

Africa: Progress and pitfalls

Factsheet

In many ways, this is Africa¹'s moment. With GDP growth averaging 5%, the continent is the focus of global business as entrepreneurs – domestic and foreign - seize opportunities to meet the demands of a rapidly emerging middle class. Given its “resilience to regional and global headwinds,” Africa will receive its highest flow of foreign investment this year, according to the “African Economic Outlook” produced annually by the African Development Bank, the United Nations and the OECD. “Sub-Saharan Africa is clearly taking off,” adds the International Monetary Fund (IMF).

Certainly, the figures are impressive. More than two-thirds of African countries have enjoyed ten or more years of uninterrupted growth. Education rates are rising and there have been significant declines in infant mortality. Africa is now a growing investment destination for both advanced and emerging economies—with a record \$80 billion inflow expected this year.

And yet, as IMF Managing Director Christine Lagarde pointed out recently, the tide of growth has not lifted all boats. Poverty remains stuck at unacceptably high levels—still afflicting about 45% of the region’s households. Inequality remains high. And some countries, still facing recurring internal conflict, are struggling to exit from fragility.

African countries also face the challenge of becoming more effective participants in regional and global value chains - the range of activities in different countries that bring a product from conception to delivery to the consumer – to ensure more economic diversification, domestic resource mobilisation and investments in critical infrastructure.

Regional integration efforts need to be stepped up to increase the size of economies and of markets, attract more investments, generate jobs and ensure inclusive development.

Also, while Africa is the youngest continent in the world (over 60% of the population is under 25 years) and by 2040, the continent is projected to boast the largest labor force in the world (1 billion workers), channeling this increasing reservoir of human capital to productive sectors poses an immense challenge. In 2011, about 74.8 million young people globally were unemployed, with nearly 20% of them in Africa. In addition, young people in Africa are about three times as likely as adults to be unemployed.

Friends of Europe keeps a strong watch on the multi-faceted development of Africa. This fact sheet, focuses on the state of play on the continent as regards key issues such as regional integration, youth unemployment and job creation. The information below is by no means complete or exhaustive but it provides a compelling overview of the opportunities and challenges facing Africa as it continues on its so-far impressive development trajectory. The data in this document is compiled on the basis of information made available, among others, by the United Nations, the World Bank and the African Development Bank (AfDB).



¹ Africa in this fact sheet refers to Sub-Saharan Africa (SSA)

Regional Integration

Regional integration is a key vehicle for helping Africa to raise competitiveness, diversify its economic base and create jobs for its young, fast-urbanizing population. African countries are working hard to promote regional integration and bolster intra-regional trade by eliminating cross-border tariffs and regulatory barriers and establishing regional common markets. Currently, eight regional trade blocs are officially recognized by the African Union and viewed as building blocks of a future African Economic Community (AEC) as laid out in the Abuja Treaty.

The eight include:

1. **ECOWAS:** Economic Community of West African States
2. **ECCAS:** Economic Community of Central African States
3. **EAC:** East African Community
4. **AMU:** Arab Maghreb Union
5. **COMESA:** Common Market for East and Southern Africa
6. **SADC:** Southern African Development Community
7. **CEN-SAD:** Community of Sahel-Saharan States
8. **IGAD:** Intergovernmental Authority on Development

African leaders meeting earlier this year made a renewed political commitment to boost intra-African trade and fast-track the establishment of a continental free-trade area. There is much to do: intra-African trade was valued at a fairly modest 81 billion dollars in 2012 and grew at about 13.5% annually between 2000 and 2010. Although fairly diversified, the trade is still dominated by primary products, with petroleum products accounting for nearly 33% of the value of intra-African exports.

An incomplete legal architecture for regional integration, poor physical infrastructure and one-way trading relationships have resulted in a low level connectivity between African economies and as a result there is only a modest free flow of goods, services, capital and people across borders. In fact, leading African exporters such as Angola, Algeria, Egypt, Libya, Morocco, Nigeria and South Africa have stronger economic links to the rest of the world than with regional neighbors. This represents lost economic opportunities.

Cumbersome and non-transparent border administration, particularly import-export procedures, the limited use of information communication technologies (ICT) and persistent infrastructure deficit are major barriers to higher levels of regional integration. These challenges are particularly pronounced for Africa's landlocked economies.

Connectivity in Africa is stymied by:

- High transaction costs, border barriers, high cost and unreliability of transport services.
- Generally poor transport. Throughout the continent, many road, air, and rail networks remain unconnected.
- Generally poor communication infrastructure and lack of skills and capital for modern communication systems.
- Weak cross-border collaboration in energy trade.

The costs of closing this infrastructure gap can be daunting. The investment needs for the region are estimated at about \$93 billion—annually. In most cases, the investments are large and upfront. According to the IMF, they need to be carefully selected, managed and implemented within a medium to long-term budget perspective.

Education

Africa's greatest potential is its people. However, although literacy rates have greatly improved in Africa over the last few decades, an estimated 133 million young people (more than 50% of the youth population) in Africa are illiterate. Sub-Saharan Africa accounts for 47% of out-of-school children worldwide, with 54% of those children being girls. In 2006, 35 million children were not enrolled in school, representing almost one third of the school-age population. Literacy rates of girls and women and their access to basic education are still lower than those of boys and men. More investments are needed to build the skills and capacity of both young men and women to find productive employment.

Interesting facts:

- Total public spending on education in Sub-Saharan Africa: 4.3% of GDP in 2010 (The World Bank).
- Access to education has increased, however learning achievement remains alarmingly low.
- For every 10 children who start school, 4 drop out in Sub-Saharan Africa. 9% of pupils repeat a grade.
- Approximately 40% of Africans over the age of 15, and 50% of women above the age of 25 are illiterate.
- For the period 2000–06, the Seychelles had the highest adult literacy rate (92%); Mali and Burkina Faso had the lowest (24%) (The World Bank).
- The literacy rate among youth (15–24 years) in two countries increased by over 20% for the period 2000–2009: Chad 23% and Gambia, 25% (The World Bank).
- For the period 2000–06, 92% of women in Seychelles were literate; this figure was 13% for Chad and 15% for Niger (The World Bank).



- University enrollment rates in Sub-Saharan Africa are among the lowest in the world. An average of 5% of college aged students in Sub-Saharan Africa is enrolled in university.
- Female students constitute less than two-fifths of the population in tertiary education in Sub-Saharan Africa.
- Women's participation in all fields have increased, however, female students tend to be concentrated in Humanities, Arts and Social Sciences, with a weaker presence in scientific and technological subjects.
- In 2005, female students constituted a mere 40% of total enrolment in Sub-Saharan Africa in technical and vocational education.
- 23% of women scientists hold PhD degrees compared to 35% of men.

Jobs

Economic growth in Africa is expected to accelerate to 4.7% this year and 5% in 2015, but this GDP growth is not always translated into jobs. Employment in Africa is characterized by informality and vulnerability, rather than by quality: only 1 in 4 have a written contract, more than half of all contracts are temporary and less than 1 in 5 are entitled to pay annual or sick leave. One-quarter of young people aged 15 to 29 are neither in employment, nor in education or training.

Budding entrepreneurs, meanwhile, say that a key hurdle is finding finance to start a business or to make it grow. African banks are reluctant to lend to clients they see as high-risk. When they do lend, they demand collateral that is beyond the capacity of the new or hopeful entrepreneur. Loan repayment periods are often very short – 3 to 5 years – which also limits their usefulness for start-up businesses.

Interesting facts:

- There are 10 million entrants to the labor force per year in Sub-Saharan Africa, which causes the jobs market to become more and more congested.
- The proportion of workers in vulnerable employment (this is, unpaid family workers and own-account workers) has decreased, but remains extremely high: 77.4% in 2013.
- Labour productivity remains very low, particularly in the informal economy.

Employment by sector:

- Main sectors of activity: agriculture, industry & services.
- The majority of Africans still work in agriculture (which is considered the least productive sector), however there is a difference in participation between Sub-Saharan African low-income (68.5%)

and low-middle income countries (57.5%).

- Family farms dominate in agriculture. At 1.8 hectares, average farm size is small in Sub-Saharan Africa.
- In contrast to other regions, the manufacturing sector has not been an engine of job creation in Sub-Saharan Africa.
- In 2009, manufacturing accounted for less than 10% of total employment in the region except for the island economy of Mauritius where it accounted for about 25% of employment.
- Sub Saharan Africa has deindustrialized and the share of workers in industry is extremely low, at only 10%. Similarly, in the rapidly growing oil and gas sector not enough new jobs are being created.
- In Africa, 12% of working adults are 'professional workers', compared to only 6% of youth (This includes professions, such as doctors, lawyers, teachers, accountants, as well as employees in the private and public sectors).
- When small and medium sized enterprises (SMEs) are given a chance to succeed, the results can be significant. For example, in 2012 in Ethiopia, 618,832 people got jobs through SMEs.
- In 2011, tourism accounted for 1 in every 20 jobs.
- The tourism industry is set to spur more economic growth for the continent and directly employs 6.7 million people by 2021.
- The tourism industry is one of the few industries on the continent in which women are well represented as employees and managers.

Women & jobs:

- In 2011, African male employment-to-population ratio was estimated at about 69.2% compared to female employment-to-population ratio of only 39.2%.
- Burundi has the highest participation rate of women in the labor force (93.0%); Sudan has the lowest (24.1%) (The World Bank).
- There is still a significant disadvantage for women in earnings: For instance, the ratio of women's to men's earnings was estimated to range from 40% in Kenya, to 70% in Cameroon, 80% in Botswana, and 90% in Burkina Faso.
- Improvements in infrastructure services - especially in water and electricity - can free up women's time spent on domestic and care work. Electrification in rural South Africa, for instance, has increased women's labor force participation by about 9%.
- Women in parliaments: only 22% of total seats (2013).
- The number of women in Lesotho's national parliament increased from 4% of total seats in 2000 to 25% in 2008 (The World Bank).
- Women comprise about 20% of agricultural researchers at professional level.



Further reading

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Authors

Shada Islam

Director of Policy at *Friends of Europe*
shada.islam@friendsofeurope.org
Tel: +32 (0) 2 893 98 15

Lindsay Digneffe

Programme Manager at *Friends of Europe*
lindsay.digneffe@friendsofeurope.org
Tel: +32 (0) 2 893 98 22



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Contact us:
4, Rue de la Science, B-1000 Brussels - Belgium
Tel.: +32 (0)2 893 98 23 - Fax: +32 (0)2 893 98 29
info@friendsofeurope.org

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