African Economic Outlook 2015

SPECIAL THEME:

Regional Development and Spatial Inclusion

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

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Overview

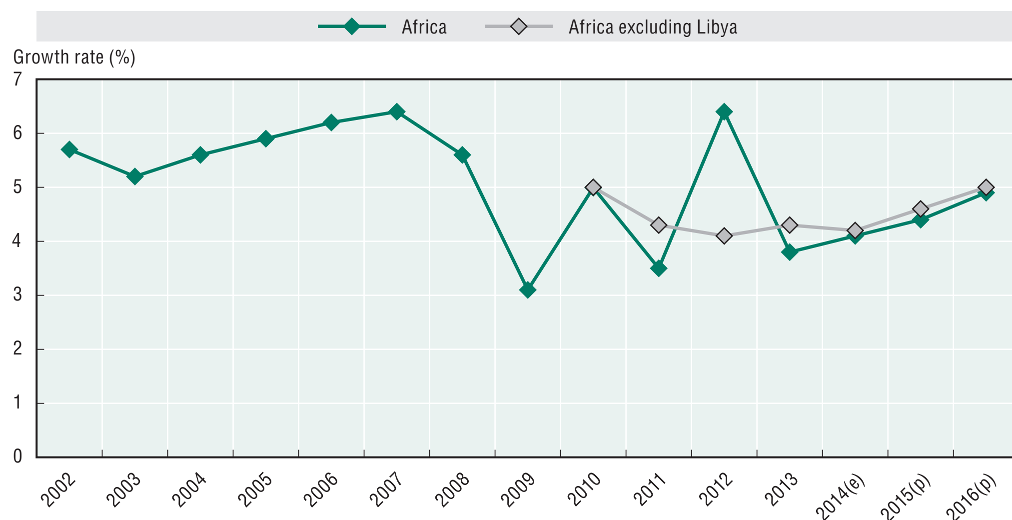
Towards more inclusive, place-based development strategies in Africa

Africa's performance and prospects

Africa's macroeconomic prospects

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

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



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

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

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

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

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

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

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

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

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

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

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

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

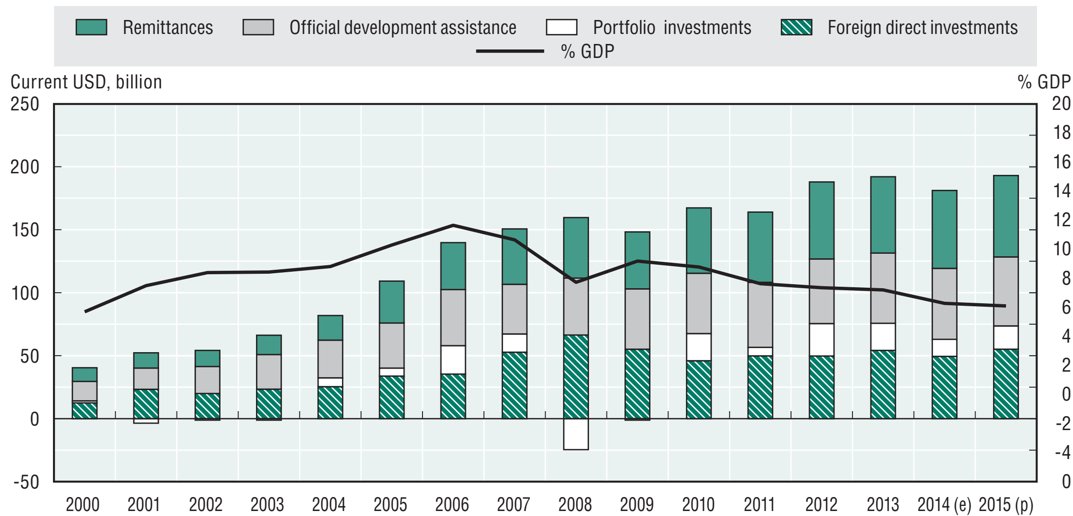
Lower economic activity has kept government revenues stagnant while the need for additional social expenditure has increased (UNDP, 2014b). With lower growth and weaker fiscal positions, the risks for macroeconomic and financial market instability are rising. Government and donor spending may be diverted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

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

External financial flows and tax revenues for Africa

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

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

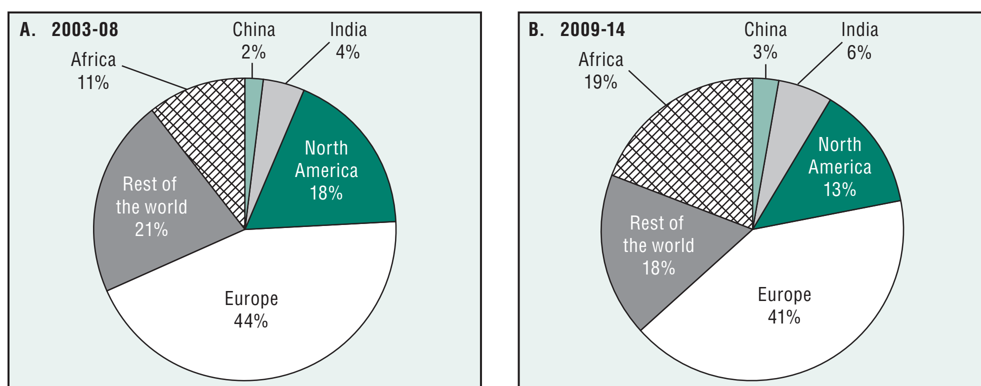


Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid (CPA) in the *2014 Global Outlook on Aid: Results of the 2014 DAC Survey on Donors' Forward Spending Plans and Prospects for Improving Aid Predictability*. Forecast for remittances based on the projected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

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

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

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



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

Official remittances have increased six-fold since 2000 and are projected to reach USD 64.6 billion in 2015 with Egypt and Nigeria receiving the bulk of flows. They remain the largest source of international financial flows to Africa, accounting for about 33% of the total since 2010. Conversely, ODA will decline in 2015 to USD 54.9 billion and is

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projected to diminish further. More than two-thirds of states in sub-Saharan Africa, the majority of which are low-income countries, will receive less aid in 2017 than in 2014 (OECD, 2014a).

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

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

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

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

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

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

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

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

Trade and regional integration in Africa

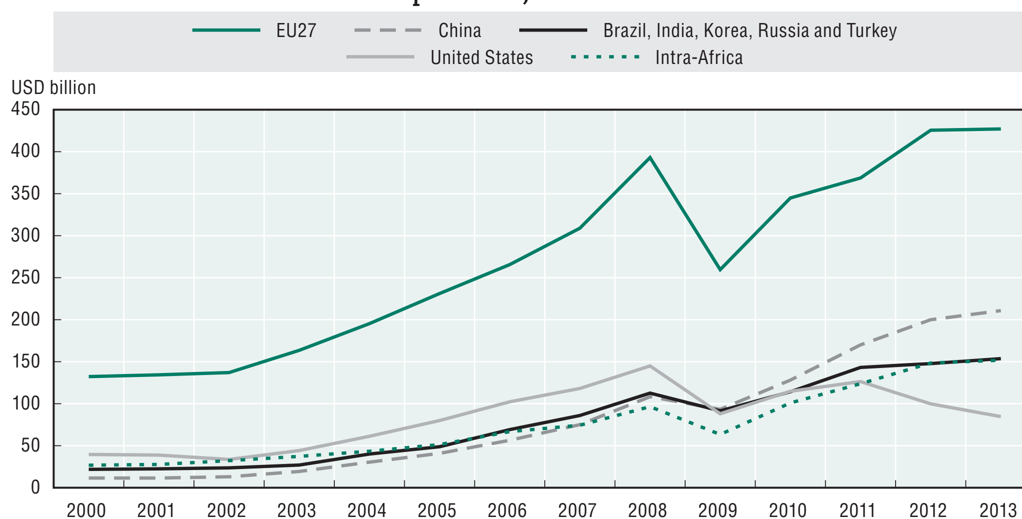
Africa is not immune to the shocks and changes in the world economy that could help or hinder its efforts to speed up integration and bring down borders. The World Trade Organisation's (WTO) *World Trade Report 2014* identified four major trends from the last decade which have had an impact on African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

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

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

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

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



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

Price volatility could cause problems for Africa's commodity producers. At the start of 2015, global commodity prices reached a five-year low. This is expected to have a significant impact on African trade, investment and economic growth as minerals

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and ores account for two-thirds of Africa's merchandise exports. The continent's merchandise exports fell 5.8% between 2012 and 2013 to USD 602 billion (3.3% of world exports), according to the WTO. Imports, on the other hand, rose a modest 2.2% to USD 628 billion (3.4% of world imports). African merchandise exports were dominated by oil producers (USD 330 billion) and South Africa (USD 96 billion), pointing to the need for greater industrialisation, value addition and diversification.

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

Human development in Africa

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

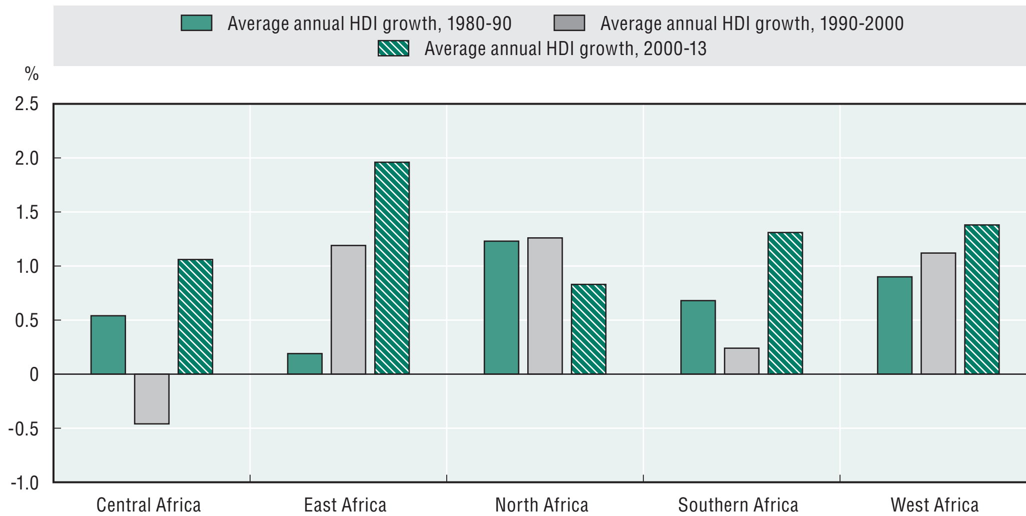
Table 2. **Country classification of human development levels by low, medium and high**

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

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

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

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



Source: UNDP, 2014c.

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

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

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

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

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into goal setting for the post-2015 development agenda and on improving data collection and measurement goals, taking into account initial conditions.

Political and economic governance in Africa

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

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

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

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

African economies must prepare for global and domestic changes

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

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

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

decades". When comparing the performance of individual countries between 1986-2000 and 2001-14, three main factors appear to have accelerated growth:

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

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

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

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

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

The medium- to long-term prospects for the global economy are less favourable than during the last decade. According to Braconier, Nicoletti and Westmore (2014), growth in the OECD and emerging G20 countries is likely to decelerate from 3.4% in 1996-2010 to 2.7% in 2010-60. In addition, the growth-driving effect of emerging economies on Africa may also decrease: while the "shifting wealth" phenomenon seems set to continue, growth in those economies has been slowing down. A number of them now look unlikely to

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catch up with average OECD income levels by 2050, even if they maintained the average growth rates they enjoyed between 2000 and 2012 (OECD, 2014b). These include lower-middle-income countries (e.g. India, Indonesia and Viet Nam) as well as upper-middle-income ones (such as Brazil, Colombia, Hungary, Mexico and South Africa). While China remains among those countries likely to catch up, it is "shifting to a lower but still rapid and likely more sustainable growth path" (OECD, 2015).

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

Africa is vulnerable to climate change

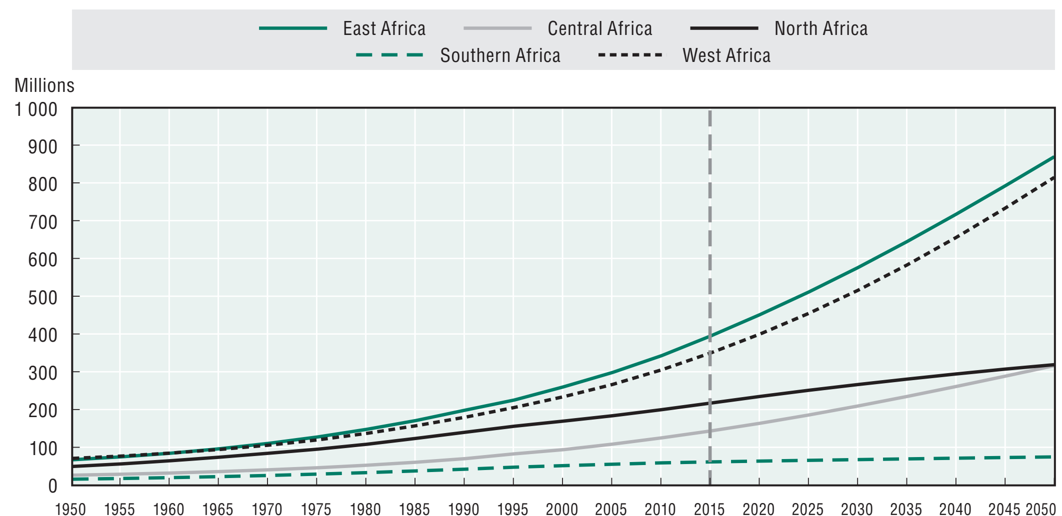
Unlike countries that industrialised earlier, African economies face the challenge of structural transformation in a global context of climate change. The negative effects of climate change-related hazards on agricultural resources heavily affect the poorest who largely depend on them not only for food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

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

Demographic growth will create both opportunities and challenges

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

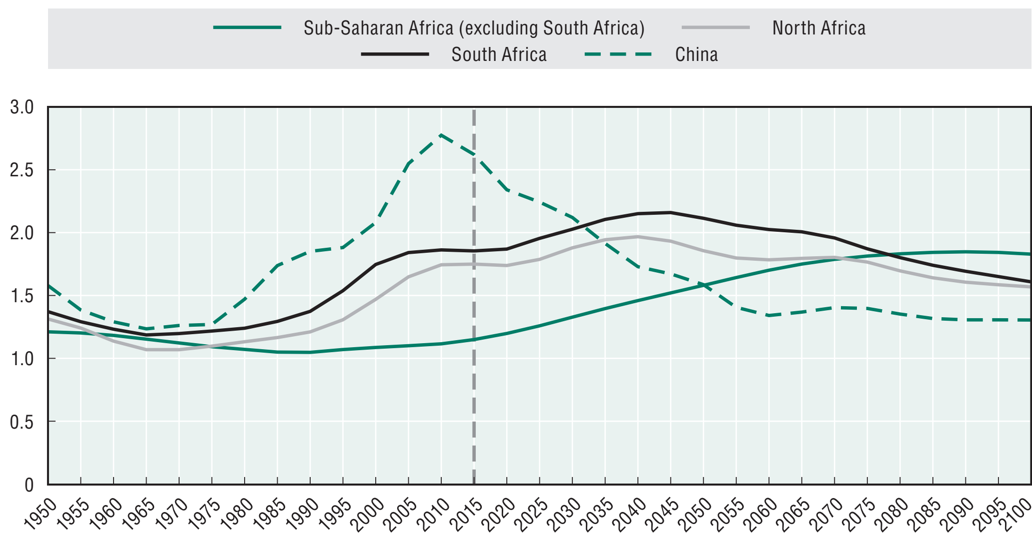
Figure 6. **Population growth in Africa, 1950-2050**



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

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

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

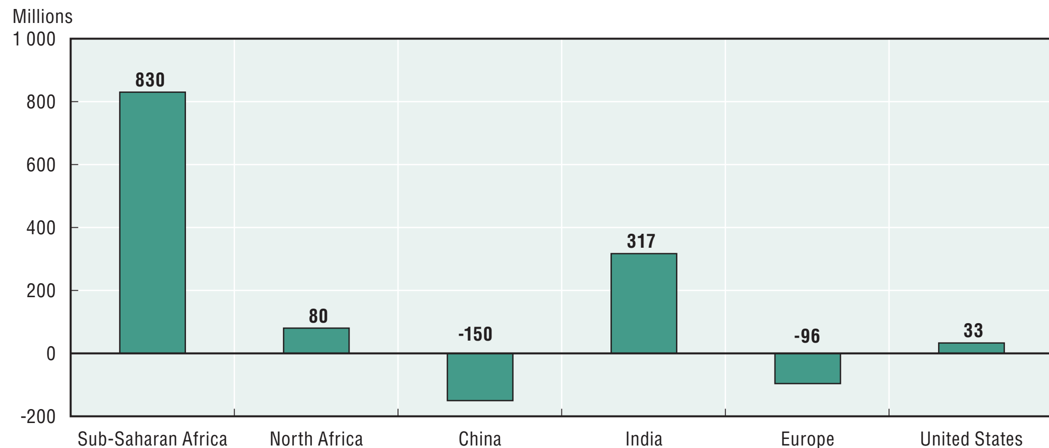


Note: Aggregate ratios are population weighted. The activity ratio is the ratio between the working-age population (15-64) and the dependent-age population (under 15 and over 65). Projections are modelled using the medium fertility variant.

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

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

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



Source: UNDESA (2012).

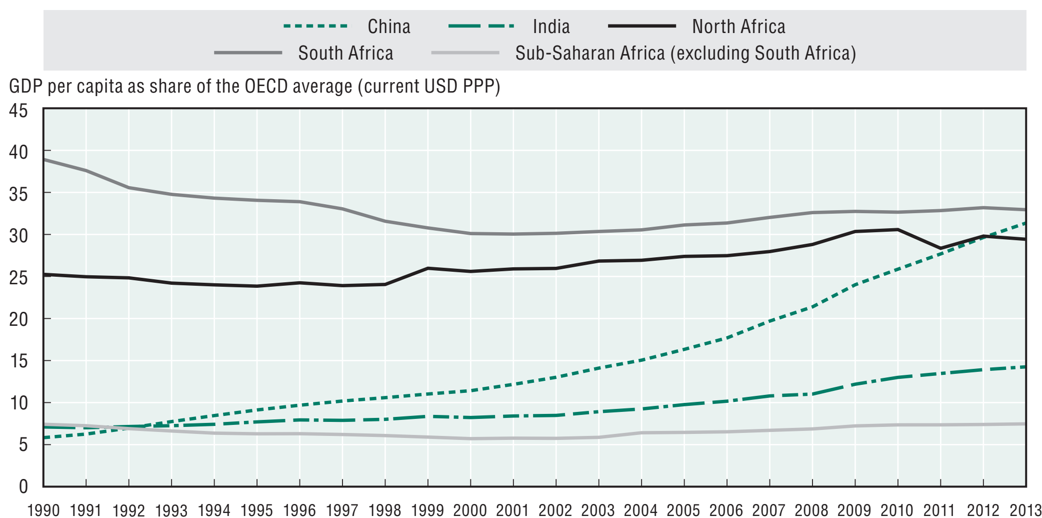
African citizens' expectations of more inclusive growth will increase

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

Growth needs to be made more inclusive

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

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



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

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

Social demands are on the rise

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

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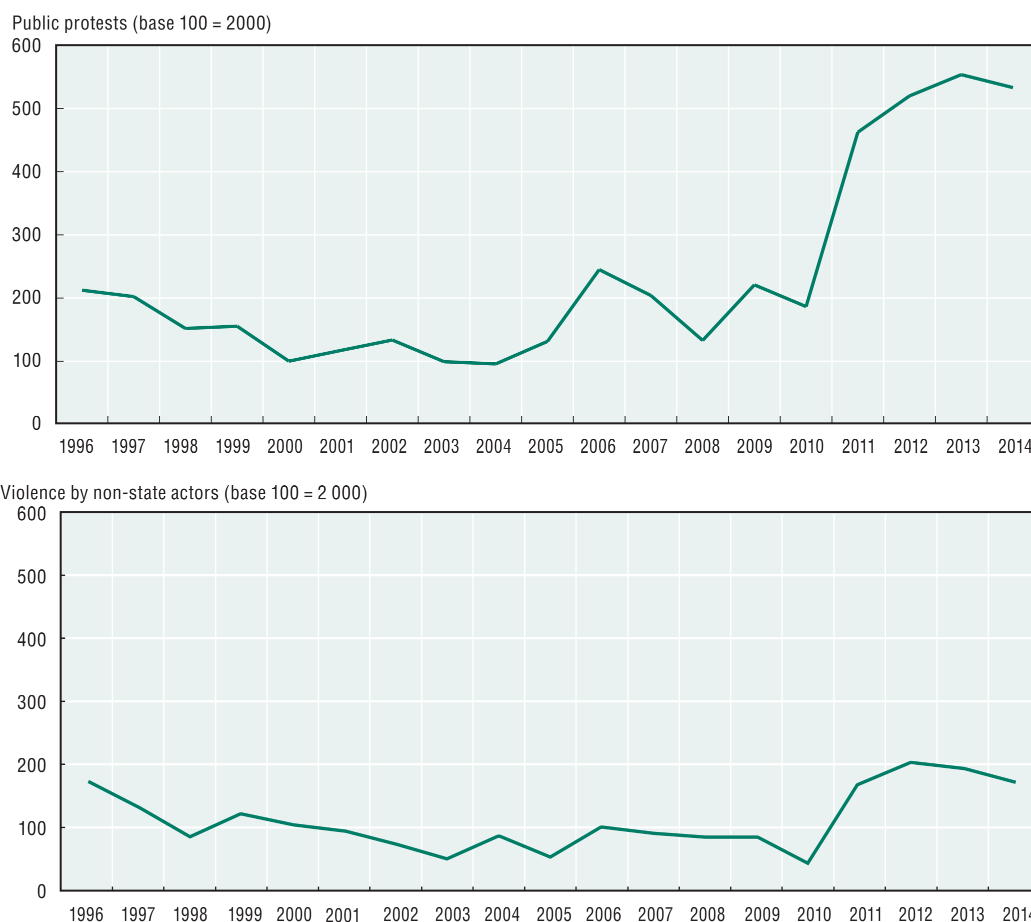
Figure 10. **Public protests and violence by non-state actors in Africa, 1996-2014**



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

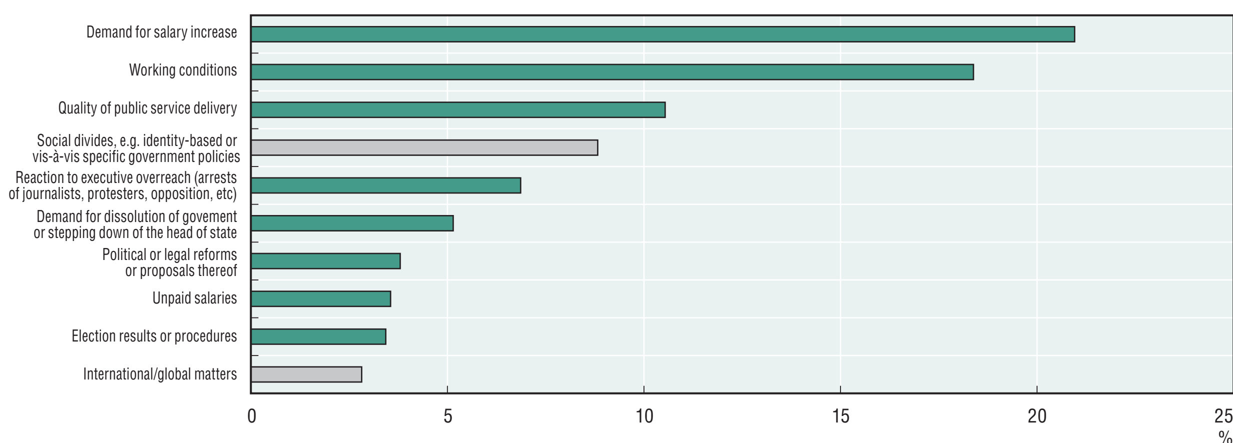
Remarkably, this rise in public protests contrasts with the "flatter" trend of violence by non-state actors. Also worth noticing is the fact that, while some governments have resorted to violence against demonstrators, most have shown a growing tolerance for freedom of expression. After peaking in 2013,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

Importantly, in 2014 as in the previous years, top drivers of public protests continue to be employment-related claims for wage increases and better working conditions, followed by demands for better public services (Figure 11). This confirms Afrobarometer's findings in 34 countries that Africans are increasingly dissatisfied with public provision of basic services and that "lived poverty at the grassroots remains little changed" despite the recent growth episode (Asunka, 2013; Dulani, Mattes and Logan, 2013). Similarly, according to the Ibrahim Index of African Governance (Mo Ibrahim Foundation, 2014), while "sustainable economic opportunity" had been a driver of positive governance trends over 2005-09, it contributed slightly negatively to the index over 2009-13. Lack of

decent jobs and participation in the wealth accumulated over a decade of steady growth thus stand out as sources of frustration. However, there was also a rise in less traditional motives, such as political divides among citizens and, for the first time in the top ten list, protests over international or global matters.

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

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



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

Africa needs innovative development strategies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Special theme: Regional development and spatial inclusion

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

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

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

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

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

Regional disparities and insufficient spatial inclusion hinder inclusive growth

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

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

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

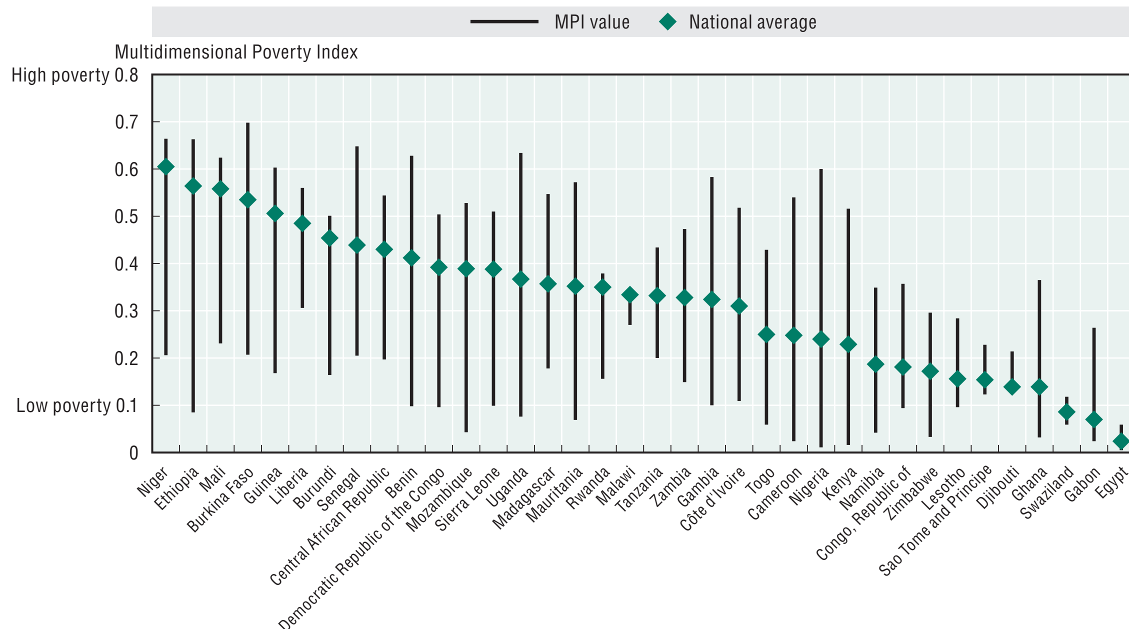
Period	Average Gini coefficient for assets	Component due to spatial inequality	Component due to inequality of opportunities	Component due to other factors
Before 1995	0.42	0.37	0.11	0.52
1996-2000	0.43	0.34	0.13	0.53
2001-05	0.38	0.32	0.13	0.54
2006-09	0.4	0.34	0.14	0.51
2010-13	0.44	0.39	0.13	0.47

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

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

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

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

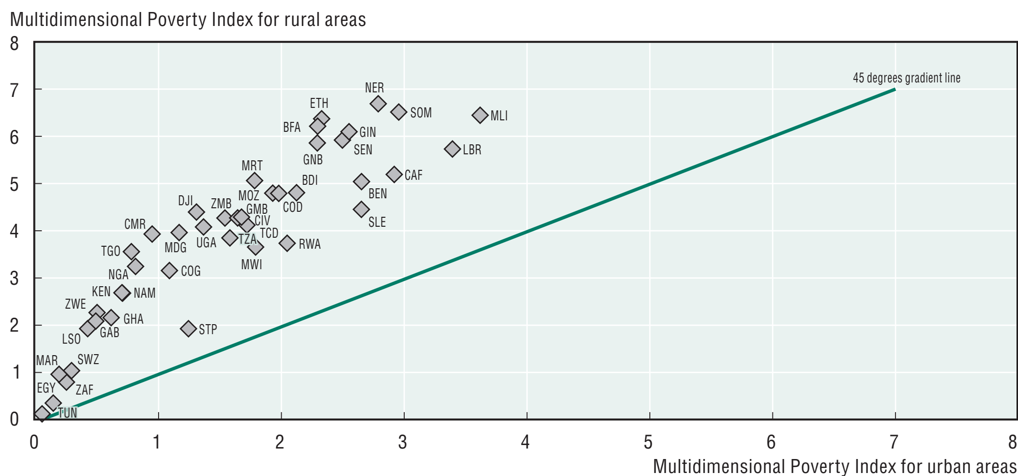


Note: The Multidimensional Poverty Index ranges from 0, the lowest value, to 1, the highest. It can be decomposed by region as well as by dimension.
Source: Alkire, Conconi and Seth (2014).

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

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

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



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

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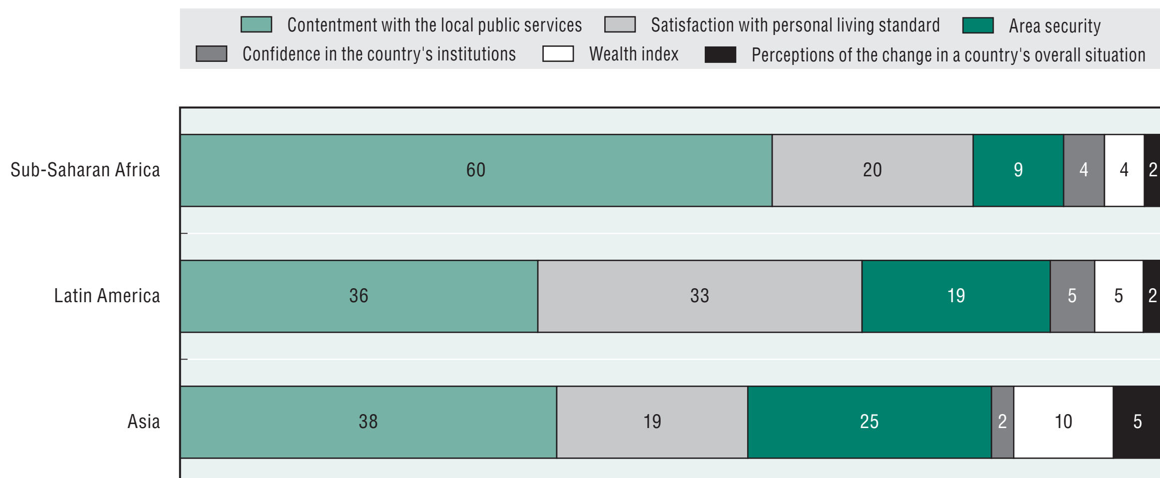
Spatial inequalities fuel inefficient migration and urban poverty

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

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

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



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

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

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

Regional policies have yielded mixed results

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

Policies targeting specific regions and places have been too scattered

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

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

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

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

In parallel with policies of spatial management, some sectoral national policies have positive spill-over effects on regional development. Progress in infrastructure development within and across national borders, especially transportation, ICT, energy and river basins, has contributed to reducing regional fragmentation and strengthened regional ties. For instance, 60% of the 37 African countries reviewed by the World Bank's Logistic Performance Index have improved their performance between 2010 and 2014 (Figure 15). However, additional financial resources and improved cross-border

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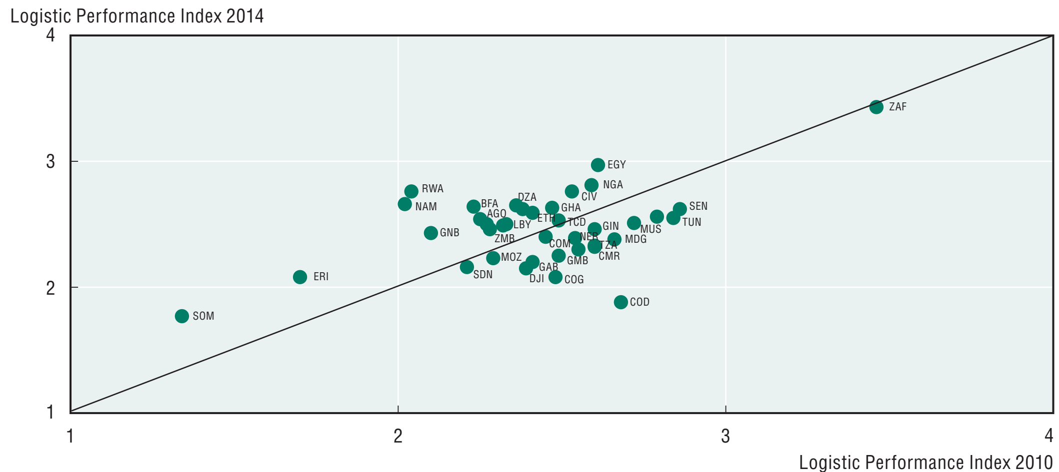
co-ordination are needed. According to the Africa Infrastructure Country Diagnostic, of the continent's USD 93 billion estimated annual needs for infrastructure, the funding gap stands at about USD 31 billion.

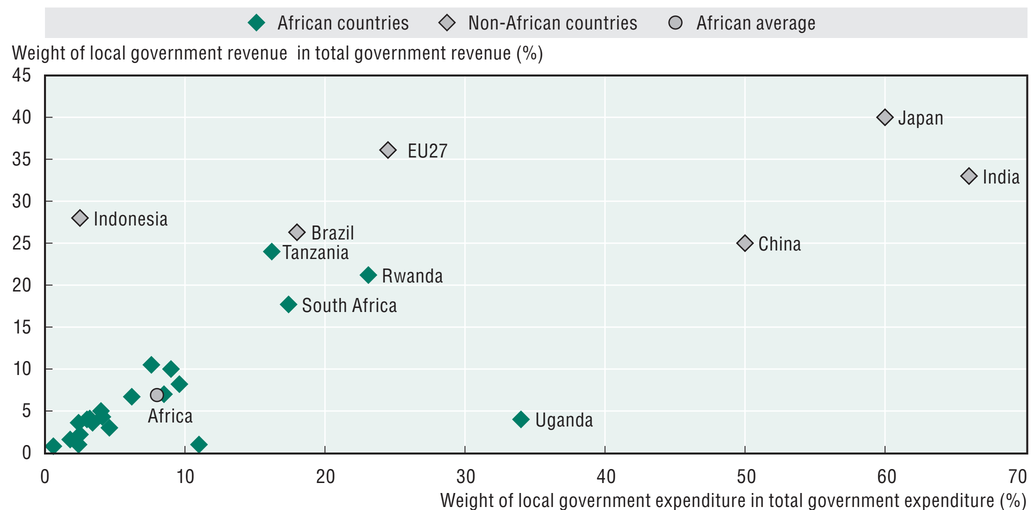
Figure 15. **Change in logistics performance for African countries, 2010-14**



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

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

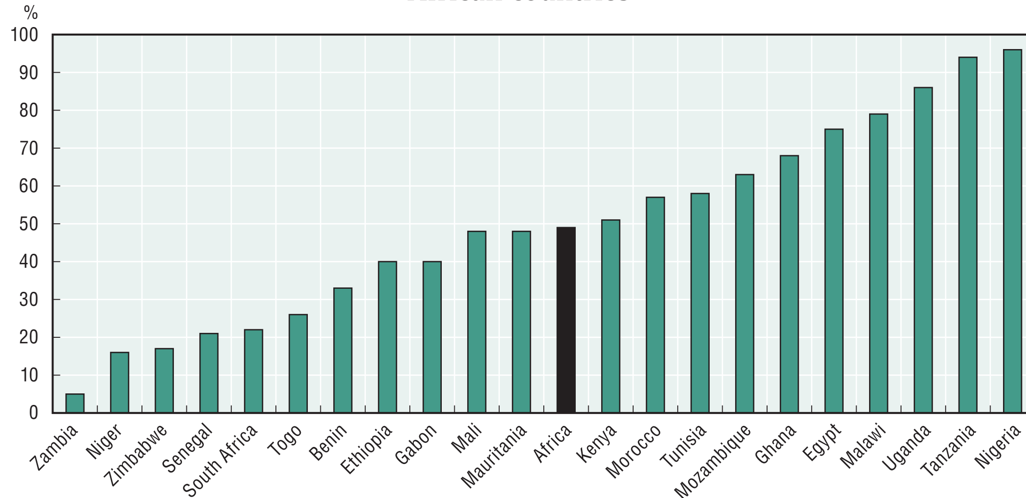
Figure 16. **Weight of local government in total government revenue and expenditure**



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

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

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



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

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

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

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

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

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

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

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

From catch-up policies to a positive strategic approach

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

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

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

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

Source: Based on OECD (2009).

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

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

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

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

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

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

How to craft development strategies for regional development

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

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

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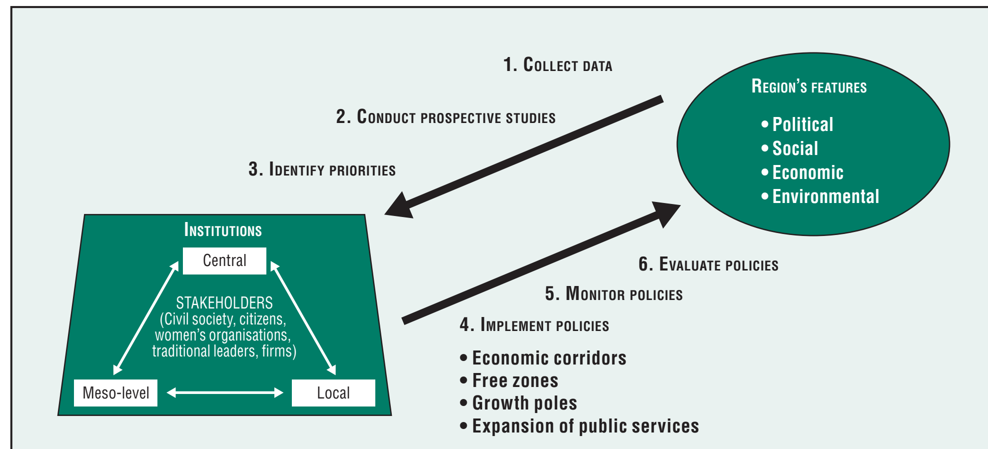
Figure 18. **A strategic process for regional development**



Four priorities for improving the effectiveness of regional development in Africa

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

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

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

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

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

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

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

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

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

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

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

Source: OECD, 2014c.

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

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Key facts and figures by subregions

Central Africa

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

Macroeconomic prospects for Central Africa

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

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

East Africa

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

Macroeconomic prospects for East Africa

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

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

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North Africa

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

Macroeconomic prospects for North Africa

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

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

Southern Africa

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

Macroeconomic prospects for Southern Africa

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

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

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West Africa

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

Macroeconomic prospects for West Africa

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

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

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ISBN 978-92-64-23330-0