Growth and Social Development in Africa in 2007 and Prospects for 2008

Economic performance in Africa continued to improve in 2007. The continent recorded a high level of growth, improved fiscal and current account balances, a relatively stable macroeconomic environment and increasing domestic savings and investment rates. However, these improvements were mainly due to high oil revenues in oil-exporting countries and remain insufficient for Africa to meet the MDGs. The continent needs to sustain high levels of growth in order to achieve meaningful economic and social development.

> "As in previous years, Africa's growth performance in 2007 was driven mainly by robust global demand and high commodity prices"

2.1 Growth performance

2.1.1 Africa sustains strong economic performance in 2007

Africa has maintained the strong growth momentum of the last few years and achieved a 5.8 per cent growth rate in 2007, up from 5.7 per cent in 2006 and 5.2 per cent in 2005.[1] As in previous years, the growth performance in 2007 was driven mainly by robust global demand and high commodity prices. Other factors underpinning the sustained growth momentum include continued consolidation of macroeconomic stability and improving macroeconomic management, greater commitment to economic reforms, rising oil production in a number of countries, increased private capital flows, debt relief and increasing non-fuel exports. Africa has also witnessed a decline in political conflicts and wars, especially in West and Central Africa, though peace remains fragile in some parts of the continent.

African exports of goods and services recorded a 15.2 per cent increase in value in 2007 compared with a 13.2 per cent increase in imports (UN-DESA, October 2007a). Many African countries have implemented macroeconomic as well as microeconomic reforms that have resulted in a generally improved business environment and investment climate. Increased aid and debt relief have helped the continent to attract high net private capital inflows ($29 million in 2005, 25 million in 2006

1 All the growth and inflation data are from UN-DESA, October 2007, except for data for Swaziland and Seychelles, which come from the Economist Intelligence Unit (EIU).

and 22 million in 2007). Also macroeconomic stability, among other factors, has contributed to an increase in the domestic savings rate; from 25.3 per cent in 2006 to 26.3 per cent in 2007 (see IMF 2007a).

"Growth in Africa is widely shared across regions"

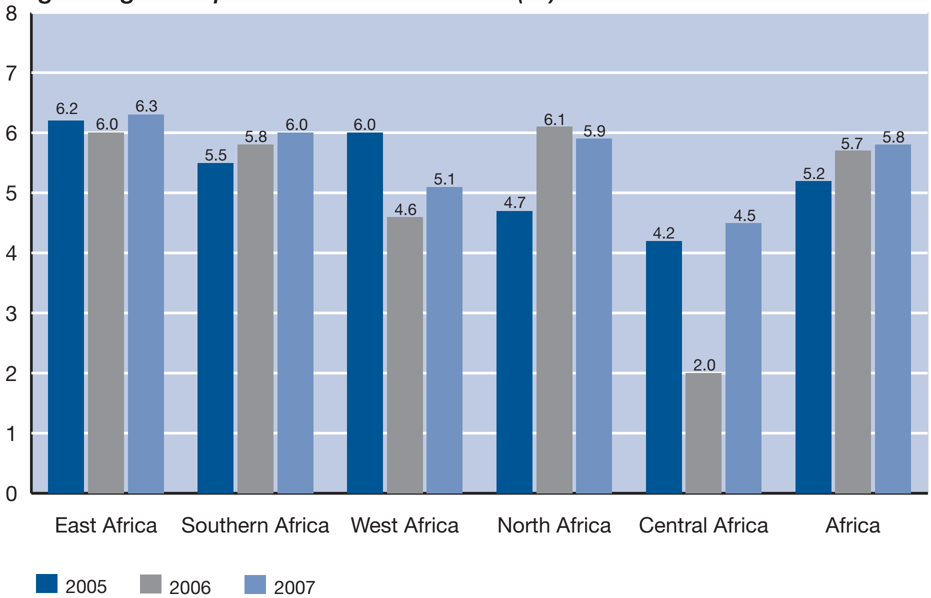
These improvements need to be widened, deepened, and sustained if Africa is to accelerate and sustain growth beyond the ongoing commodity boom. The continent also needs to promote high-quality growth that is broadly shared in terms of generating decent employment, helping to reduce poverty and achieving the MDGs. The recorded real per capita income growth rate (0.3 % during 1990-2002 and 3.0% in 2003-2007) is insufficient for Africa to make any significant progress towards achieving the MDGs. The continent's ability to accelerate and sustain growth hinges crucially on its progress towards diversification of its sources of growth and success in mobilizing domestic and external financial resources for increasing domestic demand in general and investment demand in particular.

2.1.2 Regional performance

Whereas growth performance slightly decelerated in North Africa, all other regions experienced higher growth in 2007 compared with 2006 (figure 2.1). This indicates that growth in Africa is widely shared across regions. East Africa, a non-oil region with limited mineral exports, continued to lead economic performance in Africa, whereas Central Africa lagged behind all other regions over the same period.

Figure 2.1

Regional growth performance 2005-2007 (%)



Source: *UN-DESA, October 2007a.*

Strong commodity demand and continued high prices combined with favourable rainfall and accelerated growth in agriculture boosted economic activity in the industrial and services sectors as well as overall growth in most of East Africa. Ethiopia led the region with a 9.5 per cent real GDP growth rate in 2007, followed by Tanzania (7.0%), DRC (6.5%), Madagascar (6.4%), Kenya (6.1%), Uganda (6.0%) and Seychelles (5.8%). Other growth factors in the region include increased government investment in infrastructure, policies to encourage private sector development, investment in manufacturing, and rising FDI and tourism receipts. However, it is worth noting that failure to manage post-election violence in Kenya could have an important adverse impact on East Africa's growth in 2008.

"East Africa's growth remains constrained by inadequate infrastructure, especially roads and power supply"

The end of fighting boosted agriculture and growth in DRC, while Kenya recorded broad-based growth involving most economic sectors. The three least-performing countries in the region continue to suffer from the same factors that constrained growth in previous years: civil conflict in Somalia (-3.5%), political instability and excessive economic controls by the central government in Eritrea (2.0% growth) and low vanilla export prices and tourism receipts in Comoros (1.0%). Despite progress, East Africa's growth remains constrained also by inadequate infrastructure, especially roads and power supply, which raises production costs and undermines international competitiveness.

With increasing oil production, Angola continued to lead Southern Africa in terms of real GDP growth (21.0% in 2007) despite its weak physical and human infrastructure and poor legal and regulatory environment. Malawi sustained the high growth of 2006 to record 8.5 per cent in 2007, owing to continuing agricultural recovery. Macroeconomic stability and continued donor support assisted Mozambique in maintaining high growth (7.5% in 2007). The factors driving growth in many countries of the region include the improved performance of the agricultural, mining and tourism sectors and expansion in manufacturing and construction.

Economic performance in South Africa remains robust (4.8%), thanks to expansion in construction and mining and increased investment in the corporate sector. Zimbabwe and Swaziland continue to be the least performing countries in Southern Africa owing to political instability in Zimbabwe and the impact of drought and declining production in the textile industry in Swaziland.

As in previous years, North Africa's growth remained high (5.9% in 2007) with increased oil and gas production and high oil prices. Additional growth factors include increased FDI flows (to Sudan for example) and increased public investment (Algeria and Libya). Sudan recorded the highest growth rate (11.0%) in 2007 followed by Egypt (7.0%) and Tunisia (6.0%). Economic reforms that stimulated domestic investment and a rebounding tourism sector underpinned growth in Egypt, while growth in Tunisia benefited from expansion in industry and the services sectors, which contributed to faster economic diversification. Real GDP growth rate declined sharply in Morocco (from 7.9% in 2006 to 3.0% in 2007) due to adverse weather conditions and declining agricultural output. In Mauritania, real GDP growth went from 11.4% in 2006 to 1.0% in 2007, because of the contraction in oil production caused by technical problems at the Chinguetti field.

Economic reforms that stimulated domestic investment and a rebounding tourism sector underpinned growth in Egypt

Accelerated growth in Senegal and Guinea-Bissau in 2007 relative to 2006 and sustained recovery in Liberia and Sierra Lone underpinned the rise in GDP growth in West Africa this year (5.1%, up from 4.6% in 2006). The region as a whole benefited from good rainfall and strong agricultural performance as well as from high commodity prices, despite the negative effect of high energy costs on oil-importing countries.

Côte d'Ivoire and Guinea are the two countries in the region with the lowest growth rates in 2007, at 2.0 and 1.5 per cent, respectively. Political instability, depleted infrastructure and weak economic institutions adversely affected investment and production in Côte d'Ivoire, especially in the cocoa and petroleum sectors. In addition to political instability, growth in Guinea remains weak due to poor performance in agriculture, poor infrastructure and the burden of high oil prices.

Although still lagging behind other regions, real GDP growth in Central Africa jumped from 2.0 per cent in 2006 to 4.5 per cent in 2007. Increased oil and gas production and revenue stimulated non-oil activity and pushed growth to 10.0 per cent in Equatorial Guinea and 4.9 per cent in Gabon in 2007. However, owing to lower oil production, growth decelerated from 6.1 per cent in 2006 to 4.0 per cent in 2007 in the Republic of Congo and from 0.5 per cent to -0.5 per cent in Chad. This underscores the need for economic diversification away from the resource-extractive sector, to accelerate and sustain growth.

Expansion of oil-related services and the continued construction and tourism boom underpinned the strong economic performance in Sâo Tome and Principe (6.5%), while a weak business environment inhibited growth in Cameroon. Political instability continued to discourage investment and constrain the provision of essential public services in the Central African Republic. Addressing security problems and achieving high and sustained growth in Central Africa will require substantial investment in infrastructure to induce private sector activity and economic diversification.

2.1.3 Resource-rich vs. non-resource-rich countries: challenges and policies

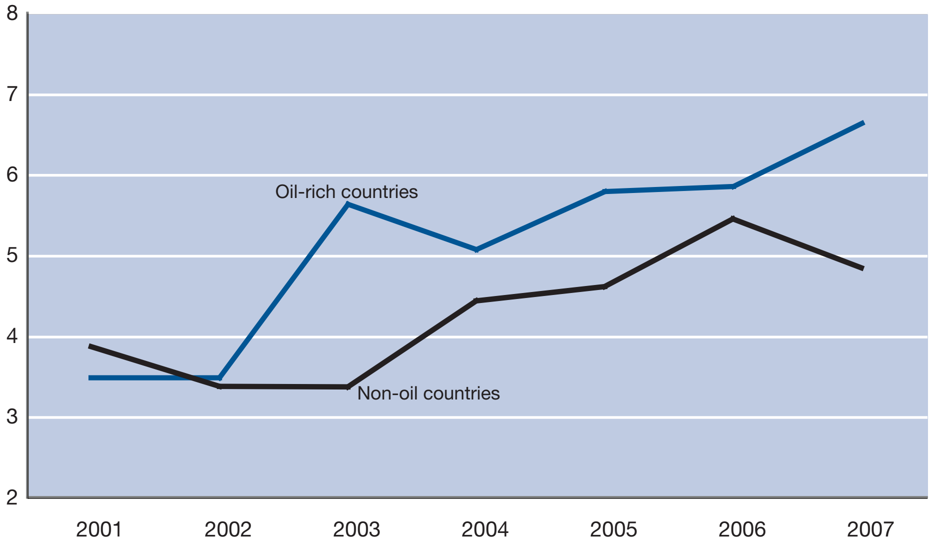
Africa's economic performance in 2007 is a continuation of the growth cycle driven by the commodity boom, particularly due to high oil prices. This cycle started in the late 1990s and gathered momentum after year 2000. Although both oil-importing and oil-exporting African countries have sustained relatively high and increasing growth rates during this period, economic growth in the former group was generally lower than in the latter (figure 2.2). The contribution of the 13 oil economies to Africa's GDP growth increased from 55.5 per cent in 2006 to 61.5 per cent in 2007.

Increased oil production and revenue underpinned the high growth rate (6.6%) recorded by oil-exporting countries in 2007 compared to 2006 (5.8%). Governments can use oil revenue to finance increased domestic investment to boost infrastructure and energy supply and to improve access to, as well as the quality of public services. This can stimulate domestic demand and production in the non-oil sector, especially in the services and construction sectors. The multiplier effect of oil revenue can be large given the right economic environment and policy.

"The contribution of the 13 oil economies to Africa's GDP growth increased from 55.5 per cent in 2006 to 61.5 per cent in 2007"

Figure 2.2

Real GDP growth in Africa, oil vs. non-oil economies

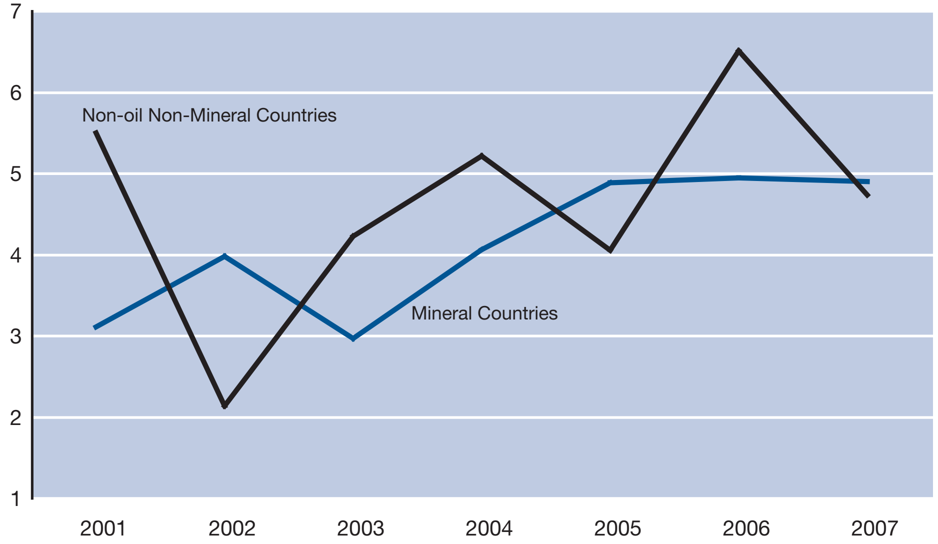


Source: *UN-DESA, October 2007a.*

Adequate strategies for managing commodity revenue should focus on how to increase productive capacity and avoid the accumulation of low-return excess foreign exchange reserves that has characterized many oil-exporting countries in recent years. Failure to adequately manage commodity income can lead to a concentration of economic activity in the commodity sector as well as the Dutch Disease problem that undermines expansion in other sectors.[2] This seems to be the case in mineral-rich African economies. Despite huge windfall income as a result of high commodity prices, these countries as a group achieved a lower growth rate over the medium term (2002-2007) compared to non-mineral and non-oil-exporting African economies (figure 2.3).

Figure 2.3

Growth in mineral-rich vs. non-oil, non-mineral-rich African countries, 2002-2007 (%)



Source: *UN-DESA, October 2007a.*

> *High oil prices constrain growth in oil-importing countries because they are unable to improve infrastructure and public services to stimulate private sector development*

However, sustained high oil prices pose even greater challenges to oil-importing African countries with regard to macroeconomic management that is, maintaining sound macroeconomic balances while mobilizing enough resources to finance public expenditure. So far, economic performance in oil-importing African economies has been resilient despite high oil prices, thanks to strong global demand for other commodities (tea, coffee, oil, ores, and metals), prudent macroeconomic management, relatively high official capital flows, and remittances.

High oil prices constrain growth in oil-importing countries because they are unable to improve infrastructure and public services to stimulate private sector development. Consequently, they remain highly vulnerable to external shocks. As discussed in detail in previous ECA reports, oil-importing African economies need external assistance over the short to medium term to face the challenges of high oil prices,

2 Dutch Disease refers to a situation where high commodity exports and revenue cause currency appreciation that reduces the competitiveness of the non-commodity sector.

before they can develop effective alternative sources of energy and adapt to persistently higher import bills (UNECA/AU 2007a).

The vulnerability of Africa's growth to developments in commodity markets and political instability can be easily seen from a cursory look at the list of top and least performers in 2007 (figure 2.4). Six of the top performers are oil- or mineral-rich economies (Angola, Sudan, Egypt, Equatorial Guinea, Mozambique and Tanzania), while one country (Liberia) is a post-conflict recovery case. The structure of the remaining top-performing economies is heavily dominated by agriculture (Ethiopia and Malawi) or services (Gambia).

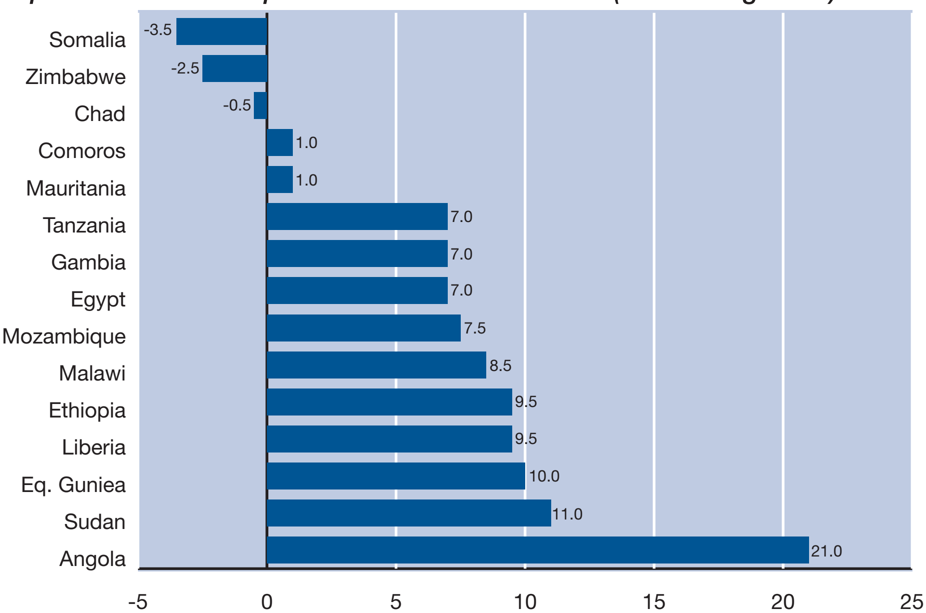
Aside from Egypt, the top-performing economies are characterized by extremely limited diversification in terms of manufactured output and exports and lack the requirements for sustaining growth. It is interesting to note that the least-performing five economies share similar characteristics to the top performers. Mauritania and Chad are oil-rich countries while Zimbabwe is a mineral-rich country.

However, Somalia and Zimbabwe have suffered from political instability and this has had adverse consequences on economic performance. Chad, Comoros and Mauritania are confronted with declining commodity output and exports, a situation that illustrates the urgent need for economic diversification on the continent.

Even top-performing economies are characterized by extremely limited diversification in terms of manufactured output and exports

Figure 2.4

Top 10 and bottom 5 performers in Africa in 2007 (% annual growth)



***Source:** UN-DESA, October 2007a.*

2.1.4 Fiscal sustainability is a major concern especially for oil-importing countries

High oil prices put pressure on the fiscal balances of oil-importing African economies

On average, Africa maintained an overall budget surplus amounting to 2.4 per cent of GDP in 2007 compared with 2.8 per cent in 2006. However, the average fiscal position is mainly a reflection of developments in the 13 oil-exporting countries that maintained an average fiscal surplus of 5.3 per cent of GDP in 2007 and 6.1 per cent in 2006. Only 15 of the 42 African countries with available data had a budget surplus in 2007 and while over 60 per cent of oil-exporting countries had fiscal surpluses, 76 per cent of oil-importers had deficits (table 2.1).

Table 2.1

Distribution of fiscal deficits in Africa (42 countries), 2007

	Oil countries	Non-oil countries	Mineral-rich	Non-oil, non-mineral-rich
Countries with surpluses	**8**	**7**	**3**	**4**
Less than 5%	**1**	**4**	**2**	**2**
5% to 10%	3	2	1	1
More than 10%	4	1	0	1
Countries with deficits	**5**	**22**	**7**	**15**
Less than 5%	4	15	3	12
5% to 10%	1	6	4	2
More than 10%	0	1	0	1
Total number of countries	13	29	10	19

Source: *EIU, October 2007.*

Note: *Due to data limitations, only 42 countries are covered. The 11 excluded countries are Central African Republic, Comoros, DRC, Djibouti, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Republic of Congo, Sierra Leone, and Somalia.*

Based on average fiscal balance, the percentage of oil-importing countries having a deficit was even higher (93%) over the period 1998-2007 (table 2.2). Evidently, high oil prices put pressure on the fiscal balances of oil-importing African economies, where the average budget deficit increased from –1.1 per cent of GDP in 2006 to –1.2 per cent in 2007.

Table 2.2

Distribution of fiscal deficits in Africa by resource group, 1998-2007 (average)

	Oil countries	Non-oil countries	Mineral-rich	Non-mineral-rich
Countries with surpluses	**7**	**2**	**1**	**1**
Less than 5%	2	2	1	1
5% to 10%	3	0	0	0
More than 10%	2	0	0	0
Countries with deficits	**6**	**27**	**9**	**18**
Less than 5%	5	18	6	12
5% to 10%	1	7	2	5
More than 10%	0	2	1	1
Total number of countries	13	29	10	19

Source: *EIU, October 2007.*

Note: *Due to data limitations. only 42 countries are covered. The 11 excluded countries are Central African Republic, Comoros, DRC, Djibouti, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Sierra Leone, and Somalia.*

The list of the 10 highest fiscal surplus countries and the 10 largest deficit countries confirms the role of oil and minerals in determining the fiscal position of African countries (table 2.3). All the highest surplus countries are oil-rich, mineral-rich or both. The countries with the largest budget deficits are mostly countries that are exposed to recurrent internal shocks (e.g. rainfall irregularities and political conflicts) and external shocks (e.g. agricultural commodity markets). These countries (including Eritrea, Ghana, Guinea, Malawi, Sâo Tome and Principe and Zimbabwe) lack adequate economic diversification for absorbing the impact of shocks on their fiscal performance.

It is worth noting that although most oil-importing African countries had to live with budget deficits over the last decade, the average deficit has been small relative to GDP. Successful response to the fiscal challenge of high oil prices was possible in many countries because they abandoned the policy of fuel subsidies and allowed exchange rates to adjust. This meant that the changes in oil prices were ultimately borne by the consumers.

Further wide-scale privatization of public enterprises and rationalization of government consumption of oil have undoubtedly assisted in containing the impact of high oil prices on fiscal balances. At the same time, many countries were able to increase tax revenue thanks to GDP growth and tax reforms, including introduction of VAT and other strategies that enhance efficiency in tax administration.

Containing the effect of high oil prices on fiscal balances does not necessarily eliminate their negative impact on the economy in general. Indeed, reduced public expenditure has meant less spending on basic public services and slow progress towards achieving the MDGs. Most African countries allocate only 3 to 4 per cent of GDP to health and education and fall short of the benchmark of 20 per cent of government budget earmarked for education and 15 per cent for health (World Bank/IMF 2005; UNECA 2007b).

> *Reduced public expenditure has meant less spending on basic public services and slow progress towards achieving the MDGs in many countries*

Table 2.3

The 10 countries with the largest fiscal surplus and the 10 countries with the largest deficits, 1998-2007 (average)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Average (1998-2007)
Surplus countries											
Libya	-3.2	6.7	14.4	-0.8	10.8	10.1	14.6	32.8	38.3	36.0	19.8
Equatorial Guinea	-1.4	2.0	8.3	15.5	12.9	6.3	11.8	21.1	27.4	22.7	19.0
Algeria	-3.8	-0.5	9.7	3.7	1.2	4.9	5.3	13.7	14.9	13.3	8.1
Congo, Repub.	-19.5	-5.6	1.1	-0.9	-8.2	-0.1	3.9	16.4	15.9	15.2	7.1
Gabon	-13.8	1.2	11.6	4.1	2.0	7.4	7.7	8.7	9.8	10.0	6.1
Botswana	-6.4	5.9	9.7	-2.9	-3.7	-0.3	1.2	8.1	11.3	9.5	4.4
Cameroon	3.5	6.9	-0.6	1.4	2.5	1.5	-0.3	4.0	6.1	4.6	3.2
Lesotho	-3.8	-5.2	-3.3	-0.6	-5.6	0.8	8.5	2.9	14.4	6.5	3.1
Angola	-11.4	-35.1	-8.4	-3.6	-9.0	-6.4	-1.6	7.3	14.8	6.1	1.9
Deficit countries											
Gambia	-2.4	-3.5	-1.4	-13.9	-4.6	-5.5	-5.8	-9.1	-5.2	-1.0	-5.1
Morocco	-4.0	0.9	-7.8	-10.3	-5.6	-6.5	-6.0	-7.2	-4.1	-2.7	-5.2
Cape Verde	-4.1	-13.0	-20.3	-4.5	-2.8	-3.5	-3.8	-5.1	-3.8	-3.6	-5.6
Malawi	-5.1	-5.6	-6.4	-8.5	-12.6	-8.6	-5.8	-2.7	-3.8	-2.6	-6.0
Ghana	-7.0	-6.5	-9.7	-9.0	-6.8	-4.4	-3.6	-2.1	-7.8	-6.3	-6.0
Sâo Tome and Principe	-30.5	-25.9	-16.7	-22.1	-13.2	-17.0	-26.6	53.7	-20.0	16.6	-6.0
Guinea	-3.6	-5.3	-5.5	-7.5	-8.2	-6.2	-5.0	-6.5	-7.8	-8.8	-6.5
Egypt	-	-	-	-	-8.7	-7.8	-7.6	-8.3	-7.9	-5.5	-7.5
Zimbabwe	-9.5	-9.7	-21.5	-8.9	-4.3	-1.2	-6.1	-1.6	-11.3	-8.4	-12.5
Eritrea	-36.6	-52.1	-13.5	-15.6	-22.5	-18.7	-15.4	-15.5	-16.5	-17.1	-21.5
Africa*	**-3.5**	**-2.2**	**-0.2**	**-2.1**	**-3.0**	**-2.0**	**-1.3**	**1.7**	**2.8**	**2.4**	**-0.1**
Africa, excl. NA	**-3.4**	**-3.6**	**-2.5**	**-2.3**	**-2.8**	**-2.3**	**-1.9**	**-0.2**	**0.5**	**0.0**	**-1.4**

Source: *EIU, October 2007.*

Note: *Due to data limitations, only 42 countries are covered. The 11 excluded countries are Central African Republic, Comoros, DRC, Djibouti, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Sierra Leone, and Somalia.*

Expenditure reduction has a substantial adverse multiplier effect on growth in Africa because budget cuts usually target capital expenditure, resulting in slower growth of public infrastructure and poor maintenance of existing infrastructure. This in turn undermines private investment and productive capacity utilization. As a result, maintaining fiscal stability in the face of high oil prices remains a major concern for many governments that rely heavily on donor support. It is important that donors and the international development community at large scale up financial support, preferably through grants and debt relief, for oil-importing African countries to maintain fiscal stability.

Recent increases in aid flows to Africa were largely due to the debt relief delivered to a select group of countries, while FDI inflows were concentrated in resource-rich countries. Therefore, donors have the responsibility not just to live up to their commitments to increase the quantity of aid but also to improve its quality (see Part II).

“High oil prices pose a major threat to Africa in terms of controlling inflation in both oil-exporting and oil-importing countries”

2.1.5 Inflationary pressures are intensifying due to high oil prices

High oil prices pose a major threat to Africa in terms of controlling inflation in both oil-exporting and oil-importing countries. Africa seems to be more exposed to this threat than are other developing regions. While Africa's average inflation has been contained at low levels over the last 5 years (6.3% in 2007), there are wide cross-country variations. Table 2.4 shows that about 60 per cent of African countries recorded a 5 per cent or more inflation rate in 2007, up from 52 per cent in 2006. The respective percentages for oil-exporting and oil-importing economies are 46 per cent and 65 per cent in 2007. This underscores the fact that inflation is edging up in both oil-importing and oil-exporting African countries.

Table 2.4

Distribution of inflation rates in Africa, 2007 (53 countries)

Range	Africa	Oil countries	Non-oil countries	Mineral-rich	Non-mineral-rich
Less than 5 %	21	7	14	3	18
Between 5 and 10 % (10% excluded)	20	5	15	8	12
Between 10 and 20 % (20% excluded)	9	1	8	3	6
20% and higher	3	0	3	2	1
Total number of countries	53	13	40	16	37

Source: *UN-DESA, October 2007a.*

Whereas high oil prices push production costs up for oil-importing countries, causing prices to increase, increased oil revenues cause rapid increases in domestic demand, which cause prices to rise in oil-exporting countries (overheating). Thus, the list of high inflation countries includes oil- and mineral-rich countries (e.g. Angola and DRC) as well as countries such as Ethiopia, Eritrea and Zimbabwe that were subjected to strong exogenous shocks (mainly drought and food shortages) during the period 2000-2007 (table 2.5). In fact, only one country (Côte d'Ivoire) among the 10 lowest inflation countries in 2006-2007 is classified as an oil-exporting country. Owing to unfolding political crisis, ineffective macroeconomic policies and recurrent drought, Zimbabwe sustained the highest inflation rate in Africa over the last 10 years.

"Intensifying inflationary pressure is a major concern for the poor who lack adequate safety nets"

Intensifying inflationary pressure is a major concern for the poor, who lack adequate safety nets, as high inflation rates always have stronger impact on the price of basic consumer goods. At the same time, governments rely on tighter fiscal and monetary policies beside currency appreciation to avoid acceleration of inflation at the cost of lower growth. The potential adverse growth impact of these policies makes macroeconomic management increasingly difficult and costly for oil-importing countries.

Oil exporting countries need appropriate policies to avoid economic overheating. To do so, they must direct a sizeable proportion of oil revenues to finance real domestic investment. This will help them to build productive capacity instead of direct increases in government and private consumption that create excess demand when the economy does not have the capacity to respond. They must also consider saving an appropriate part of the revenues for stabilization purposes and for the service of future generations.

Table 2.5

The 10 countries with the largest inflation and the 10 countries with the lowest inflation, 2000-2007 (average)

Country	2000	2001	2002	2003	2004	2005	2006	2007	Average 2006-2007
High inflation countries									
Zimbabwe	55.6	73.4	133.2	365.0	350.0	237.8	1016.7	6840.0	3928.4
Guinea	6.8	5.4	3.0	12.9	17.5	31.1	34.7	24.0	29.4
Eritrea	21.0	12.4	17.4	22.7	25.1	12.5	17.3	23.5	20.4
São Tomé and Príncipe	12.2	9.2	10.1	9.9	13.8	17.1	23.6	15.0	19.3
DRC	550.0	360.0	25.0	12.8	4.0	21.4	13.2	17.8	15.5
Somalia	10.0	10.0	10.0	12.0	12.0	12.0	14.0	15.0	14.5
Ethiopia	8.0	-8.2	1.6	17.8	3.3	11.6	13.5	14.5	14.0
Mozambique	12.7	9.0	16.8	13.5	12.6	6.4	13.2	13.2	13.2
Angola	325.5	152.6	108.9	98.2	43.5	23.0	13.3	12.6	13.0
Kenya	10.0	5.7	2.0	9.8	11.7	10.3	14.5	9.3	11.9
Low-inflation countries									
Morocco	1.9	0.6	2.8	1.2	1.5	1.0	3.4	2.1	2.7
Cote D'Ivoire	2.5	4.3	3.1	3.3	1.4	4.0	2.6	2.5	2.6
Seychelles	6.3	6.0	0.2	3.3	3.9	0.9	-0.4	4.4	2.0
Burkina Faso	-0.3	5.0	2.3	2.0	-0.4	6.4	2.8	1.1	2.0
Guinea-Bissau	8.9	3.2	3.9	-3.5	0.9	3.4	1.9	1.4	1.7
Senegal	0.7	3.0	2.3	0.0	0.5	1.7	1.9	1.4	1.7
Benin	4.2	4.0	2.5	1.5	0.9	5.4	3.0	0.2	1.6
Togo	1.9	3.9	3.1	0.9	0.4	6.8	2.0	1.1	1.6
Mali	-0.7	5.2	5.0	-1.3	-3.1	6.4	1.2	0.3	0.8
Niger	3.0	4.0	2.6	-1.6	0.2	7.8	0.4	0.6	0.5
Africa		**10.4**	**6.9**	**7.0**	**6.5**	**5.6**	**6.1**	**6.3**	**6.2**
Africa, excl. NA		**17.6**	**11.5**	**10.2**	**7.1**	**7.5**	**7.0**	**6.8**	**6.9**
North Africa		**1.1**	**1.0**	**2.8**	**5.8**	**3.2**	**5.0**	**5.6**	**5.3**

Source: *UN-DESA, October 2007a.*

2.1.6 External balances of oil-importing countries are worsening due to high oil prices

High and volatile oil prices often translate into highly volatile external balances, especially for oil-exporting countries. Africa's current account surplus declined from 5.0 per cent of GDP in 2006 to 1.7 per cent in 2007 (figure 2.5). This decline was the result of widening current account deficits in oil-importing countries (from –4.4 per cent of GDP in 2006 to –5.0 per cent in 2007), as well as falling surpluses in oil-exporting countries (from 13.4 per cent in 2006 to 9.5 per cent in 2007). Despite high oil prices, the current account surplus in oil-exporting countries declined due to lower oil production and exports in some of these countries. The current account balance has worsened for Africa excluding NA, from a surplus (0.5 per cent of GDP) in 2006 to a deficit (-2.6 per cent) in 2007.

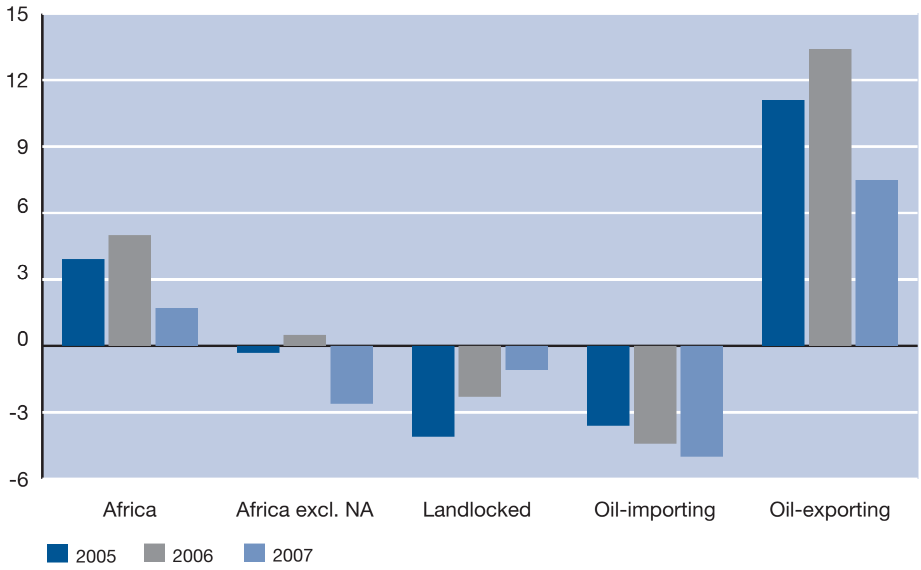
"The current account balance has worsened for Africa excluding NA"

Due to high transportation costs and weak international competitiveness, landlocked African economies tend to have larger current account deficits compared with other African countries. However, these deficits have declined in 2007 (to –1.1 per cent of GDP, from –2.3 per cent in 2006), thanks to increased aid flows, mostly in the form of debt relief.

As in previous years, sustained high oil prices are a major concern to oil-importing African countries in terms of current account sustainability and the ability to maintain the recent growth momentum. Together with other indicators, this underscores risks to macroeconomic stability and growth prospects especially for landlocked African economies. Rationalizing oil consumption and developing alternative sources of energy such as hydropower is one way that oil-importing African countries can reduce their import bill. In the short term, these countries need external support to meet their expenditure needs while minimizing macroeconomic instability. Medium- to long-term strategies must focus on increasing investment in infrastructure, building productive capacity, diversifying exports and promoting international competitiveness.

Figure 2.5

Current account balance in Africa by category, 2005-2007 (% of GDP)



Source: *IMF, World Economic Outlook Database, October 2007.*

Note: *Excluding Somalia due to lack of data.*

2.1.7 Currency appreciation threatens international competitiveness

In line with the Euro, the CFA appreciated substantially against the US dollar in nominal terms. As a result, exports of the Franc Zone are losing competitiveness outside the Euro area. Most other African currencies have also continued to appreciate against the US dollar in 2007. Since the bulk of African exports are valued in US dollars and export prices have remained fairly stable, in addition to discouraging imports from Africa, currency appreciation implies a decline in the profitability of African export-oriented activities.

"Currency appreciation, implies a decline in the profitability of African export-oriented activities"

Meanwhile, because it makes imports cheaper in domestic markets, this puts pressure on the current account balance. This has been the case in most oil-exporting countries, with negative effects on economic diversification and job creation. Thus, managing exchange rates is a major challenge for oil-exporters and other countries with high commodity income.

Based on real effective exchange rate (REER), 23 of the 36 African countries with available data experienced currency appreciation over 2002-2007. However, only 3 countries recorded more than a 10 per cent average annual currency appreciation rate, and none of the countries considered experienced a REER depreciation of more than 10 per cent per annum. Zimbabwe, Angola, Zambia, Sudan and South Africa were the 5 African countries with the highest REER appreciation rates in 2002-2007, whereas Seychelles, Malawi, Tanzania, Madagascar, and Libya were the 5 countries with the highest depreciation rates. This shows that both oil-exporting and oil-importing countries can be confronted with large REER depreciation or appreciation.

Increasing domestic price levels have been the main source of REER appreciation in countries such as Zimbabwe where the Nominal Exchange Rate (NER) depreciated substantially.[3] Conversely, in other countries such as Libya, the REER depreciated despite NER appreciation. Libya maintained a low domestic price level relative to foreign price levels and experienced deflation between 2000 and 2004.[4]

REER appreciation in oil-importing countries resulted from scaled-up expenditures, aid and other capital inflows, remittances and high earnings from tourism and non-oil commodity exports. Seventy per cent of oil-exporting countries experienced REER appreciation due mainly to rising oil revenues and increasing expenditures and capital inflows. To address possible Dutch Disease problems, oil-exporting countries in partic-

3 The Zimbabwean dollar, for example, depreciated from 162 to the US dollar in 2006 to 250 in 2007.

4 The REER index is defined as [Pd/Pf*NER], where Pd is the domestic price level, Pf is foreign (US) price level, NER is the official exchange rate expressed in terms of the domestic currency price of the US dollar (period average). Thus, REER represents the quantity of foreign goods that can be purchased with one unit of domestic goods.

ular may need to coordinate monetary and fiscal policies closely, increase productivity and strengthen the supply side of their economies by using the oil revenues to finance public infrastructure, which will promote private sector development (IMF 2007b).

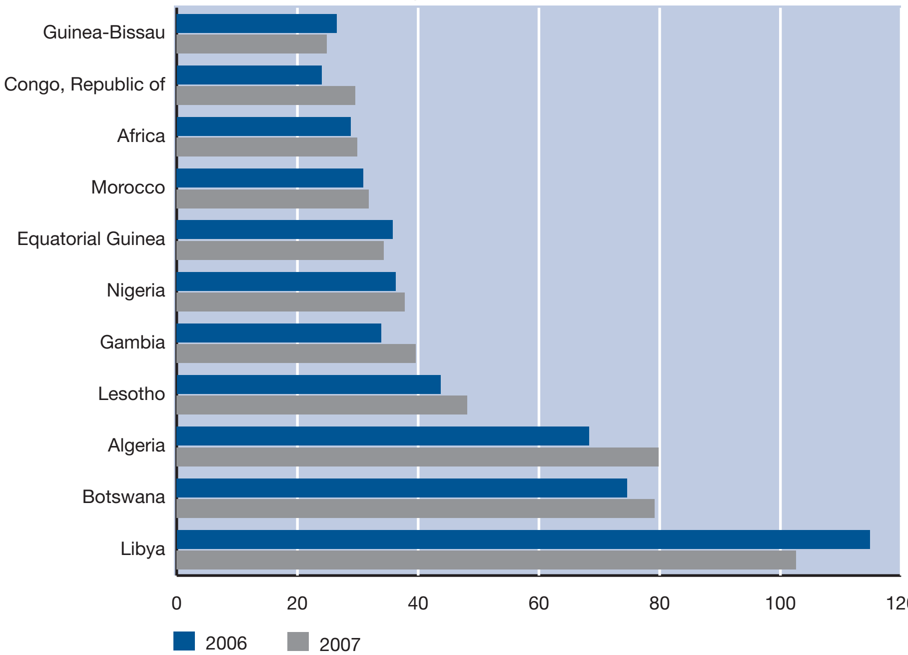
Reserves build up may generate excess liquidity and require sterilization measures to avoid inflationary pressures or overheating

The issue of management of oil revenue is critical in light of the fact that most resource-rich countries are accumulating large amounts of foreign exchange reserves, resulting from current account surpluses as well as FDI and ODA inflows (figure 2.6).[5] On average, foreign exchange reserves exceeded 29 per cent of Africa's GDP over 2006-2007.

Most African countries maintained adequate reserves; only 6 of the 48 countries with available data had a ratio of reserves to short-term debt of less than one in 1998-2005. Reserves build up may generate excess liquidity and require sterilization measures to avoid inflationary pressures or overheating. Close coordination of fiscal and monetary policy is therefore essential for governments to manage reserves effectively and avoid disruptive volatility in exchange rate, inflation and output growth (UN-DESA 2007b).

Figure 2.6

Top 10 countries in terms of foreign reserves (% of GDP)



Source: *IMF, 2007c.*

Note: *Excluding the following countries due to lack of data: DRC, Cape Verde, Djibouti, Eritrea, Guinea, Liberia, Mauritania, Rwanda, São Tomé and Príncipe, Somalia, and Zimbabwe.*

5 Ranking countries according to holdings of foreign exchange reserves as a ratio of GDP shows that high reserves originate mainly from commodity revenues and private capital flows and that none of the top 10 high reserve countries is a high aid-recipient country.

2.1.8 The need to reduce external debt and increase non-debt-generating resources

The analysis of the level and quality of Africa's growth and financing constraints points to the strong need for the continent to reduce external debt and mobilize more domestic and external resources (also see Part II for further discussion on this topic). Despite debt relief initiatives, Africa's external debt remains high and unchanged at $255 billion in 2006 and 2007. Long-term debt accounted for about 94 per cent of the total debt in 2007. However, while official debt declined considerably with the debt relief initiative, from $205.7 billion in 1999 to $144.5 billion in 2007, the debt owed to banks and other private creditors rose from $92.4 billion in 1999 to $110.2 billion in 2007.

> *Despite debt relief initiatives, Africa's external debt remains high*

Improved economic performance in Africa over the last 5 years was associated with notable increases in domestic savings and investment rates. For Africa as a whole, savings rose from 19 per cent of GDP in 1998-2001 to 22 per cent in 2002-2005 and 26 per cent in 2007, while domestic investment increased from 19.7 per cent to 20.1 and 22.1 per cent over the same period (see table 4.2 in chapter 4). Both savings and investment rates rose considerably in North Africa compared with moderate increases in Africa excluding NA.

To maintain this momentum, African governments should continue to widen and deepen reforms aimed at developing national and regional financial markets and greater integration into the global market. They also need to further improve the business and investment climate so as to halt capital flight and foster domestic investment and private sector development.

In this regard, the United Nations Economic Commission for Africa (ECA) has encouraged African countries to adopt a regional approach to capital market development. This should go hand in hand with development of other regional financial institutions that can foster trade and regional integration through macroeconomic coordination, exchange rate management and monetary union (see UNCTAD 2007).

Domestic resource mobilization remains insufficient for Africa to finance the investment needed for achieving the MDGs and African countries continue to rely on external capital inflows (mainly ODA, FDI and remittances) to fill the resource gap in the near future. While FDI inflows go mainly to resource-rich countries to finance investment in extractive industry, more ODA flows are directed to non-oil economies (table 2.6). Workers' remittances are almost of the same magnitude as FDI. As argued in detail in Part II of this report, the international community is urged to live up to its commitments to scale up aid to Africa under various initiatives such as the Multilateral Debt Relief Initiative (MDRI). In the meantime, African governments should ensure that external assistance is used to build productive capacity and deliver public services, reduce poverty and accelerate progress towards meeting the MDGs.

“African governments should ensure that external assistance is used to build productive capacity and deliver public services to reduce poverty and accelerate progress towards meeting the MDGs”

Table 2.6

External flows, domestic saving and investments, 1998-2005[a] (average)

Indicator	Oil economies	Non-oil economies	Africa
ODA and official aid ($ billion)	6.9	16.0	22.9
FDI, net inflows ($ billion)[b]	11.1	5.5	16.7
Workers’ remittances and compensation of employees, received ($ billion)[c]	8.4	6.0	14.4
Gross Domestic Investments (per cent of GDP)[d]	22.2	19.1	20.6
Gross Domestic Savings (per cent of GDP)[e]	26.7	15.6	20.9
External debt (per cent GDP)[f]	53.2	5.7	49.3
External debt (per cent total exports)[g]	150.2	162.5	155.8

Source: *World Development Indicators, 2007; OECD (online database) February 2008; IMF World Economic Outlook database, April 2007; OECD 2007 (online database) October 2007.*

Notes: *a: For FDI and ODA the data are for 1998-2006. The remaining indicators are for 1998-2005. The following countries have been excluded due to lack of data: b. Libya and Namibia; c. Angola, Central African Republic, Chad, DRC, Djibouti, Equatorial Guinea, Eritrea, Liberia, Seychelles, Somalia, Zambia, Zimbabwe; d. Central African Republic, Equatorial Guinea, Liberia, Libya, and Somalia; e. Central African Republic, Equatorial Guinea, Liberia, Libya, and Somalia; f. Libya, Namibia, Somalia; g. Equatorial Guinea, Libya, Namibia, and Somalia.*

2.2 Sectoral performance

African economies are experiencing a structural shift whereby the service sector is becoming an important driver of growth. However, as a result of high oil and gas prices, the contribution of this sector declined from the average of 47.8 per cent of GDP in 2000-2005 to 44.7 per cent in 2006. The industrial sector contributed 41.5 per cent of GDP in 2006 compared to only 36.5 per cent in the previous six years, while the share of agriculture declined from 15.7 per cent in 2000-2005 to 13.8 per cent in 2006 as a result of higher annual growth of the secondary and tertiary sectors. In 2006, all three sectors continued to grow. The industrial sector recorded the highest growth rate in 2006 (5.7 per cent), but the manufacturing subsector grew at only 4.3 per cent. Developments within each sector and for each region are discussed in more detail below.

2.2.1 Agriculture sector

The contribution of agriculture to GDP is relatively diverse, ranging from a high of more than 32 per cent in East Africa to 8.7 per cent for Southern Africa. However, the importance of the agriculture sector is more pronounced for Africa excluding NA where it employs some 70 per cent of the work force and generates an average 30 per cent of GDP (table 2.7). As shown in table 2.8, agriculture recorded a 5 per cent average growth and all five regions recorded positive growth rates in agricultural output, led by North Africa (7%).

African economies are experiencing a structural shift whereby the service sector is becoming an important driver of growth

Table 2.7
Agriculture sector share in GDP

	2002	2003	2004	2005	2006
North Africa	15.8	16.3	15.1	13.4	13.6
West Africa	29.6	27.1	21.0	31.6	32.6
Central Africa	26.7	27.2	27.3	20.8	22.1
East Africa	32.6	32.4	32.9	26.7	26.7
Southern Africa	8.3	8.0	7.8	8.9	8.7
Total Africa	16.4	16.3	14.9	14.0	13.8

Source: *WDI 2007.*

Table 2.8
Agriculture sector growth rate

	2002	2003	2004	2005	2006
North Africa	2.2	8.1	-2.5	0.5	6.9
West Africa	1.8	-1.8	-18.7	4.1	4.6
Central Africa	4.4	5.0	3.9	4.8	4.9
East Africa	-5.9	1.4	8.1	2.3	3.5
Southern Africa	9.8	0.3	1.6	2.3	0.8
Total Africa	2.3	3.3	-3.9	3.4	5.0

Source: *WDI 2007.*

Africa is a net food-importing region, except for some countries such as South Africa. The largest share of imported products consists of food products (cereals, livestock, dairy products, and to a lesser extent, fruits and vegetables). Exports of agricultural products represent an important source of foreign currencies for several African countries. Its contribution to total merchandise exports is also relatively diverse ranging from more than 80 per cent for Burundi to less than 1 per cent for Gabon and Equatorial Guinea. Their leading export destination is EU, to which an important share of agricultural commodities is exported. The most important commodities exported fall within the groups of fish and crustaceans, fruits and nuts, cotton, and vegetables.

Table 2.9 shows that commodity production in Africa registered a 1.8 per cent increase in 2006. Performance for the main agricultural products exhibits high variation across regions. North African agriculture profited from a good rainy season and achieved exceptional results especially for "strategic products" such as wheat and olive. East Africa also performed well, especially for exportable commodities such as green coffee and cocoa beans. West Africa presents the worst situation. Total commodity production decreased by 3.8 per cent. This decrease was registered in products linked to food security such as rice and cassava and in exportable commodities such as cocoa beans, green coffee and cottonseed.

The year 2006 was a particularly good year in terms of commodity production. Crops production registered a 1.5 per cent increase. Wheat and barley registered high performance levels, with increased production by 20 and 33 per cent respectively. Some exportable commodities such as cocoa beans and green coffee have also registered improved production performance.

Table 2.9

Commodities production growth rates, 2006

	Central Africa	East Africa	North Africa	West Africa	Southern Africa	Total Africa
Commodities	-1.3	1.7	4.3	-3.8	3.6	1.8
Crops:	-3.6	2.2	7.2	-7.0	5.2	1.5
Wheat	0.0	16.7	22.4	8.4	6.9	20.0
Barley	0.0	2.9	51.9	4.1	0.0	33.7
Rice	-1.6	1.9	5.8	-14.3	8.7	5.0
Oil seeds:	-5.6	0.4	7.4	0.4	-1.9	-0.6
Olive	0.0	0.0	20.5	0.0	0.0	20.5
Groundnuts	-25.4	-1.3	-0.3	10.0	1.3	0.7
Fruits and Vegetables:	1.2	0.3	1.5	-0.3	4.3	2.3
Cassava	1.9	-0.9	0.0	-0.8	8.4	3.9
Citrus fruit	-0.5	0.0	0.0	0.0	-6.2	-5.7
Date	-7.6	-91.4	-1.7	0.0	11.4	-2.0
Bananas	-0.6	-1.0	1.1	-0.8	14.8	1.1
Animals products	-0.6	8.5	0.7	2.8	2.6	3.1
Others:	-17.7	6.5	3.6	-14.0	-2.4	-2.0
Cocoa beans	-7.4	6.3	0.0	-9.6	4.4	3.6
Coffee, green	-7.1	23.0	0.0	-30.1	-18.7	4.0
Cottonseed	-25.0	-8.9	2.8	-11.2	-5.8	-6.8

Source: *FAOstat 2007.*

2.2.2 Industrial sector

The industrial sector represented 41.5 per cent of the African GDP in 2006, which represents a significant improvement over the period 2000-2005 (36.5%). This improvement in the contribution of the industrial sector to GDP in 2006 is due to the combined results of sustainable high world prices for raw materials, mainly oil and gas, and the importance of non-manufacturing industries (mining and quarrying) in most countries of the continent.

"The shift towards more capital-intensive industries in some African countries continues"

The manufacturing sector accounted for only 10.9 per cent of GDP, down from an average of 12.8 per cent over 2000-2005. The underdevelopment of the manufacturing sector, manifested by a lower annual increase of manufactured GDP compared to the rest of the economy, largely explains the limited contribution of industry to GDP growth.

Industrial policy remained largely unchanged in African countries over the last few years. The most diversified economies (Egypt, Morocco, South Africa and Tunisia), continued to focus on traditional industries, such as food processing and textiles, except for South Africa, which is more industrialized than any other African country. The recent shift towards more capital-intensive industries in some African countries is continued in 2006 and 2007. In Tunisia, for example, there is continued development in electrical and electronics industries, while the textiles and clothing sector is experiencing a continued decline in importance. In the oil-producing countries, there has also been gradual production development in intermediate and oil-based industries, particularly chemicals, petrochemicals, fertilizers, plastics, and energy-intensive industries.

Overall, African industry is still dominated by mining and crude oil in terms of production and exports. To promote and diversify the African industrial sector, African countries have to seek participation in regional and international trade agreements and also improve the investment climate through sound infrastructure for transport and efficient public services.

2.2.3 Energy sector

In 2006, Africa's production of crude oil averaged 8993.2 million barrels per day, which was 2.2 per cent higher than the 2005 average (table A2.2). Algeria, Angola, Libya, and Nigeria are the main oil producers, with a share averaging 75 per cent in 2006. Other oil producers are Cameroon, Chad, the Congo, Côte d'Ivoire, Egypt, Equatorial Guinea, Gabon, Sudan, and Tunisia.

Africa's production of natural gas averaged 189,724 million standard cubic metres in 2006, which represents an increase of 9.9 per cent from 2005 (table A2.3). This raised Africa's share in world gas production from 6.1 per cent in 2005 to 6.5 per cent in 2006. Algeria accounted for almost 50 per cent of the continent's total production of gas, followed by Egypt, Libya, and Nigeria, together accounting for about 44 per cent in 2005. The increase of African production of natural gas is explained by two main factors. The first is related to acceleration of the level of substitution of crude oil by natural gas in the generation of electricity around the world, which increases the level of global demand for natural gas. The second reason is the high level of international prices for both oil and gas, which have increased the level of extraction of gas on the continent.

"Africa continues to be a net exporter of crude and refined oil products"

At the end of 2006, Africa's proven reserves of crude oil represented 9.8 per cent of the world's total, while its reserves of natural gas accounted for only 7.8 per cent of the world total. Algeria, Libya, and Nigeria lead in terms of proven reserves with a share of 76 per cent of total African reserves in 2005, followed by Angola, Egypt, Gabon and Sudan with a combined share of 18.4 per cent.

Africa continues to be a net exporter of crude and refined oil products. In 2005, its exports of crude oil reached 6556.3 million barrels per day, which represented an increase of 1.3 per cent from 2005. However, the continent's share in the global exports of crude oil did not change between 2006 and 2005, at the level of 15.1 per cent. For refined products, its exports grew by 1.3 per cent compared to 2005. This growth confirmed the increasing tendency observed in 2005, after three successive years of decline of African exports of refined products as a result of the higher growth of domestic demand for these products than for refining capacity.

In fact, in 2006, African consumption of refined products grew by 3.8 per cent compared to 2005 while the refining capacity decline by 1.2 per cent during the same period. This was manifested by an increase of African imports of refined products by 2.4 per cent in 2006 compared to 2005.

Fives countries dominate the African demand of refined products: Algeria, Egypt, Nigeria, Libya, and Tunisia, accounting for almost 65 per cent of total African consumption of refined products in 2005. Overall, African exports of crude oil products grew by 1.3 per cent relative to 2005, compared to 1.6 per cent for the world, while the exports of refined products increased by 2.3 per cent in Africa compared to 1.3 per cent in the world. This recent trend shows a continent-wide structural bottleneck in refining capacity.

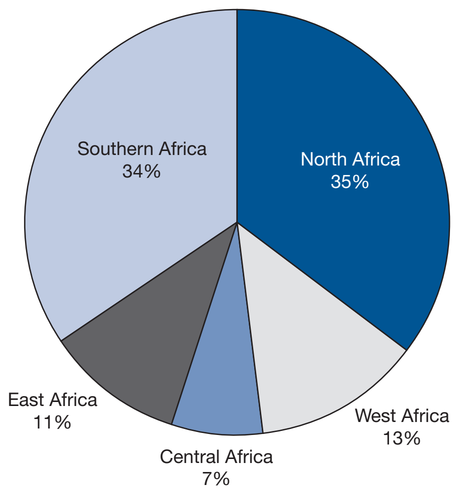
2.2.4 Services sector

As mentioned earlier, services had the largest share in Africa's GDP (44.7%) in 2006. This performance consolidates the trend that has been observed in recent years showing the increasing importance of this sector in African economies. Indeed, over the period 2000-2005, the services sector grew at a rate of 4.9 per cent on average at the continental level, much higher than the growth rates of other sectors such as agriculture, which grew at 3.8 per cent on average for the same period.

"Africa has not yet managed to realize its full tourism potential"

In 2006, the services sector grew at 5.6 per cent, higher than the 4.4 per cent recorded in 2004. The North and Southern African regions have the largest service sectors, representing 35 per cent and 34 per cent of the continent's output (figure 2.7).

Figure 2.7
Regional contribution to the African service sector (2006)



Source: *WDI 2007.*

In terms of performance, all the five regions have registered growth rate levels above 3 per cent in this sector, starting respectively with North Africa (5.6%), followed by Central Africa (5.06%), West Africa (4.91%), East Africa (4.15%) and Southern Africa (3.44%).

2.2.5 Tourism sector

Tourism is becoming a dominant sector of economic activity worldwide. Currently, over 8 per cent of all jobs are estimated by the World Travel and Tourism Council (WTTC) to depend on travel and tourism, which is forecast to create over 3.5 million jobs per year over the next decade. Africa, though recognized internationally for the quality of its resource endowment for tourism, has not yet managed to realize its full potential. Indeed, according to the World Tourism Organization (UNWTO), Africa as a whole attracted just fewer than 45.5 million of the 802 million world tourist arrivals. In terms of receipts, the continent accounted for $21.6 billion of the total $678 billion international tourism receipts in 2005. Only four African countries (Egypt, South Africa, Morocco and Tunisia) are listed in the top 50 worldwide destinations in terms of both arrivals and receipts (table A2.4).

> *The main drivers for tourism growth include global economic prosperity and the improvement of transport services*

In 2005, in terms of international tourist arrivals, Egypt ranked number one, ahead of South Africa, Tunisia, Morocco and Zimbabwe. As the top destination in Africa, Egypt accounted for 18 per cent of total arrivals and 26 per cent of receipts in Africa. Within Africa, the North Africa region registered the highest market share of tourism activity on the continent in 2005.

In 2005, nine major destination countries received over a million international tourist arrivals compared to seven destinations in 2004. These countries were Egypt (8.2 million), South Africa (7.5 million), Tunisia (6.3 million), Morocco (5.8 million), Botswana (1.8 million), Zimbabwe (1.5 million), Kenya (1.5 million), Algeria (1.4 million), and Nigeria (1.01 million).

The five top major tourism earners were South Africa with $7.3 billion, followed respectively by Egypt with $6.8 billion, Morocco with $4.6 billion, Tunisia with $2.06 billion, and Mauritius with $0.8 billion in 2005 (table A2.5).

There is an increasing recognition that tourism contributes to job creation and poverty reduction. The main drivers for tourism growth include global economic prosperity and the improvement of transport services such as development of low-cost airlines and upgrading transport infrastructure. Despite tourism's growing importance as a source of foreign exchange earnings for African countries, the industry remains underdeveloped mostly because of poor tourism infrastructure, inadequate information and marketing on the attractions, strict entry visas requirements, high airport taxes, poor destination management by local tour operators and high health risks.

Political and social instability also constitute major deterrents to tourism in some African countries. In addition, the insufficiency of air transport between Africa and the rest of the world and between African countries themselves, as well as limited promotional airfares, continue to be a crucial constraint to tourism. Another key challenge faced is the negative image of Africa portrayed by the world media, often on the basis of exaggerated facts and plain ignorance.

2.3 Social development trends in Africa

2.3.1 Overall assessment

As stressed in this chapter, Africa has maintained robust economic growth over the last few years. Though this is an encouraging trend, there is still no clear evidence that this growth has created a substantial number of decent jobs, and subsequently, significantly reduced poverty. This situation is most pronounced for marginalized and vulnerable groups including women, the aged, youth, and people with disabilities. The overall exclusion of these groups from society is reflected not only in their lower incomes and poorer outcomes on the labour market, but also in terms of their lower educational attainment rates, poorer health status and under-representation in political processes and policymaking. Of course, these dimensions of development are also interrelated in a complex, dynamic fashion, which has important implications for policymakers.

> *"Promoting a more inclusive development process increases the longer-term growth potential of African countries"*

This situation underscores that progress in terms of social development requires not only economic growth but also depends on more equitable distribution of the benefits of growth and on elimination of such barriers to participation as discrimination. Promoting a more inclusive development process in turn increases longer-term growth potential. This link between economic and social development has been recognized for some time, although social development and poverty reduction have been largely envisaged as a product of economic growth. Even the MDGs, which were the culmination of several international initiatives to put social development issues at the heart of the development agenda, do not capture key aspects relevant to social exclusion and the status of vulnerable groups.

This section aims to highlight issues relevant to the MDGs such as social exclusion, and health and employment trends. It also reports on the situation of two socially excluded groups: the aged and youth. Gender, a crucial dimension to social development, is considered here as a crosscutting factor in all areas. Finally, the situation of people with disabilities in Africa is presented in more depth to underscore the type of issues facing them as some of the socially excluded in Africa. The issues raised in this section are also relevant to other vulnerable groups such as refugees.

2.3.2 Crosscutting issues: health and employment

Health

Poor health is a major constraint to economic and social development in Africa. The health problems in Africa are due to the high incidence of infectious diseases in some areas, such as HIV/AIDS, malaria, and tuberculosis, inefficient health systems that lack financial, human and technical resources, and a low level of health knowledge and awareness among the people. In most Africa countries, large inequities remain in access to health services, with socially excluded groups receiving considerably lower standards of health care, which subsequently leads to an increased risk of chronic poverty.

> *An estimated 4.8 million children are projected to die in Africa excluding NA before the age of five every year*

The poor health situation in Africa is evident in a number of areas of physical well-being. An estimated 4.8 million children are projected to die in Africa excluding NA before the age of five every year. In terms of the AIDS epidemic, Africa excluding NA continues to be the worst affected region, with 24.7 million people living with HIV in 2006, of which around 59 per cent are women (UNAIDS/WHO 2006). Overall, some progress has been made in terms of the health-related MDGs, though the situation in most African countries remains a major constraint to economic and social development.

The challenges of the disease burden in Africa were the subject of discussion at the Third Session of the African Union Conference of Ministers of Health held in April 2007. Deeply concerned with the health situation, the African Ministers of Health declared their commitment to implementing the Africa Health Strategy 2007-2015, which calls for strengthening the health systems with the goal of reducing the disease burden through improved resources, systems, policies and management. This will contribute to equity through a system that reaches the poor and those most in need of health care. Investment in health will impact on poverty reduction and overall economic development (AU 2007). To achieve this goal, governments will need to increase public investment in health, funded by both ODA flows and domestic resources.

Employment

The creation of decent jobs is the most effective and sustainable solution to the persistent levels of poverty and social exclusion in Africa, since having a job provides an individual and his or her family not only with a source of income but also a basis for dignity and self-respect. The problem facing many African countries, however, is that though economic growth is being sustained at higher levels, it has not yet led to strong employment generation, particularly in the formal sector. Consequently, many Africans continue to work in the informal economy or remain unemployed, surviving on the support of family members (ECA 2005).

Since the 1990s, the unemployment rate in Africa excluding NA has persisted at around 10 per cent, falling marginally to 9.7 per cent in 2006. In contrast, the unemployment rate in North Africa has come down from 14.0 per cent in 1996 to

11.5 per cent in 2006. While the unemployment rate of women is similar to men in the other regions, it is consistently around seven percentage points higher for women in North Africa, reflecting the barriers they face in the labour markets of these countries (ILO 2007).

Given the limitations of using unemployment as an indicator for the labour market conditions of a developing country, it is also important to investigate trends in terms of other employment characteristics. In fact, the main challenges facing Africans in the labour market are the lack of decent jobs in the formal sector, underemployment, particularly in rural areas, and working poverty.

"The main challenges facing Africans in the labour market are the lack of decent jobs in the formal sector, underemployment and working poverty"

Looking at working poverty, defined as individuals who are working but nonetheless live in households that are below the poverty line, reveals that there is some progress in Africa excluding NA in terms of the $1.00 a day poverty definition. However, the $2.00 a day working poor share in total employment has decreased very slowly over the last decade from 87.7 per cent in 1996 to 86.2 per cent in 2006. In comparison, the share has fallen much faster in North Africa, from 51.7 per cent to 42.2 per cent (ILO 2007).

To improve labour market conditions, governments need to promote both domestic and foreign investment in sectors that have a large direct and indirect impact on employment, supported by an appropriate macroeconomic policy framework that encourages investment and economic growth.

2.3.3 Status of socially excluded groups: the aged and youth

The aged

Although Africa is referred to as the youngest continent in terms of the age structure, the numbers of older people will change more dramatically than in other regions over the coming decades. In 2005, people aged 60 and above accounted for only 5.2 per cent of the population. However, this share is projected to rise to over 10 per cent by 2050. This aging process is proceeding more rapidly in North and Southern Africa, and more slowly in West, Central and East Africa.

More importantly, the total number of elderly in Africa will rise from approximately 48 million in 2005 to 205 million in 2050 (UN-DESA 2006). So, while the proportions may be small relative to other regions, the absolute number of older Africans is growing fast. In general, growth in the size of the aging population is occurring much faster than what was the case in developed countries over the last one hundred years or so.

While the challenges posed by increasing numbers of older persons are significant in all regions, they are more important in Africa than elsewhere in the world because Africa is the continent with the highest levels of poverty and HIV prevalence rates, which affect the quality of life of every individual, especially that of the elderly. As a result of the HIV/AIDS epidemic in Africa excluding NA, the elderly have found themselves losing their support from their own children, who are either sick due to the illness or have died from it. Consequently, the elderly are now taking on roles as income earners and active caregivers to their children and grandchildren.

> *To improve labour market conditions, governments need to promote domestic and foreign investment in sectors that have a large impact on employment*

As stressed in this section, notable economic growth in Africa in the recent past has not been matched by commensurate reductions in poverty levels and increase in social development. This signals a need for timely social development policies and programmes geared towards building a "society for all ages" on the continent. Progress towards this commendable goal adopted by the international community in the Madrid International Plan of Action on Aging (MIPAA) and the African Union Policy Framework and Plan of Action on Aging would require, among other things, adopting or strengthening existing social protection systems targeting the elderly in Africa within the framework of development financing.

In addition, policymakers and development partners need to have greater awareness of aging issues and conduct country-specific research and activities to sensitize stakeholders about the fundamental challenges facing the aged in Africa, particularly with regards to poverty and the HIV epidemic.

Youth

Accounting for around 20 per cent of the African population, youth aged 15-24 represent both a challenge and a solution to the continent's development issues. Firstly, African youth, especially young women, are more vulnerable than the adult population to unemployment, poor health, particularly HIV/AIDS, and the ravages of conflicts. At the same time, it has been increasingly recognized that youth themselves are motivated, creative and inspiring individuals who are capable of contributing to promoting economic and social development in Africa. This has been acknowledged in recent events such as the Fifth African Development Forum (ADF-V) on "Youth and Leadership in the 21st Century" held in November 2006, which was jointly organized by ECA and AUC.

Recent trends indicate that the situation of youth on the continent is improving in certain dimensions. For example, the youth literacy rate reached 73 per cent in 2006 in Africa excluding NA, up from 64 per cent in 1990 (UNESCO 2007, World Bank 2007). However, once out of school, Africa's youth continue to experience barriers in the labour market, despite the strong economic growth recorded in recent years.

The youth unemployment rate in Africa excluding NA in 2006 is estimated to be at 17.8 per cent, around the same level witnessed a decade before, and continues to be around three times higher than the adult rate in the region. The rate is even higher in North Africa, reaching 25.7 per cent in 2006, the highest of all developing regions (ILO 2007). The unemployment rate of young females is 17.3 per cent in Africa excluding NA, which is marginally lower than the male rate. However, the unemployment rate is almost 8 percentage points higher for young females than for young males in North Africa, reaching a global maximum of 33.6 per cent. Besides the persistent unemployment experienced by African youth, the lack of opportunities in the formal sector forces young people, who have no other means of support, to take on informal employment, which is low paid and subject to harsher conditions (UNECA 2005).

> *"There should be emphasis on addressing the skills mismatch affecting the employment chances of youth"*

Creating decent jobs for Africa's youth, especially for young women, clearly remains one of the most important and stubborn challenges facing governments and development partners. In order to do this, there should be emphasis on addressing the skills mismatch affecting the employment chances of youth, along with specific initiatives to create opportunities for them such as public works schemes.

2.3.4 Special issue: disability and development in Africa

What does it mean to have a disability?

It is estimated that around 10 per cent of the world's population has some form of disability, of which some 80 per cent live in low-income countries (WHO 2005). As a result of congenital defects, illnesses, accidents and war, these people live with various forms of disabilities such as blindness, deafness, quadriplegia/paraplegia and intellectual disabilities. The number of people with disabilities is on the increase as a consequence of conflict, land mines, chronic diseases and AIDS, along with such demographic factors as population growth and medical advances that prolong life (WHO 2005).

There has been inadequate recognition of disability issues in the mainstream development agenda, including the MDGs, despite the fact that people with disabilities constitute a highly marginalized and socially excluded group that faces considerable barriers to participating in society, not just as a result of their disability, but also due to discrimination.

In developed countries, this is evident in the lower labour force participation rates and higher unemployment rates of people with disabilities, even though most OECD countries provide programmes and subsidies to support their participation in both the mainstream labour market and in sheltered workshops (Verick 2004). In the absence of employment, people with disabilities in such countries are provided with income support, though this is usually not fully compensatory (OECD 2003).

In developing countries, people with disabilities also face the prospect of being excluded from participating in economic, social and political activities. Without access to income support and other measures, they are also more likely to experience poverty than the non-disabled (United Nations 2007). It is estimated that between 15 and 20 per cent of the poor in developing countries have some form of disability (Elwan 1999). The relationship between disability and poverty is complex and dynamic since disability is both a cause and an outcome of poverty.

Though data are scarce, available evidence indicates that having a disability reduces access to education and training. For example, Filmer (2005) finds that in a sample of 11 developing countries, including Burundi and Mozambique, young people with disabilities are less likely to start school and stay on to higher levels of education. Consequently, the disabled have fewer chances of getting a decent job, especially in the formal economy (Hoogeveen 2005, WHO 2005).

Some estimates indicate that in developing countries, less than 20 per cent of people with disabilities have a job in the formal sector (Handicap International 2006). Those without any form of employment are often forced to beg for a living. At the same time, the disabled have poorer access to health, rehabilitation and support services. All these factors contribute to the higher rates of poverty evident amongst people with disabilities and households headed by such people.

It is also important to stress that woman with disabilities in Africa experience two types of discrimination, namely, gender and disability. They therefore experience heightened degrees of social exclusion and poverty (DFID 2000).

Looking at the other side of the equation, poverty leads to malnutrition, which is a major cause of childhood disabilities. As underscored above, the poor in developing countries also have limited access to health services, putting them at risk of developing a disability through injuries and illnesses (Elwan 1999).

Despite the social and economic costs of excluding people with disabilities from society, these issues have been largely absent in the mainstream development agenda. Governments and development partners are only slowly acknowledging the need to rectify the barriers and discrimination experienced by people with disabilities, recognizing their rights to participate fully in society.

2.3.5 Translating commitments into action to improve the conditions of people with disabilities

Considering the social exclusion and poverty experienced by people with disabilities and their families, governments and development partners need to put both legislation/policies and resources in place to promote the rights and abilities of this group. Box 2.1 summarizes the key international and regional frameworks adopted to support countries in achieving this goal.

Governments and development partners need to put policies and resources in place to promote the rights and opportunities of people with disabilities

To translate these commitments into concrete action, African governments need to:[6]

- Develop policies to improve the access of people with disabilities to education and training, and health and rehabilitation services, particularly at the community level, also with a focus on prevention;
- Implement policies to support the participation of people with disabilities in the labour market including quotas, subsidies and training measures;
- Mainstream disability issues in policymaking and involve the disabled in all processes, particularly in the design of poverty reduction strategies;
- Consider measures to provide social protection to the disabled including insurance schemes;
- Set up funds and policies to provide microfinance to people with disabilities to assist them in establishing their own businesses;
- Legislate anti-discrimination laws to protect the rights of people with disabilities;
- Collect better data on disabilities to improve policymaking by inserting questions on disability in censuses and surveys, and harmonize the definition of disability following the guidelines provided by the United Nations Statistics Division;
- Sign and ratify key international frameworks, particularly the United Nations Convention on the Rights of Persons with Disabilities, and translate these international commitments into national legal frameworks; and
- Implement the recommendations of the African Union Continental Plan of Action for the African Decade of Persons with Disabilities 1999-2009, along with monitoring and evaluation of current initiatives.

6 See DFID (2000), Handicap International (2006), ILO (2002) and OECD (2003)

Box 2.1
International and regional frameworks to promote the rights and development of people with disabilities

There are three key United Nations frameworks that directly address people with disabilities: the World Programme of Action Concerning Disabled Persons (1982); the Standard Rules on the Equalization of Opportunities for Persons with Disabilities (1993); and the more recent Convention on the Rights of Persons with Disabilities, which was adopted in December 2006. The Convention seeks to promote the human rights and fundamental freedoms of people with disabilities, bringing these issues into the core of the development agenda. As of September 2007, 28 African countries had signed the Convention out of a total of 102 countries.* However, no African country has yet ratified the framework, which is a constraint to the implementation of the recommendations of the Convention at the country-level.

The International Labour Organization (ILO) has also developed a number of relevant international frameworks. The key ILO instrument for people with disabilities is ILO Convention No.159 on Vocational Rehabilitation and Employment (Disabled Persons) of 1983. Once ratified, countries are required to develop national policies on the employment and vocational rehabilitation of people with disabilities. As of September 2007, 13 African countries had ratified ILO Convention No.159 out of a total of 79 countries.

African member States adopted the African Decade on Disabled Persons (1999-2009) at the OAU Assembly of Heads of State and Government in Algiers in 1999. In 2002, a Plan of Action was adopted to guide countries with the implementation of the Decade's objectives. This Plan called on governments to formulate or reformulate policies and national programmes that encourage the full participation of persons with disabilities in social and economic development, amongst other actions.

Source: *www.un.org/esa/enable; www.ilo.org; www.africa-union.org*

** African countries yet to sign the Convention: Algeria, Burkina Faso, Burundi, Cape Verde, Central African Republic, Republic of the Congo, Cote d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Guinea, Kenya, Liberia, Mali. Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Tanzania, Tunisia, and Uganda.*

"If African countries increase their efforts to target socially excluded groups, they will increase their chances of reaching the MDGs as they promote an inclusive development process"

Overall, if African countries increase their efforts to target socially excluded groups including people with disabilities, they will in turn increase their chances of reaching the MDGs as they promote an inclusive development process.

2.4 Prospects for 2008: a brighter outlook despite risks

Real economic growth in Africa is projected to slightly improve to 6.2 per cent in 2008 compared with 5.8 per cent in 2007 (figure 2.8). East Africa is expected to continue to lead the five regions with a growth rate of 6.6 per cent, followed by West Africa (6.4%), Southern Africa (6.3%), North Africa (6.1%), and Central Africa (5.4%). West Africa is projected to have the largest increase in GDP growth, owing to increased oil production and solid growth in Nigeria.

Africa's growth prospects in 2008 depend on a number of internal and external factors. The realization of Africa's projected growth rate will be influenced by the extent to which the slowdown in the US economy affects the global economy. It is assumed that robust demand for Africa's commodity export and high prices will continue with high growth in Asia and in the absence of a significant drop in growth in Europe.

Other growth factors for Africa include continued effective macroeconomic management. This will help governments to contain inflationary pressures and avoid the temptation, especially for oil-exporting countries, of allowing excessive exchange rate appreciation. Therefore, domestic interest rates and prices as well as exchange rates are expected to remain fairly stable over the forecast period.

"To achieve accelerated and sustained growth, African governments should adequately manage commodity revenues to promote infrastructure, investment, innovation and institutional capacity"

To achieve accelerated and sustained growth, African governments should adequately manage commodity revenues to promote infrastructure, investment, innovation and institutional capacity. It is encouraging to note in this regard that, along with increased aid and FDI flows, both domestic saving and investment rates have risen in Africa over the last few years. Improving institutional capacity and the business environment is essential for the continent to increase saving and investment, stimulate private sector development and enhance economic diversification away from the resource sector (UNECA/AU 2007a). Improving governance and security situation is another factor that contributes to a positive economic outlook in 2008 and beyond, though many parts of Africa still suffer from conflicts and insecurity.

On the downside, there are many risks to Africa's growth over the medium term. Any substantial slowdown or adverse adjustments in the global economy might cause demand for Africa's exports to contract. A fall in demand and prices will have negative effects on Africa's growth outlook. Fluctuations in oil prices will have conflicting growth impacts on oil-exporting and oil-importing countries. Any significant increase in the current level of oil prices will exert further pressure on the fiscal and current account balances of oil-importing countries and threaten macroeconomic stability and growth prospects.

On the other hand, a sharp fall in oil prices will adversely affect growth in oil-exporting countries. While oil-exporting countries might have the means to mitigate the impact of lower oil prices on their macroeconomic balances in the short term, oil-importing countries need external support if they are to meet the challenges of sustained increases in oil prices. It is worth stressing that the international donor community has the responsibility not only to honour existing commitments regarding aid and debt relief, but also to assist the continent to conclude trade negotiations successfully and expand export production and market access.

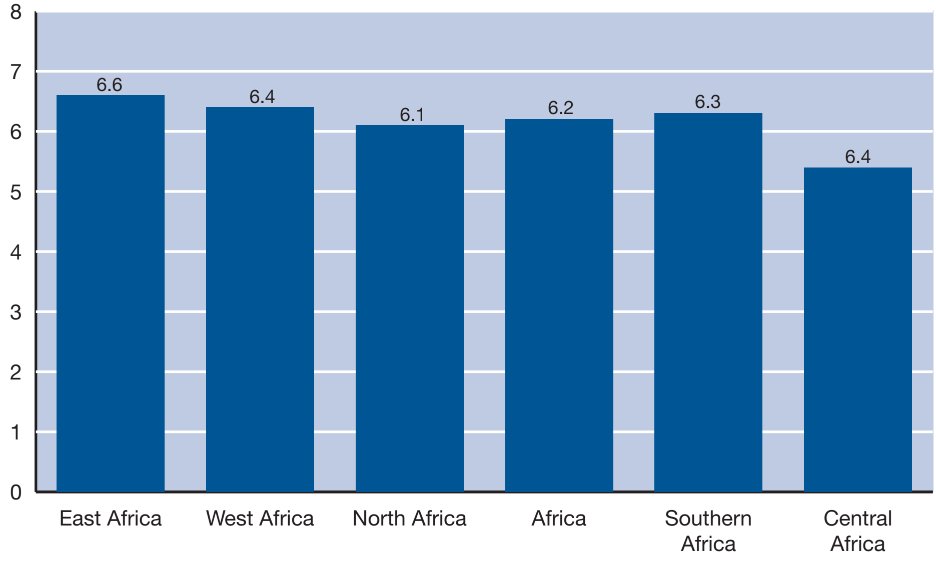
Moreover, with concentration of production and exports in a few commodities, Africa remains vulnerable to shocks and unable to create jobs to reduce unemployment and accelerate progress towards meeting the MDGs. As highlighted before, this makes economic diversification a top priority for Africa (UNECA/AU 2007a). The continent also needs to manage risks to growth emanating from unpredictable fluctuations in external capital, especially aid, and currency appreciation that can adversely affect international competitiveness.

"With concentration of production and exports in a few commodities, Africa remains vulnerable to shocks and unable to create jobs to reduce unemployment"

Unpredictable weather changes and conflicts are additional factors that can undermine the upward growth momentum on the continent. In fact weather changes often exaggerate environmental and household vulnerabilities, which in turn may exacerbate conflicts and political instability, in a vicious circle. Besides efforts to diversify sources of growth, Africa should introduce effective medium-to-long-term strategies to combat epidemics such as HIV/AIDS and malaria, and to mitigate their economic and social impact.

Figure 2.8

Projected real GDP growth by region for 2008 (%)



Source: *UN-DESA, October 2007.*

2.5 Conclusions: key economic and social issues in Africa

Recent macroeconomic trends in Africa highlight a number of important economic and social issues that deserve the urgent attention of policy makers and the development community at large. The first critical issue relates to growth volatility and insufficiency. Analysis by ECA shows high disparities in GDP growth across countries and over time. Growth volatility has been greater in resource-poor countries and in Africa excluding North Africa due to high vulnerability to weather shocks and terms of trade changes.

> *African governments and partners need to ensure that economic growth benefits socially excluded groups, including women, youth, the aged, and people with disabilities*

Despite high dependence on oil, North Africa had relatively weak growth volatility over 1980-2007 due to higher degree of economic diversification. Among other things this has enabled North Africa to progress faster towards achieving the MDGs compared with the rest of Africa. Reducing growth instability requires long-run development strategies including economic diversification. As noted earlier, growth rates in Africa remain low relative to the level (about 7.0% per annum) required for meeting the MDGs by 2015.

Persistent high oil prices represent the second important economic issue to Africa. Increased energy cost is constraining investment and growth in many oil-importing African countries that are also confronted with other threats to macroeconomic stability, including intensifying inflationary pressures, and increasing fiscal and current account deficits. In addition to good macroeconomic management, oil-importing countries will need increased external support to maintain growth and reduce growth volatility in the foreseeable future. On the other hand, oil-exporting countries need to manage oil revenues to ensure diversification of sources of growth and exports and avoid excessive currency appreciation and build up of reserves.

Overall, African governments and partners should ensure that economic growth benefits socially excluded groups, including women, youth, the aged, and people with disabilities. Besides increasing public investment in social services that target these groups, the governments need to consider policies that promote their access to education/training and health facilities, their participation in the labour market, and in general, their human rights. At the same time, development partners need to look at how their aid programmes can support these objectives. In the longer term, a more inclusive society will help countries remain politically and socially stable and enhance their growth potential.

References

AU, 2007. http://www.africa-union.org/root/UA/Conferences/2007/avril/SA/9-13%20avr/home-Eng.htm

DFID, 2000. *Disability, Poverty and Development*. London.

EIU, Online data, August 2007.

Elwan, A., 1999. "Poverty and Disability: A Survey of the Literature." World Bank Social Protection Discussion Paper Series, No.9932.

Filmer, D., 2005. "Disability, Poverty and Schooling in Developing Countries: Results from 11 Household Surveys." World Bank Social Protection Discussion Paper Series, No.0539.

Handicap International, 2006. "Good Practices for the Economic Inclusion of People with Disabilities in Developing Countries: Funding Mechanisms for Self-Employment".

Hoogeveen, J.G., 2005. "Poverty and Disability in Uganda." *Journal of African Economies*, 14(4), 603-631.

ILO, 2007. *Key Indicators of the Labour Market (KILM) Version 5 – CD-ROM*. Geneva.

IMF, 2007a. IMF Live Database (http://www.imf.org/external/pubs/ft/weo/2006/02/data/weoselagr.aspx). Washington, D.C. USA.

________2007b. *Regional Economic Outlook: Sub-Saharan Africa*. IMF. Washington, D.C. USA.

________2007c. International Financial Statistics. IMF, Washington, D.C. USA.

UNAIDS/WHO, 2006. UNAIDS/WHO AIDS Epidemic Update: December 2006. Geneva.

Lehola, P., 2005. "Census 2001 – Prevalence of Disability in South Africa." *Statistics SA Report*, No. 03-02-044 (2001).

OECD, 2003. *Transforming Disability into Ability*. Paris.

UNCTAD, 2007. *Trade and Development Report*, 2007. Geneva.

UN-DESA, 2007a. Africa Database. United Nations. New York. October.

_______2007b. *LINK Global Economic Outlook*. United Nations. New York. May.

UNECA/AU, 2007a. *Economic Report on Africa 2007*. Addis Ababa, Ethiopia.

_______2007b. "Efficient Public Service Delivery in Africa: Perspectives on Policy and Institutional Framework". Policy Research Report. Addis Ababa, Ethiopia.

UNESCO, 2007. UNESCO Institute for Statistics Data Centre.

United Nations, 2007. Implementation of the World Programme of Action Concerning Disabled Persons: the Millennium Development Goals and Synergies with other United Nations Disability Instruments: Report of the Secretary-General, A/62/157. New York: UN.

Vandermoertel, J., 2004. "The MDGs and Pro-poor Policies: Related but not Synonymous." International Poverty Centre Working Paper No.3.

Verick, S., 2004. "Do Financial Incentives Promote the Employment of the Disabled?" IZA Discussion Paper No.1256.

WHO, 2005. "Disability, including Prevention, Management and Rehabilitation." Report by the Secretariat, Fifty-Eight World Health Assembly A58/12.

World Bank, 2007. *World Development Indicators* – Online Database. Washington D.C.

World Bank/IMF, 2005. "Global Monitoring Report 2005: Millennium Development Goals: From Consensus to Momentum", Washington D.C.

World Tourism Organization, 2007. Online database.

Appendix

Table A2.1

Africa's external debt by maturity and source ($billion)

Year	Total debt	Maturity		Type of creditor		
		Short-term	Long-term	Official	Banks	Other private
1999	298.1	34.3	263.8	205.7	63.0	29.4
2000	286.8	13.7	273.1	205.4	55.3	26.0
2001	275.4	11.6	263.8	203.9	51.5	20.0
2002	284.6	14.9	269.7	217.0	46.5	21.1
2003	309.2	15.8	293.4	233.1	51.9	24.1
2004	325.0	17.7	307.3	240.1	56.9	28.1
2005	298.8	15.6	283.2	209.8	58.2	30.8
2006	255.5	14.9	240.6	148.5	70.2	36.8
2007	254.8	15.0	239.7	144.5	72.1	38.1

Source: *IMF, Statistical Appendix. July 2007.*

Table A2.2

Africa's reserves and production of crude oil

	Proven Crude Oil Reserves (mb)								
	1990	2000	2001	2002	2003	2004	2005	2006	% change 06/05
Africa	58,598.7	93,380.2	96,891.5	102,064.3	112,345.2	113,263.6	117,457.8	117,572.4	0.1
World	985,031.2	1,090,619.6	1,121,402.0	1,151,844.1	1,169,725.6	1,177,514.1	1,189,139.2	1,195,318.0	0.5
Africa percentage	5.95	8.56	8.64	8.86	9.60	9.62	9.88	9.84	
	Production of Crude Oil (1000 b/d)								
Africa	5,961.6	6,754.9	6,609.6	6,433.7	7,294.0	8,324.8	8,797.9	8,993.2	
World	59,101.8	65,871.3	65,383.2	64,022.9	67,304.8	70,556.2	71,612.0	71,995.7	
Africa percentage	10.09	10.25	10.11	10.05	10.84	11.80	12.29	12.49	
	Refinery Capacity, 1990-2006 (1000 b/d)								
Africa	2,826.4	3,257.7	3,247.3	3,278.3	3303.8	3263.8	3278.8	3240.6	-1.2
World	73,142.8	82,288.8	82,751.1	83,058.5	83,081.10	84486.7	85333.6	86735.1	1.6
Africa percentage	3.86	3.96	3.92	3.95	3.98	3.86	3.84	3.74	
	Consumption of Refined Products (1000 b/d)								
Africa	1,452.0	1,764.0	1,891.7	1,947.5	1,976.2	2,108.5	2,219.1	2,302.7	3.8
World	63,565.5	71,434.4	72,157.1	72,685.6	73,945.1	76,351.4	77,352.2	78,254.3	1.2
Africa percentage	2.28	2.47	2.62	2.68	2.67	2.76	2.87	2.94	
	Exports of Crude Oil (1000 b/d)								
Africa	4,348.4	5,209.0	5,098.0	5,135.3	5,767.6	6394.0	6474.1	6556.3	1.3
World	27,135.3	38,797.7	38,063.9	37,305.8	39,124.7	42328.6	42811.6	43493.1	1.6
Africa percentage	16.02	13.43	13.39	13.77	14.74	15.11	15.12	15.07	
	Exports of Refined Products ,1990-2006 (1000 b/d)								
Africa	1561.4	2898.6	3030.6	2912.2	3149.7	3497.5	3693.4	3776.8	2.3
World	12894.2	17189.0	17421.7	17623.3	18265.9	19370.2	20345.7	20610.1	1.3

	Proven Crude Oil Reserves (mb)								
	1990	2000	2001	2002	2003	2004	2005	2006	% change 06/05
Africa percent-age	12.11	16.86	17.40	16.52	17.24	18.06	18.15	18.32	
Imports of Crude Oil ,1980-2006 (1000 b/d)									
Africa	576.8	784.4	777.0	778.0	731.5	761.1	792.1	824.7	4.1
World	27,700.0	38,907.0	38,848.9	38,105.9	40,494.4	42,790.0	45,609.3	48,923.8	7.3
Africa percent-age	2.1	2.0	2.0	2.0	1.8	1.8	1.7	1.7	
Imports of Refined Products,1990-2006 (1000 b/d)									
Africa	311.7	533.1	527.8	532.7	575.0	631.7	657.8	673.4	2.4
World	11,156.6	14,826.9	14,806.6	14,434.6	15,899.1	16,905.2	17932.2	19089.5	6.5
Africa percent-age	2.8	3.6	3.6	3.7	3.6	3.7	3.7	3.5	

Source: *OPEC Statistical Report 2006.*

Note: *b/d = barrels per day; mb = million of barrels.*

Table A2.3

Trends in basic indicators for the natural gas sector in Africa

Region	1990	2000	2001	2002	2003	2004	2005	2006	% change 06/05
Proven Natural Gas Reserves , 1990 –2006 (Thousand Million Standard Cubic Metres)									
Africa	8,524.0	12,463.0	13,133.0	13,782.0	13,893.0	14,215.0	14,132.0	14,165.0	0.2
World	132,206.0	162,826.0	176,066.0	177,735.0	180,039.0	180,545.0	181,065.0	180,899.0	-0.1
Africa per-centage	6.45	7.65	7.46	7.75	7.72	7.87	7.80	7.83	
Marketed Production of Natural Gas , 1990-2006 (Million Standard Cubic Metres)									
Africa	70,890	125,589	130,270	134,344	145,102	151,907	172,645	189,724	9.9
World	2,081,040	2,492,969	2,551,275	2,598,985	2,691,974	2,766,145	2,858,795	2,943,055	2.9
Africa per-centage	3.41	5.04	5.11	5.17	5.39	5.49	6.04	6.45	
Natural Gas Exports by Country, 1990-2006 (Million Standard Cubic Metres)									
Africa	32,570	68,223	66,455	67,127	72,740	74,537	89,896	103,961	15.6
World	304,330	530,548	553,464	585,285	631,355	687,530	720,740	747,995	3.8
Africa per-centage	10.70	12.86	12.01	11.47	11.52	10.84	12.47	13.90	
Imports of Natural Gas by Country, 1990-2006 (Million Standard Cubic Metres)									
Africa	1,200	1,730	1,580	2,290	2,090	1,300	1,300	1,300	0.0
World	304,330	530,548	553,464	585,285	631,355	687,530	720,740	747,995	3.8
Africa per-centage	0.39	0.33	0.29	0.39	0.33	0.19	0.18	0.17	

Source: *OPEC Statistical Report, 2006.*

Table A2.4

Top 20 tourism destinations in Africa ('000 of tourists)

Country	2000	Rank	Country	2003	Rank	Country	2004	Rank	Country	2005	Rank
South Africa	6,001	1	South Africa	6,640	1	Egypt	7,795	1	Egypt	8,244	1
Egypt	5116	2	Egypt	5,716	2	South Africa	6,815	2	South Africa	7,518	2
Tunisia	5,058	3	Tunisia	5,114	3	Tunisia	5,998	3	Tunisia	6,378	3
Morocco	4,278	4	Morocco	4,761	4	Morocco	5,477	4	Morocco	5,843	4
Zimbabwe	1,967	5	Zimbabwe	2,256	5	Zimbabwe	1,854	5	Botswana	1,834	5
Botswana	1,104	6	Botswana	1,406	6	Botswana	1,523	6	Zimbabwe	1,559	6
Kenya	899	7	Algeria	1,166	7	Algeria	1,234	7	Kenya	1,536	7
Algeria	866	8	Kenya	927	8	Kenya	1,199	8	Algeria	1,443	8
Nigeria	813	9	Nigeria	924	9	Nigeria	962	9	Nigeria	1,010	9
Mauritius	656	10	Mauritius	702	10	Mauritius	719	10	Swaziland	839	10
Namibia	656	11	Namibia	695	11	Senegal	667	11	Senegal	769	11
Tanzania	459	12	Tanzania	552	12	Ghana	584	12	Mauritius	761	12
Zambia	457	13	Ghana	531	13	Tanzania	566	13	Mozambique	578	13
Ghana	399	14	Senegal	495	14	Zambia	515	14	Uganda	468	14
Senegal	389	15	Swaziland	461	15	Uganda	512	15	Ghana	429	15
Lesotho	302	16	Mozambique	441	16	Malawi	471	16	Lesotho	304	16
Swaziland	281	17	Malawi	424	17	Mozambique	470	17	Angola	210	17
Cameroon	277	18	Zambia	413	18	Swaziland	459	18	Cape Verde	198	18
Malawi	228	19	Lesotho	329	19	Lesotho	304	19	Benin	176	19
Uganda	193	20	Gabon	222	20	Angola	210	20	Burundi	148	20

Source: *World Tourism Organization Database, 2007.*

Note: *The data for Malawi, Tanzania and Zambia were not available in the UNWTO report of 2006. Therefore, the latest classification of these countries is not captured in this table.*

Table A2.5

Top 20 tourism earners in Africa ($millions)

Country	2000	Ranking	Country	2003	Ranking	Country	2004	Ranking	Country	2005	Ranking
Egypt	4,345	1	South Africa	5,523	1	South Africa	6,282	1	South Africa	7,327	1
South Africa	2,675	2	Egypt	4,584	2	Egypt	6,125	2	Egypt	6,851	2
Morocco	2,039	3	Morocco	3,225	3	Morocco	3,924	3	Morocco	4,617	3
Tunisia	1,683	4	Tunisia	1,582	4	Tunisia	1,970	4	Tunisia	2,063	4
Mauritius	542	5	Mauritius	696	5	Mauritius	853	5	Mauritius	871	5
Tanzania	377	6	Tanzania	647	6	Tanzania	746	6	Ghana	796	6
Ghana	335	7	Botswana	457	7	Botswana	549	7	Tanzania	796	7
Kenya	283	8	Ghana	414	8	Kenya	486	8	Kenya	579	8
Botswana	222	9	Kenya	347	9	Ghana	466	9	Botswana	562	9
Uganda	165	10	Namibia	330	10	Namibia	403	10	Namibia	348	10
Namibia	160	11	Senegal	209	11	Uganda	266	11	Uganda	270	11
Senegal	144	12	Libya	205	12	Libya	218	12	Libya	210	12
Seychelles	139	13	Uganda	184	13	Zimbabwe	194	13	Algeria	181	13
Zimbabwe	125	14	Seychelles	171	14	Algeria	178	14	Seychelles	192	14
Madagascar	121	15	Zambia	149	15	Ethiopia	173	15	Ethiopia	168	15
Zambia	111	16	Mali	128	16	Seychelles	172	16	Mozambique	130	16
Nigeria	101	17	Ethiopia	114	17	Zambia	161	17	Cape Verde	127	17
Algeria	96	18	Algeria	112	18	Mali	130	18	Madagascar	111	18
Benin	77	19	Benin	106	19	Madagascar	105	19	Zimbabwe	99	19
Libya	75	20	Swaziland	101	20	Swaziland	95	20	Swaziland	96	20

Source: *World Tourism Organization Database, 2007.*