	44.8	19.4	32.9	1994	31.2	49.4	1994	61.0	1.3	51.2
Burkina Faso	2003	52.4	19.2	46.4	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
Cameroon	2007	55.0	12.2	39.9	2007	9.6	30.4	2007	38.9	2.9	30.4
Cape Verde	2007	44.3	13.2	26.6	2002	21.0	40.9	2002	50.5	1.9	40.6
Central Afr. Rep.	2008	69.4	49.6	62.0	2008	62.8	80.1	2008	56.3	1.2	46.1
Chad	2003	58.6	24.6	55.0	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	2005	57.7	...	50.1	2005	54.1	74.4	2005	47.3	2.1	37.1
Congo Dem. Rep.	2006	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	...	...	42.1	2000	18.8	41.2	2002	40.0	2.4	30.9
Egypt	2008	30.0	10.6	22.0	2008	1.7	15.4	2008	30.8	4.0	26.6
Equatorial Guinea	2006	79.9	31.5	76.8	...	...	...	...	...	...	...
Eritrea	1993-1994	...	62.0	53.0	...	...	...	...	...	...	...
Ethiopia	2005	39.3	35.1	38.9	2005	39.0	77.6	2005	29.8	4.1	25.6
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	2007	63.0	30.5	53.0	2007	43.3	69.6	2007	39.4	2.7	30.3
Guinea-Bissau	2002	69.1	51.6	64.7	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	2000-05	...	...	14.0	...	...	...	...	...	...	...
Madagascar	2005	73.5	52.0	68.7	2010	81.3	92.6	2010	44.1	2.2	34.7
Malawi	2004	55.9	25.4	52.4	2004	73.9	90.5	2004	39.0	3.0	31.9
Mali	2006	50.6	25.5	47.4	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
Mauritius	...	...	...	...	...	...	...	2006	38.9	...	...
Morocco	2007	14.5	4.8	9.0	2007	2.5	14.0	2007	40.9	2.7	33.2
Mozambique	2008	56.9	49.6	54.7	2008	59.6	81.8	2008	45.7	1.9	36.7
Namibia	2004	49.0	17.0	38.0	2004	31.9	51.1	2004	63.9	1.4	54.8
Niger	2007	63.9	36.7	59.5	2009	43.6	75.2	2008	34.6	3.6	28.5
Nigeria	2004	63.8	43.1	54.7	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 & Príncipe	2009	64.9	45.0	66.2	2001	28.2	54.2	2001	50.8	2.2	43.6

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 USD1.25	Below USD2	Survey year	Index	Lowest 10%	Highest 10%
Senegal	2005	61.9	35.1	50.8	2005	33.5	60.4	2005	39.2	2.5	30.1
Seychelles	...	...	...	...	2007	0.3	1.8	2007	65.8	1.6	60.2
Sierra Leone	2003	78.5	47.0	66.4	2003	53.4	76.1	2003	42.5	2.6	33.6
Somalia	...	...	...	...	...	...	...	...	...	...	...
South Africa	2006	...	...	23.0	2009	13.8	31.3	2009	63.1	1.2	51.7
South Sudan	2009	55.4	24.4	50.6	...	...	...	...	...	...	...
Sudan	2009	57.6	26.5	46.5	2009	19.8	44.1	2009	35.3	2.7	26.7
Swaziland	2001	75.0	49.0	69.2	2010	40.6	60.4	2010	51.5	1.7	40.1
Tanzania	2007	38.7	29.5	33.4	2007	67.9	87.9	2007	37.6	2.8	29.6
Togo	2006	74.3	36.8	61.7	2006	38.7	69.3	2006	34.4	3.3	27.1
Tunisia	2005	...	...	3.8	2005	1.4	8.1	2005	41.4	2.4	32.5
Uganda	2009	27.2	9.1	24.5	2009	38.0	64.7	2009	44.3	2.4	36.1
Zambia	2006	76.8	26.7	59.3	2006	68.5	82.6	2006	54.6	1.5	43.1
Zimbabwe	2003	82.4	42.3	72.0	2004	61.9	...	2004	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, (Povcal 2009) 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
	2003	2010	2003	2010	2003	2010	2003	2008	2010			2010		
Algeria	6.52	8.24	4.53	92.42	2.20	12.50	27 367	37 827	83	85	79	95	98	88
Angola	0.55	1.59	2.27	46.69	0.37	10.00	1 889	3 778	51	60	38	58	85	19
Benin	0.93	1.51	3.30	79.94	0.95	3.13	593	787	75	84	68	13	25	5
Botswana	7.18	6.85	24.31	117.76	3.35	6.00	2 267	3 149	96	99	92	62	75	41
Burkina Faso	0.50	0.87	1.78	34.66	0.37	1.40	502	744	79	95	73	17	50	6
Burundi	0.35	0.39	0.94	13.72	0.20	2.10	151	183	72	83	71	46	49	46
Cameroon	0.58	2.75	6.42	44.07	0.59	4.00	3 684	5 069	77	95	52	49	58	36
Cape Verde	15.59	14.51	11.60	74.97	4.32	30.00	192	278	88	90	85	61	73	43
Central Afr. Rep.	0.24	0.11	1.03	22.25	0.15	2.30	110	162	67	92	51	34	43	28
Chad	0.14	0.46	0.71	23.83	0.32	1.70	85	93	51	70	44	13	30	6
Comoros	2.17	2.86	0.33	22.49	0.85	5.10	33	51	95	91	97	36	50	30
Congo	0.21	0.24	9.81	93.96	0.46	5.00	605	786	71	95	32	18	20	15
Congo Dem. Rep.	0.02	0.06	2.30	17.92	0.13	0.72	4 823	6 925	45	79	27	24	24	24
Côte d'Ivoire	1.36	1.44	7.34	76.13	0.76	2.60	3 720	5 162	80	91	68	24	36	11
Djibouti	1.30	2.08	2.95	18.64	0.63	6.50	180	259	88	99	54	50	63	10
Egypt	12.22	11.86	8.11	87.11	4.04	26.74	93 352	129 177	99	100	99	95	97	93
Equatorial Guinea	1.68	1.93	7.26	57.01	0.52	6.00	80	100	...	...	...	...	...	...
Eritrea	0.92	1.03	0.00	3.53	0.73	5.40	259	271	...	...	...	...	...	4
Ethiopia	0.57	1.10	0.07	8.26	0.11	0.75	2 064	3 484	44	97	34	21	29	19
Gabon	2.92	2.02	22.77	106.94	2.66	7.23	1 450	1 948	87	95	41	33	33	30
Gambia	2.96	2.82	10.53	85.53	2.44	9.20	164	236	89	92	85	68	70	65
Ghana	1.41	1.14	3.86	71.49	1.19	9.55	6 207	8 042	86	91	80	14	19	8
Guinea	0.30	0.18	1.28	40.07	0.45	1.00	889	819	74	90	65	18	32	11
Guinea-Bissau	0.80	0.33	0.10	39.21	1.35	2.45	61	70	64	91	53	20	44	9
Kenya	0.97	0.94	4.71	61.63	2.94	25.90	5 645	6 887	59	82	52	32	32	32
Lesotho	1.73	1.78	6.21	45.48	1.53	3.86	364	223	78	91	73	26	32	24
Liberia	0.00	0.15	1.56	39.34	0.03	7.00	315	333	73	88	60	18	29	7
Libya	13.54	19.33	2.29	171.52	2.81	14.00	16 702	25 203	...	...	...	97	97	96
Madagascar	0.35	0.69	1.68	37.23	0.42	1.70	994	1 253	46	74	34	15	21	12
Malawi	0.70	1.07	1.11	20.38	0.28	2.26	1 315	1 782	83	95	80	51	49	51
Mali	0.49	0.75	2.00	48.41	0.31	2.70	441	500	64	87	51	22	35	14
Mauritania	1.32	2.07	12.18	79.34	0.42	3.00	312	753	50	52	48	26	51	9
Mauritius	28.23	29.84	37.48	91.67	12.19	28.33	2 037	2 580	99	100	99	89	91	88
Morocco	4.10	11.73	24.72	100.10	3.35	49.00	18 551	24 576	83	98	61	70	83	52
Mozambique	0.39	0.38	2.21	30.88	0.42	4.17	8 459	11 570	47	77	29	18	38	5
Namibia	6.34	6.66	11.14	67.21	3.36	6.50	2 559	4 197	93	99	90	32	57	17
Niger	0.19	0.54	0.68	24.53	0.16	0.83	462	658	49	100	39	9	34	4
Nigeria	0.67	0.66	2.37	55.10	0.56	28.43	19 606	20 506	58	74	43	31	35	27
Rwanda	0.29	0.37	1.48	33.40	0.36	13.00	223	260	65	76	63	55	52	56

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	
	2003	2010	2003	2010	2003	2010	2003	2008	2010			2010			
São Tomé & Príncipe	4.71	4.63	3.26	61.97	10.16	18.75	35	34	89	89	88	26	30	19	
Senegal	2.22	2.75	7.60	67.11	2.10	16.00	2 083	2 225	72	93	56	52	70	39	
Seychelles	25.95	25.48	60.29	135.91	14.59	41.00	194	235	…	100	…	…	98	…	
Sierra Leone	0.53	0.24	2.39	34.09	0.19	…	140	61	55	87	35	13	23	6	
Somalia	1.25	1.07	2.51	6.95	0.38	290	326	29	66	7	23	52	6		
South Africa	10.34	8.43	36.16	100.48	7.01	12.30	218 806	239 744	91	99	79	79	86	67	
South Sudan	…	…	…	.	…	…	…	…	…	…	…	…	…	…	…
Sudan	2.56	0.86	1.44	40.54	0.54	…	3 337	4 497	58	67	52	26	44	14	
Swaziland	4.24	3.71	7.81	61.78	2.44	8.02	1 248	1 196	71	91	65	57	64	55	
Tanzania	0.40	0.39	3.53	46.80	0.68	11.00	2 753	4 466	53	79	44	10	20	7	
Togo	1.18	3.54	4.71	40.69	3.69	5.38	632	788	61	89	40	13	26	3	
Tunisia	11.97	12.30	19.72	106.04	6.49	36.80	10 936	13 665	…	99	…	…	96	…	
Uganda	0.23	0.98	2.91	38.38	0.46	12.50	1 578	2 031	72	95	68	34	34	34	
Zambia	0.81	0.69	2.20	41.62	0.98	10.00	7 608	9 619	61	87	46	48	57	43	
Zimbabwe	2.39	3.01	2.88	61.25	6.39	11.50	11 812	12 897	80	98	69	40	52	32	
Africa	2.83	3.04	6.03	53.03	1.61	15.66	490 161	602 462	64	84	52	39	54	30	

Source: AfDB Statistics Department; Telecommunications : International Telecommunication Union - ICT Indicators Database, December 2011.
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, February 2012.
Domestic authorities.

Table 16. **Basic Health Indicators**

	Life expectancy at birth (years)			Prevalence of undernourishedin 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** (US USD)	Distribution Public (%)	Distribution Private (%)	Survey year	Physicians	Nurses and midwives
	2011	2010-2015		2006-2008	2007	2009						
Algeria	73.1	...	...	...	3 153	4.1	191	80.6	19.4	2007	121	195
Angola	51.1	51.7	52.8	41	1 973	4.6	204	89.0	11.0	2004	8	135
Benin	56.1	56.8	57.5	12	2 533	4.2	32	55.2	44.8	2008	6	77
Botswana	53.2	52.7	69.6	25	2 264	10.3	612	80.0	20.0	2006	34	284
Burkina Faso	55.4	56.0	57.7	8	2 677	6.4	38	61.7	38.3	2008	6	73
Burundi	50.4	51.1	53.6	62	1 685	13.1	20	46.0	54.0	2004	3	19
Cameroon	51.6	52.5	56.1	22	2 269	5.6	61	27.9	72.1	2004	19	160
Cape Verde	74.2	...	...	11	2 572	3.9	146	74.0	26.0	2008	57	132
Central Afr. Rep.	48.4	49.5	53.1	40	1 986	4.3	19	38.7	61.3	2004	8	41
Chad	49.6	50.1	52.1	39	2 056	7.0	42	55.2	44.8	2004	4	28
Comoros	61.1	...	...	47	1 884	3.4	28	61.6	38.4	2004	15	74
Congo	57.4	58.0	60.3	13	2 512	3.0	70	53.8	46.2	2007	10	82
Congo Dem. Rep.	48.4	48.9	49.9	69	1 605	2.0	3	23.9	76.1	2004	11	53
Côte d'Ivoire	55.4	56.4	59.5	14	2 528	5.2	57	20.7	79.3	2008	14	48
Djibouti	57.9	58.5	59.3	26	2 291	7.0	84	76.9	23.1	2006	23	78
Egypt	73.2	...	...	...	3 195	5.0	112	41.1	58.9	2009	283	352
Equatorial Guinea	51.1	51.5	53.9	...	3.9	709	86.9	13.1	2004	30	53	
Eritrea	61.6	62.2	62.7	65	1 605	2.2	10	44.6	55.4	2004	5	58
Ethiopia	59.3	60.0	60.9	41	1 980	4.3	15	47.6	52.4	2007	2	24
Gabon	62.7	63.3	66.8	...	2 755	3.5	266	47.9	52.1	2004	29	502
Gambia	58.5	59.0	60.2	19	2 385	6.0	26	50.1	49.9	2008	4	57
Ghana	64.2	64.7	66.2	5	2 907	8.1	53	53.2	46.8	2009	9	105
Guinea	54.1	54.7	55.6	16	2 568	5.7	19	15.2	84.8	2005	10	4
Guinea-Bissau	48.1	48.8	49.9	22	2 306	6.1	18	25.5	74.5	2008	5	55
Kenya	57.1	58.0	62.7	33	2 089	4.3	33	33.8	66.2	2002	14	118
Lesotho	48.2	49.1	64.1	14	2 476	8.2	70	68.2	31.8	2003	5	62
Liberia	56.8	57.5	58.7	32	2 204	13.2	29	39.7	60.3	2008	1	27
Libya	74.8	...	...	...	3 143	3.9	417	66.1	33.9	2009	190	680
Madagascar	66.7	...	...	25	2 160	4.1	18	67.1	32.9	2007	16	21
Malawi	54.2	55.1	63.2	27	2 172	6.2	19	58.0	42.0	2008	2	28
Mali	51.4	52.1	53.5	12	2 614	5.6	38	47.9	52.1	2008	5	30
Mauritania	58.6	...	...	8	2 841	2.5	22	62.6	37.4	2009	13	67
Mauritius	73.4	...	...	5	2 965	5.6	378	36.0	64.0	2004	106	373
Morocco	72.2	...	...	...	3 236	5.5	156	34.4	65.6	2009	62	89
Mozambique	50.2	51.0	58.2	38	2 067	6.2	27	75.5	24.5	2008	3	34
Namibia	62.5	62.7	71.3	18	2 383	5.9	258	66.6	33.4	2007	37	278
Niger	54.7	...	...	16	2 376	6.1	21	57.6	42.4	2008	2	14
Nigeria	51.9	52.5	55.1	6	2 741	5.8	69	36.3	63.7	2008	40	161

Table 16. **Basic Health Indicators** (Cont.)

	Life expectancy at birth (years)			Prevalence of undernourishedin 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** (US USD)	Distribution Public (%)	Private (%)	Survey year	Physicians	Nurses and midwives
	2011	2010-2015		2006-2008	2007	2009						
Rwanda	55.4	55.8	57.5	32	2 085	9.0	48	43.2	56.8	2005	2	45
São Tomé & Príncipe	64.7	...	...	...	2 684	7.1	91	41.0	59.0	2004	49	187
Senegal	59.3	...	...	19	2 348	5.7	59	55.6	44.4	2008	6	42
Seychelles	...	...	8	2 463	4.0	366	76.8	23.2	2004	151	793	
Sierra Leone	47.8	48.2	49.1	35	2 170	13.6	45	10.5	89.5	2008	2	17
Somalia	51.2	...	...	...	...	...	...	...	2006	4	11	
South Africa	52.8	53.8	65.8	...	2 999	8.5	485	40.1	59.9	2004	77	408
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	61.5	...	...	22	2 282	7.3	95	27.4	72.6	2008	28	84
Swaziland	48.7	49.2	63.7	19	2 292	6.3	156	63.3	36.7	2004	16	630
Tanzania	58.2	59.3	63.7	34	2 032	5.1	25	73.6	26.4	2006	1	24
Togo	57.1	57.8	60.1	30	2 161	5.5	27	23.9	76.1	2008	5	27
Tunisia	74.5	...	...	...	3 326	6.2	240	54.0	46.0	2009	119	328
Uganda	54.1	54.7	59.0	22	2 211	8.2	43	19.0	81.0	2005	12	131
Zambia	49.0	49.6	57.7	44	1 873	6.1	61	59.5	40.5	2006	6	71
Zimbabwe	51.4	53.5	67.5	30	2 238	8.1	66	38.4	61.6	2004	16	72
Africa	56.8	54.2	57.9	21	2 398	5.9	89.4	46.8	53.2	...	...	...

Note:
* Including Agalega, Rodrigues and Saint Brandon.
** at average exchange rate.
Sources: AfDB Statistics Department, Life expectancy at birth and HIV/AIDS from UN Revision 2010.
Undernourishment prevalence and food availability: FAO, *Food Insecurity Online Database*.
Total health expenditure and public health expenditure: WHO Online Database.

Table 17. **Major Diseases**

	Healthy life expectancy at birth (years)			Healthy life expectancy at birth (years)			Malaria (Number of reported cases)		Tuberculosis (New and relapse cases)	Measles Incidence (Number of reported cases)	Vaccination (%)	
	Total	Male	Female	People living with HIV / AIDS (000)	Adult prevalence (%)	AIDS deaths in adults & children (000)					MCV	DTP3
	2007			2009			Survey year		2010	2010	2010	
Algeria	62.0	62.0	63.0	18	0.1	<1	2010	408	22 336	103	95	95
Angola	45.0	44.0	47.0	200	2.0	11.0	2010	2783 619	44 655	1 190	93	91
Benin	50.0	50.0	50.0	60	1.2	2.7	2009	1 256 708	2 966	928	69	83
Botswana	49.0	49.0	48.0	320	24.8	5.8	2010	12 196	7 013	853	94	96
Burkina Faso	43.0	42.0	43.0	110	1.2	7.1	2010	5 409 156	4 800	2 511	94	95
Burundi	43.0	42.0	43.0	180	3.3	15.0	2010	2 919 866	7 611	495	92	96
Cameroon	45.0	45.0	45.0	610	5.3	37.0	2010	1 845 691	24 073	240	79	84
Cape Verde	61.0	59.0	64.0	…	...	…	2010	47	356	0	96	99
Central Afr. Rep.	42.0	43.0	42.0	130	4.7	11.0	2010	66 484	6 643	2	62	54
Chad	40.0	40.0	40.0	210	3.4	11.0	2010	466 034	9 452	194	46	59
Comoros	56.0	55.0	58.0	<0.5	0.1	<0.1	2010	47 364	120	0	72	74
Congo	48.0	48.0	49.0	77	3.4	5.1	2009	92 855	10 150	4	76	90
Congo Dem. Rep.	45.0	44.0	46.0	…	...	…	2010	7 439 440	114 170	5 407	68	63
Côte d'Ivoire	47.0	45.0	48.0	450	3.4	36.0	2010	1 721 461	22 708	441	70	85
Djibouti	48.0	47.0	50.0	14	2.5	1.0	2010	3 962	4 172	7	85	88
Egypt	60.0	59.0	62.0	11	<0.1	<0.5	2010	85	9 260	16	96	97
Equatorial Guinea	46.0	45.0	46.0	20	5.0	<1	2009	78 983	820	0	51	33
Eritrea	55.0	54.0	56.0	25	0.8	1.7	2010	53 750	2 870	51	99	99
Ethiopia	50.0	49.0	51.0	…	...	…	2010	4 068 764	154 694	4 235	81	86
Gabon	52.0	50.0	53.0	46	5.2	2.4	2010	159 313	3 473	1	55	45
Gambia	51.0	50.0	53.0	18	2.0	<1	2010	116 353	2 070	2	97	98
Ghana	50.0	49.0	50.0	260	1.8	18.0	2010	2 642 221	14 607	641	93	94
Guinea	47.0	46.0	48.0	79	1.3	4.7	2010	1 092 554	11 038	45	51	57
Guinea-Bissau	42.0	40.0	43.0	22	2.5	1.2	2009	143 011	2 183	26	61	76
Kenya	48.0	47.0	48.0	1 500	6	80.0	2010	4 585 712	99 272	95	86	83
Lesotho	40.0	38.0	41.0	290	23.6	14.0	…	…	11 674	2 488	85	83
Liberia	48.0	47.0	49.0	37	1.5	3.6	2010	2 263 973	6 597	2 200	64	64
Libya	64.0	63.0	66.0	…	...	…	…	…	2 096	329	98	98
Madagascar	52.0	51.0	53.0	24	0.2	1.7	2010	202 450	24 432	1	67	74
Malawi	44.0	43.0	44.0	920	11.0	51.0	2010	6 851 108	21 092	118 712	93	93
Mali	42.0	41.0	43.0	76	1.0	4.4	2010	1 018 846	5 291	1 719	63	76
Mauritania	51.0	49.0	52.0	14	0.7	<1	2010	238 565	2 461	1 292	67	64
Mauritius	63.0	61.0	65.0	9	1.0	<0.5	…	…	122	12	99	99
Morocco	62.0	61.0	63.0	26	0.1	1.2	2010	218	28 359	633	98	99
Mozambique	42.0	42.0	42.0	1 400	11.5	74.0	2010	1 522 577	43 558	2 321	70	74
Namibia	52.0	52.0	53.0	180	13.1	6.7	2010	25 889	11 281	3 138	75	83
Niger	44.0	44.0	45.0	61	0.8	4.3	2010	620 058	10 130	372	71	70

Table 17. **Major Diseases** (Cont.)

	Healthy life expectancy at birth (years)			Healthy life expectancy at birth (years)			Malaria (Number of reported cases)		Tuberculosis (New and relapse cases)	Measles Incidence (Number of reported cases)	Vaccination (%)	
	Total	Male	Female	People living with HIV / AIDS (000)	Adult prevalence (%)	AIDS deaths in adults & children (000)					MCV	DTP3
	2007			2009			Survey year		2010	2010	2010	
Nigeria	42.0	42.0	42.0	3 300	3.6	220.0	2010	3 873 463	84 121	8 491	71	69
Rwanda	43.0	43.0	44.0	170	2.9	4.1	2010	638 669	6 703	121	82	80
São Tomé & Príncipe	53.0	52.0	54.0	...	...	...	2010	2 262	121	0	92	98
Senegal	51.0	50.0	52.0	59	0.9	2.6	2009	222 232	11 061	428	60	70
Seychelles	63.0	60.0	65.0	...	...	...	...	...	17	0	99	99
Sierra Leone	35.0	34.0	37.0	49	1.6	2.8	2010	934 028	12 859	1 089	82	90
South Africa	48.0	47.0	48.0	5 600	17.8	310.0	2010	8 060	354 786	5 857	65	63
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	50.0	50.0	50.0	260	1.1	12.0	2009	2 686 822	26 131	680	90	90
Swaziland	42.0	42.0	42.0	180	25.9	7.0	2010	1 722	10 101	313	94	89
Tanzania	45.0	45.0	45.0	1 400	5.6	86.0	2009	40	61 098	167	92	91
Togo	51.0	49.0	52.0	120	3.2	7.7	2010	617 101	2 791	120	84	92
Tunisia	66.0	65.0	67.0	2	<0.1	<0.1	...	...	2 368	1	97	98
Uganda	42.0	41.0	44.0	1 200	6.5	64.0	2010	11 084 045	42 885	1 313	55	60
Zambia	40.0	39.0	40.0	980	13.5	45.0	2010	4 229 839	44 154	15 754	91	82
Zimbabwe	39.0	40.0	38.0	1 200	14.3	83.0	2010	648 965	44 209	9 696	84	83
Africa	47.1	46.5	47.7	21 951	4.9	1 257.4	2010	70 240 871	1 462 149	193 921	76	77

Notes: DTP: Diphtheria, tetanus toxoids and pertussis antigen. MCV: Measles Contaning 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 March 2012.

Table 18. **Basic Education Indicators**

	Estimated adult literacy rate, 2005-09 (%) people over 15			Estimated youth literacy rate, 2005-09 (%) (people between 15 and 24)			Public expenditure on education 1999-11
	Total	Male	Female	Total	Male	Female	(% of GDP)
Algeria	72.6	81.3	63.9	91.8	94.4	89.1	4.3
Angola	70.0	82.9	57.6	73.1	80.8	65.5	2.6
Benin	41.7	54.2	29.1	54.3	64.9	43.4	4.5
Botswana	84.1	83.8	84.5	95.3	93.7	97.0	7.8
Burkina Faso	28.7	36.7	21.6	39.3	46.7	33.1	4.6
Burundi	66.6	72.6	60.9	76.6	76.9	76.3	9.2
Cameroon	70.7	78.9	63.0	83.1	89.4	77.5	3.5
Cape Verde	84.8	90.1	80.2	98.2	97.3	99.0	5.6
Central Afr. Rep.	55.2	69.1	42.1	64.7	72.2	57.3	1.2
Chad	33.6	44.5	23.1	46.3	53.5	39.0	2.8
Comoros	74.2	79.7	68.7	85.3	85.8	84.7	7.6
Congo	...	...	...	80.5	86.8	78.0	6.2
Congo Dem. Rep.	66.8	77.4	56.6	65.4	69.1	61.7	...
Côte d'Ivoire	55.3	64.7	45.3	66.6	72.1	61.0	4.6
Djibouti	...	...	...	...	...	...	8.4
Egypt	66.4	74.6	57.8	84.9	87.9	81.8	3.8
Equatorial Guinea	93.3	97.0	89.8	97.9	97.7	98.2	0.6
Eritrea	66.6	77.9	56.0	88.7	91.6	85.8	2.1
Ethiopia	29.8	41.9	18.0	44.6	55.9	33.3	4.7
Gabon	87.7	91.4	84.1	97.6	98.6	96.6	3.8
Gambia	46.5	57.6	35.8	65.5	71.0	60.0	5.0
Ghana	66.6	72.8	60.4	80.1	81.2	78.9	5.5
Guinea	39.5	50.8	28.1	61.1	68.1	53.8	2.4
Guinea-Bissau	52.2	66.9	38.0	70.9	78.2	63.6	5.2
Kenya	87.0	90.5	83.5	92.7	91.9	93.6	6.7
Lesotho	89.7	82.9	95.3	92.0	85.7	98.1	13.1
Liberia	59.1	63.7	54.5	75.6	70.4	80.9	2.8
Libya	88.9	95.2	82.0	99.9	99.9	99.8	2.7
Madagascar	64.5	67.4	61.6	64.9	65.9	64.0	3.2
Malawi	73.7	80.6	67.0	86.5	86.9	86.0	5.7
Mali	26.2	34.9	18.2	38.8	47.4	30.8	4.5
Mauritania	57.5	64.5	50.3	67.7	70.9	64.3	4.3
Mauritius	87.9	90.6	85.3	96.5	95.5	97.6	3.1
Morocco	56.1	68.9	43.9	79.5	86.7	72.1	5.4
Mozambique	55.1	70.1	41.5	70.9	78.1	63.7	5.0
Namibia	88.5	88.9	88.1	93.0	91.1	94.9	8.1
Niger	28.7	42.9	15.1	36.5	52.4	23.2	3.8
Nigeria	60.8	72.0	49.8	71.8	78.1	65.3	...

Table 18. **Basic Education Indicators** (Cont.)

	Estimated adult literacy rate, 2005-09 (%) people over 15			Estimated youth literacy rate, 2005-09 (%) (people between 15 and 24)			Public expenditure on education 1999-11
	Total	Male	Female	Total	Male	Female	(% of GDP)
Rwanda	70.7	75.0	66.8	77.2	77.0	77.4	4.7
São Tomé & Príncipe	88.8	93.7	84.0	95.3	94.9	95.8	...
Senegal	49.7	61.8	38.7	65.0	74.2	56.2	5.6
Seychelles	91.8	91.4	92.3	99.1	98.8	99.4	5.0
Sierra Leone	40.9	52.7	30.1	57.6	67.6	48.1	4.3
Somalia	...	...	...	...	...	...	...
South Africa	88.7	90.7	87.0	97.6	97.0	98.1	6.0
South Sudan	...	...	...	...	...	...	...
Sudan	70.2	79.6	60.8	85.9	89.1	82.7	...
Swaziland	86.9	87.8	86.2	93.4	91.9	94.9	7.4
Tanzania	72.9	79.0	66.9	77.4	78.5	76.4	6.2
Togo	56.9	70.3	44.4	76.5	84.9	67.9	4.5
Tunisia	77.6	86.4	71.0	96.8	98.1	95.8	6.3
Uganda	71.4	81.4	62.1	84.1	87.3	81.1	3.2
Zambia	70.9	80.6	61.3	74.6	81.8	67.3	1.3
Zimbabwe	91.9	94.7	89.4	98.9	98.4	99.5	2.5
Africa	63.1	72.1	54.4	81.2	83.8	70.3	4.8

Sources : AfDB Statistics Department UNESCO Institute for Statistics (UIS) Database March 2012; Domestic authorities.

Table 19. **School Enrolment**

	Primary School, 2000-11							Secondary School, 2000-11				Enrolment ratio in technical and vocational programmes		
	Gross enrolment ratio			Net enrolment ratio			Pupil /teacher	Gross enrolment ratio			Pupil /teacher	2006-2008		
	Total	Male	Female	Total	Male	Female	Ratio	Total	Male	Female	Ratio	Total secondary	Lower secondary	Upper secondary
Algeria	110.2	113.4	106.8	95.6	96.6	94.6	23.3	94.9	94.1	95.8	20.8	…	…	…
Angola	124.5	137.3	111.6	85.7	93.1	78.2	45.8	31.3	37.2	25.5	38.7	…	…	…
Benin	125.9	134.6	117.1	93.8	96.8	81.5	46.4	37.1	48.4	26.0	23.9	…	…	…
Botswana	107.7	109.3	106.2	85.6	84.8	86.4	25.2	80.0	77.9	82.1	13.9	6%	…	19%
Burkina Faso	79.4	82.4	76.4	63.2	65.2	61.1	47.8	22.6	25.3	19.8	26.5	6%	2%	24%
Burundi	156.3	157.3	155.3	89.7	90.8	88.7	50.6	24.8	28.9	20.7	29.9	5%	2%	19%
Cameroon	119.8	128.6	110.9	92.4	98.7	85.9	45.5	42.2	46.0	38.4	16.2	19%	20%	18%
Cape Verde	109.6	113.9	105.3	93.2	94.3	92.1	23.6	87.5	79.7	95.4	17.5	…	…	…
Central Afr. Rep.	93.4	109.3	77.7	70.5	80.8	60.4	84.3	12.6	16.0	9.3	52.3	…	…	…
Chad	90.0	104.0	75.9	62.3	73.4	51.1	55.6	25.7	36.3	15.0	31.9	1%	0%	4%
Comoros	104.3	108.6	99.8	77.8	80.7	74.8	30.2	46.3	52.7	39.9	13.8	…	…	…
Congo	115.0	117.9	112.0	90.8	92.3	89.3	49.1	45.3	49.0	41.5	34.3	…	…	…
Congo Dem. Rep.	93.7	100.4	87.0	33.1	33.9	32.2	37.0	37.7	47.8	27.6	16.0	19%	2%	34%
Côte d'Ivoire	88.0	95.9	80.0	61.5	67.1	55.8	48.8	27.1	34.9	19.4	29.4	…	…	…
Djibouti	59.1	62.1	56.0	44.5	46.8	42.1	35.2	36.1	40.1	31.9	27.9	5%	1%	16%
Egypt	105.7	108.0	103.3	95.8	97.4	94.1	27.2	84.7	87.5	81.9	17.1	…	…	…
Equatorial Guinea	86.6	87.9	85.4	56.3	56.5	56.0	27.2	27.5	34.9	20.1	23.2	…	…	…
Eritrea	44.6	48.5	40.6	33.5	35.8	31.0	38.0	31.9	36.3	27.6	38.7	1%	…	2%
Ethiopia	101.6	106.2	96.8	81.3	83.9	78.6	54.1	35.7	39.3	32.1	43.1	6%	…	54%
Gabon	181.7	184.4	179.0	91.8	92.0	91.6	24.5	53.1	51.6	44.4	28.1	…	…	…
Gambia	82.6	81.7	83.5	65.5	64.4	66.6	36.6	54.1	55.6	52.6	20.7	…	…	…
Ghana	107.3	107.4	107.2	84.0	83.6	84.4	31.0	58.1	61.0	55.2	18.7	4%	…	14%
Guinea	94.4	102.6	85.9	77.0	83.2	70.5	42.2	38.1	47.7	28.1	31.9	2%	0%	7%
Guinea-Bissau	123.1	127.1	119.2	73.9	75.5	72.4	51.9	18.5	23.9	13.1	37.3	2%	…	…
Kenya	113.3	114.6	112.0	82.8	82.3	83.2	46.8	60.2	63.2	57.1	29.7	1%	…	2%
Lesotho	103.2	104.5	102.0	73.4	72.0	74.7	33.8	46.4	39.0	53.9	16.9	2%	4%	3%
Liberia	96.0	100.6	91.3	46.0	51.7	40.2	24.3	34.8	40.3	29.2	26.4	…	…	…
Libya	114.2	116.5	111.8	98.3	100.0	96.5	16.9	110.3	101.5	119.4	11.1	…	…	…
Madagascar	148.6	149.8	147.3	79.2	79.0	79.3	40.1	31.1	32.0	30.2	23.5	4%	1%	14%
Malawi	135.5	133.0	138.0	96.9	94.4	99.4	79.3	32.1	33.6	30.6	…	…	…	…
Mali	81.7	86.7	76.4	62.9	66.9	58.8	48.5	39.4	46.0	32.6	24.7	12%	…	40%
Mauritania	102.0	99.5	104.5	74.0	72.5	75.7	37.2	24.4	26.4	22.4	26.6	3%	2%	5%
Mauritius	99.4	99.1	99.7	93.4	92.4	94.4	21.5	89.4	89.5	89.3	15.9	…	14%	…
Morocco	113.7	117.0	110.3	95.7	96.3	95.1	26.4	56.1	60.3	51.8	18.7	6%	2%	5%
Mozambique	115.1	121.1	109.0	91.9	94.5	89.2	58.5	25.5	28.0	22.9	35.0	6%	5%	7%
Namibia	107.5	108.0	106.9	85.4	83.2	87.6	30.1	64.0	58.9	69.3	24.6	…	…	…
Niger	70.8	76.9	64.3	62.5	68.0	56.6	39.0	13.4	16.1	10.6	29.6	1%	1%	4%
Nigeria	83.3	87.1	79.3	62.1	64.8	59.3	36.0	44.0	46.8	41.2	33.1	4%	4%	5%
Rwanda	142.6	141.1	144.0	98.7	89.0	92.2	64.6	32.2	31.9	32.4	29.4	16%	…	45%

Table 19. **School Enrolment** (Cont.)

	Primary School, 2000-11							Secondary School, 2000-11				Enrolment ratio in technical and vocational programmes		
	Gross enrolment ratio			Net enrolment ratio			Pupil /teacher	Gross enrolment ratio			Pupil /teacher	2006-2008		
	Total	Male	Female	Total	Male	Female	Ratio	Total	Male	Female	Ratio	Total secondary	Lower secondary	Upper secondary
São Tomé & Príncipe	133.8	135.5	131.9	98.4	97.1	99.7	29.8	59.2	55.2	63.4	19.8	2%	…	11%
Senegal	86.8	84.4	89.3	75.5	73.3	77.7	33.7	37.4	39.9	34.9	32.3	6%	6%	5%
Seychelles	117.2	117.2	117.2	95.1	96.2	94.0	12.5	119.2	114.4	124.7	12.2	…	…	…
Sierra Leone	124.7	129.4	120.1	49.6	59.7	40.3	31.3	27.6	33.0	22.5	26.6	5%	1%	16%
Somalia	32.5	41.9	23.0	13.6	17.0	10.3	35.5	7.8	10.7	4.9	19.3	…	…	…
South Africa	101.7	103.9	99.5	85.1	85.3	84.9	30.7	93.8	91.6	96.0	25.0	…	…	…
South Sudan	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Sudan	72.7	76.4	68.8	43.0	47.0	38.8	38.4	39.0	41.4	36.5	22.2	2%	…	5%
Swaziland	115.8	120.7	110.9	85.5	86.1	85.0	32.3	58.1	58.1	58.1	18.2	…	…	…
Tanzania	102.3	101.5	103.1	98.0	98.3	97.7	50.8	5.6	6.2	5.0	18.8	…	…	…
Togo	139.6	147.1	132.2	91.8	97.2	86.5	40.6	45.5	59.8	31.4	35.5	8%	1%	25%
Tunisia	108.8	110.9	106.5	98.5	99.1	97.8	17.0	90.5	88.0	93.1	13.9	9%	1%	9%
Uganda	121.1	120.3	122.0	90.9	89.6	92.1	48.6	28.1	30.4	25.8	17.9	5%	2%	21%
Zambia	115.3	114.5	116.0	91.4	90.3	92.5	58.0	…	…	…	25.4	8%	…	20%
Zimbabwe	103.6	…	…	…	…	…	39.3	…	…	…	27.7	…	…	…
Africa	105.3	107.9	102.5	82.5	83.8	81.0	38.6	42.2	50.0	43.0	24.6	…	…	…

Sources: AfDB Statistics Department ; UNESCO Institute for Statistics (UIS) Database, March 2012; Various Domestic Authorities.

Table 20. Employment and Remittances*

		Unemployment rate			Participation rate (>15) 2010	Inactivity rate (15-64)			Worker remittances (USD millions)				
	Year	Total	Male	Female	Total	Total	Male	Female	2006	2007	2008	2009	2010
Algeria	2007	13.80	12.90	18.40	43.3	54.1	24.6	84.3	1610.0	2120.0	2202.0	2058.7	2044.4
Angola	2006	25.20	...	...	69.7	29.2	22.1	36.0	0.0	0.0	82.1	0.0	0.0
Benin	...	...	...	...	72.6	26.6	21.4	31.5	224.0	281.6	251.3	251.3	248.1
Botswana	2006	17.60	15.30	19.90	76.6	21.1	17.2	25.2	116.5	105.0	114.3	87.9	99.5
Burkina Faso	1998	2.4	2.3	2.6	83.8	14.7	8.9	20.2	67.9	84.3	99.3	99.3	95.0
Burundi	1990	0.47	0.71	0.25	82.8	16.2	17.4	15.1	0.0	0.2	3.6	28.2	28.2
Cameroon	2001	7.5	8.2	6.7	70.5	28.5	22.6	34.4	129.9	167.3	166.9	192.5	195.4
Cape Verde	2008	17.80	15.00	28.00	66.4	29.5	13.9	45.2	136.6	138.9	155.1	138.1	138.6
Central Afr. Rep.	...	...	...	...	78.7	20.9	14.5	27.2	...	...	...	...	...
Chad	1993	0.69	1.1	0.3	72.2	27.4	19.8	34.8	...	...	...	...	...
Comoros	1991	19.95	21.27	16.93	57.5	41.8	19.2	64.6	12	12	12	...	...
Congo	...	...	...	...	70.5	28.2	26.2	30.3	13.2	14.8	14.8	14.8	14.8
Congo Dem. Rep.	...	...	...	...	71.3	28.3	27.4	29.1	...	...	...	185	...
Côte d'Ivoire	1998	4.1	...	...	66.8	32.5	18.1	47.6	166.8	184.7	198.9	185.5	179.0
Djibouti	1991	43.5	41.9	46.7	51.2	46.6	30.7	62.6	28.5	28.6	30.3	32.5	32.7
Egypt	2008	8.71	5.88	19.31	48.8	48.2	21.9	74.7	5329.5	7655.8	8694.0	7149.6	7725.2
Equatorial Guinea	1983	24.19	27.37	18.53	86.7	11.7	6.0	18.0	...	...	...	...	...
Eritrea	...	...	...	...	84.6	13.7	9.2	18.0	...	...	...	...	...
Ethiopia	2006	16.70	11.50	22.10	84.0	14.2	9.3	19.1	172.2	357.8	386.7	261.6	224.5
Gabon	1993	18.00	19.3	16.4	60.5	38.3	33.6	42.9	11	11	11	10	...
Gambia	...	...	...	...	77.6	22.2	17.0	27.2	63.8	55.7	64.8	79.8	115.7
Ghana	1999	10.1	9.4	10.1	62.9	29.6	27.7	31.6	105.3	117.4	126.1	114.5	135.9
Guinea	1994	3.09	4.6	1.7	71.8	26.8	20.5	33.2	54.1	150.7	71.8	63.7	60.4
Guinea-Bissau	...	...	...	...	72.9	25.6	20.6	30.6	25.5	43.0	49.5	49.5	48.1
Kenya	1999	9.8	66.3	33.2	28.1	38.2	1128.0	1588.0	1692.0	1686.2	1777.0		
Lesotho	1999	27.26	21.47	33.09	65.8	32.9	25.5	40.0	586.0	625.1	596.2	623.0	745.9
Liberia	2007	5.55	6.83	4.18	60.9	38.5	35.8	41.1	78.8	62.0	58.1	25.1	26.7
Libya	2007	13.50	...	...	53.8	43.8	20.1	68.0	16.0	16.0	16.0	16.0	17.3
Madagascar	2005	2.80	2.00	3.60	86.1	12.5	10.5	14.6	11	11	11	10	...
Malawi	2004	7.80	5.40	10.00	83.1	17.4	19.7	15.1	1	1	1	1	...
Mali	2004	8.8	7.2	10.9	52.9	45.8	29.1	62.1	211.8	343.9	431.0	453.7	436.2
Mauritania	2004	33.00	25.20	...	53.7	45.4	20.1	71.0	2	2	2	2	...
Mauritius	2010	44.70	16.70	28.00	59.5	35.7	19.5	51.7	215.0	215.0	215.0	211.2	226.4
Morocco	2008	9.64	9.62	9.75	49.5	48.4	21.7	73.6	5451.4	6730.5	6895.4	6269.5	6422.5
Mozambique	1997	2.24	3.39	1.32	84.7	15.1	17.3	13.2	80.0	99.4	115.7	111.1	131.9
Namibia	2004	21.90	19.30	25.04	64.0	34.0	28.4	39.5	16.9	16.2	13.9	13.6	14.8
Niger	2001	1.46	1.72	0.93	64.6	34.6	8.9	59.8	78.1	79.4	93.7	94.0	88.0
Nigeria	1986	3.94	3.71	4.39	55.5	44.5	37.1	52.0	5435.0	9221.0	9980.0	9584.8	10045.0
Rwanda	1996	0.6	0.9	0.4	85.8	12.8	13.8	11.8	21.2	51.3	67.8	92.6	91.8

Table 20. **Employment and Remittances*** (Cont.)

	Year	Unemployment rate			Participation rate (>15) 2010	Inactivity rate (15-64)			Worker remittances (USD millions)				
		Total	Male	Female	Total	Total	Male	Female	2006	2007	2008	2009	2010
São Tomé & Príncipe	2006	16.65	11.04	24.51	59.4	37.9	21.1	54.2	1.6	2.0	3.0	2.0	2.0
Senegal	2006	11.10	7.90	13.60	76.9	22.0	10.3	33.1	925.2	1191.8	1476.1	1364.7	1346.0
Seychelles	2005	5.45	6.12	4.85	…	…	…	…	13.3	11.2	7.8	12.5	10.8
Sierra Leone	2004	2.80	3.10	2.50	67.6	31.3	30.4	32.2	15.6	42.0	27.5	46.8	57.5
Somalia	…	…	…	…	56.9	41.3	21.1	61.0	0.0	0.0	0.0	0.0	0.0
South Africa	2008	22.93	20.00	26.33	52.0	44.8	36.8	52.8	734.1	833.6	822.8	902.3	1119.3
South Sudan	…	…	…	…	…	…	…	…	…	…	…	…	…
Sudan	…	…	…	…	53.6	45.4	23.2	67.8	1179.1	1769.2	3100.4	2135.3	1973.8
Swaziland	1997	22.54	19.97	25.97	56.6	42.0	28.2	55.1	98.6	100.5	89.6	93.5	109.0
Tanzania	2006	4.30	2.80	5.80	89.3	9.4	8.8	10.0	15.4	14.3	18.6	23.3	24.8
Togo	…	…	…	…	80.8	17.7	17.8	49.3	232.2	284.4	337.1	334.5	333.1
Tunisia	2005	14.2	13.1	17.3	47.4	49.3	26.0	72.5	1510.0	1715.8	1977.0	1964.5	1970.2
Uganda	2003	3.2	2.5	3.9	77.9	21.5	20.1	23.0	411.0	451.6	723.5	778.3	914.5
Zambia	2000	12.90	14.10	11.30	79.5	20.2	13.9	26.5	57.7	59.3	68.2	41.3	43.7
Zimbabwe	2004	4.16	4.19	4.14	86.1	12.7	9.6	15.7	…	…	…	…	…
Africa	…	…	…	…	…	…	…	…	26 575	36 913	40 842	38 063	…

Source: Employment: ILO. KILM database, seventh edition.
World Bank, World Development Indicators: Workers' remittances and compensation of employees, received (current, millions USD), accessed 04/2012.
* See note on methodology for definitions.

Table 21. **Corruption Perception Index (CPI)***

	2005		2006		2007		2008		2009		2010		2011	
	Index	Country Rank / 158	Index	Country Rank / 163	Index	Country Rank / 179	Index	Country Rank / 180	Index	Country Rank / 180	Index	Country Rank / 178	Index	Country Rank / 182
Algeria	2.8	97	3.1	84	3	99	3.2	92	2.8	111	2.9	105	2.9	112
Angola	2	151	2.2	142	2.2	147	1.9	158	1.9	162	1.9	168	2.0	168
Benin	2.9	88	2.5	121	2.7	118	3.1	96	2.9	106	2.8	110	3.0	100
Botswana	5.9	32	5.6	37	5.4	38	5.8	36	5.6	37	5.8	33	6.1	32
Burkina Faso	3.4	70	3.2	79	2.9	105	3.5	80	3.6	79	3.1	98	3.0	100
Burundi	2.3	130	2.4	130	2.5	131	1.9	158	1.8	168	1.8	170	1.9	172
Cameroon	2.2	137	2.3	138	2.4	138	2.3	141	2.2	146	2.2	146	2.5	134
Cape Verde	...	...	...	...	4.9	49	5.1	47	5.1	46	5.1	45	5.5	41
Central Afr. Rep.	...	...	2.4	130	2	162	2	151	2	158	2.1	154	2.2	154
Chad	1.7	158	2	156	1.8	172	1.6	173	1.6	175	1.7	171	2.0	168
Comoros	...	...	...	...	2.6	123	2.5	134	2.3	143	2.1	154	2.4	143
Congo	2.3	130	2.2	142	2.1	150	1.9	158	1.9	162	2.1	154	2.2	154
Congo, Dem. Rep.	2.1	144	2	156	1.9	168	1.7	171	1.9	162	2.2	146	2.0	168
Côte d´Ivoire	1.9	152	2.1	151	2.1	150	...	...	2.1	154	2	164	2.2	154
Djibouti	...	...	...	...	2.9	105	3	102	2.8	111	3.2	91	3.0	100
Egypt	3.4	70	3.3	70	2.9	105	2.6	115	2.8	111	3.1	98	2.9	112
Equatorial Guinea	1.9	152	2.1	151	1.9	168	1.7	171	1.8	168	1.9	168	1.9	172
Eritrea	2.6	107	2.9	93	2.8	111	2.6	126	2.6	126	2.6	123	2.5	134
Ethiopia	2.2	137	2.4	130	2.4	138	2.6	126	2.7	120	2.7	116	2.7	120
Gabon	2.9	88	3	90	3.3	84	3.1	96	2.9	106	2.8	110	3.0	100
Gambia	2.7	103	2.5	121	2.3	143	1.9	158	2.9	106	3.2	91	3.5	75
Ghana	3.5	65	3.3	70	3.7	69	3.9	67	3.9	69	4.1	62	3.9	69
Guinea	...	...	1.9	160	1.9	168	1.6	173	1.8	168	2	164	2.1	164
Guinea-Bissau	...	...	...	...	2.2	147	1.9	158	1.9	162	2.1	154	2.2	154
Kenya	2.1	144	2.2	142	2.1	150	2.1	147	2.2	146	2.1	154	2.2	154
Lesotho	3.4	70	3.2	79	3.3	84	3.2	92	3.3	89	3.5	78	3.5	75
Liberia	2.2	137	...	...	2.1	150	2.4	138	3.1	97	3.3	87	3.2	91
Libya	2.5	117	2.7	105	2.5	131	2.6	126	2.5	130	2.2	146	2.0	168
Madagascar	2.8	97	3.1	84	3.2	94	3.4	85	3	99	2.6	123	3.0	100
Malawi	2.8	97	2.7	105	2.7	118	2.8	115	3.3	89	3.4	85	3.0	100
Mali	2.9	88	2.8	99	2.7	118	3.1	96	2.8	111	2.7	116	2.8	118
Mauritania	...	...	3.1	84	2.6	123	2.8	115	2.5	130	2.3	143	2.4	143
Mauritius	4.2	51	5.1	42	4.7	53	5.5	41	5.4	42	5.4	39	5.1	46
Morocco	3.2	78	3.2	79	3.5	72	3.5	80	3.3	89	3.4	85	3.4	80
Mozambique	2.8	97	2.8	99	2.8	111	2.6	126	2.5	130	2.7	116	2.7	120
Namibia	4.3	47	4.1	55	4.5	57	4.5	61	4.5	56	4.4	56	4.4	57
Niger	2.4	126	2.3	138	2.6	123	2.8	115	2.9	106	2.6	123	2.5	134
Nigeria	1.9	152	2.2	142	2.2	147	2.7	121	2.5	130	2.4	134	2.4	143
Rwanda	3.1	83	2.5	121	2.8	111	3	102	3.3	89	4	66	5.0	49
São Tomé & Príncipe	...	...	...	...	2.7	118	2.7	121	2.8	111	3	101	3.0	100

Table 21. **Corruption Perception Index (CPI)*** (Cont.)

	2005		2006		2007		2008		2009		2010		2011	
	Index	Country Rank / 158	Index	Country Rank / 163	Index	Country Rank / 179	Index	Country Rank / 180	Index	Country Rank / 180	Index	Country Rank / 178	Index	Country Rank / 182
Senegal	3.2	78	3.3	70	3.6	71	3.4	85	3	99	2.9	105	2.9	112
Seychelles	4	55	3.6	63	4.5	57	4.8	55	4.8	54	4.8	49	4.8	50
Sierra Leone	2.4	126	2.2	142	2.1	150	1.9	158	2.2	146	2.4	134	2.5	134
Somalia	2.1	144	...	...	1.4	179	1	180	1.1	180	1.1	178	1.0	182
South Africa	4.5	46	4.6	51	5.1	43	4.9	54	4.7	55	4.5	54	4.1	64
Sudan	2.1	144	2	156	1.8	172	1.6	173	1.5	176	1.6	172	1.6	177
South Sudan	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Swaziland	2.7	103	2.5	121	3.3	84	3.6	72	3.6	79	3.2	91	3.1	95
Tanzania	2.9	88	2.9	93	3.2	94	3	102	2.6	126	2.7	116	3.0	100
Togo	...	...	2.4	130	2.3	143	2.7	121	2.8	111	2.4	134	2.4	143
Tunisia	4.9	43	4.6	51	4.2	61	4.4	62	4.2	65	4.3	59	3.8	73
Uganda	2.5	117	2.7	105	2.8	111	2.6	126	2.5	130	2.5	127	2.4	143
Zambia	2.6	107	2.6	111	2.6	123	2.8	115	3	99	3	101	3.2	91
Zimbabwe	2.6	107	2.4	130	2.1	150	1.8	166	2.2	146	2.4	134	2.2	154

Note : * Index (CPI) Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).
Source : Transparency International: http://www.transparency.org

Table 22. **Public Protest**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Angola	-	-	-	-	-	-	-	-	1.5	0.0	1.0	0.0	0.0	0.3	0.0	2.5
Benin	-	-	-	-	-	-	-	-	1.5	0.0	0.5	0.0	0.0	0.0	0.0	0.8
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
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
Burundi	-	-	-	-	-	-	-	-	-	-	2.3	11.8	0.0	4.8	3.8	5.3
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
Cape Verde	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.5	0.0
Central Afr. Rep.	-	-	-	-	-	-	-	-	-	-	12.8	3.5	1.8	1.8	3.3	1.5
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
Comoros	-	-	-	-	-	-	-	-	-	-	0.5	1.0	1.8	1.8	0.0	0.5
Congo	-	-	-	-	-	-	-	-	1.5	0.0	0.3	0.0	0.0	0.8	0.0	0.0
Congo, Dem. Rep.	-	-	-	-	-	-	-	-	2.0	2.8	7.3	4.8	1.8	6.0	1.8	2.3
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
Djibouti	-	-	-	-	-	-	-	-	-	-	0.0	0.8	0.0	0.0	0.0	0.8
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
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
Eritrea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
Ethiopia	1.3	1.2	0.8	0.0	0.0	1.3	0.3	0.0	0.0	2.3	0.6	0.3	0.0	0.3	0.0	0.0
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
Gambia	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Ghana	0.5	0.0	0.3	2.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.3
Guinea	-	-	-	-	-	-	-	-	-	-	3.8	11.8	0.8	3.5	3.0	3.5
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	4.0	1.8	0.5	0.0	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
Lesotho	-	-	-	-	-	-	-	-	-	-	0.0	0.8	0.0	0.0	0.0	0.0
Liberia	-	-	-	-	-	-	-	-	-	-	3.3	0.3	0.0	0.3	0.0	0.5
Libya	-	-	-	-	-	-	-	-	-	-	0.3	0.0	0.0	0.0	0.0	5.0
Madagascar	-	-	-	-	-	-	-	-	1.0	3.3	0.8	1.0	0.0	8.3	0.8	0.5
Malawi	-	-	-	-	-	-	-	-	-	0.8	0.3	0.8	0.0	0.0	0.5	0.5
Mali	1.4	3.9	1.2	0.9	0.0	0.0	0.0	0.7	0.5	0.4	0.5	2.1	0.0	1.4	0.8	1.0
Mauritania	-	-	-	-	-	-	-	-	-	-	1.8	0.5	5.3	2.3	0.3	10.8
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
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
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
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
Niger	-	-	-	-	-	-	-	-	1.3	1.5	6.0	1.8	1.0	7.3	0.0	1.0
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
Rwanda	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
São Tomé & Príncipe	-	-	-	-	-	-	-	-	-	-	0.8	2.3	0.0	0.5	0.0	0.3
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
Seychelles	-	-	-	-	-	-	-	-	-	-	0.3	0.0	0.0	0.0	0.0	0.0

Table 22. **Public Protest** (Cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sierra Leone	-	-	-	-	-	-	-	-	-	-	0.5	1.3	0.3	0.0	0.3	0.5
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
South Sudan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3
Sudan	-	-	-	-	-	-	-	-	-	-	2.0	0.5	1.0	1.3	1.3	6.0
Swaziland	-	-	-	-	-	-	-	-	-	-	0.0	1.8	0.0	0.0	0.0	2.5
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
Togo	-	-	-	-	-	-	-	-	-	-	0.0	0.3	0.0	0.5	1.8	3.0
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
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
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
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

Source: Authors' calculations based on *Marchés Tropicaux et Méditerranéens*, between 1996 and 2007, and Agence France Presse for 2008 onwards. The change in the source might affect the comparability of 2008 indicator to its historical values. For more details about the sources and computation, see note on methodology.

Table 23. **Public Violence**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Angola	-	-	-	-	-	-	-	-	13.5	0.8	0.3	0.0	0.3	0.5	1.3	1.3
Benin	-	-	-	-	-	-	-	-	0.3	0.0	0.3	0.0	0.0	0.8	0.0	1.0
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
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
Burundi	-	-	-	-	-	-	-	-	-	-	6.3	2.8	2.3	4.3	3.0	6.0
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
Cape Verde	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Central Afr. Rep.	-	-	-	-	-	-	-	-	-	-	6.0	2.8	2.5	7.3	9.0	4.5
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
Comoros	-	-	-	-	-	-	-	-	-	-	0.0	1.5	0.8	0.0	0.0	0.5
Congo	-	-	-	-	-	-	-	-	0.0	0.5	0.0	0.5	0.0	1.0	0.0	0.0
Congo, Dem. Rep.	-	-	-	-	-	-	-	-	4.5	4.5	12.0	17.3	10.3	18.8	11.5	4.8
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
Djibouti	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.8	0.5	0.0	0.5
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
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
Eritrea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.5
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
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
Gambia	-	-	-	-	-	-	-	-	-	-	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
Guinea	-	-	-	-	-	-	-	-	-	-	0.0	0.5	1.3	0.3	2.0	3.3
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	1.5	0.3	0.0	0.3	0.0	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
Lesotho	-	-	-	-	-	-	-	-	-	-	0.3	0.3	0.0	0.0	0.0	0.0
Liberia	-	-	-	-	-	-	-	-	-	-	2.5	0.3	0.8	0.8	0.5	0.3
Libya	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.3	0.0	0.0	15.0
Madagascar	-	-	-	-	-	-	-	-	1.3	1.3	0.8	0.0	0.0	2.8	0.5	0.3
Malawi	-	-	-	-	-	-	-	-	-	1.3	0.3	0.0	0.0	0.0	0.0	0.8
Mali	0.6	2.3	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.6	1.0	2.3	4.2	2.6	1.0	4.0
Mauritania	-	-	-	-	-	-	-	-	-	-	0.0	1.3	1.5	1.3	0.8	2.5
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
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
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
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
Niger	-	-	-	-	-	-	-	-	1.0	0.3	0.3	7.3	5.5	2.8	0.3	3.3
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
Rwanda	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.3	0.5	0.8	1.0	1.5
São Tomé & Príncipe	-	-	-	-	-	-	-	-	-	-	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
Seychelles	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.3	0.0	0.0

Table 23. **Public Violence** (Cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sierra Leone	-	-	-	-	-	-	-	-	-	-	0.0	0.5	0.0	1.5	0.0	0.5
South Africa	20.0	7.0	4.5	8.3	4.5	0.0	0.5	0.3	2.0	0.3	0.5	0.0	4.3	4.3	0.5	4.3
South Sudan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16.0
Sudan	-	-	-	-	-	-	-	-	-	-	8.8	9.5	9.5	24.0	18.3	17.5
Swaziland	-	-	-	-	-	-	-	-	-	-	0.5	0.0	0.0	0.5	0.0	0.5
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
Togo	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.8	0.0	1.0
Tunisia	0.0	0.0	0.0	0.5	0.0	0.0	0.8	0.0	0.0	0.3	0.0	0.0	0.3	0.3	0.0	7.0
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
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
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

Source: Authors' calculations based on *Marchés Tropicaux et Méditerranéens*, between 1996 and 2007, and Agence France Presse for 2008 onwards. The change in the source might affect the comparability of 2008 indicator to its historical values. For more details about the sources and computation, see note on methodology.

Table 24. **Political Hardening**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
Angola	-	-	-	-	-	-	-	-	1.4	0.1	0.5	0.2	0.8	0.4	0.7	2.9
Benin	-	-	-	-	-	-	-	-	0.1	0.1	0.3	0.1	0.5	0.1	0.2	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
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
Burundi	-	-	-	-	-	-	-	-	-	-	3.6	1.4	1.2	1.8	2.5	1.9
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
Cape Verde	-	-	-	-	-	-	-	-	-	-	0.0	0.3	0.2	0.0	0.0	0.0
Central Afr. Rep.	-	-	-	-	-	-	-	-	-	-	4.2	0.8	0.5	1.7	1.9	0.8
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
Comoros	-	-	-	-	-	-	-	-	-	-	0.4	0.9	0.6	0.4	0.0	0.0
Congo	-	-	-	-	-	-	-	-	0.3	0.3	0.5	0.4	0.2	0.9	0.3	1.1
Congo, Dem. Rep.	-	-	-	-	-	-	-	-	6.9	8.1	10.5	8.9	4.0	4.7	5.0	1.7
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
Djibouti	-	-	-	-	-	-	-	-	-	-	0.2	0.1	0.6	0.0	0.1	0.6
Egypt	5.9	5.3	4.9	4.1	5.4	4.6	6.4	4.8	4.6	6.4	5.7	7.1	7.9	4.7	5.4	8.7
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
Eritrea	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3
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
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
Gambia	-	-	-	-	-	-	-	-	-	-	1.4	0.3	0.9	2.1	0.2	0.1
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
Guinea	-	-	-	-	-	-	-	-	-	-	1.7	3.0	2.8	5.4	1.6	3.4
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	1.2	0.8	0.6	2.0	0.1	0.5
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
Lesotho	-	-	-	-	-	-	-	-	-	-	0.1	0.3	0.0	0.0	0.0	0.0
Liberia	-	-	-	-	-	-	-	-	-	-	0.8	0.3	0.5	0.2	0.0	0.4
Libya	-	-	-	-	-	-	-	-	-	-	0.6	0.5	0.5	0.4	0.1	7.9
Madagascar	-	-	-	-	-	-	-	-	0.8	0.3	1.1	0.9	0.0	2.7	0.7	0.4
Malawi	-	-	-	-	-	-	-	-	-	0.8	0.3	0.3	0.3	0.6	0.5	1.2
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
Mauritania	-	-	-	-	-	-	-	-	-	-	1.3	1.1	9.0	1.3	0.6	1.9
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
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
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
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
Niger	-	-	-	-	-	-	-	-	0.4	0.8	1.3	1.4	2.2	3.9	0.7	0.5
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
Rwanda	-	-	-	-	-	-	-	-	1.1	0.1	0.1	0.1	0.2	0.2	0.6	0.7
São Tomé & Príncipe	-	-	-	-	-	-	-	-	-	-	0.1	0.3	0.1	0.7	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
Seychelles	-	-	-	-	-	-	-	-	-	-	0.4	0.0	0.0	0.4	0.0	0.0

Table 24. **Political Hardening** (Cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sierra Leone	-	-	-	-	-	-	-	-	-	-	0.4	0.6	0.2	1.0	0.2	0.4
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
South Sudan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.5
Sudan	-	-	-	-	-	-	-	-	-	-	3.5	3.6	7.6	5.0	6.2	7.9
Swaziland	-	-	-	-	-	-	-	-	-	-	0.3	0.3	0.9	0.2	0.0	1.2
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
Togo	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0	0.7	0.8	0.8
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
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
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
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

Source: Authors' calculations based on *Marchés Tropicaux et Méditerranéens*, between 1996 and 2007, and Agence France Presse for 2008 onwards. The change in the source might affect the comparability of 2008 indicator to its historical values. For more details about the sources and computation, see note on methodology.

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