African Economic Outlook

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AFRICAN DEVELOPMENT BANK

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THE AFRICAN DEVELOPMENT BANK GROUP

The African Development Bank Group is a regional multilateral development finance institution the members of which are all of the 53 countries in Africa and 24 countries from Asia, Europe, North and South America.

The purpose of the Bank is to further the economic development and social progress of African countries, individually and collectively. To this end, the Bank promotes the investment of public and private capital for development, primarily by providing loans and grants for projects and programmes that contribute to poverty reduction and broad-based sustainable development in Africa.

The non-concessional operations of the Bank are financed from its ordinary capital resources. In addition, the Bank's soft window affiliates – the African Development Fund and the Nigeria Trust Fund – provide concessional financing to low-income countries that are not able to sustain loans on market terms.

By the end of 2009, the African Development Bank Group cumulatively approved 3 414 loans and grants for commitments of close to UA 52.26 billion (approximately USD 81.93 billion). The commitments were made to 53 regional member countries and institutions to support development projects and programmes in agriculture, transport, public utilities, industry, education and health services. Since the mid-1980s, a significant share of commitments has also gone to promoting economic reform and adjustment programmes that help to accelerate socio-economic development. About 69.3% of the total Bank Group commitments were financed on non-concessional terms, while the balance benefited from concessional financing.

ECONOMIC COMMISSION FOR AFRICA

The Economic Commission for Africa (ECA) was established by the Economic and Social Council (ECOSOC) of the United Nations (UN) in 1958 as one of the UN's five regional commissions. ECA's mandate is to promote the economic and social development of its member states, foster intra-regional integration, and promote international co-operation for Africa's development.

ECA's dual role as a regional arm of the UN, and a part of the regional institutional landscape in Africa, positions it well to make unique contributions to member states' efforts to address their development challenges.

Its strength derives from its role as the only UN agency mandated to operate at the regional and subregional levels to harness resources and bring them to bear on Africa's priorities. ECA's work programme now focuses on achieving results in two related and mutually supportive areas:

Promoting Regional Integration in support of the African Union vision and priorities. ECA's support to the implementation of AUC's regional integration agenda focuses on undertaking research and policy analysis on regional integration issues, strengthening capacity and providing technical assistance to institutions driving the regional integration agenda, including strengthening and supporting the Regional Economic Communities (RECs), and working on a range of trans-boundary initiatives and activities in sectors vital to the regional integration agenda.

Meeting Africa's special needs and emerging global challenges. ECA recognises the importance of focusing attention on Africa's special needs, particularly within the context of achieving the Millennium Development Goals (MDGs). In this regard, ECA places emphasis on supporting efforts to eradicate poverty, placing African countries on the path of growth and sustainable development, reversing the marginalisation of Africa in the globalisation process, and accelerating the empowerment of women. It aims to provide significant technical support to the African Peer Review Mechanism (APRM) and also to promote peer learning and knowledge sharing in a range of development areas.

FOREWORD

The ninth edition of the *African Economic Outlook* portrays a continent that is slowly emerging from the lingering effects of the world's deepest and most widespread economic crisis in half a century. Almost all African countries are expected to register higher growth in 2010 than in 2009.

Indeed, if the world economy and world trade continue to recover, and commodity prices remain close to current levels, the continent's outlook in 2010 and 2011 is promising, with average growth accelerating to 4.5% in 2010 and above 5% in 2011. However, whereas the commodity story and recovery in the world economy are important, it is now clear that domestic factors and, in particular, prudent macroeconomic management as well as governance reforms continue to be crucial for the continent's resilience and eventual return to pre-crisis growth rates. That case is made stronger by the fact that even with the 2009 slump in prices for minerals and hydrocarbons and the collapse of world trade, the continent has weathered the storm quite well. Even more significant, reversals of earlier economic reforms were avoided. Instead, most African governments have maintained fiscal prudence. In some cases, domestic countercyclical policies have helped to cushion the impact of the crisis in the short term.

Another significant factor in the generally optimistic economic outlook for the continent in the near term is the increasingly important role that emerging partners are playing in the continent, in terms of trade and development finance. This trend is expected to continue and could even be reinforced if structural bottlenecks are addressed and the business environment further improved. Foreign investment is also set to play a critical role in boosting the continent's recovery.

The analysis in this volume shows that both the growth rate and the impact of the global economic downturn have been uneven. Eastern Africa, which had best weathered the global crisis, is likely to achieve again the highest average growth in 2010-11, exceeding 6%. Real output is expected to grow at around 5% in North Africa and West Africa, and at 4% in Central Africa during the forecasting period. The Southern African region, which has been most hit in 2009, will recover more slowly than the other regions, with average growth of almost 4% during 2010-11.

However, over the long term, greater reliance on domestic resources is critical for Africa to build more resilient economies, implement its own development agenda and effectively fight poverty. For African governments, this requires an expansion of their fiscal space, and therefore more effective and fairer tax collection policies. Donor support will continue to play an important role for many countries in Africa, but raising more domestic resources will provide additional policy space. We thus strongly believe that the special focus of this edition of the *Outlook* – public resource mobilisation – is very timely.

The Outlook provides an analysis of African economies and evidence-based policy advice on key development challenges for policy makers, academics, civil society, as well as the general public within and outside the African continent. It continues to benefit from the financial support of the European Commission and the Committee of Ambassadors of the African, Caribbean and Pacific Group of States, for which we are deeply grateful.

Once again, we would like to reaffirm our commitment to sound and objective analysis, peer learning, and good governance, all goals to which the Outlook makes an essential and invaluable contribution.

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African Economic Outlook

Part One: Overview

Part Two: Public Resource Mobilisation and Aid in Africa

Part Three: Country Notes

Full-length country notes available on www.africaneconomicoutlook.org

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Sierra Leone
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Tanzania
Togo
Tunisia
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Zambia

Part Four: Statistical Annex

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Executive Summary

Africa's economies face a major challenge overcoming the economic contraction, which resulted from the global recession, while at the same time striving to achieve the UN Millennium Development Goals. While Africa is on the path to recovery, helped by strengthened global trade and the rebound of commodity prices, there is a risk that growth will not be enough to significantly reduce unemployment and poverty. Africa must, therefore, overcome the numerous obstacles, which had, even before the crisis, reduced its growth potential and increased inequality. Part I of this year's *African Economic Outlook* analyses Africa's macroeconomic and structural developments. It examines how the African continent, its regions and countries, have weathered the global crisis and forecasts economic developments in 2010 and 2011. It describes changes in external financial flows and discusses trade policies and measures to foster regional integration and also reports on progress towards the Millennium Development Goals and discusses political and economic governance developments.

Part II explores how public resources can be better mobilised for development through more effective, more efficient and fairer taxation. This issue is particularly important given the uncertainties about future export revenues and unstable and unpredictable inflows of Foreign Direct Investment and Official Development Aid.

Part One: Overview

Chapter 1 - Macroeconomic Situation and Prospects

The world economic crisis brought a period of relatively high economic growth in Africa to a sudden end. Average economic growth was slashed from an average of about 6% in 2006-08 to 2.5% in 2009 with per capita Gross Domestic Product (GDP) growth coming to a near standstill. The global crisis of 2009 had its strongest effect on Southern Africa, where growth was slashed (from the average over the preceding three years) by almost 8 percentage points to negative growth of around 1%. East Africa and North Africa proved to be the most resilient regions. While in most African countries GDP continued to grow in 2009, albeit at a lower rate, in 10 of the 50 African countries covered in this report, output declined. In half of the countries, per capita GDP stagnated or fell.

The economic slowdown was most pronounced in mining, manufacturing and tourism. These sectors were particularly exposed to the fall of commodity prices and global trade in goods and services. Other sectors, notably agriculture and services, were more resilient and mitigated the downturn. In fact, in most African countries the agricultural sector benefited from good harvests due to favourable weather, although in some countries bad harvests exacerbated the effect of the global crisis.

In Africa, the global crisis was mainly felt through the collapse of commodity prices and the fall of export volumes. In 2009, Africa's export volumes declined by 2.5% and import volumes by about 8%. Due to the fall in commodity prices, Africa's terms of trade deteriorated. Export values declined sharply, and more than import values, leading to a deterioration of trade and current account balances.

The global crisis also hit through the decline of worker remittances and of foreign direct investment.

On the positive side, donor countries have generally maintained their aid flows to Africa, despite substantial fiscal pressures at home. Furthermore, debt relief under the Heavily Indebted Poor Countries initiative by the International Monetary Fund (IMF) and the World Bank has reduced debt service costs. This together with additional loans by the IMF, the World Bank and the African Development Bank has helped African countries to better cope with the crisis.

Another positive factor was that due to past fiscal prudence and to disinflation, many African countries could pursue expansionary fiscal and monetary policies, which mitigated the downturn. Major public spending programmes were mostly continued and key policy interest rates were reduced. However, in a few countries, where economic fundamentals were less favourable, governments were forced to pursue tight macro policies to counter deteriorating current balances, falling exchange rates and losses of international reserves.

A gradual recovery of African economies is expected with average growth reaching 4.5% in 2010 and 5.2% in 2011. All African regions will achieve higher growth although the recession will leave its mark. Southern Africa, which was hardest hit in 2009, will recover more slowly than other regions. East Africa, which best weathered the global crisis, is likely to again achieve the highest average growth in 2010-11.

This forecast for Africa rests on the assumption that the world economy and world trade continues to recover, and that prices of oil and other commodities will remain close to current levels. However, there are positive and negative risks for this forecast. On the upside, the global recovery may be stronger than expected. Indeed, several international indicators improved significantly towards the end of 2009, and confidence continued to increase in many countries in early 2010. Stronger global growth would boost Africa's growth. On the downside, the global recovery could be weaker than assumed. Uncertainties persist in particular about remaining problems in advanced countries' banking sectors and to what degree this will constrain investment financing and the global recovery. There is also a risk over how worldwide fiscal and monetary policies manage the exit from highly expansionary policies into a more neutral stance during the recovery. Exiting too early could lead to a double-dip recession. Exiting too late could undermine credibility and nurture inflation.

Besides these external factors, risks also exist inside Africa. In some countries, social discontent and political tensions could rise or emerge, cutting growth. African policy makers need to be aware of these international and domestic risks. The weakening of economies and the prospect of a relatively moderate recovery has made it even more pressing to address the structural problems which existed even before the global crisis, and which reduced growth potential and led to inequalities and high poverty levels in many countries.

Chapter 2 - External Financial Flows to Africa

Foreign direct investment (FDI) can be a major source of growth. It increases activity not only of FDI-beneficiary firms but the effect can also be spread to other firms and sectors through technological spillover and increased competition, thus raising productivity for the whole economy. Many African governments have implemented investment-friendly frameworks to attract more foreign investment. Nonetheless, most foreign investment in Africa goes to extractive industries in a relatively limited group of countries. Thus, the broader development impact of FDI-backed projects is often limited. Attracting investment into diversified and higher value-added sectors remains a challenge for Africa. However, constraints on investment such as weak infrastructure and fragmented markets also adversely affect FDI flows to Africa.

Despite these constraints, prior to the financial crisis, FDI to Africa had been rising strongly, driven by a surge in prices for raw materials, particularly oil, which triggered a boom in commodity-related investment. The global crisis led to a considerable slowdown and preliminary estimates for 2009 indicate foreign investment fell by more than one third. As FDI is a major source of investment for Africa, this drop had a significant adverse effect on the continent's overall investment activity.

FDI levels still vary widely by region, sector and country. Prior to the global crisis, North Africa attracted large and diversified inflows due to privatisation programmes and investment-friendly policies. By contrast nearly 80% of total foreign investment in West Africa came through the oil industry, mostly reflecting expansion projects. South Africa, the continent's most diversified economy, registered strong FDI growth prior to the crisis, but estimates for 2009 indicate a drop by a quarter.

Besides FDI from industrial countries, inflows from emerging countries are becoming more important, in particular from China. Measuring these flows is, however, difficult as some of the finance comes through tax havens. African countries are developing Special Economic Zones (SEZs) to attract FDI. Foreign investors, notably China, are promoting the creation of such zones, which provide employment and spillovers to domestic economies and allow firms to benefit from better infrastructure and easier regulations. By investing in Africa, emerging countries also benefit from the preferential trade agreements of African countries with Europe and the United States.

Official Development Aid (ODA) to Africa appears to have been broadly sustained during the global crisis. In the years prior to the crisis, ODA had declined from its peak in 2005 but this peak was exceptional as it included large debt relief operations. Prospects for meeting the Group of Eight (G8) target of increasing aid to poor countries by USD 50 billion from 2004 to 2010 will depend on sharply accelerating growth in core development aid.

Donors outside the OECD's Development Assistance Committee (DAC) are becoming more important for Africa. China receives much attention in terms of aid as well as trade. China gives aid to almost every country in sub-Saharan Africa. Some argue that Chinese aid is only motivated by access to Africa's natural resources. However, there is little evidence that China gives more aid to countries with more natural resources, or specifically targets countries with a poor governance record. In addition, China is not alone in its interest in Africa's natural resources, and natural resources are not the primary motivating factor for Chinese aid. Like all donors, China is motivated by a mix of political, commercial, and social/ideological factors. But the scarcity of data on the growing Chinese presence in Africa in terms of aid, debt relief and direct investment flows represents a serious impediment to evaluating the real impact of China's engagement in Africa.

Many donor countries are reforming their development systems to make aid more effective, in particular by orienting ODA towards maximizing poverty reduction and achieving the other Millennium Development Goals. To ensure transparency and accountability, there must be high-quality evaluation based on solid evidence for measuring the impact on development goals. The DAC has developed quality standards for evaluation and donors are increasingly working together to improve evaluation. Several African countries are also making progress in strengthening development strategies and institutional frameworks. The Accra High Level Forum 2008 is supporting these efforts by setting priorities to increase aid effectiveness, for example by increasing development actors' delivery capacity, involving civil society in the delivery process, improving the transparency and accountability on the part of both donors and governments, and adapting the evaluation and monitoring criteria.

Chapter 3 - Trade Policies and Regional Integration in Africa

In the years before the global crisis, international trade increased rapidly and African countries benefited from this. Nonetheless, Africa's share of world trade remained low with exports from the continent amounting to only about 3% of the global total. This poor performance partly stems from trade protection against African products, but also from constraints that inhibit trade within Africa.

A rapid conclusion of the Doha Round of trade talks and outstanding issues in Economic Partnership Agreements with the European Union are crucial to Africa's medium-term trade prospects. No breakthrough on the World Trade Organisation (WTO) Doha talks was made in 2009, however, and the stalemate since the Cancun ministerial meeting of 2003 has been attributed to a lack of consensus among WTO countries on market access. Furthermore, a rising number of protectionist measures were adopted by advanced countries in 2009 to curb the effect of the financial crisis. Often stimulus packages were geared to favour domestic sectors, such as through export support or preferences for buying, lending, hiring or investing in local goods and services. Such measures clearly discriminate against developing countries, including those in Africa.

Some recent policy developments could affect Africa's trade. The General Agreement on Trade in Bananas, also known as the "Banana Deal" could, if approved, have important implications for African exporters, which currently enjoy quota- and duty-free access to European markets. African banana exporters could lose market share to more competitive Latin American producers. On the other hand, an agreement has been reached between the "Cotton Four" coalition (Benin, Chad, Mali and Burkina Faso) and the EU and United States, which could lead to lower subsidies for cotton producers in industrial countries, which harm African producers.

A critical reason for Africa's relatively poor trade performance is the weak diversification of African trade in terms of structure and destination. Most African economies depend on few primary agricultural and mining commodities for their exports and mainly import manufactured goods from advanced countries. As traditional markets in advanced countries are expected to grow less than those in emerging Asian and Middle East countries as well as markets in Africa, trade relations with these more dynamic markets must be enhanced.

Despite some progress, intra-African trade is still low, representing on average only about 10% of total African exports. Many factors contribute to the low trade performance, including the economic structure of African countries, which constrains the supply of diversified products, poor institutional policies, poor infrastructure, weak financial and capital markets, political instability, insecurity in several regions and intra-African trade barriers. For instance, less than a third of the African road network is paved and its railway network is very poor. These factors contribute to high transport costs compared to the rest of world. The numerous roadblocks and checkpoints on African highways further raise transport costs and contribute to delivery delays. They also limit the free movement of commodities, persons, inputs and investments. African customs administrations are often inefficient, reinforcing trade barriers within and outside the continent. Customs regulations require excessive documentation, which must be done manually as information and communication technologies are absent in most customs offices. Customs procedures are outdated and lack transparency, predictability and consistency. The resulting delays all increase transaction costs

Various initiatives aim to improve intra-African trade, such as the Minimum Integration Programme launched by the African Union Commission. The African Development Bank (AfDB) is supporting the institutional setup to improve macroeconomic and financial convergence on the continent. It has also focused on the preparation of a continental Programme on Infrastructure Development in Africa, as well as on the development of an Economic Partnership Agreement template to be used as a guide in the negotiations for the agreements

The African Economic Community (AEC) is planned as a gradual process with six stages to create a common market in Africa. Currently, the AEC is at the third stage of the process, which requires the establishment of a Free Trade Area (FTA) and customs union in each of the regional blocs by 2017. However, the progress of the different FTAs and customs unions varies considerably in the eight regional economic communities that the African Union recognises.

African countries, with the assistance of the regional communities and development partners, are working to strengthen infrastructure development. They are developing an integrated network of roads, railways, maritime transport, inland waterways and civil aviation. In addition, the regional communities are developing and implementing harmonised laws, standards, regulations and procedures to ensure the smooth flow of goods and services and to reduce transport costs.

A lack of adequate financing is holding up infrastructure development. Financial support programmes that target Africa's infrastructure development must be scaled up. The World Bank, European Union, African Development Bank and other multilateral agencies need to increase funding for infrastructure development as African governments lack the financial capacity. It is also necessary to increase support for the Infrastructure Consortium for Africa (ICA) and the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF).

Chapter 4 - Progress towards the Millennium Development Goals

With five years left to the target date to reach the UN Millennium Development Goals (MDGs), progress on most of them has been sluggish and it is unlikely that they will be attained. African governments must choose between aiming to achieve all the goals by 2015 or reaching a few of the goals that they consider most critical for long-term development.

Goal 1 - Eradicating Extreme Poverty and Hunger. This target suffered a serious setback last year. Africa's rapid growth from 2000 to 2008 came to an abrupt halt in the worldwide financial crisis. Although figures are not yet available, it is likely that the trend of poverty reduction has been reversed in many African countries, knocking them seriously off track to achieving the goal. The African Development Bank estimates that the continent would need about USD 50 billion per year of additional financing to reach the GDP growth rates needed to achieve the stated goal of halving poverty by 2015. While extreme hunger has been eradicated in many regions, such as North Africa, it persists in several countries, notably in Niger, Burkina Faso, Madagascar, Eritrea and Chad. The earlier food crisis and the recent economic crisis have made it more difficult to eradicate hunger.

Goal 2 - Achieving Universal Primary School Completion. Despite absolute improvements in primary school enrolment and completion rates, the continent is likely to miss the goal, although it could come close. While the completion rate is not an official MDG indicator, it has nonetheless been used as a measure of the quality of the education system. Countries reporting the most progress in primary enrolment and completion rates are those with significant private primary education sectors. In general, the continent has shown great improvement in primary-level completion compared to its 1991 level.

Goal 3 - Promoting Gender Equality and Empowering Women. Countries have made uneven progress in this area. While there has been much progress in achieving gender parity at primary school level, this goal also calls for gender parity in secondary and tertiary education, gender equality in employment, and increased political representation for women. Africa's progress has been slower and more uneven in these areas. In 2009, the overall trend for an increased number of women in African national parliaments remained strongly visible, as it was in 2008. Countries such as Rwanda, Angola and Mozambique lead the continent on this indicator.

Goal 4 - Reducing Mortality of Children Under Five. This is unlikely to be met by the target date. In particular, poverty and malnutrition, HIV/AIDS, low immunisation coverage, high neo-natal deaths, and malaria still factor into the stagnation and reversal of previous gains made in reducing children mortality rates in some countries.

Goal 5 - Improving Maternal Health. Again progress is uneven. The well-being of mothers and that of their children is inextricably linked. When mothers are poor, uneducated and unable to access health care, the risks to them and their children multiply. Despite some improvement, the risk of dying from maternal causes remains high in many African countries.

Goal 6 - Combating HIV/AIDS, Malaria and Other Diseases. The picture is still gloomy in Africa. In 2008 sub-Saharan Africa accounted for about two thirds of new HIV infections among adults worldwide and about 90% of new HIV infections among children. The region also accounted for almost three quarters of the world's AIDS-related deaths in 2008. Over time, there have been encouraging gains, but progress must be accelerated if the millennium targets are to be met. By 2008, the prevalence rate in sub-Saharan Africa, where most HIV patients live, had dropped to around 5%, confirming the declining trend since 2005. Some improvements were made in the worst-hit countries, such as in Botswana, Lesotho, Uganda and Burundi. West and Central Africa are still much less affected than Southern Africa.

Goal 7 - Ensuring Environmental Sustainability. African countries face a significant challenge achieving their set goals by 2015 while also sustaining development and preserving the environment in the longer term. Africa is the lowest emitter of carbon dioxide and these emissions decreased between 1990 and 2006, except for Seychelles and Algeria. Libya and Equatorial Guinea lead the continent in terms of emissions because of gas flaring in oil fields. Climate change also exacerbates water stress for many countries, which further complicates access to safe drinking water. As water use for irrigation and other agricultural purposes continues to increase, countries will need to introduce more efficient water management systems. Despite some improvements, the urban-rural divide in access to improved water sources continues to be a major policy challenge.

Chapter 5 - Political and Economic Governance

In 2008, the sharp increase in the price of food and other basic consumption goods triggered social tensions and strong reactions from several governments. This raised fears that the economic weakening would further undermine social stability and ***political governance***. Stability was broadly maintained however in 2009. Lower food and energy prices relieved the burden on households, including the vocal urban middle class that had instigated protests in 2008. Several governments put measures in place to sustain internal demand, thus limiting social tensions. Nonetheless, rising unemployment exacerbated social discontent in several countries. Concerns remain for the future, as fiscal stimulus measures have to be phased out to restore fiscal sustainability while at the same time unemployment may remain high or increase. Overall in 2009, tensions and hardening indicators decreased. Several countries successfully undertook fair democratic elections, and government accountability increased. While setbacks are still common, improvements in checks and balance mechanisms bode well for future institutional consolidation in Africa. High-intensity conflicts and rebellions generally calmed down, with some important exceptions. When confronted with tensions, many governments struck a better balance between hardening their military stance and launching/strengthening dialogue with rebellion movements. By and large, governments reacted more strongly and more responsively than in the past, which may contribute to reducing long-term tensions. The notable cases of co-operation among governments in the Great Lakes region provided significant steps towards reinforcing regional stability.

To further strengthen political governance, however, and step up social progress, civil society must continue to develop and increase its capacity to become more involved in the political process. On the government side, institutional capacity needs to be strengthened and reforms pushed forward, in particular in the judiciary and security realms. Credible and independent courts are still rare in Africa but are key to guaranteeing the rule of law and protecting citizens from abuse, including abuse of political power. Africa still suffers from human and financial deficits in its governance institutions and this creates a disconnection between legal and formal provisions/stipulations and implementation and execution. Improved access, quality and affordability of basic public services are necessary to increase institutional effectiveness and accountability.

Despite the efforts recorded in some countries and rising domestic and international attention, ***corruption*** remains a serious problem in Africa. According to Transparency International's Corruption Perception Index, in about 70% of African countries covered, corruption is perceived as rampant (with scores of less than 3 out of 10). In more than a quarter of the countries corruption is considered a serious challenge. As in 2008, only Botswana, Mauritius and Cape Verde scored above 5.

With respect to ***economic governance,*** Africa registered a marked new improvement in its regulatory environment in 2009. Several countries have introduced new laws or reformed existing laws, making it easier to do business. According to the World Bank report *Doing Business 2010*, 67 regulatory reforms were registered in 29 of the 49 sub-Saharan African countries. The report further noted that for the first time an African country – Rwanda – has ranked as the world's top reformer. Mauritius also continued to perform well with a ranking of 17 out of the 183 countries for the overall ease of doing business. Several other countries also made progress in implementing business-friendly reforms with the most significant changes taking place in the use of information technology to making processes simpler and more efficient.

Part Two: Public Resource Mobilisation and Aid in Africa

The global economic crisis has given a new impetus to dialogue on domestic resource mobilisation in Africa. Lower export revenues, uncertain future foreign investment and aid inflows amidst generally high levels of indebtedness have raised the importance of increasing domestic resources. This part explores how public resources can be better mobilised for development through more effective, more efficient and fairer taxation systems.

Africa faces three types of challenges with respect to mobilising additional public resources. First, there are structural bottlenecks: high levels of informality, a lack of fiscal legitimacy and administrative capacity constraints, under-pinned by insufficient support from donors. Second, existing tax bases are often eroded by excessive granting of tax preferences, inefficient taxation of extractive activities and an inability to fight abuses of transfer pricing by multinational enterprises. Third, the tax mix of many African countries is unbalanced with countries relying excessively on a narrow set of taxes. In particular, the lack of urban cadastres and population censuses makes collecting urban property taxes particularly challenging for local administrations on top of the difficulty of collecting taxes from higher income groups. Additionally, trade tax revenues are bound to suffer from trade liberalisation agreements.

The solution is not to simply raise existing taxes. This could undermine economic recovery without necessarily improving the quality of tax systems. Strategies towards more effective, efficient, and fair taxation in Africa typically lie with deepening the tax base in administratively feasible ways. Policy options include removing tax preferences, dealing with abuses of transfer pricing techniques by multinationals and taxing extractive industries more fairly and more transparently. The international community has a key role to play in enhancing administrative capacity, while African partners should provide peer-learning opportunities.

In the longer term, the capacity constraints of African tax administrations must be ended to open up policy options and enable generating tax revenues through a more balanced tax mix. Indeed, taxing new potential payers is crucial. A wide tax base is more stable because it relies on a diversified set of tax revenues. It is also more efficient as it keeps a moderate burden on each type of taxpayer and each type of economic activity. Additionally, it engages a wide range of stakeholders in the political process thus strengthening democracy. The report identifies in particular urban property taxation as an instrument that can be more easily implemented with the aid of development partners. This type of taxation is progressive and can be scaled up with Africa's rapid pace of urbanisation and the corresponding need for financing urban infrastructure.

Considering the administrative bottlenecks, options to pursue redistributive tax policies are usually few in the short run and take different forms than in industrialised countries. To pursue a genuinely redistributive tax strategy, instead of a highly progressive income tax, countries would do better to consider taxes on luxury goods or ones that target higher income categories such as road tolls and car registration fees as these are important consumption items for richer Africans.

Excise taxes could also be used more intensively. Higher income groups, which are targeted by this kind of taxation, will probably try to oppose such reform. But if public service quality were improved it would be easier for governments to convince citizens that they have a stake in a better-funded state. Given the limited scope for redistributive taxation, more needs to be done to tackle inequality and poverty on the expenditure side.

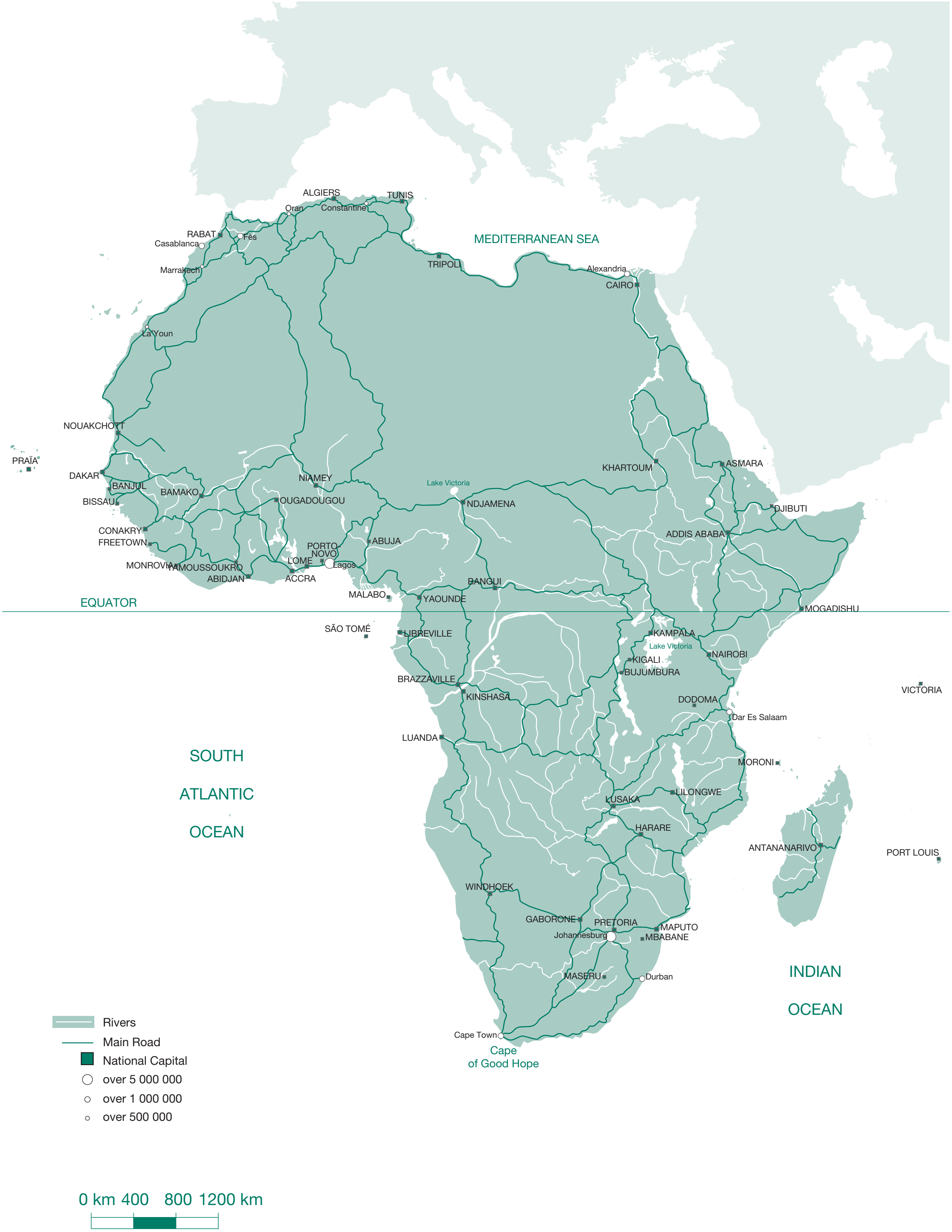
Taxation quality matters as much as the quantity of money raised. States need tax revenue to function and taxes are the primary platform for political negotiations among a country's stakeholders in the form of a social contract. There is no representation without taxation. Furthermore, increasing fiscal revenue in a sustainable way increases ownership of government policies, paving the way for Africa to move away from aid in the long run. Ideally, taxes should be levied at low and relatively flat rates on bases broadened through the elimination of exemptions and other loopholes. Lower, simpler taxes are easier to collect and administer, and a more effective policy to stimulate private sector development.

The average African tax revenue as a share of GDP has been increasing since the early 1990s, mostly because of taxes on the extraction of natural resources. Obtaining natural resource rents distracts governments away from more politically demanding forms of taxation. Indeed, income taxes (mainly personal and non-resource corporate) have stagnated over this period. At the same time, trade liberalisation in Africa has led to a reduction of revenue from trade taxes. Indirect taxes, corporate taxes and resource-related tax revenues have increased since the late 1990s.

There are very large differences in the tax raising performance of individual countries. Annual taxes per capita range from as low as USD 11 to USD 3 600. In fact, tax effort estimates confirm that some countries collect as little as half of what they would be expected, given their living standards and economic structures, while others collect two to three times what would be expected. When resource-related tax revenues are excluded from this analysis, some resource-rich African countries switch from a high tax effort to a low tax effort, which implies that these countries have made little effort to broaden their tax base.

Many African countries are still heavily dependent on aid. In the past, donors have devoted little attention to public resource mobilisation. But if a larger share of aid were targeted at this goal, countries would become less dependent on aid in the long run, to the benefit of recipients and donors.

Part One
Overview


MEDITERRANEAN SEA
ALGIERS
TUNIS
Oran
Constantine
RABAT
Fès
Casablanca
Marrakech
TRIPOLI
Alexandria
CAIRO
La Youn
NOUAKCHOTT
PRAÏA
DAKAR
BANJUL
BISSAU
BAMAKO
NIAMEY
OUGADOUGOU
Lake Victoria
NDJAMENA
KHARTOUM
ASMARA
DJIBUTI
ADDIS ABABA
CONAKRY
FREETOWN
MONROVIA
YAMOUSSOUKRO
ABIDJAN
ACCRA
LOME
PORTO NOVO
Lagos
ABUJA
MALABO
BANGUI
YAOUNDE
EQUATOR
MOGADISHU
SÃO TOMÉ
LIBREVILLE
KAMPALA
Lake Victoria
NAIROBI
KIGALI
BUJUMBURA
BRAZZAVILLE
KINSHASA
DODOMA
Dar Es Salaam
VICTORIA
LUANDA
MORONI
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ANTANANARIVO
PORT LOUIS
WINDHOEK
GABORONE
PRETORIA
Johannesburg
MAPUTO
MBABANE
MASERU
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OCEAN
Cape Town
Cape
of Good Hope
Rivers
Main Road
National Capital
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Macroeconomic Situation and Prospects

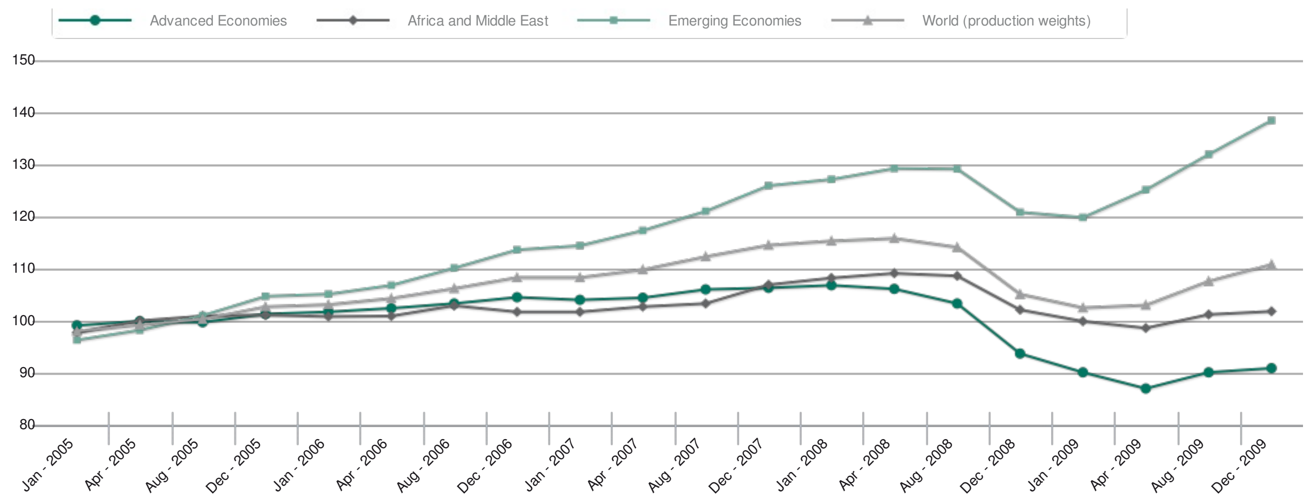
In the years before the global recession in 2009 most African economies had enjoyed impressive economic growth, with average annual growth in 2006-08 amounting to about 6% and gross domestic product (GDP) per capita growth to almost 4%. The African economies benefited from a combination of favourable factors, including high commodity prices and rapidly growing export volumes, generally prudent macro policies, debt relief and sustained aid and foreign direct investment (FDI) inflows. Moves towards more market-friendly economic framework conditions had also helped to foster growth. African growth would have been even higher had it not been restrained by infrastructure bottlenecks (notably in transport and energy), pervasive corruption and political instability in several regions. The world economic crisis brought this period of relatively high African growth to a sudden end. In the meantime, the world economy is recovering again, and Africa is expected to benefit from improved international conditions. This chapter first looks at the international environment and then explores the various channels through which the global crisis has been transmitted to Africa. It then discusses how the African continent and the various regions and countries have weathered the global crisis and what the economic prospects are for 2010 and 2011.

The global economy is recovering from its deepest recession since World War-II

In early 2009 there were fears that developed countries could fall into a depression like that of the early 1930s. One year later, there are clear signs that the worst is over. Since mid-2009, the world economy is gradually recovering, mainly driven by expansionary macro policies and a positive inventory cycle. The global recession of 2008/09 had started in the United States with the breakdown of the subprime mortgage market as a result of insufficient regulations. It then spread to almost all parts of the world. Stock markets collapsed world wide, and business and consumer confidence declined to historically low levels.

The financial turmoil hit the global economy at a time when it had already passed its cyclical peak after the supply shocks due to price hikes of oil and non-oil commodities. Around the world, domestic demand weakened, and the downturn was amplified and spread internationally through sharply falling foreign trade. The recession was sharpest in developed countries. However, the crisis also severely affected some emerging countries (such as Russia, Singapore, Mexico, and Hong Kong, China). In contrast, in China and India, boosted by expansionary policies, output continued to grow at relatively high rates, although somewhat lower than before. The African economy also suffered from the global recession but has maintained – on average – positive growth.

Figure 1.1: Industrial production levels in international comparison (index 2005 = 100)

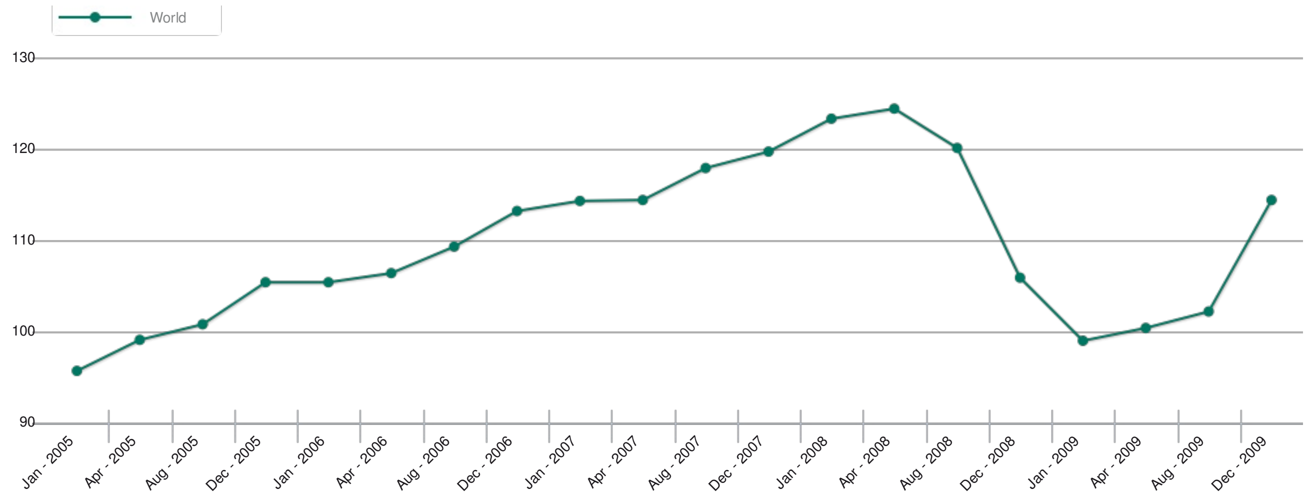


Source: CPB, Netherlands Bureau for Economic Policy Analysis.

StatLink http://dx.doi.org/10.1787/848707675413

The recovery of global output since mid-2009 could not compensate for the earlier losses. Therefore, in 2009 world real GDP declined by around 2% against the previous year making 2009 the first year with negative global growth since World War-II. Output growth in the OECD area contracted even more, by 3.5%. Global trade collapsed mainly owing to weaker import demand in developed countries. Despite a recovery during the second half of 2009, global trade volumes contracted in 2009 by 12.5%.

Figure 1.2: World trade (level of average export and import volumes)



Source: CPB, Netherlands Bureau for Economic Policy Analysis.

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The recession in the developed countries led to a sharp fall of oil prices and other commodity prices. This was an important channel through which the crisis has been transmitted to commodity exporting countries including those in Africa. While the drop in commodity prices led to terms-of-trade losses in Africa and other commodity-exporting countries, it provided terms-of-trade gains to commodity-importing countries. In that sense, commodity exporters including those in Africa acted as shock absorbers and helped commodity-importing countries overcome the recession. The terms-of-trade effects reversed, however, in the course of 2009 when commodity prices recovered again.

The global downturn would have been even more severe and lasted longer had central banks and governments all over the world not acted forcefully by implementing large stimulus measures. Short-term interest rates were reduced in developed countries to historically low levels, near zero. Monetary conditions were further eased by unconventional measures to inject liquidity into markets, in particular by the so-called quantitative easing, which is an indirect way of monetising government and private debt. Governments also provided direct support to ailing banks and sometimes nationalised private banks. Fiscal policy supported aggregate demand both through automatic stabiliser effects; that is, by accepting higher cyclical budget deficits due to the economic downturn and by implementing additional large-scale stimulus packages. These packages included additional infrastructure investment, tax cuts and subsidies to households including for the purchase of new cars. The cyclical effect on public budgets together with the stimulus measures led to a sharp increase of budget deficits. In OECD countries, fiscal deficits increased in 2009 on average by almost 5% of GDP to above 8% of GDP. These forceful monetary and fiscal policies helped restore confidence and halted the economic downturn. In the second half of 2009 most developed countries again achieved positive output growth. However, because of the earlier decline, real GDP in 2009 as a whole remained lower than in 2008.

In April 2010 the global recovery was still not self-sustained and it is unclear at what point the monetary and fiscal stimuli can be withdrawn without the risk of jeopardising the recovery. Given the large fiscal deficits and future fiscal pressures from the ageing populations in many developed and emerging countries, the fiscal room for further supporting aggregate demand is limited, and countries will have to return to fiscal consolidation. Monetary policies will also have to tighten and absorb the excess liquidity to prevent the resurgence of inflationary expectations and asset bubbles. Indeed, a large part of the newly created liquidity has flown into financial assets and has raised asset prices with the risk of new bubbles while business investment has remained weak. But given the low capacity utilisation, as reflected by the large gaps between actual and potential output, and the expected further deterioration in labour markets in many countries, the exit from expansionary policies is expected only after 2010.

Global conditions are expected to improve in 2010 and 2011, but risks remain

Since the trough of the recession in the first half of 2009, the global recovery has made significant progress. Global output is on the rise and business sentiment is improving world wide. But towards the end of 2009 global industrial production and world trade levels were still much lower than before the crisis (Figures 1.1 and 1.2). An exception is the development in emerging countries where – boosted by China – industrial production already exceeds pre-crisis levels. A number of constraining factors continue to weigh on the global recovery. In many countries private consumption is constrained by household indebtedness, high unemployment, weak income growth and the withdrawal of fiscal stimuli. Investment activity is dampened by the high degree of unused capacity and also by credit constraints as banks consolidate their balance sheets. Financial markets remain nervous as the financial position of some banks remains unclear and as sovereign risks of some high-debt countries have increased. Furthermore, foreign trade growth could be constrained if trade protectionist measures gain in importance.

The global recovery is precarious. Nonetheless, global output is expected to increase by 3.4% in 2010 and 3.7% in 2011. In many advanced countries, GDP growth will be lower than growth of potential output so that unused capacities remain high and will further rise. While developed countries are expected to recover only gradually, emerging countries, notably China, and also India, will remain important engines for global growth (Figure 1.3). World trade volume is expected to increase by 6% in 2010 and by 7.7% in 2011. Given the moderate recovery of global output, the increase in oil prices and non-fuel commodity prices is likely to remain subdued in the near future.

The ***United States*** has achieved economic turnaround through expansionary fiscal and monetary policies and special measures to support the banking sector. Real income gains due to lower energy prices also helped the recovery. After the sharp decline in output in the second half of 2008 and the first half of 2009, output has increased again in the second half of 2009. The recovery was mainly driven by fiscal stimulus and replenishing of stocks. The fall in housing investment, which had lasted for 3.5 years and been the main cause of the recession, came to a halt and was followed by a moderate increase. Housing prices, which had declined from their peak in April 2006 by 30% until May 2009, started to edge upwards, supported by massive government support and the lowering of interest rates. Business confidence improved, but business investment remained weak as low capacity utilisation remained a drag on net investment. Subsidies for car purchases (the so-called "cash for clunkers" programme) temporarily boosted private consumption. However, consumption weakened again after the programme was terminated and as income perspectives deteriorated owing to the sharp rise in unemployment. Furthermore, many households were forced to increase their savings as the crash in financial and real assets has reduced their wealth; recent improvements in asset prices compensate only partially for earlier losses. As imports fell even more than exports, the foreign balance improved, thus providing a positive contribution to output growth. While this improvement in the foreign balance of the United States also reduced global imbalances, its impact on aggregate demand of trading partners was negative and contributed to their economic weakening. As a result of cyclical revenue shortfalls, massive fiscal stimulus programmes and support measures for banks, the United States general government budget deficit increased by over 8% of GDP to around 11% of GDP in 2009, the highest level since 1945. In the United States, deep recessions are often followed by strong recoveries, which would point to relatively high growth during 2010 and 2011. This is, however, unlikely to happen. A good part of the recent recovery has been driven by temporary fiscal measures and their effects on aggregate demand will become weaker during the projection period. Furthermore, although conditions in the banking sector have improved, bad loans and other "toxic assets" continue to constrain banks. Banks may therefore be more cautious than in previous upswings to provide loans to the private sector. Households are also expected to spend more cautiously and use a larger part of their income to replenish their savings. After a decline by 2.5% in 2009, GDP is expected to increase by 2.5% in 2010 and by 2.8% in 2011.

In ***Europe,*** the recession was even deeper than in the United States. The stabilisation of the financial sector and of the real economy were achieved through an armoury of measures including historically low interest rates, quantitative easing to increase liquidity in financial markets, targeted support to non-performing banks and large fiscal stimulus programmes, including subsidies for the purchase of new cars (similar to the United States' cash for clunkers programme). Some European countries also introduced measures to mitigate the effect of the recession on the labour market by subsidising reductions in working hours per employee. This led to labour hoarding, which helped to contain the increase in unemployment during 2009 but could lead to rising unemployment in 2010. Similar to that in the United States, the recovery in Europe has so far mainly been driven by fiscal programmes, which supported infrastructure investment and private consumption. Consumers also benefited from the lowering of the inflation rate to close to zero. Exports were another driving force and started to increase again in some European countries despite the relatively strong euro exchange rate. In the euro area, GDP declined in 2009 by 4% and is expected to increase by only about 1% in 2010 and by less than 2% in 2011. In some European countries such as Spain, Greece, Ireland and the three Baltic countries Lithuania, Estonia and Latvia, the recession has been most severe. In Lithuania, Estonia and Latvia, which are not members of the euro area, GDP declined on average by 16%, and is likely to continue falling in 2010. Positive growth is expected only by 2011. In Greece, the risk premium has significantly increased owing to fears of sovereign insolvency; the government has been forced to take harsh austerity measures to prevent insolvency.

Japan suffered from the deepest recession among the large developed countries. The Bank of Japan and the government responded to the crisis by adopting expansionary monetary and fiscal policies, which were even more aggressive than in the United States and Europe. The key interest rate of the central bank was reduced to 0.1%. Additional liquidity was created by central bank purchases of government bonds, corporate bonds and shares. The government implemented various stimulus programmes, with a total amount of around 5% of GDP. These measures, together with rising exports to emerging countries in Asia, notably China, helped to stop the decline in output in spring 2009, and to achieve moderate growth during the rest of the year. Nonetheless, real GDP declined in

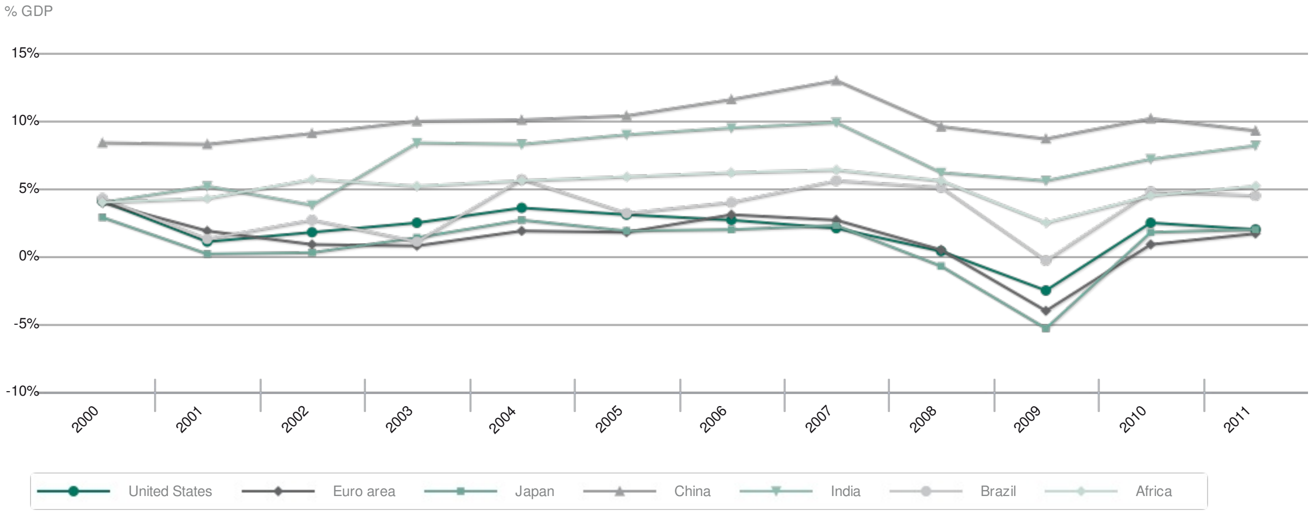
2009 by more than 5%. As only moderate growth of around 2% is expected in both 2010 and 2011, the level of GDP in 2011 will be similar to five years earlier. As a result of cyclical factors and large fiscal stimulus packages, the general government budget deficit increased to around 7% of GDP in 2009. The Japanese economy has now regained a moderate growth path, but inflation has remained negative. While falling prices are supporting real incomes of households, the real debt burden of the government and indebted private agents is rising, which increases the risk that the economy may fall again in a deflation-low growth trap, as in the so-called "lost decade" of the 1990s. Japan's government has responded to this risk by adopting another stimulus programme at the end of 2009 to support domestic demand.

China managed to overcome the global recession with only a moderate slowdown of economic growth. The contraction of world trade led to a sharp fall in exports. However, higher domestic demand due to large-sized fiscal stimulus programmes and the lowering of interest rates largely compensated for this export decline. The current account balance deteriorated but continued to record a substantial surplus. With abundant domestic savings and foreign reserves and a highly regulated banking sector, which remained mostly unaffected by the turmoil in the global financial markets, bank loans were both freely available and in great demand, notably for investment by state-owned enterprises and housing. However, as a result of the loose monetary conditions, asset prices rose rapidly, indicating a risk of asset bubbles. It is likely that monetary conditions will be tightened to contain such risk. After a slowdown from 13% in 2007 to 9.6% in 2008 and to above 8.7% in 2009, growth is expected to accelerate to around 10% in 2010. With the end of the fiscal stimulus, growth should then decelerate slightly, to above 9% in 2011. Expectations for China´s medium-term growth are generally positive, but there are also risks that a continued high credit growth could create bubbles in both the stock and real estate markets and that the investment boom could lead to overcapacities in some sectors.

India was also relatively resilient to the global recession. The crash in global trade did affect the Indian economy and cause a slowdown of growth. However, the impact remained relatively small because the economy is less open than many other emerging economies and because the industrial sector is relatively small in relation to services, which were less affected. The government implemented a number of stimulus measures including infrastructure programmes in rural areas, job-creation programmes and reductions of indirect taxes. India's traditionally high fiscal deficit increased from above 7% of GDP in 2008 to above 10% in 2009. Public debt increased to around 80% of GDP. India also eased its monetary policy in response to the global crisis. The central bank halved its key interest rates to 4.75% but bank loans to the private sector remained relatively weak. Economic growth slowed from almost 10% in (calendar year) 2007 to around 6.2% in 2008 and 5.6% in 2009. It is expected to accelerate above 7% in 2010 and to around 8% in 2011. Consumer price inflation picked up during 2009 because of supply shortages after a historically low monsoon rainfall and the turnaround in commodity prices.

Latin America experienced a sharp slowdown of economic activity towards the end of 2008 and early 2009 but also recovered during 2009. The rebound of commodity prices and expansionary fiscal and monetary policies drove the recovery. Countries such as Brazil with more diversified and less open economies recovered faster than countries such as Mexico with stronger links to the United States economy. Mexico suffered both from a sharp fall of US imports and from lower inflows of workers´ remittances.

Figure 1.3: Economic growth in international comparison



Africa's economic growth has been slashed by the global recession

Various channels transmitted the global economic crisis to Africa. The direct effect of the crisis of the world's financial centres on African banks was relatively small because of the banks' low degree of integration with international financial markets and relatively strict capital market regulations. The major channel of crisis transmission was through the collapse of commodity prices and the fall of export volumes. Another channel of crisis transmission was the decline of workers´ remittances. Many African countries depend on remittances and, faced with job losses or wage declines in their host countries, African workers reduced the transfers to their families at home. A third important channel of crisis transmission was the decline of foreign direct investment. Multinational firms reduced their investment globally and also in Africa, notably in those sectors most affected by the global crisis, such as mining and tourism. On the positive side, donor countries have generally maintained their aid commitments and disbursements to Africa, despite substantial fiscal pressures at home. Furthermore, the debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative by the International Monetary Fund (IMF) and the World Bank, which benefited 29 African countries[1], has reduced debt service costs and helped these countries cope better with the crisis. Last but not least, loans by the IMF[2], the World Bank and the African Development Bank (AfDB) [3] have been increased significantly.

The major adverse effect came through falling commodity prices and export volumes

In 2008, before the financial crisis had started biting the real sectors, the value of Africa's trade broke the USD 1 trillion mark. On the back of favourable commodity prices, African exports reached USD 557.8 billion, which enabled the continent to support an import bill of USD 465.6 billion (ECA and AU, forthcoming). However, owing to lack of diversification of the export products and destinations, the collapse in commodity prices in the second half of 2008 and the beginning of 2009 led to the shrinking of the African trade. Approximately 80% of African exports are oil, minerals and agricultural goods, with fuels and mining products accounting for the largest part. All of these exports were hit hard by the economic crisis. Africa's bias towards the US and European Union (EU) markets, which are recipients of nearly two-thirds of its exports, contributed towards the strong effect of the crisis through the trade channel. Intra-regional trade, which could have provided a shock-absorbing mitigation of the crisis, accounts for barely 10% of total African trade (ECA and AU, 2009). As a result, the global recession led to a sharp decline in demand for African exports of goods and services and affected all main export sectors, such as mining, manufacturing and tourism. In 2009 Africa's export volumes declined by 2.5% and import volumes declined even more, by around 8%. Because of the fall in commodity prices, Africa's terms of trade deteriorated, and export values declined more (by above 30%) than import values (around 20%), leading to a deterioration of trade and current account balances in many African countries.

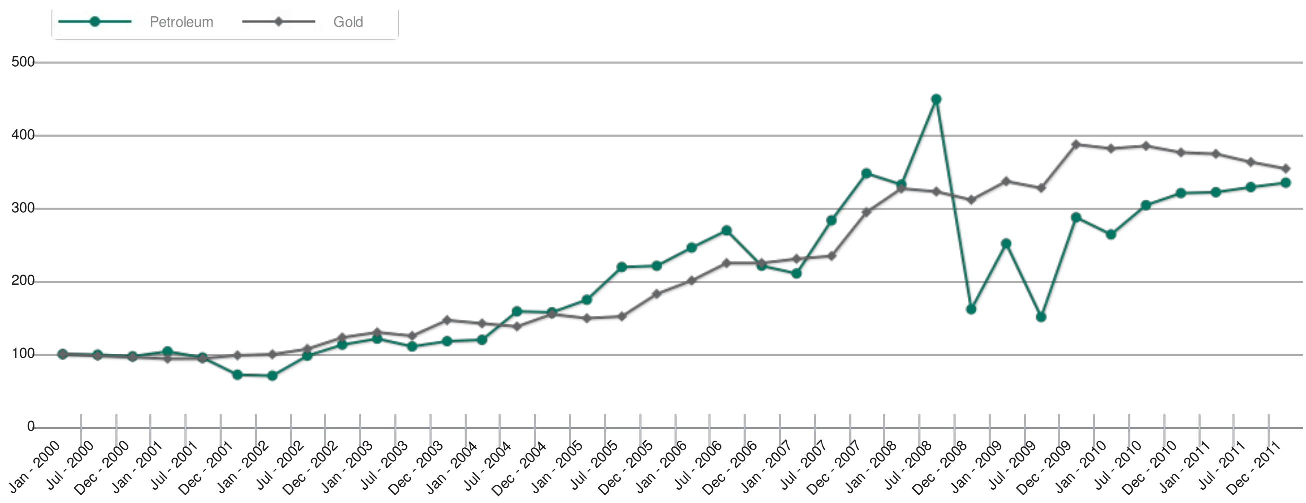
The commodity price boom had lasted for five years, until mid-2008. Prices of both oil and non-oil commodities then fell sharply until the beginning of 2009 before rebounding again in the course of 2009. Food prices also declined from their historical peak in mid-2008. The vulnerability of individual African countries to commodity price shocks depends on their net export and import position with respect to the different commodities. Commodity exports also have major effects on government revenues in those countries, which depend heavily on the mining sector. Food prices also affect income distributions within countries because producers benefit from higher food prices while consumers, notably in urban areas, suffer. Although the commodity price boom had benefited many African countries, the sharp fall of prices was a major blow. However, the rebound from the early 2009 trough brought some relief and helped many African countries recover. At the same time, oil-importing countries benefited from the fall in oil prices but are now adversely affected by the rebound.

A combination of factors caused the boom-bust roller coaster of commodity prices. The driving force both for the boom and the bust was the change in demand for commodities. Shifting weather conditions (for food prices), price speculation and conflicts in producing countries also contributed to price volatility. After the sharp increase in commodity demand by both developed and emerging economies, notably China, the weakening of global growth caused the reversal of the price boom by mid-2008. When the crisis of financial markets pushed the world economy into recession, the fall of commodity prices accelerated, and prices halved until the end of the year. Commodity producers, notably oil-producing countries, responded by sharply curtailing supply. This, together with the stabilisation of the global economy, brought the price decline to a halt and initiated its rebound.

The commodity price boom and bust was led by the oil price but was widespread among non-fuel commodities (Figures 1.4-1.7). Both food and energy prices also interacted as energy is a cost of food production, and rising oil prices increased incentives for biofuel production. This had contributed to the earlier food price hike. Other factors affecting the hike included rising food demand and supply shortfalls. The sharp fall in oil prices made biofuel production less profitable, which increased the supply of food. These events together with good harvests in many (but not all) regions of Africa, thus contributed to lower food prices. Owing to biofuel production agricultural commodity and food prices are now more closely tied to the oil price than before [4].

The ***oil price*** (crude Brent) reached an all-time high of USD 145 per barrel in July 2008 after having sharply increased during the preceding years from USD 20 in 2002. After this peak, it dropped sharply to USD 30 in December 2008 before moving up again and stabilising at around USD 75-80 since mid-2009. The technical assumption of this report is that the oil price will remain at around this level during the projection period. The four largest African oil exporters, Nigeria, Angola, Libya and Sudan, benefited from the oil price boom until mid-2008 and consequently suffered from the later price decline. In these countries, growth decelerated but remained positive. The exception is Angola, where GDP slightly declined after having increased by above 13% in 2008.

Figure 1.4: Oil price and gold price (base in January 2000)



Source: Bloomberg; World Bank; African Development Bank.

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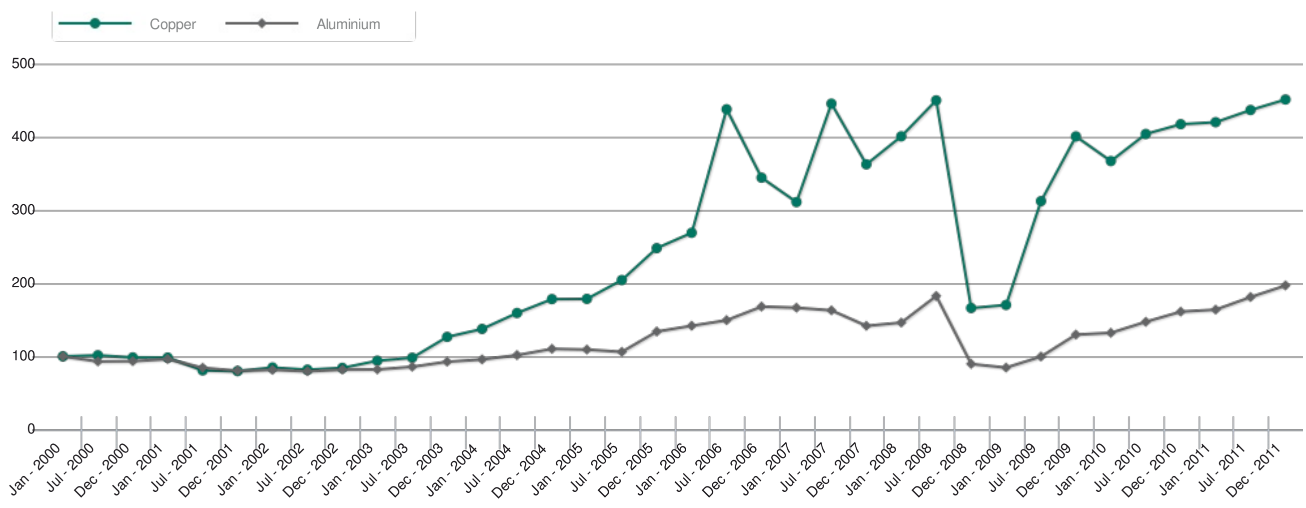
Figure 1.5: Copper and aluminium prices (base in January 2000)



Sources: IMF; World Bank; African Development Bank.

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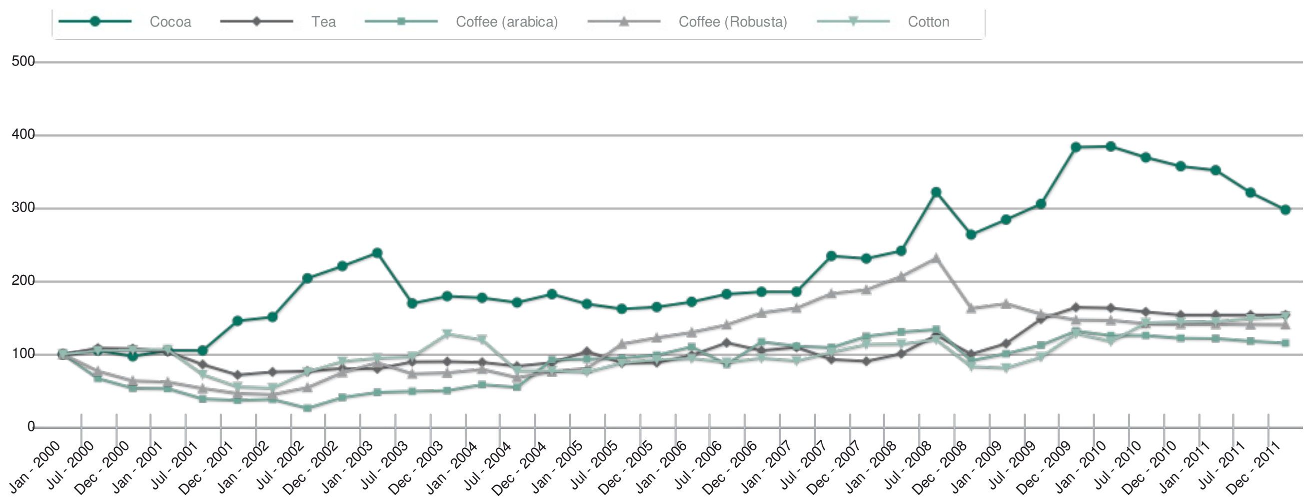
The ***price of gold***, however, did not follow the general pattern. It continued its trend increase during the recession, driven by global demand that aimed hedging against inflation risks and equity and exchange rate fluctuations. The surge in the gold price did not, however, prevent South Africa, which is the largest producer of gold in the world, from falling into a recession. South Africa's mining sector (including gold and diamond production) declined. The exceptions were iron and ore, which increased thanks to demand from China. South Africa's manufacturing sector also declined. In contrast, global demand and prices of ***diamonds*** declined sharply and pushed Botswana, which heavily depends on diamonds, into recession. Due to a gradual recovery of the diamond market during the course of 2009, Botswana's recession was, however, milder - with GDP falling by 4% - than the earlier expected -10%. Other *metal prices, such as* ***copper and aluminium,*** which had peaked by mid-2008, also declined sharply in the wake of the global recession. With the global demand recovering, metal prices have also gradually increased from their troughs. Although the main exporters of these raw materials suffered from the earlier price collapse, some, like Zambia (for copper), managed to at least partially compensate for price declines by increasing production.

Figure 1.6: Exports prices of agricultural products (base in January 2000)



Sources: Bloomberg; IMF; World Bank; African Development Bank.

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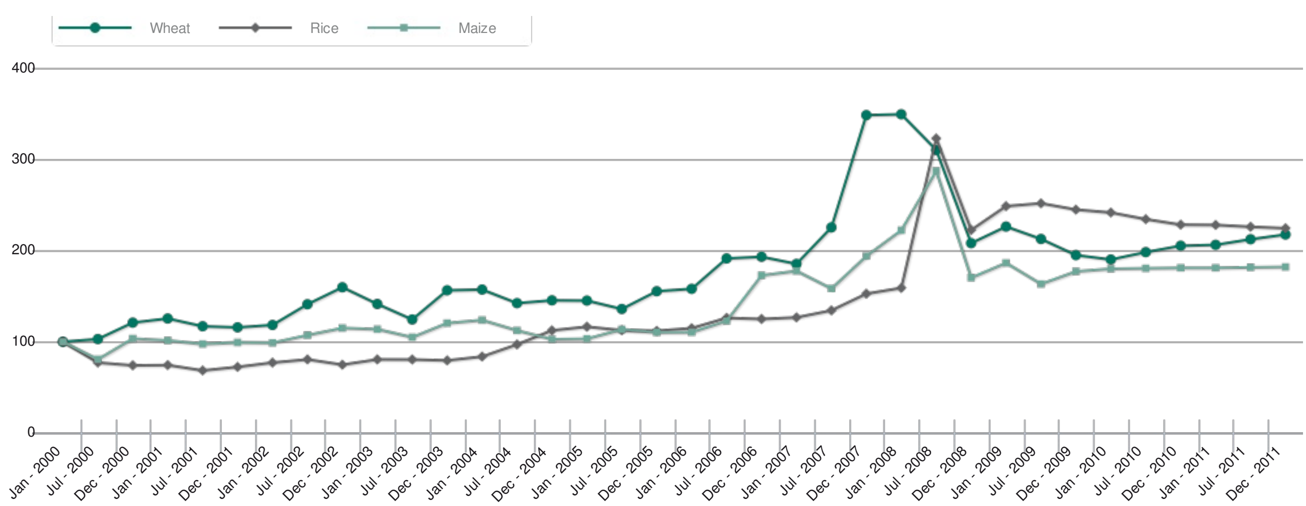
Figure 1.7: Import prices of basic foodstuff (base in January 2000)



Sources: IMF; World Bank; African Development Bank.

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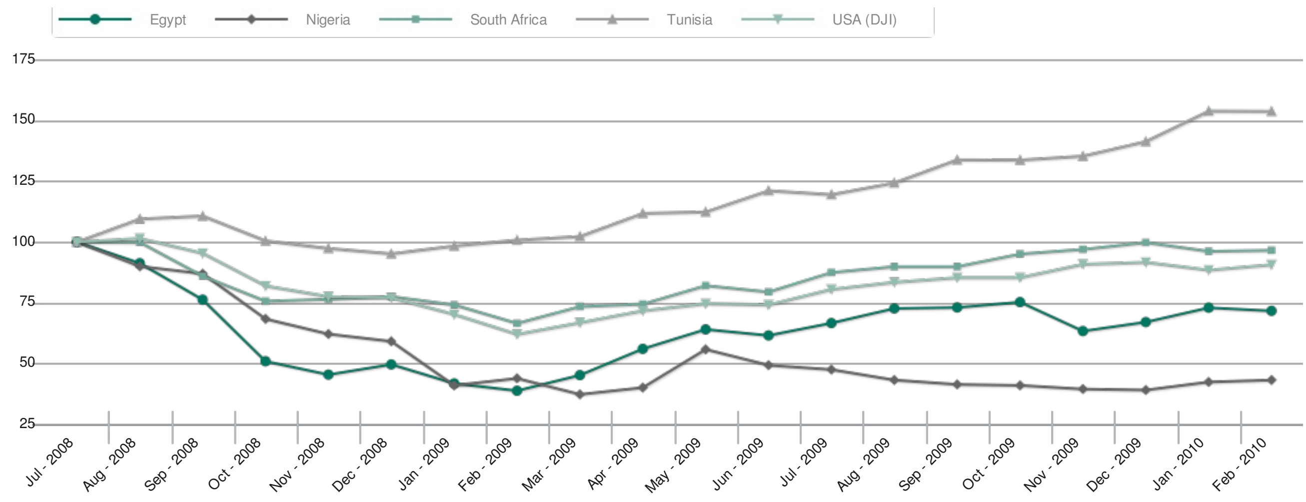
The export price for ***Robusta coffee*** declined sharply from its peak in 2008, but export prices for other agricultural goods, such as for ***Arabica coffee*** and ***tea,*** recovered again after smaller declines. The price for ***cocoa*** climbed to a new peak in early 2010. Overall, agricultural sectors in these goods' main African producer countries, such as Ethiopia, Uganda, Côte d´Ivoire and Togo, did not suffer but in fact supported GDP growth in 2009. The price of ***sugar*** soared by almost 60% in 2009, owing to strong demand and supply constraints due to unfavourable weather conditions in Brazil (the largest sugar exporter in the world) and in India. While Mauritius sugar producers benefited from this price hike, Swaziland's producers did not benefit because the Sugar Protocol has fixed their export price to the European Union. The export price for ***cotton*** declined significantly during the second half of 2008 but also recovered again during 2009; the overall lower cotton price, together with falling production, reduced growth of some African producers, such as Benin and Burkina Faso. The import prices of basic foodstuffs, such as ***rice, wheat and maize,*** declined sharply from their peaks in 2008 but remained at higher levels than before their surge had started in 2006.

The global financial crisis depressed stock prices and exchange rates in Africa, but most markets have rebounded

Figure 1.8: Stock price developments (end-July 2008=100)



Sources: Bloomberg; African Development Bank.

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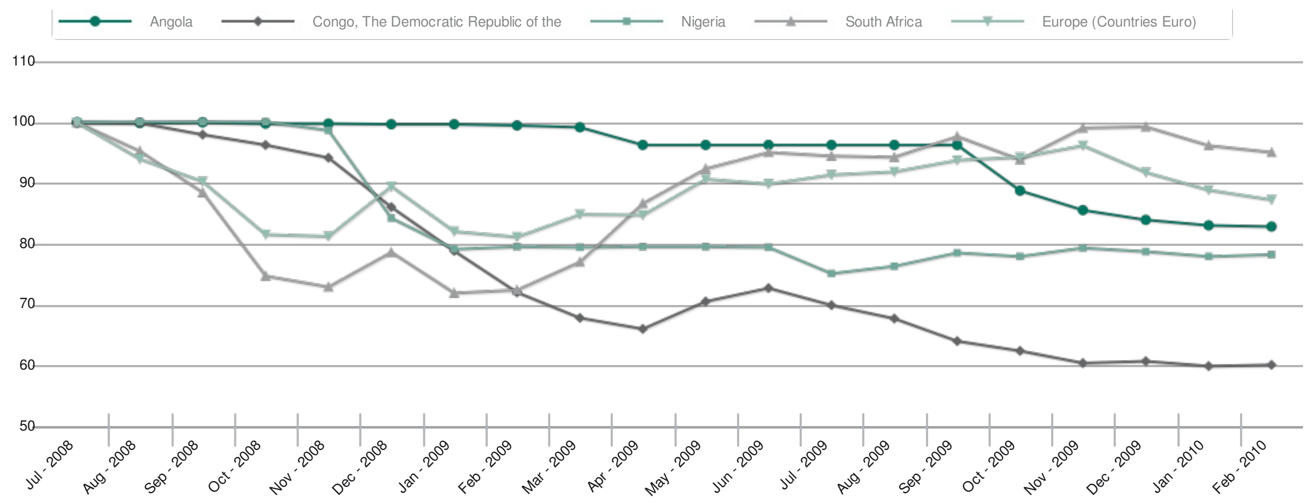
Figure 1.9: Exchange rate developments (currencies per USD, end-July 2008=100)



Sources: Bloomberg; African Development Bank.

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Excluding South Africa's Johannesburg Stock Exchange, African equity markets remain mostly small and illiquid. Though the number of functioning stock markets has risen from five in 1989 to 19 in 2009, the majority of markets list only a handful of companies and post very low turnovers. Equity financing therefore does not play a significant role in financing Africa's investment activity. Nonetheless, the global financial crisis has been a major blow to African stock markets. During 2009 African stock markets generally improved, again mirroring improvements in international markets. The stock market rally was most pronounced in Tunisia. However, some African stock markets, such as in Nigeria, failed to improve, owing to domestic problems including difficulties in the banking sector (Figure 1.8). Currencies of African countries also came under pressure; most of them depreciated significantly during the second half of 2008 but strengthened again during 2009. However, some currencies did not recover, or continued to weaken (Figure 1.9).

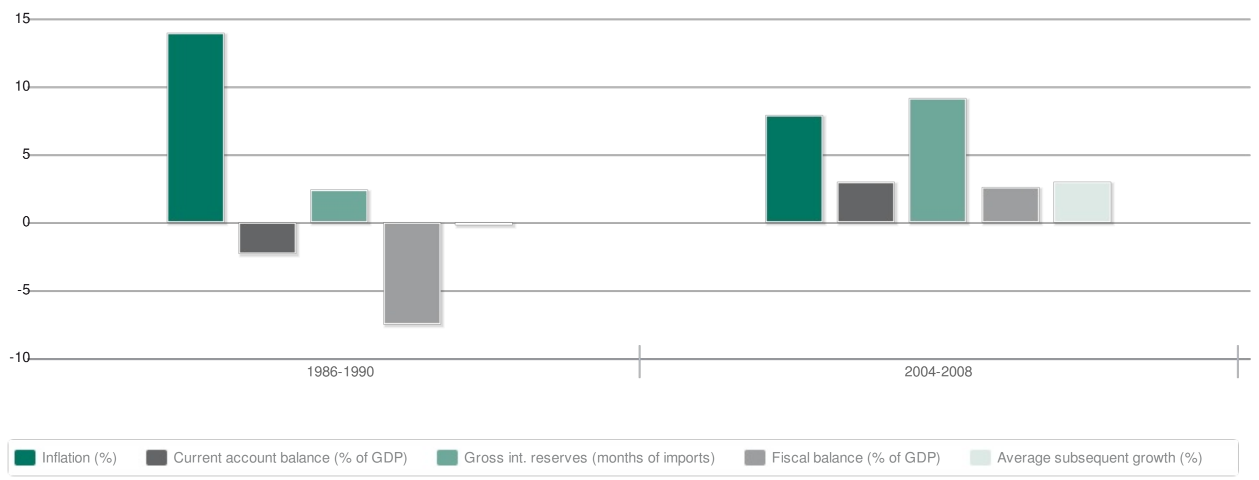
Past fiscal prudence and disinflation have created space for expansionary macro policies

During previous economic crises in Africa, such as the commodity price busts of the late 1980s, the response of many African governments had been to introduce direct controls, including exchange rate controls and untargeted subsidies. This time policy responses were quite different. Authorities generally refrained from direct controls with a few exceptions, such as in Sudan, where the central bank introduced restrictions on foreign exchange to reduce import demand. Owing to fiscal prudence and generally better macroeconomic fundamentals, in the years prior to the global crisis, and to the earlier debt relief, many countries were able to continue their major public spending programmes. They thus avoided a pro-cyclical policy, which would have aggravated the downturn (Figure 1.10). A number of countries, including South Africa and Egypt, went further by adopting stimulus packages and targeted programmes to mitigate the downturn's effect on poverty. But faced with deteriorating current accounts and falling exchange rates, some countries, such as Angola, Ethiopia, Sudan and the Democratic Republic of Congo, were forced to pursue tight fiscal policies to contain the fiscal and current account deficits and to protect their foreign reserves.

The weakening of the economies together with stimulus packages caused fiscal balances in Africa to deteriorate on average by around 6.5% of GDP, from a surplus of 2.2% of GDP in 2008 to a deficit of 4.4% of GDP in 2009, thus mitigating the downturn of aggregate demand.

Monetary policy was also eased in most African countries by reductions in key policy interest rates. The fall in inflationary pressures due to lower energy and food prices facilitated this monetary easing. In South Africa, the central bank responded to the recession by cutting the repo rate by 500 base points. Other African countries also instituted sizeable rate cuts.

Figure 1.10: Macroeconomic fundamentals prior to the global crisis



Source: African Development Bank.

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Africa's economic growth weakened but remained positive

Overall, it appears that the African economy has been more resilient to the global crisis than other emerging economies, with the exception of those in Asia, notably China and India. The effect of the crisis, although less severe than on most other continents, was nonetheless significant. Although in the three years before the 2009 global recession Africa had achieved an average annual growth of around 6%, in 2009 the growth rate was slashed by 3.5 percentage points to 2.5%; actual growth in Africa was almost exactly what had been predicted in last year's *African Economic Outlook* (2.3%). The economic weakening was most pronounced in the mining and manufacturing sectors, which recorded negative growth in many countries; these sectors were particularly exposed to the fall of commodity prices and global trade. The other sectors, notably agriculture and services, were more resilient and mitigated the economic downturn. In fact, in most African countries agricultural sectors benefited from good harvests thanks to favourable weather conditions. But in some countries, such as South Africa, Kenya, Chad and parts of Namibia, bad harvests led to falling agricultural production, thus exacerbating the effect of the global crisis. Domestic services including real estate and telecommunications (notably mobile telephony) were generally resilient to the crisis and continued to contribute to growth. In contrast, the global crisis heavily affected tourism sectors, which weakened GDP growth in many countries (notably in Egypt, Madagascar, Morocco, Mauritius, Namibia, Senegal, Cape Verde, São Tomé and Principe, and Seychelles).

On the demand side, both falling export demand and a weakening of domestic demand mostly led the downturn. Private consumption benefited from lower food and energy prices, but deteriorating labour markets and lower workers´ remittances often outweighed this positive effect. Remittances declined in most African countries with the decline being most pronounced in North Africa and in the neighbouring countries of South Africa (Box 1.1). Business investment weakened in most African countries as a result of falling capacity utilisation in mining and manufacturing and falling foreign direct investment (FDI). Preliminary estimates indicate a sharp decrease in FDI inflows to Africa by over a third (see chapter "External financial flows to Africa"). The decline in commodity prices reduced investment in mining sectors, which are often those where most foreign investment inflows to Africa have historically been concentrated. In contrast, in several countries public investment and public consumption increased as a result of fiscal stimulus programmes. The weakening of exports and domestic demand, together with exchange rate depreciations in some countries, led to a sharp decline in imports. As import volumes declined more than export volumes, the real foreign balances of African countries improved (on average), thus mitigating the adverse effect from weaker aggregate demand on domestic output.

Box 1: Remittances to African countries

Workers´ remittances are an important source of income for many African countries. With labour markets deteriorating everywhere, many workers were forced to cut the transfers to their families, with potentially large impacts on household income and consumption at home and – through lower consumption and import taxes – also on government revenue. A number of African countries appear to be particularly remittances-dependent.

It is, however, notoriously difficult to measure remittances as a good part is transferred informally and does not appear in official balance-of-payments statistics. According to the World Bank, remittances-to-GDP ratios (prior to the crisis) were between approximately 8% and 11% in Nigeria, Sierra Leone, Togo, Guinea-Bissau, Senegal, Cape Verde and Morocco. Gambia, Egypt, Sudan, Comoros, and Uganda followed, with ratios between approximately 5% and 7%; in 2008 Lesotho, with 27%, had the highest remittances-to-GDP ratio in Africa, with remittances mainly received from neighbouring South Africa (World Bank, 2009a).

When measured in absolute amounts, in 2008 Nigeria and Egypt belonged to the top worldwide recipients of remittances, with inflows of USD 10 billion to Nigeria and USD 9 billion to Egypt. Initial results (or estimates) for 2009 show that some countries experienced sharp falls in remittances, while others were less affected by the crisis.

In Egypt and Morocco, remittances appear to have declined by about 20% in the first nine months of 2009. In Kenya, remittance inflows declined by 8.5% in the first seven months of 2009 against the previous year. Senegal, Lesotho, Sierra Leone, Ethiopia, Liberia, Mauritius and Mozambique also suffered from falling remittances. In Cape Verde, remittances remained very stable in 2009 or may even have increased marginally. Significant increases are reported for Uganda from July 2008 to June 2009. According to World Bank estimates, remittances to African countries declined from almost USD 41 billion in 2008 to above USD 38 billion in 2009 (minus 6.6%).

The decline was more pronounced in North Africa than in sub-Saharan Africa. The actual decline of remittances in 2009 could, perhaps, have been even stronger than this estimate.

Table 1.1: Workers remittances to African countries (in billion USD)

	2003	2004	2005	2006	2007	2008	2009
Africa	15.6	19.5	22.5	26.6	39.9	40.8	38.1
Sub-Saharan Africa	6.0	8.0	9.4	12.6	18.6	21.1	20.5
Norte de África	**9.6**	**11.5**	**13.1**	**13.9**	**18.3**	**19.7**	**17.6**

Source: World Bank.

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The global crisis has brought poverty reduction to a halt

The economic downturn was less pronounced in Africa than in some other emerging economies, such as those in Latin America and eastern Europe. This is commendable given the generally lower living standards in Africa. One reason the African economy has been more resilient to the global crisis is its lower integration with international markets. Although this was an advantage during the global recession, the lower international integration is also one of the reasons why in the past Africa's growth performance has lagged behind that of other emerging economies.

When comparing growth trends between countries or continents, one should also consider demographic differences. The continent of Africa has the fastest growing population in the world. In 2009 Africa's population has continued to increase by 2.3% to above 1 billion. With a growth of real GDP of only 2.5%, the increase of average living standards (as measured by GDP per capita) was brought to a near halt, and several countries suffered declining per capita GDP. Because of the sharp decline in export prices, the terms of trade deteriorated in many African countries so that their per capita national income weakened even more than per capita GDP. The terms-of-trade deterioration implies that countries have become poorer than suggested by the development of output because they have to deliver more export volumes for a given amount of import volumes[5]. Thus, in 2009 both the weaker output growth and the deterioration of the terms of trade had a significant adverse effect on income in Africa.

During the period of relatively high growth prior to the global crisis and before the surge in food prices, poverty had declined in many African countries. In several countries, owing to the persisting unemployment and highly unequal income distribution, the poor did not, however, benefit from GDP growth. Although the decline of food prices from their peak in mid-2008 brought some relief, this was offset by the economic slowdown which caused job losses, wage reductions and lower remittances from abroad. No 2009 data on poverty are yet available, but the near stagnation of average living standards in Africa and their decline in several countries suggests that poverty levels have increased (see Box 1.2). The job losses during the recession not only affected the very poor but also the urban middle class, notably in central and southern Africa. However, in countries where growth of GDP per capita was sustained despite the global recession, such as in Malawi, poverty has further declined. The government of Malawi estimates that poverty headcount has fallen from 52.4% in 2005 to 40% in 2009.

Box 1.2: Growth and poverty

While 2009 poverty data are not yet available, the near stagnation of GDP in Africa and its decline in many countries suggest that poverty rates have increased after a declining trend prior to the global crisis. The relationship between economic growth and poverty is, however, complex and controversial. While economic growth appears to be a precondition for poverty reduction, it is by no means sufficient. For governments to be able effectively to undertake pro-poor strategies, the quality of growth matters as much as its intensity.

The assessment of poverty also depends on how it is measured. A falling share of the poor in population (headcount poverty rate) does not necessarily mean that the number of poor people is falling. In fact, the headcount number may still increase together with the population. The relationship between GDP and poverty in African countries, as measured by the poverty index based on people living below USD 1 a day (% of population), is generally negative. In other words, a lower GDP per capita tends to be associated with a higher poverty rate (Figure 1.11). Also, since the second half of the 1990s poverty in Africa (again measured by this index) declined (Figure 1.12).

High growth is assumed to enhance an economy's productivity and its capacity to create jobs, while unlocking public funds for the delivery of public services and effective social safety nets. However, while growth does affect poverty, many factors are at play.

The economic literature describes a relationship that is neither simple nor straightforward. Even when growth is positive, poverty may worsen if food and energy prices rise, which disproportionally affect the poor, as was the case in 2008. The relation may also be affected by an inverted causality, where poverty affects growth (Lopez and Servén, 2009). Initial income distributions deeply affect outcomes: where inequality is particularly high, it takes higher and more sustained growth rates to reduce poverty (Bourguignon, 2003; Ravallion, 2004; Kraay, 2005). Nevertheless, the impact of growth on poverty can be maximised if it is concentrated in sectors that employ the poor. In Africa, agricultural growth benefits the poorest more than growth in manufacturing or services (Gallup *et al.*, 1997). Institutions and policy clearly have a key role to play in broadening the positive impact of growth (North, 2005).

In the framework of the Millennium Development Goals (MDGs), it was calculated that Africa needs to grow by 7% or more to halve poverty from 1990 and 2015. However, even assuming this growth target is attained, without effective pro-poor growth strategies, even that level of growth may not be enough. Although some countries, such as Tunisia, Morocco and Ghana, have performed extremely well in capitalising on growth to reduce poverty, growth in most countries for which data are available has at best triggered a less than proportional reduction in headcount poverty[6]. This is especially the case when aggregate GDP growth is disconnected from household income evolution. In the absence of drivers of growth conducive to poverty reduction, poverty can only be lowered through effective redistributive public policies.

Poverty is both much higher and much more resistant to growth in Africa than anywhere else. The mean poverty rate in terms of headcount index for sub-Saharan Africa (SSA) remains nearly four times that of non-SSA developing countries' trends (Ravallion, 2009). Similarly, the Poverty Gap Index is more than five times higher and the Poverty Severity Index more than six times higher than in non-SSA developing countries (Fosu, 2009). Furthermore, the elasticity of poverty to growth is estimated to be significantly lower for SSA than for non-SSA developing countries. Besley and Burgess (2003) and Kalwij and Verschoor (2007) find that poverty is twice as responsive to economic growth in East Asia than in the SSA region. Similarly, Fosu (2009) finds that on average the same growth rate accompanying a 1% decrease in the USD 1 headcount poverty index in non-SSA is associated in SSA with a mere 0.39% reduction.

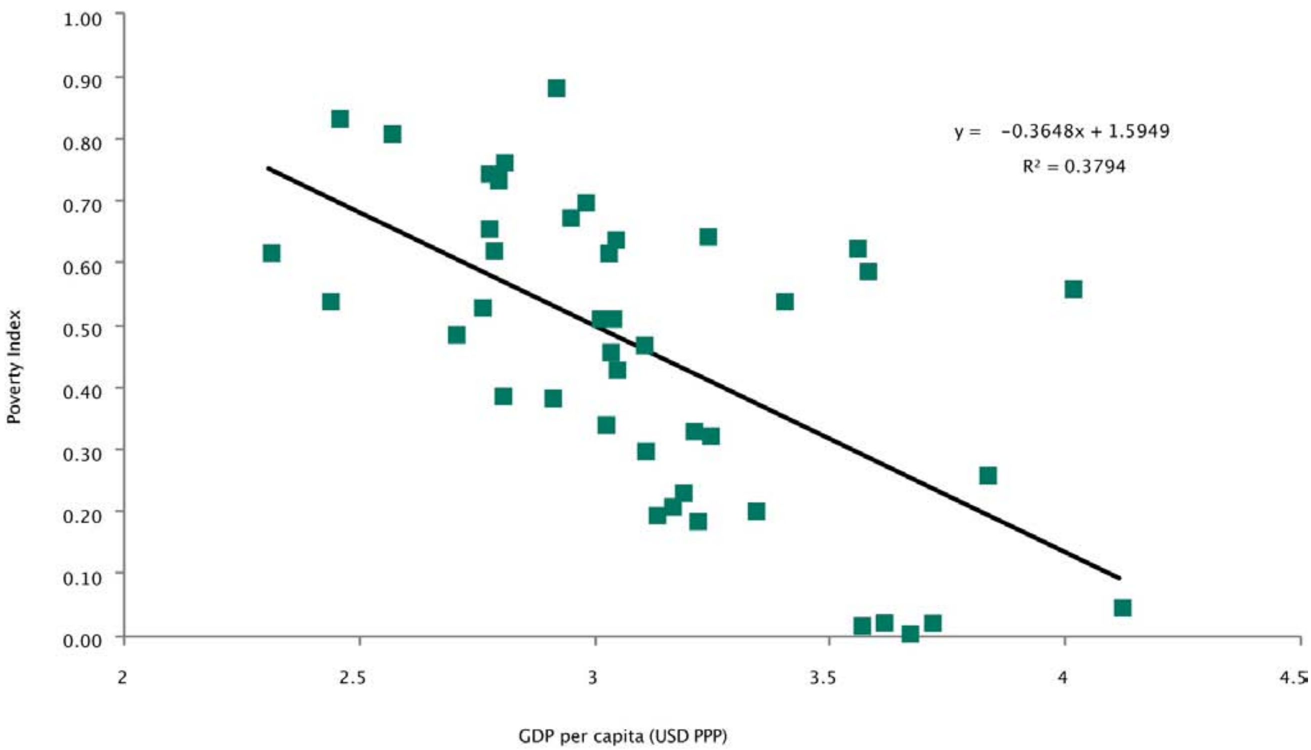
The global crisis of 2009 has probably increased the number of people living below national poverty lines. Ravallion (2009) estimates that the recent crisis may have increased the number of people living with less than USD 1.5 a day by 50 million in 2009 and by 39 million people more in 2010. The poorest of the poor may in fact escape the crisis, due to their reliance on subsistence agricultural activities or local retail commerce, which the overall economic environment seldom affects. Most vulnerable are those living just above the poverty line, or employed in the formal sector related to mineral commodities, manufacturing or services, or in public administration.

The sharp decrease in government revenue stemming from the crisis and fiscal stabilisation programmes may have also affected the non-income dimensions of poverty through the provision of public services. Lower public service delivery may trigger lasting effects even on the poorest, with school dropouts and poor health likely to lead to lower future earnings as adults (Development Research Group, 2008).

As the weakening of the economies in 2009 has (most likely) increased poverty in Africa, the prospect of an economic recovery in 2010 and 2011 should, in principle, be good news for the poor. However, not only is growth likely to be lower than before the crisis, but the stubbornly high levels of poverty reflect high inequality in many countries, which raises urgent questions about Africa's development pattern.

Overall, growth in Africa remains linked to commodity booms, especially hard commodities, which has brought few benefits in terms of job creation and poverty reduction. Public pro-poor policies therefore remain crucial for translating aggregate GDP growth into real increases in available income for the majority. Such real increases could include improving access to land, enhancing labour and capital markets, and promoting investment in basic social services, social protection and infrastructure. To mobilise the necessary revenues, governments need to improve the effectiveness of their tax collection systems, the subject of this year's special focus of the *Outlook* (See Part II).

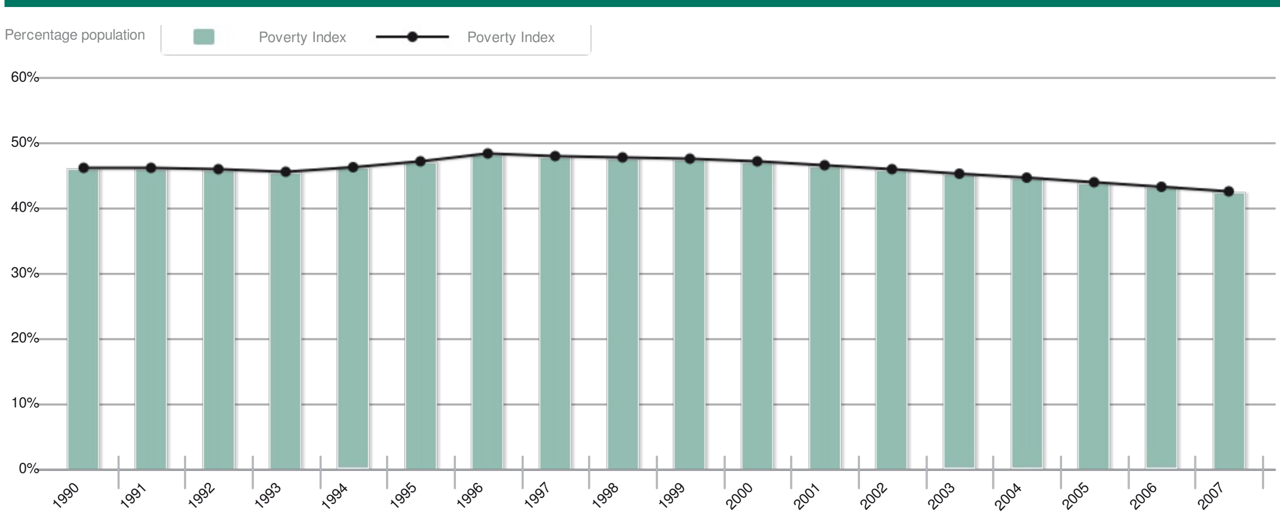
Figure 1.11 -- Poverty index by GDP PPP



Source: African Development Bank.

StatLink http://dx.doi.org/10.1787/850068133710

Figure 1.12: Development of poverty in Africa



Source: African Development Bank.

StatLink http://dx.doi.org/10.1787/850116135210

The lowering of consumer price inflation has brought some relief

The decline in food and energy prices, together with the weakening of demand, has reduced inflationary pressures in most African countries. The median inflation rate declined from 10.5% in 2008 to 5.9% in 2009. Central banks have therefore been able to loosen monetary policies. In the meantime, food and energy prices are creeping up again. Towards the end of 2009, the West African Economic and Monetary Union (WAEMU)[7] had achieved on average its reference inflation target of 3%. However, in Niger inflation was (at almost 6%) well above this target. Several other African countries also missed their inflation objectives. Among the countries of this report, inflation was highest in the Democratic Republic of Congo, where it accelerated from 18% in 2008 to 44% in 2009 owing to excessive liquidity creation and the sharp fall of the exchange rate.

External positions have deteriorated all over Africa

The fall in commodity prices and export volumes led to a worsening of trade and current account balances in 2009. Despite this deterioration, foreign reserves continued to grow in many countries, although at declining rates. However, several countries, such as Angola, Nigeria, Sudan, Equatorial Guinea and Chad lost significant amounts of foreign reserves. Because in many African countries both current account balances and fiscal balances deteriorated at the same time, twin deficits emerged. However, the causal relationship went from the current account to the fiscal balance rather than vice versa as the twin-deficit hypothesis states[8]. Indeed, in many African countries, the decline in commodity prices was a major cause for both the worsening of the current account and – through lower government revenues – the worsening of the government budget. If these deteriorations remain temporary they should not raise concerns. Nevertheless, sustaining large fiscal and current account deficits would be problematic because it would lead to higher interest rates and make currencies vulnerable to changes in market perceptions.

African economies will gain strength in 2010 and 2011

In the course of 2009, the world economy has resumed positive growth, world trade has picked up and commodity prices have rebounded from their troughs. This forecast assumes that the global recovery will continue at a moderate pace in 2010 and 2011 and that prices of oil and non-oil commodities will remain at satisfactory levels. After falling by 2.5% in 2009, export volumes of African countries are expected to increase on average by 3.2% in 2010 and by 5% in 2011. However, as commodity exports to a large degree drive Africa's economic recovery, this recovery is not broad-based. Investment activity will recover only moderately, and private consumption will remain weak in many countries as employment, wages and remittances are only gradually picking up and as in some countries households remain highly indebted. Special factors will boost growth in several countries. These factors include new investment and/or new production of oil and gas in Chad and Ghana, and of uranium in Namibia; the upcoming football World Cup will support growth in South Africa. Africa's real GDP is expected to grow on average by 4.5% in 2010 and by 5.2% in 2011. While this is a clear improvement from sluggish growth in 2009, growth remains lower than in years prior to the global crisis.

Inflation is projected to slow further from an average of around 10% in 2009 to 7.7% in 2010 and to 7% in 2011 and median inflation is expected to further decline from 5.9% in 2009 to 5.4% in 2010 and 5.2% in 2011. Among the 50 African countries covered in this report, the majority will record inflation rates between around 2% and around 5% in 2010/11. In a few countries, such as Egypt, Angola and Ghana, inflation is expected to remain relatively high, between 10% and 15%. The Democratic Republic of Congo will continue to record the highest inflation (25% in 2010 and 18% in 2011, down from 44% in 2009). Because in most countries inflationary pressures are expected to remain subdued, there is no need for monetary authorities to tighten vigorously so that interest rates will remain lower than before the global crisis. Nonetheless, with the strengthening of the economies, central banks are expected to raise interest rates gradually.

The recovery of the economies will boost government revenues. This, together with the gradual phasing out of stimulus programmes, will reduce ***fiscal deficits*** from an average of 4.4% of GDP in 2009 to 3.3% of GDP in 2010 and 1.9% of GDP in 2011. In some oil-producing countries, such as Libya, the Democratic Republic of Congo and Equatorial Guinea, fiscal surpluses will increase again to between around 15% and 25% of GDP; Angola will continue to record a fiscal deficit, which will, however, decline during 2010/11. By 2011, two-fifths of the countries are likely to record deficits of only around 3% of GDP or less, or achieve surpluses. But in several countries, fiscal deficits remain high, and more fiscal consolidation is desirable to prevent current cyclical deficits from becoming structural and putting fiscal sustainability at risk. For example, in Egypt, Kenya and Burundi, fiscal deficits are expected to remain above 6% of GDP, and in Chad, Swaziland and Lesotho above 10% of GDP. In Swaziland and Lesotho, the major cause for the high deficits is the expected declines in revenue from the Southern African Customs Union (SACU).

With the recovery of the global economy, African trade and current account balances are expected to improve gradually. But external positions vary widely across the continent. Oil-exporting countries benefit from the recovery of oil prices. Some of these countries, such as Libya, Equatorial Guinea, Nigeria and Gabon, are expected to record high current account surpluses of between around 15% and 37% of GDP by 2011. In contrast, a few African countries (Seychelles, Chad, Gambia, and São Tomé and Principe) are likely to run current account deficits between around 20% and 32% of GDP. In Liberia the deficit is expected to remain above 50% of GDP.

Economic growth remains uneven within Africa

In the three years prior to the global recession, African countries had achieved an average annual growth of around 6%. Growth was highest in eastern Africa (8.2%), followed by southern Africa (6.7%), western Africa (5.5%), north Africa (5.4%), and central Africa (4.9%). Rising oil and non-oil commodity exports boosted growth during this period. The oil-exporting countries of Angola and Equatorial Guinea had achieved the highest growth. Among the non-oil exporters, growth was highest in Ethiopia. During this period, most African countries achieved average annual growth of around 5% or higher, and GDP per capita growth of at least 2.5%. There were, however, some exceptions, with much lower growth and with stagnating or declining GDP per capita. Zimbabwe and Eritrea were the only African countries during this period with declining GDP and with sharp falls in GDP per capita. In Zimbabwe, political and economic problems continued into 2009 with rampant inflation leading to a currency crisis. As a result, the Zimbabwean dollar has effectively ceased to be used as currency and has been replaced by the US dollar and the South African rand. (Neither Zimbabwe nor Eritrea is included in this report's country analysis.)

The global crisis of 2009 affected all regions and countries in Africa but to different degrees. It had its strongest effect on the southern African region, where growth was slashed (from the preceding three years' average) by almost 8% to a negative growth of around 1%. Eastern African and north African economies proved to be the most resilient regions and – despite some deceleration of growth – continued to expand by 5.75% and 3.75% in 2009. Growth declined to 3% in western Africa and to around 2% in central Africa. In most African countries, GDP continued to grow in 2009, albeit at a lower rate. However, in 10 of this report's 50 African countries (Seychelles, Madagascar, Botswana, South Africa, Namibia, Mauritania, Gabon, Niger, Chad and Angola), GDP declined in 2009. In half of all countries, per capita GDP stagnated or fell. In contrast, several countries, notably Ethiopia, Republic of Congo and Malawi, achieved relatively high growth in 2009 despite the global recession.

Prospects are for a gradual recovery in all African regions, although the recession will leave its mark. The southern African region, which has been hardest hit in 2009, will recover more slowly than the other regions. Its average growth is expected to be almost 4% during 2010/11. In central Africa, growth will be slightly above 4% during the forecasting period; in north Africa and west Africa, average growth is expected to amount to around 5%. Eastern Africa, which has best weathered the global crisis, is likely again to achieve the highest average growth in 2010/11, with above 6%. Among individual countries, Ethiopia is likely again to lead the African growth league, followed by Angola, Uganda, the Democratic Republic of Congo and Ghana. In a few countries, however, growth is expected to remain too low to lift per capita GDP noticeably, and in Madagascar GDP per capita is likely to continue to decline as a result of the aftermath of the political crisis (Figures 1.13 and 1.14 and Table 1.1).

Risks and major policy challenges for African economies

This forecast for Africa rests on several assumptions, which may turn out to be too optimistic or too pessimistic. It has been assumed that the world economy and world trade will recover but at a moderate speed, and that prices of oil and non-oil commodities will remain close to current levels. However, there are both upside and downside risks to this forecast. On the upside, the global recovery may be stronger than expected. Indeed, several international indicators improved significantly towards the end of 2009, and confidence has continued to increase in many countries in early 2010. A stronger global growth would also boost Africa's growth. With stronger global growth, the price of oil and non-oil commodities would probably also be higher than assumed here. This would benefit African producers of oil and non-oil commodities while constraining growth in oil-importing African countries. Furthermore, a higher oil price would again make biofuel production more profitable and reduce food supply, thus contributing to higher food prices and more inflationary pressures than assumed here.

On the downside, the global recovery could also be weaker than assumed here. Uncertainties persist about the size of remaining problems in advanced countries' banking sectors and about how these will be solved. There is a risk that banks will be reluctant to extend loans to private investors, which would constrain the global recovery more than assumed here. There is also a risk from how fiscal and monetary policies manage the exit from currently highly expansionary policies into a more neutral stance as the recovery proceeds. Exiting too early could lead to double-dip recession, but exiting too late could undermine credibility and nurture inflation.

Besides these external risks, upside and downside risks also exist inside Africa. The forecasts in some African countries with large agricultural sectors depend also on weather conditions. Here, there is a risk that our technical assumption of normal conditions turns out to be too pessimistic or too optimistic. There is also a risk that in some countries social discontent and political tensions will continue or newly emerge and reduce growth.

African policy makers must be aware of these global and domestic risks. Given the many uncertainties and the generally relatively low speed of economic recovery, it is important to ensure stability and further improve framework conditions for economic and social progress. Many structural problems existed even before the global crisis. These structural problems, such as in health, education, energy and transport sectors, have reduced growth potential and led to inequalities. The weakening of the economies has made it even more pressing to address them. More progress is also needed in fighting corruption, which is pervasive in several countries.

Over the longer term, Africa also faces the tough challenge of prospective climate change. An important step was that the international community has made clear commitments to support Africa in dealing with this challenge. It is crucial that policies are successfully implemented to help alleviate the costs of climate change in Africa and world wide. This would also help to keep African economies on a sustainable growth path (see Box 1.3).

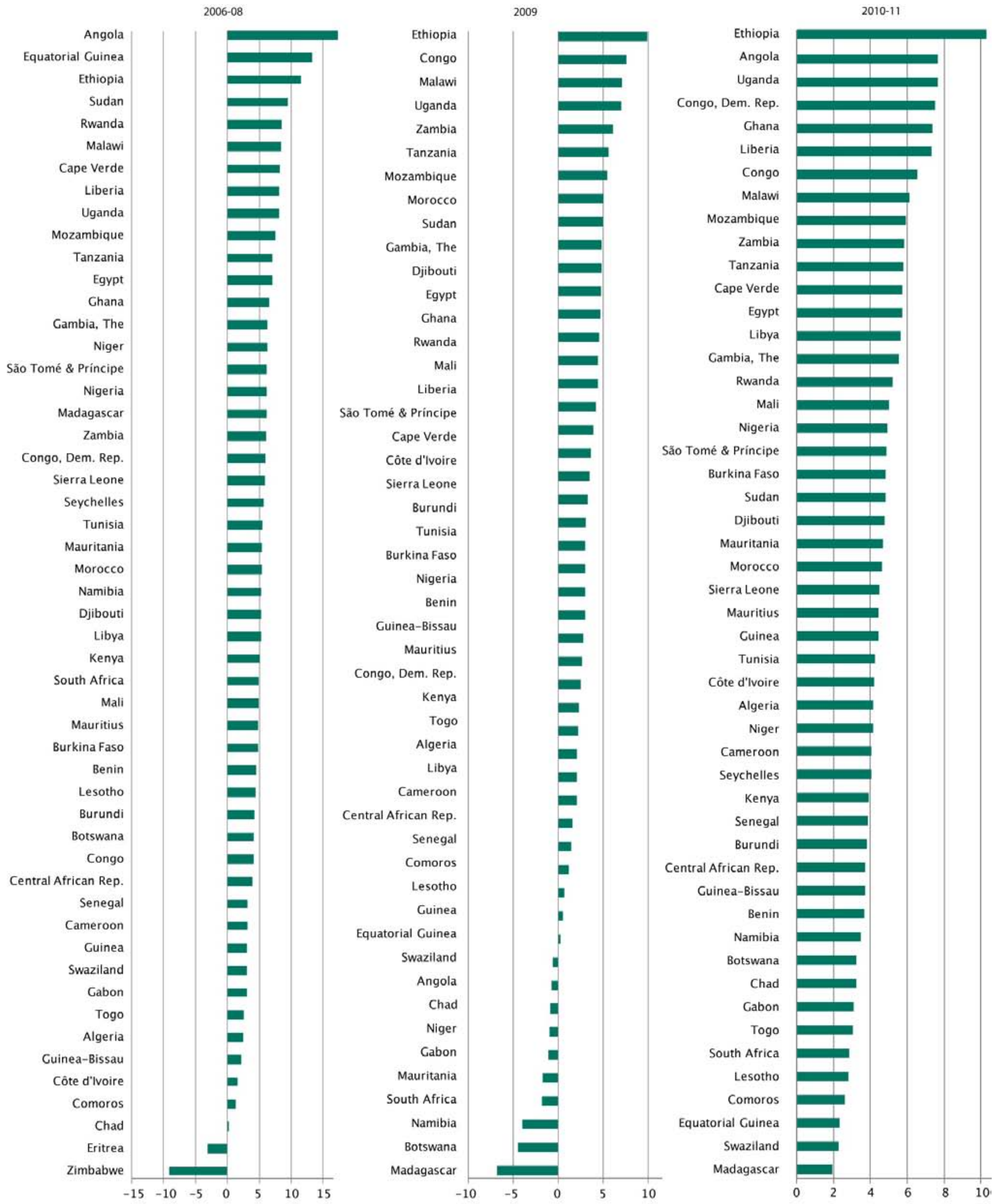
Box 1.3: Climate change challenges and economic development in Africa

Africa is expected to return to higher economic growth after the current cyclical economic downturn. However, the continent continues to face multiple challenges in sustaining high growth and improving living conditions for its growing population. Even in the absence of climate change, Africa's economic growth would still have to contend with the challenges of rapid urbanisation, high levels of poverty and conflicting geo-political influences. In addition to these, the continent now has to deal with the dual challenges of adapting to climate change with limited resources while taking a low-carbon development path without compromising economic growth and development.

Despite their minor historical role as emitters of greenhouse gases responsible for anthropogenic global warming (World Bank, 2009b), developing countries together are projected to bear from 75% to 80% of the cost of climate-change-related damages. The impact of climate change on Africa is likely to be severe due to high dependency on rain-fed agriculture, a rapidly growing population and the limited capacity to adapt. It is estimated that a 2 ^{0}C temperature rise above pre-industrial levels could result in a permanent reduction in GDP of 4% to 5% for Africa and South Asia (Stern, 2006). Climate change is likely to disproportionately affect developing countries and more so the poorest people within those countries. Strong and immediate action is therefore needed for both climate change mitigation and adaptation[9].

Meeting the cost of climate change adaptation and mitigation requires substantial financial resources that are beyond Africa's financial ability. The Copenhagen Accord pledges to mobilise new, additional and predictable funding to developing countries to the tune of USD 30 billion for the period 2010-12 to support action on mitigation, adaptation and technology transfer. Moreover, developed countries have committed to jointly raising USD 100 billion per year by 2020 to address these needs (UNFCCC, 2009). However, this accord still remains a political agreement until such a time as it will be adopted and ratified as a legal contract among nations. Whether this amount is adequate to bridge the gap remains an issue of concern, with estimates for climate change adaptation from sources including the World Bank, UNDP and Oxfam ranging between USD 9 billion and USD 109 billion per year (Agarwala and Fankhauser, 2008). A recent study proposes that even the UNFCCC estimate of USD 49 billion to USD 171 billion per year may be an underestimation by a factor of two to three (Parry *et al*., 2009). These estimates are fraught with great uncertainties and subjectivity, but what is indisputable is that substantial financial resources for climate change are needed if Africa is to remain on a sustainable economic growth trajectory. If realised, these resources could boost growth through clean energy infrastructure investment and – more importantly – alleviate the effects of climate change. This will, in turn, secure longer-term economic and social development in Africa.

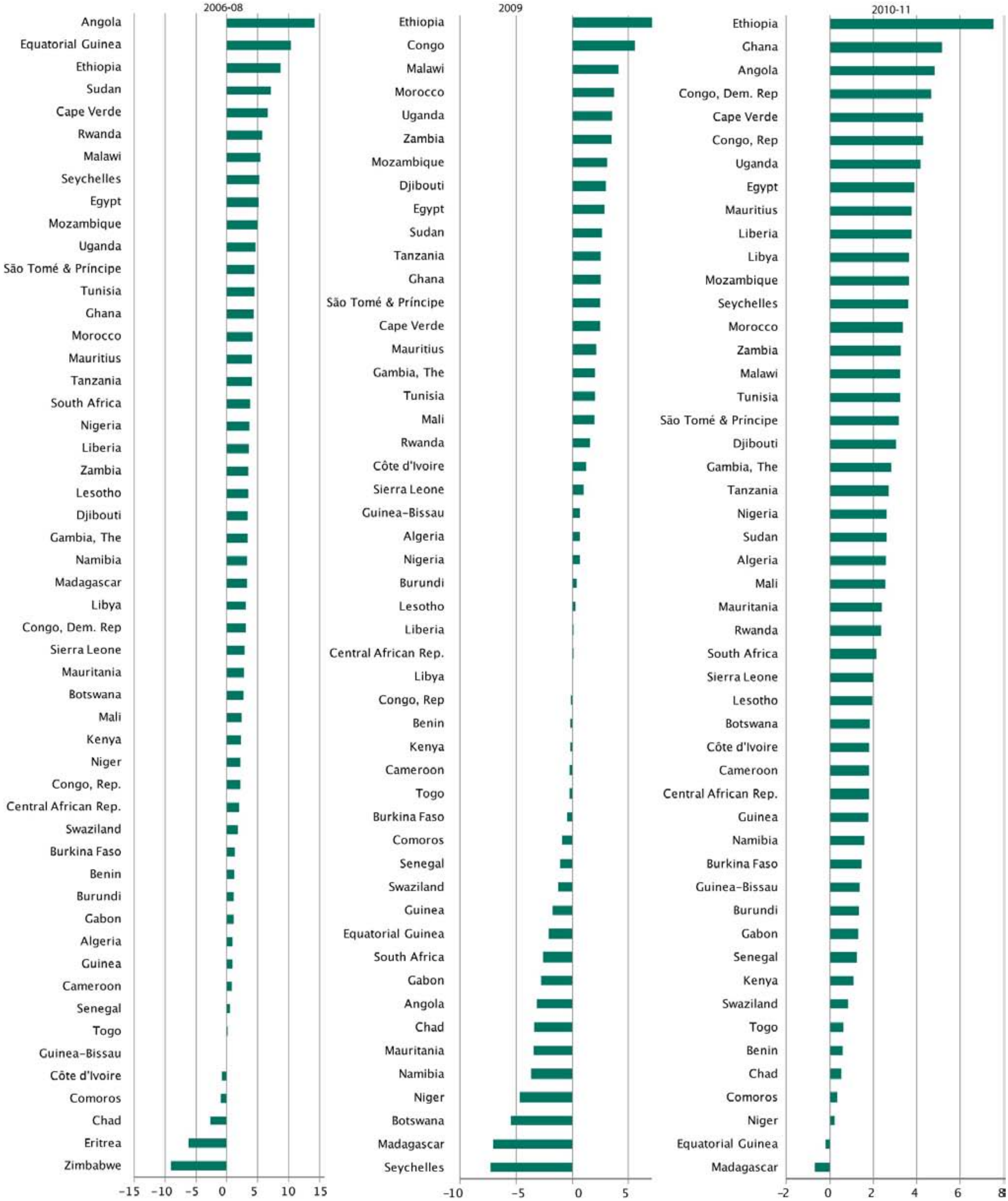
Figure 1.13: Growth of GDP (%)



Source: African Development Bank.

StatLink http://dx.doi.org/10.1787/850122862226

Figure 1.14: Growth of per capita GDP (%)



Source: African Development Bank.

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Table 1.2: Macroeconomic developments in Africa

	March	2010	estimates		May 2009 estimates			Difference from AEO May 2009 estimates		
	2008	2009(e)	2010(p)	2011(p)	2008(e)	2009(p)	2010(p)	2008(e)	2009(p)	2010(p)
Real GDP Growth (%)										
Central Africa	4.8	1.7	4.4	4.4	4.5	2.0	3.2	0.3	-0.3	1.2
Eastern Africa	7.2	5.8	6.2	6.4	7.2	5.1	5.5	0.0	0.7	0.7
Northern Africa	5.3	3.8	4.8	5.4	5.6	3.5	4.1	-0.3	0.3	0.7
Southern Africa	5.4	-1.1	3.4	4.3	5.1	-1.0	3.6	0.2	-0.1	-0.2
Western Africa	5.5	3.0	4.4	5.5	4.8	3.3	3.4	0.8	-0.3	1.0
Africa	5.6	2.5	4.5	5.2	5.5	2.3	4.0	0.1	0.2	0.5
Memorandum items										
North Africa (including Sudan)	5.4	3.8	4.8	5.3	5.9	3.6	4.2	-0.4	0.2	0.6
Sub-Saharan Africa	5.7	1.6	4.3	5.2	5.2	1.4	3.8	0.5	0.2	0.5
Oil-exporting countries	6.0	3.1	4.9	5.5	6.3	2.5	4.1	-0.3	0.6	0.9
Oil importing countries	5.0	1.8	4.0	4.8	4.5	2.1	3.8	0.5	-0.3	0.2
Consumer Prices (Inflation in %)										
Central Africa	7.7	10.0	6.2	5.0	8.7	6.6	6.2	-0.9	3.4	-0.1
Eastern Africa	16.6	16.1	8.3	8.1	17.8	10.2	8.0	-1.2	5.9	0.3
Northern Africa	8.0	9.1	7.8	7.1	8.1	8.1	5.4	-0.1	1.0	2.5
Southern Africa	11.6	8.2	7.5	6.7	15.1	8.4	7.2	-3.5	-0.2	0.3
Western Africa	11.2	9.7	7.8	7.1	10.6	8.5	7.9	0.7	1.2	-0.2
Africa	10.6	9.9	7.7	7.0	11.6	8.4	6.7	-1.0	1.5	1.0
Memorandum items										
North Africa (including Sudan)	8.5	9.2	7.9	7.2	8.6	8.1	5.5	-0.1	1.1	2.4
Sub-Saharan Africa	12.0	10.3	7.6	6.9	13.8	8.6	7.5	-1.8	1.7	0.0
Oil-exporting countries	10.0	11.3	9.2	8.1	10.0	9.5	7.2	0.0	1.8	2.1
Oil importing countries	11.3	8.2	5.9	5.8	13.5	7.1	6.1	-2.2	1.1	-0.2
Overall Fiscal Balance. Including Grants (% GDP)										
Central Africa	10.3	3.2	6.4	3.4	11.4	2.8	3.7	-1.1	0.4	2.6
Eastern Africa	-2.6	-3.3	-3.5	-3.7	-2.3	-4.9	-5.3	-0.4	1.6	1.8
Northern Africa	3.8	-4.0	-3.2	-1.4	5.5	-5.5	-5.3	-1.7	1.5	2.1
Southern Africa	0.9	-6.7	-5.5	-3.6	3.0	-5.7	-5.9	-2.0	-0.9	0.4
Western Africa	1.5	-4.5	-3.1	-1.0	-0.9	-9.4	-10.8	2.4	4.9	7.7
Africa	2.2	-4.4	-3.3	-1.9	3.0	-5.8	-6.1	-0.8	1.4	2.7
Memorandum items										
North Africa (including Sudan)	3.3	-4.0	-3.2	-1.5	5.1	-6.0	-5.8	-1.7	2.0	2.6
Sub-Saharan Africa	1.5	-4.7	-3.4	-2.2	1.8	-5.7	-6.2	-0.2	1.0	2.8
Oil-exporting countries	5.2	-3.9	-2.1	-0.4	6.1	-8.1	-8.2	-1.0	4.3	6.1
Oil importing countries	-1.6	-5.0	-4.9	-3.8	-1.3	-2.9	-3.2	-0.3	-2.2	-1.7
External Current Account. including grants (%GDP)										
Central Africa	-0.1	-6.7	-1.2	-1.6	8.3	-4.1	-3.1	-8.4	-2.6	1.9
Eastern Africa	-8.5	-7.5	-9.1	-8.9	-6.2	-7.7	-8.4	-2.3	0.3	-0.7
Northern Africa	10.6	-0.9	4.0	5.0	11.6	1.2	0.8	-1.0	-2.1	3.2
Southern Africa	-3.5	-4.9	-4.4	-4.6	-1.9	-9.7	-10.0	-1.6	4.8	5.5
Western Africa	9.8	0.4	4.6	6.2	-0.9	-9.6	-9.2	10.7	10.0	13.8
Africa	3.8	-2.9	0.0	0.6	3.2	-5.3	-5.4	0.6	2.4	5.4
Memorandum items										
North Africa (including Sudan)	8.7	-1.7	2.9	3.8	10.3	-0.2	-0.8	-1.5	-1.5	3.7
Sub-Saharan Africa	0.6	-3.7	-2.0	-1.7	-1.2	-8.6	-8.4	1.8	4.9	6.4
Oil-exporting countries	12.0	0.1	5.5	6.5	10.5	-4.2	-4.3	1.4	4.3	9.8
Oil importing countries	-6.8	-6.3	-6.8	-6.8	-7.0	-6.7	-6.9	0.2	0.4	0.1

Note: e : estimates; p : projections. Source: African Development Bank. Statlink: http://dx.doi.org/10.1787/855475233550

Notes

[1] Countries that have met the criteria and are receiving full debt relief (post-completion point countries): Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Ethiopia, Gambia, Ghana, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé & Principe, Senegal, Sierra Leone, Tanzania, Uganda and Zambia. Countries that have reached their decision points and (some of them) are receiving interim debt relief: Chad, Republic of Congo, Democratic Republic of Congo, Côte d´Ivoire, Guinea, Guinea-Bissau, Liberia and Togo.

[2] A number of African countries (such as Burundi, Djibouti, Mali, Niger, Benin, Burkina Faso, Central African Republic, Guinea, Madagascar, Malawi and Tanzania) have received or requested IMF assistance under the Exogenous Shocks facility (ESF).

[3] The AfDB established an Emergency Liquidity Facility (ELF) of 1.5 billion US dollars (USD) and a Trade Finance Initiative (TFI) of USD 1 billion.

[4] It has been estimated that with current technologies, at oil prices above USD 50 per barrel, it is profitable to transform maize into ethanol and that above that price every percentage increase in the oil price increases the price of maize by 0.9% (World Bank, 2008).

[5] A measure that adjusts GDP by the terms of trade effect is the so-called command GDP (measuring the resources over which a country can "command"). It is derived by deflating nominal exports by import prices rather than by export prices.

[6] Considering the international poverty line of USD 2 a day.

[7] The WAEMU member countries are Benin, Burkina Faso, Côte d´Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

[8] The twin-deficit hypothesis states that a higher fiscal deficit leads to lower savings (both private and public) and – if this is not accompanied by lower investment – to a higher current balance deficit.

[9] The Intergovernmental Panel on Climate Change (IPCC) defines climate change mitigation as 'An anthropogenic intervention to reduce the sources or enhance the sinks of greenhouse gases' and climate change adaptation as 'an adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.'

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External Financial Flows to Africa

Foreign direct investment (FDI) can be a major source of growth. It increases activity not only of FDI-beneficiary firms but the effect can also be spread to other firms and sectors through technological spillover and increased competition, thus raising productivity for the whole economy. Many African governments have implemented investment-friendly frameworks to attract more foreign investment. Nonetheless, most foreign investment in Africa goes to extractive industries in a relatively limited group of countries. Thus, the broader development impact of FDI-backed projects is often limited. Attracting investment into diversified and higher value-added sectors remains a challenge for Africa. However, constraints on investment such as weak infrastructure and fragmented markets also adversely affect FDI flows to Africa.

Official Development Aid (ODA) to Africa appears to have been broadly sustained during the global crisis. In the years before the crisis, ODA had declined from its peak in 2005 but this peak was exceptional as it included large debt relief operations. Prospects for meeting the Group of Eight (G8) target of increasing aid to poor countries by 50 billion US dollars (USD) from 2004 to 2010 will depend on sharply accelerating growth in core development aid.

Direct investment inflows

Leading up to the financial crisis FDI inflows to Africa had been rising strongly since 2002, reaching USD 88 billion over 2008, a 27% increase on 2007 and their highest historical level. Behind the rise in FDI up to 2008 lay the surge prices for raw materials, particularly oil, which triggered a boom in commodity-related investment. However, the global crisis led to a considerable slowdown in the second half of 2008, which continued and accelerated through 2009. The crisis lowered demand for Africa's commodities, which has reduced capital investment in those sectors and countries where most foreign investment has historically been concentrated. Preliminary estimates for 2009 indicate a sharp fall in FDI to Africa of 36% (echoing an overall fall in FDI to developing economies by 34% over the same period) (Figure 2.1). As FDI is a major source of investment in Africa, such a precipitous drop affected Africa's overall investment levels much more than other developing regions.

Cross-border mergers and acquisitions (M&A) rose sharply in the first half of 2008, before the fall in commodity prices and the onset of the global financial crisis. Nevertheless, cross-border M&A reached USD 21 billion in 2008, its highest level. Preliminary figures for 2009 indicate that cross-border M&A in Africa fell by a precipitous 73%, to USD 5.7 billion. This echoes a global fall in mergers and acquisitions of 66%. M&A activity in Egypt dropped by 90% and in South Africa by 37% in 2009.

In 2008, sub-Saharan Africa received USD 63.6 billion in FDI, USD 24 billion of which was directed to north Africa. Africa's share of global FDI flows registered a significant increase to 5.2% of global FDI (up from 2.9% in 2007). As a percentage of gross fixed capital formation, FDI inflows rose to 29%. Top FDI destinations for 2008 were Nigeria (USD 20.3 billion), Angola (USD 15.5 billion), Egypt (USD 9.5 billion) and South Africa (USD 9 billion), followed by Libya, Tunisia, Algeria, Democratic Republic of Congo (DRC) and Sudan. As ever, the most attractive countries for investment tend to hold significant natural resource endowments, active privatisation programmes, liberalised FDI policies and vigorous investment promotion activities. FDI levels and prospects still vary widely by region, sector and country. In 2008 North Africa's sustained privatisation programmes and investment-friendly policies continued to attract large FDI inflows, reaching USD 24 billion, a 7% increase from 2007. FDI investments in North Africa remained the continent's most diversified. Inflows to Egypt remained substantial, though dropping by 18% in 2008. Preliminary figures for Egypt suggest a further fall of 14% to USD 8.2 billion in 2009. Morocco, in turn, is estimated to have seen its FDI drop by 57% in 2009.

In 2009 west Africa continued to benefit from the region's oil industry, for example, with new finds boosting development in Ghana and Guinea and raising Nigeria's FDI flows by 63%. Nearly 80% of total west African investment came through the oil industry, mostly reflecting industry expansion projects. central African inflows remained stable at USD 6 billion, with DRC the leading destination with USD 2.6 billion. east Africa also remained stable at USD 4 billion, and is still the lowest recipient of FDI on the continent. In southern Africa, Angola attracted USD 15.5 billion in 2008, an increase of over 50% from the previous year. South Africa, the continent's most diversified economy, also registered strong growth in inflows. Preliminary estimates for 2009, however, indicate a drop of 25%. South Africa's stock of FDI at work in the country remains the highest on the continent by far at USD 119 billion, nearly a quarter of total FDI stock in Africa (standing at USD 510.5 billion at the end of 2008).

FDI has grown into a major source of capital in the region thanks to African governments' significant efforts. Attracting FDI has required governments' commitment to improving institutional frameworks and can serve to increase competition and provide technological spillovers. As such, FDI can incentivise improved business environments in African countries. Nevertheless, while FDI inflows are important as a stable and long-term source of capital to promote industry and commerce, the majority of FDI to Africa remains targeted to extractive industries in a relatively limited group of countries. Thus, the broader developmental impact of FDI-backed projects is often limited.

Attracting FDI into diversified and higher value-added sectors remains the ongoing challenge for Africa's economies. The primary sector consistently remains the main focus of foreign investment. Nevertheless, sectors such as banking, communications and infrastructure were dynamic up to the global crisis and will hopefully return to their prior dynamism once the effects of the crisis subside. Service-sector investment rose in North Africa but remained negligible in sub-Saharan Africa, barring financial institution buy-ins. While still restricted to certain emitting countries (notably South Africa and Nigeria), African transnational companies (TNC) are growing to become major investors, even though intra-African FDI still only accounts for a small portion of total foreign investment. (In the period 2002-04, intra-African FDI was estimated at only USD 2 billion annually on average, which represented about 13% of total inward FDI [1]). This is much lower than other developing regions (such as ASEAN, estimated at 30%). The level of FDI from Africa to small African economies may well be understated in official FDI data, as a significant proportion of such investment goes to the informal sector, which is not included in government statistics. Overall, latest estimates measured the total stock of intra-African investment at USD 73 billion in 2007 (out of a total FDI stock of USD 424 billion; that is, 17% of total FDI stock in the region).

African FDI suffers from a supplementary constraint of size: African investments tend to be smaller, and thus are less involved in large, capital-intensive sectors such as mining and oil exploitation. Traditional constraints on investment such as weak infrastructure and fragmented markets also affect African FDI. South Africa remains the single most important African source of intra-regional FDI for the continent; North Africa is also an essential source. Destinations for intra-African investment are mainly geographically close to the source country. That means mostly southern Africa, with Botswana, Madagascar, Malawi and Mozambique benefiting from their proximity to South Africa.

West African banks have also been fast expanding their operations throughout Africa. Large, pan-African financial institutions taking advantage of the region's increasingly open financial markets improve the cross-country flow of capital and investment. Ecobank, based in Togo, operated in 33 countries in Africa in 2009. The Nigerian banking sector particularly has been expanding quickly, becoming a major player in African finance and turning Nigeria into a source of outbound FDI. These African banks improve financial provision in Africa's economies and increase access to credit and savings. Pan-African financial networks also facilitate payment throughout the continent.

South Africa's developed financial sector has enabled it to collect capital from abroad (including Africa) through portfolio inflows, which it has transformed into outbound FDI [2]. Nigerian banks have operated through M&A, which have been the common mode of foreign investment in Africa by African firms. According to the latest estimates, from 2005-08, 28% of the total M&A deals made in Africa were made by African firms, accounting for 21% of total value over the period. Intra-African investment is highest in the services and manufacturing sectors, while investment from outside Africa is concentrated in the primary sector (often requiring large-scale capital- and technology-intensive investments). Only South Africa currently has the scale and capacity to engage in international mining investments.

Other African investors include Libya's Sovereign Wealth Fund, the Libyan Africa Portfolio Fund for Investment (LAP), which has over USD 5 billion in capital. LAP invests, both directly and through its subsidiaries, in a wide range of sectors in many African countries. Egypt's Orascom also has a broad portfolio of investments throughout Africa, notably in telecommunications and construction.

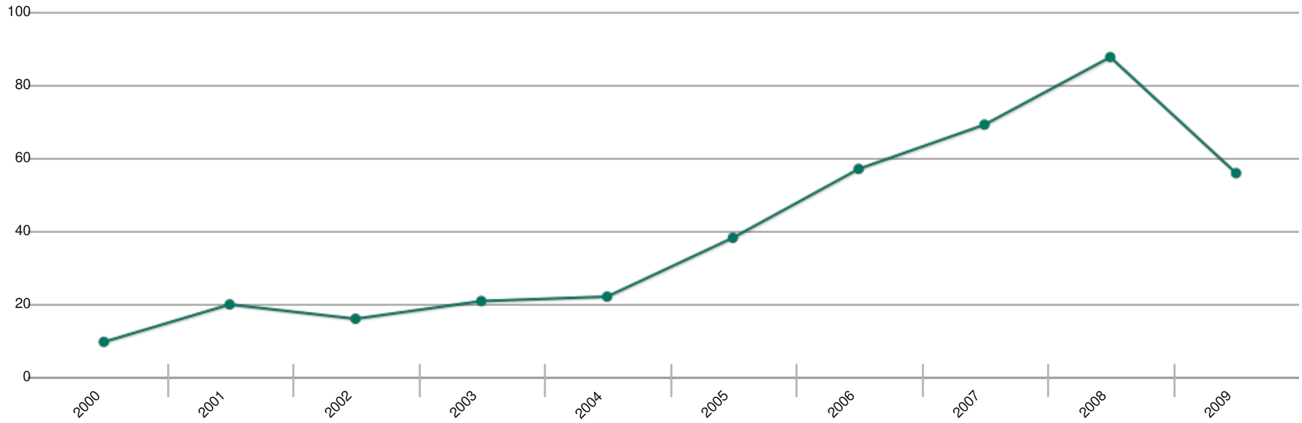
A further distinction is that non-African FDI is generally non-market seeking FDI, implying that such investments hinge on producing goods in the host country for sale abroad. Intra-African FDI is generally on a smaller scale and has a stronger focus on services & manufacturing. Most intra-African investment deals are thus in less technology-intensive consumer product sectors. Extra-African FDI, on the other hand, tends to be invested in large, capital-intensive projects.

South Africa has been a net capital exporter to Africa since 2005. In 2007 it accounted for about 70% of total intra-African flows. In fact, portfolio flows into South Africa appear to finance the country's FDI outflows into the rest of the region. South Africa's financial intermediation thus promotes African FDI.

Outward FDI flows from emerging countries have been increasing very strongly for the past decade, rising to a total stock of USD 4 trillion in 2007. A share of these FDI flows is finding its way to Africa. China, India and Asian countries now figure as important sources of capital for Africa's economies. At the end of 2007, Africa had cumulated 4% of total Chinese outward FDI (Asia accounting for 67% -- though this figure is distorted by the use of tax havens) [3]. Countries have attempted to develop Special Economic Zones (SEZs) to boost national production, with varied results. China, notably, has actively promoted the creation of five African Economic Co-operation Zones. Such zones in Zambia and Mauritius are formalised, while three others remained to be determined in early 2010. Chinese entities were also in negotiations with Egyptian authorities to create an SEZ in Egypt, near the Suez Canal. These economic zones, beyond providing employment and spillovers to domestic economies, could also allow China to benefit strongly from preferential trade agreements among Europe, the United States and many African countries.

African governments continued to show commitment to promoting investment-friendly policy environments. This is from a very low base, however. The challenges remain daunting, often going beyond regulatory policy and extending to basic infrastructures, rule of law and human resource availability. Nevertheless, greater stability and the desire to capitalise on higher commodity prices have provided serious incentives to attract foreign capital to many African countries. Of 46 African economies tracked in the World Bank *Doing Business 2010* report, 29 reformed, implementing 67 reforms. Nearly half the reforms in the region focused on making it easier to start a business or trade across borders.

Figure 2.1: FDI inflows to Africa



Note: 2009 (preliminary estimates).
Source: UNCTAD, March 2010.

StatLink http://dx.doi.org/10.1787/850262428132

FDI outflows from Africa declined in 2008 by 12%, to USD 9 billion, driven by large divestments in South Africa's private sector. Libya accounted for the majority of outflows in 2008, accounting for 63% of Africa's total. Libya's active international investment policy aims at diversifying away from the country's strong dependency on oil wealth.

Africa's transnational corporations, particularly from South Africa but also from countries such as Angola that had been benefiting from high commodity prices, are expanding. Although African FDI outflows remained centred on extraction, African TNCs also engaged in telecommunications and retail-sector investments.

The composition of non-FDI capital flows shows persistent variations between country groupings. ODA and bank lending predominate in low-income countries (LICs), and equity flows are largely restricted to South Africa. Bond financing is making inroads into middle-income countries, even though weak demand for Angola's planned USD 9 billion bond issue has forced it to reschedule a significant share of this sum.

Africa's access to external finance is likely to remain severely constrained as long as global conditions remain uncertain. Africa will face difficulties in securing the substantial capital it requires to fund projects, create jobs, finance current account deficits and sustain growth. With global banks pulling back capital from all emerging markets, African banks, while not directly affected by the crisis and little exposed to toxic instruments, have taken a strong second-round hit. They now face much tighter credit conditions that limit the availability of trade finance and constrain their own lending.

As private sources of capital dry up, development finance institutions (DFIs), such as the IFC, will have a critical role to play. It is important to continue to develop innovations in financing to connect African investment opportunities with foreign capital. For example, Britain's CDC backs African private equity funds, which in turn identify and invest in frontier African markets (notably in services and manufacturing sectors). The AfDC's plans to triple lending for African infrastructure schemes in an effort to salvage key projects indicate the increasingly essential role multilaterals, development banks and DFIs may play should downside risks materialise fully.

The African Union (AU) has established the African Investment Bank, which is scheduled to open for business in 2011. To be based in Tripoli, Libya and wholly owned by African actors, the bank is designed to finance private sector development and development initiatives, notably infrastructure.

A possible positive outcome for the crisis may be that African banks develop innovative means to tap the continent's domestic savings, which remain underutilised. To replace ebbing revenue sources, Africa's growing banking sector could very well develop consumer business.

Box 2.1: The NEPAD-OECD Africa Investment Initiative

The NEPAD-Africa Investment Initiative works to improve the capacity of African countries to identify and implement concrete policy reforms that strengthen the environment for investment, growth, employment creation and poverty reduction. It is organised around three central pillars: providing a forum for investment policy makers, supporting country-led investment reviews and reforms, and engaging the private sector as a development partner. This work is based on NEPAD and the OECD's peer learning method and co-operation instruments, such as the Africa Peer Review Mechanism (APRM), the Policy Framework for Investment (PFI) and the OECD Guidelines for Multinational Enterprises.

The fourth NEPAD-OECD Africa Investment Initiative's Annual Ministerial Meeting and Expert Roundtable took place in Johannesburg, South Africa, on 11-12 November 2009. Following up on G20 and OECD calls for laying the foundations of a stronger and greener world economy, the meetings addressed ways of mobilising resources against the crisis and boosting private investment in energy infrastructure, including through carbon finance. The Initiative's focus on private sector engagement in infrastructure was strongly supported. High-level representatives from NEPAD and OECD countries issued recommendations calling for reforms in the areas of tax, financial markets and energy. The recommendations:

- Emphasised the key role that tax and financial market policies can play to channel resources into productive investment;
- Stressed the importance of striking the right balance between an attractive tax system for investment and growth and securing the necessary revenues for public services delivery;
- Highlighted that reforms aimed at broadening the tax base while also flattening the tax rate scale need to be supported;
- Encouraged reforms to deepen African financial markets;
- Underlined the need for policy coherence in the energy sector and welcomed steps taken by the Regional Economic Communities in developing powerful tools; and
- Called for the reform of the Clean Development Mechanism (CDM) at the UNFCCC Conference in Copenhagen to simplify procedures for the application and registration of projects.

The meeting gathered Ministers from Cameroon, Malawi, Senegal, Sierra Leone and Uganda. Keynote sessions were led by NEPAD Chief Executive Officer Ibrahim Mayaki and OECD Deputy Secretary-General Mario Amano. The full text of recommendations is available at www.oecd.org/daf/investment/africa.

The Ministerial meeting confirmed the NEPAD-OECD Africa Investment Initiative as a leading African forum for economic policy makers. The President of Senegal has offered to host the next Ministerial meeting of the Initiative in 2010.

In 2010, the Initiative began a major capacity-building programme for individual southern African countries, which is based on the OECD Policy Framework for Investment (the most comprehensive multilaterally-backed investment policy instrument).

A separate work stream in co-operation with the Sahel and West Africa Club (SWAC) is looking at responsible investment in agriculture, with the first country-based assessment to be carried out in Burkina Faso. Recent collaboration is also occurring with the Office of the Special Adviser on Africa (OSAA) of the UN Secretary General, including a joint report titled "Economic Diversification in Africa", and with the OECD Development Assistance Committee on the potential for aid to leverage investment. A new capacity-building training scheme for Public-Private Partnerships in Infrastructure is under joint development with the African Development Bank (AfDB) Infrastructure Project Preparation Facility (IPPF).

Official Development Assistance (ODA)

In 2008 aid volumes reached their highest historical level: USD 121.5 billion [4]. Nonetheless, reduced growth in that year and the economic contraction in 2009 have lowered the dollar value of pledges made in 2005 at the Gleneagles G8 and UN Millennium +5 summits from the projected USD 130 billion to about USD 124 billion (in constant 2004 dollars).

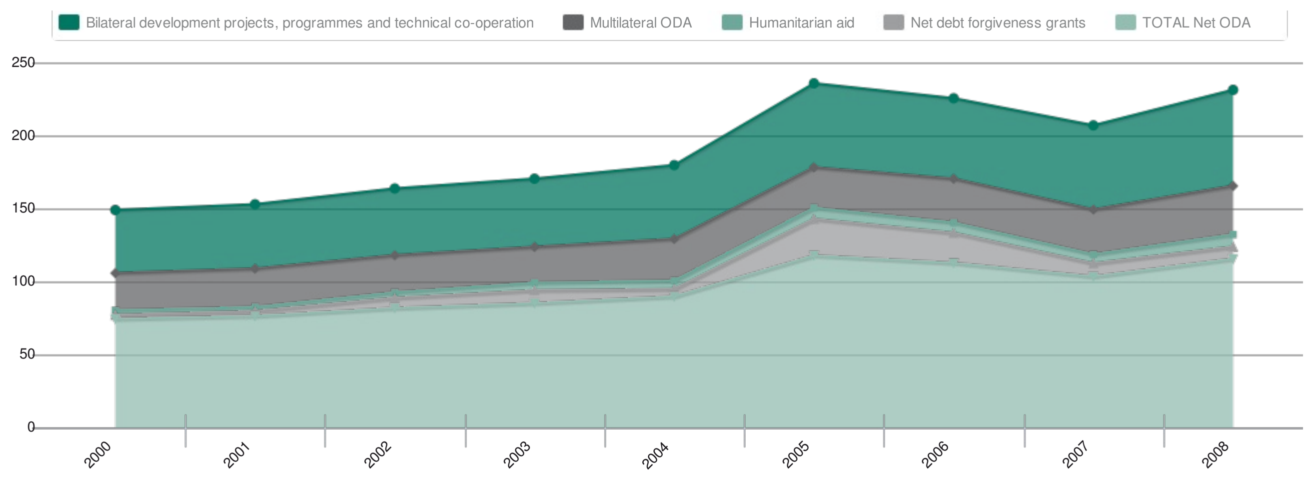
The Development Assistance Committee (DAC)'s monitoring of funding projections shows that most donors plan to continue increasing their aid. Some donors, however, have not lived up to their promises and may fall further behind their commitments as official development assistance (ODA) budgets stagnate or shrink. Based on current information, the overall expected ODA level for

2010 is estimated at USD 107 billion (expressed in 2004 dollars [5]). The shortfall in relation to the 2005 projections particularly affects Africa.

In 2008 total net ODA from members of the DAC rose by 11.7% in real terms, to USD 121.5 billion – the highest absolute level of aid ever recorded. This figure represents 0.31% of members' combined gross national income (Figure 2.2).

Between 2007 and 2008 the volume of DAC donors' (bilateral) development projects and programmes also rose substantially, by 14.1% in real terms. Indeed, bilateral development projects and programmes have been rising in recent years, indicating that donors are substantially scaling up their core aid programmes.

Figure 2.2: Components of DAC donors' NET ODA, 2000-2008



Source: OECD *Development Co-operation Report 2010.*

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The largest donors by volume in 2008 were the United States, Germany, the United Kingdom, France and Japan. Five countries exceeded the United Nations target of 0.7% of gross national income (GNI): Denmark, Luxembourg, the Netherlands, Norway and Sweden. The largest volume increases came from the United States, the United Kingdom, Spain, Germany, Japan and Canada. In addition, Australia, Belgium, Greece, New Zealand and Portugal recorded significant increases.

In 2008 net ODA by the United States was USD 26 billion, representing an increase of 16.8% in real terms. Its ODA/GNI ratio rose from 0.16% in 2007 to 0.18% in 2008. The United States' net ODA levels increased to practically all regions, particularly sub-Saharan Africa (+38.3% in real terms to USD 6.5 billion). Net ODA also increased substantially to the group of Least Developed Countries (LDCs)(+40.5% in real terms to USD 6.9 billion), and humanitarian aid also rose significantly (+42.5% in real terms to USD 4.4 billion) owing mainly to increased relief food aid.

Japan's 2008 net ODA was USD 9.4 billion, representing an increase of 8.2% in real terms over 2007. Its net ODA/GNI ratio rose from 0.17% in 2007 to 0.18% in 2008. The increase is mainly due to a rise in contributions to international financial institutions. This reverses the downward trend in Japan's ODA since 2000 (excluding peaks in 2005 and 2006 due to high levels of debt relief).

The combined net ODA of the 15 DAC members that are also EU members rose by 8.6% in real terms to USD 70.2 billion, representing 59% of all DAC ODA. As a share of GNI, net ODA from DAC-EU members rose to 0.42%. In real terms, for different reasons, net ODA rose in 14 DAC-EU countries [6]. It fell in Austria (-14%) owing to a lower level of debt relief grants provided in 2008 compared with 2007. The European Commission's net ODA rose by 6.8% in real terms to USD 13.4 billion, mainly owing to an increase in technical co-operation activities and humanitarian aid.

Net ODA from other DAC countries rose or fell between 2007 and 2008 as follows: Australia (+13.8%), reflecting an overall scaling up of its aid; Canada (+12.2%), because of an overall scaling up of its aid and increased contributions to the World Bank; New Zealand (+11.0%), reflecting an increase in bilateral ODA; Norway (-2.4%); Switzerland (+6.5%), as it increased its bilateral aid.

In 2005 donors committed to increase their aid at the Gleneagles G8 and UN Millennium +5 summits. The pledges made at these summits, combined with other commitments, implied lifting aid from USD 80 billion in 2004 to USD 130 billion in 2010, at constant 2004 prices. While a few countries have slightly reduced their targets since 2005, the bulk of these commitments remains in force. However, reduced growth in 2008 and economic contraction in 2009 reduce the dollar value of commitments expressed as a percentage of national income. Overall, the current commitments suggest an ODA level of USD 121 billion in 2010, expressed in 2004 dollars, or an increase of USD 20 billion from the 2008 level (see Figure 2.3).

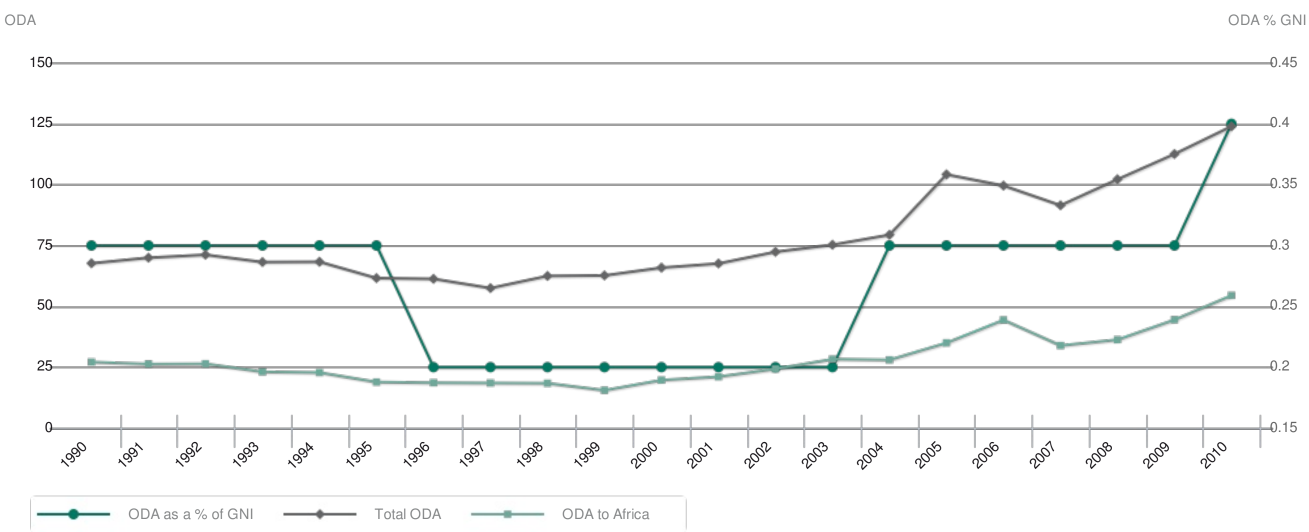
Africa can expect some further increases in aid. A new survey of donors' forward spending plans suggests an 11% increase in programmed aid between 2008 and 2010, including larger disbursements by some multilateral agencies. Debt relief may also increase slightly as the debt of the remaining HIPCs is treated in the Paris Club. However, the current outlook suggests that at least USD 10-15 billion must still be added to current forward spending plans if donors are to meet their current 2010 commitments.

The 2008 ODA data as well as forward spending plans suggest that with some further effort most donors are within reach of their 2010 targets. The countries that have already met the UN ODA target of 0.7% of GNI are expected to continue to do so. Most other DAC members are expected to meet, or nearly meet, their 2010 targets. However, there are likely to be large shortfalls in a few countries. For example, ODA in 2008 from Austria, Italy and Greece, excluding debt relief, is well under half their ODA/GNI target for 2010. Only a special crisis-related effort can ensure that the 2010 targets for aid are met, which is even more important now that the economic crisis is reducing developing countries' growth prospects and their ability to make progress towards the Millennium Development Goals (MDGs).

According to the OECD/DAC February 2010 press release [7] on expected ODA levels in 2010, aid to developing countries in 2010 will reach record levels in dollar terms, increasing by 35% since 2004. But it will still be less than the world's major aid donors promised five years ago at the Gleneagles and Millennium +5 summits. Although a majority of countries will meet their commitments, the underperformance of several large donors means there will be a significant shortfall, according to a new OECD review.

Africa, in particular, is likely to get only about USD 12 billion of the USD 25 billion increase envisaged at Gleneagles. This shortfall is due in large part to the underperformance of some European donors who give large shares of ODA to Africa.

Figure 2.3: DAC members' net ODA 1990 - 2008 and DAC Secretariat simulations of net ODA to 2009 and 2010



Source: OECD Development Co-operation Report 2010

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At the end of 2008, the OECD Secretary-General, Angel Gurría, and the Chair of the DAC, Eckhard Deutscher, launched an Aid Pledge inviting DAC members to reaffirm their aid commitments. DAC members did confirm these commitments [8] at the OECD in November. The World Bank and IMF have also launched new calls for increased aid funding because of the considerable concern among developing countries in Africa and elsewhere that the recent global financial crisis may result in reductions in aid budgets instead of the further increases that have been pledged.

Ensuring that aid acts as a counter cyclical force will require strong political priority and co-ordination at the global and country levels. Therefore, participants in the May 2009 DAC High Level Meeting discussed the effects of the financial crisis on development in 2009 and thereafter, and how to create and support initiatives to support developing countries during the crisis.

Aid has indeed played a positive counter cyclical role during some previous financial crises. After the Mexican debt crisis in 1982, commercial lending was significantly reduced for about a decade, yet ODA rose slightly during this period, playing a strong role in maintaining flows to Latin America. However, the global economic recession in the early 1990s produced large fiscal deficits in donor countries that led to deep cuts in ODA, which fell from 0.33% of gross national income in 1992 to 0.22% in 1997.

Aid cuts at this point in time would place a dangerous additional burden on developing countries already faced with restricted sources of income and increased poverty. Such cuts would perhaps undo some of the progress already made towards meeting the MDGs.

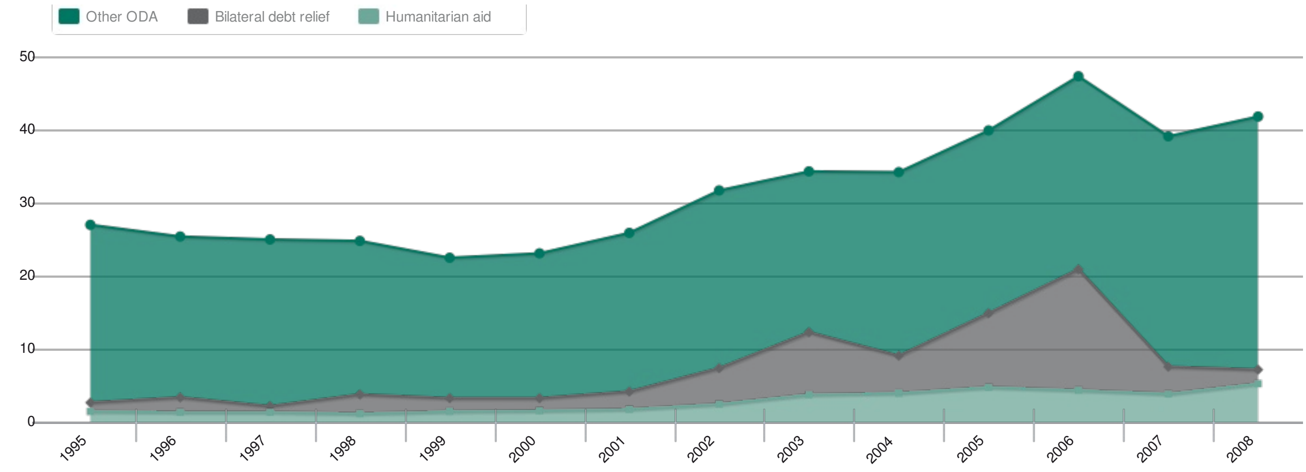
Growth of aid to Africa

Aid to Africa has risen recently, although much of it has been provided in the form of debt relief. After declining by 4.5% in real terms in 2006, net ODA from the 22 OECD DAC countries fell a further 8.4% to an estimated USD 103.7 billion in 2007. However, 2005 ODA was exceptionally high because it included large debt relief operations (over USD 19 billion to Nigeria and Iraq alone). Prospects for meeting the G8 target of increasing aid to poor countries by USD 50 billion from 2004 to 2010 will depend on sharply accelerating the growth of core development aid.

In 2008 preliminary data show that net bilateral ODA from DAC donors to Africa totalled USD 26 billion, of which USD 22.5 billion went to sub-Saharan Africa [9]. Excluding volatile debt relief grants, bilateral aid to Africa rose by 10.6% and to sub-Saharan Africa by 10% in real terms. (The increases including debt relief were 1.2% to Africa and 0.4% to sub-Saharan Africa.)

The DAC data indicate that humanitarian aid increased from USD 4 billion in 2007 to USD 5 billion in 2008. Bilateral debt relief decreased, reaching USD 2 billion in 2008, whereas it was USD 4 billion in 2007. The other ODA flows increased and reached USD 35 billion in 2008 from USD 32 billion in 2007.

Figure 2.4: Net ODA disbursements to Africa



Source: OECD Development Co-operation Report 2010

StatLink http://dx.doi.org/10.1787/850357643573

Other aid sources for Africa have expanded over time. The number of non-DAC donor countries was approximately 30 in 2008 (World Bank, 2008). These countries – including Brazil, China, India, Malaysia, Russia, Thailand, Venezuela, some oil-rich countries, and new EU countries – are providing an estimated USD 8 billion a year, with increases expected (World Bank, 2008).

A country today that receives increasing attention in Africa, in terms of aid as well as trade, is China. In fact, China gives aid to almost every single country in sub-Saharan Africa. Some argue that Chinese aid is motivated by the access to natural resources within the continent. However, there is little evidence that China gives more aid to countries with more natural resources or specifically targets countries with worse governance (Brautigam, 2010). In addition, China is not alone in its interest in natural resources in Africa, and natural resources are not the primary motivating factor for Chinese aid: like all donors, China is motivated to give aid by a mix of political, commercial and social/ideological factors (Brautigam, 2010). The scarcity of data (IMF, 2008) on the growing Chinese presence in Africa in terms of aid, debt and direct investment flows represent a serious impediment for evaluating the real power and influence of China within Africa (for more details see Brautigam, 2010).

While many countries are making progress towards achieving the MDGs, a third of all developing countries are falling behind. This group is made up of about 50 of the world's poorest countries, and in most of them the situation is exacerbated by violent conflict and poor governance. Even though these fragile states already receive 38% of all ODA, further improvement in their conditions is fundamental if the UN MDGs are to be achieved.

Progress in making aid more effective

Managing for impact

Many DAC members are reforming their development systems so that they are managed "by and for results" – in other words, so that they are oriented towards maximising poverty reduction and the other MDGs. More donors now identify projects and programmes based on expected results and are making sure that these programmes have clear objectives so that results can be better measured. Nonetheless, embedding such systems – and shifting the focus from producing outputs to generating results in poverty reduction and other development priorities – means changing deep-rooted habits. Such change challenges all DAC members.

Measuring impact

To ensure transparency and accountability, it is fundamental to use high-quality evaluation based on solid evidence for measuring impact on development goals. To help donors improve their evaluations and increasingly work together toward shared goals, the DAC develops and makes available quality standards for evaluation.

Donors achieved encouraging commitments to international development assistance (IDA) (USD 25.1 billion for 2008-11), as well as to the concessional windows of other regional development banks and the Global Fund for AIDS, TB and Malaria (GFATM) (World Bank, 2008).

Innovative financing approaches are also raising funds. Such approaches include the International Finance Facility for Immunisation (IFFIm), which issued a USD 1 billion bond in 2006, and the solidarity tax on airline tickets, introduced in France in mid-2006 and being implemented in a number of other countries.

Developing countries, on the other hand, have made progress in strengthening development strategies and institutional frameworks for implementation. Strong performers and good candidates for scaled-up aid include Burkina Faso, Ghana, Madagascar, Mozambique, Rwanda, Tanzania and Vietnam (World Bank, 2008).

Although the aid effectiveness agenda remains unchanged, indicators to measure field progress are evolving. The Accra High Level Forum 2008 has set new priorities (DAC, 2009) to increase aid effectiveness into the Paris Declaration's principles. These priorities effectively mean:

- increasing development actors' delivery capacity;
- finding methods of including the civil society into the delivery process;
- improving transparency and accountability on both donors' and governments' parts so as to include such values;
- adapting the evaluation and monitoring criteria in accordance for the implementation of the named values.

Box 2.2: Strengthening the capacity of the national statistical systems

Since the mid-1990s, demand for statistics has grown. It is necessary to produce, implement and assess poverty reduction strategies, calculate Millennium Development Goals (MDGs) Indicators, adopt a results-based management framework, strengthen the regional integration processes and confront the challenges of globalisation. Unfortunately, in most African countries the situation of statistical systems does not make it possible to meet this growing demand. The countries must often deal with:

- Significant budgetary constraints (statistics are rarely a priority of the national budget and are usually financed by technical and financial partners);
- Limited human resources (many countries are confronted with a critical lack of statisticians at all levels to conduct regular activities);
- An unsuitable legal and regulatory framework resulting in an absence of statistical co-ordination and of dialogue between producers and users.

Each year the World Bank calculates a composite indicator of statistical capacity for each country. This indicator is based on publicly available information in most countries and evaluates three aspects of statistical capacity: statistical methodology, source data and data periodicity. The changes in this indicator over the past ten years show that there have been real improvements in the capacity of the national statistics systems. Nevertheless, they also show that improvements in the IDA countries in Africa have been slower than in the rest of the world.

In Africa as a whole, the collective awareness of the need for statistics has made it possible to make the development of statistics one of the priorities of the development agenda. In this regard, the adoption of the African Charter on Statistics by the heads of states and government of the African Union in February 2009 was a major event.

Since 1999, the OECD has hosted the PARIS21 partnership (www.paris21.org), the objective of which is to strengthen the capacity of the national statistical systems of developing countries. PARIS21 is active in the following areas:

- Support for the development, financing and implementation of national strategies for the development of statistics (NSDSs);
- The establishment of country-level statistical sub-groups of donors;
- The establishment of partnership initiatives, such as the Partner Report on Support to Statistics (PRESS), to co-ordinate donor supports to statistics;
- Assistance with the co-ordination of all actors within the national statistical system (sector line ministry statistical units, central bank, central statistical office, etc.);
- The production of statistical advocacy materials;
- The organisation of examinations by peers on the national statistical system;
- The production of documents and methodological guides;
- Participation in implementing the Accelerated Data Program (www.ihsn.org/adp), which aims to improve the use of existing data and the quality of future surveys.

PARIS21 organised a meeting of its consortium in Dakar from 16 to 18 November 2009. This event, organised in conjunction with the Senegalese government, brought together more than 400 participants from across the globe to reaffirm the importance of developing national statistical systems. The Dakar Declaration on the Development of Statistics and its five-point call to action was adopted at the events. This declaration recommends implementing NSDSs, mobilising financial and technical resources for the development of statistics, ensuring more effective co-ordination, better meeting the needs of the users, and developing a programme of research to modernise statistical tools and technologies.

Table 2.1: Statistical capacicity indicator and status of National Stratregies for the Development of Statistics

COUNTRY	STATISTICS CAPACITY INDEX	STRATEGY FOR STATISTICS DEVELOPMENT		CENSUS	
		Status	Time Span	Status	Years
Algeria	61	Implementation	2009-10	Conducted	2008
Angola	34	Strategy expired	2002-06	Planned	2010-14
Benin	48	Implementation	2007-12	Planned	2012
Botswana	47	Strategy expired	2003/4-04/05	Planned	2011
Burkina Faso	58	Implementation	2004-09	Conducted	2006
Burundi	56	Strategy expired	2004-07	Planned	2008
Cameroon	64	Completed awaiting adoption	2009-13	Conducted	2005
Cape Verde	63	Implementation	2008-12	Planned	2010
CAR	46	Being designed		Planned	2013
Chad	49	Strategy expired	2002-07	Planned	2008
Comoros	49	Implementation	2008-12	Planned	2013
Congo Dem. Rep.	29	Being designed		Planned	2008
Congo, Rep	54	Implementation	2005-09	Conducted	2007
Côte d'Ivoire	62	Completed, awaiting adoption	2009-13	Planned	2008
Djibouti	35	Completed awaiting adoption	2008-13	Planned	2008
Egypt	83	No strategy		Conducted	2006
Equatorial Guinea	29	Implementation	2003-08	Planned	2005-14
Eritrea	29	Completed awaiting adoption	2010-2014	Planned	2009
Ethiopia	78	Completed awaiting adoption	2009/10-2013/14	Conducted	2007
Gabon	38	Being designed	2010-14	Planned	2013
Gambia, The	62	Implementation	2007-11	Planned	2013
Ghana	59	Completed awaiting adoption	2009-13	Planned	2010
Guinea	50	Completed awaiting adoption	2009-13	Planned	2009
Guinea Bissau	39	Being designed	2009-13	Conducted	2009
Kenya	54	Completed awaiting adoption	2008-13	Conducted	2009
Lesotho	60	Strategy expired	2002-05	Conducted	2006
Liberia	32	Implementation	2009-13	Conducted	2008
Libya	36	Being designed		Conducted	2006
Madagascar	61	Completed awaiting adoption	2007-12	Planned	2009
Malawi	64	Implementation	2008-12	Conducted	2008
Mali	61	Implementation	2006-10	Planned	2009
Mauritania	60	Implementation	2007-12	Planned	2010
Mauritius	74	Implementation	2007-10	Planned	2010
Mozambique	62	Implementation	2008-12	Conducted	2007
Namibia	51	Implementation	2005-09	Planned	2011
Niger	56	Implementation	2008-12	Planned	2011
Nigeria	57	Implementation	2007/8-11/12	Conducted	2006
Rwanda	66	Implementation	2007-11	Planned	2012
Sao Tome-and-Principe	55	Being designed	2009-18	Planned	2011
Senegal	68	Implementation	2008-13	Planned	2011
Seychelles	58	Being designed		Planned	2010
Sierra Leone	49	Implementation	2008-12	Planned	2014
Somalia	23	No strategy		Planned	2005-14
South Africa	78	Implementation	2005/06-09/10	Conducted	2011
Sudan	43	Strategy expired	2003-08	Conducted	2008
Swaziland	64	Implementation	2004/5-08/09	Planned	2007
Tanzania	59	Implementation	2008-18	Planned	2012
Togo	53	Completed awaiting adoption	2009-13	Planned	2009
Tunisia	71	Implementation	2007-11	Planned	2014
Uganda	61	Implementation	2007-11	Planned	2012
Zambia	59	Completed awaiting adoption"	2009-13	Planned	2010
Zimbabwe	46	Implementation	2007	Planned	2012

Sources: World Bank, Country, PARIS21, UNSD.

Annex

Top aid recipients

The figures on this page give a view of who the top aid recipients were between 2007 and 2008, by country, income group, region and sector.

Top aid recipients between 2007 and 2008

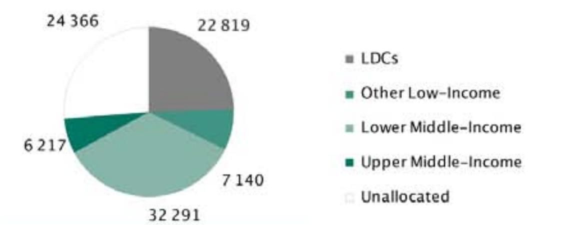
TOTAL DAC COUNTRIES

Net ODA	2007	2008	Change 2007/08
Current (USD million)	103 485	121 483	17.4%
Constant (2007, USD million)	103 485	115 632	11.7%
ODA/GNI	0.28%	0.31%	
Bilateral share	70%	71%	

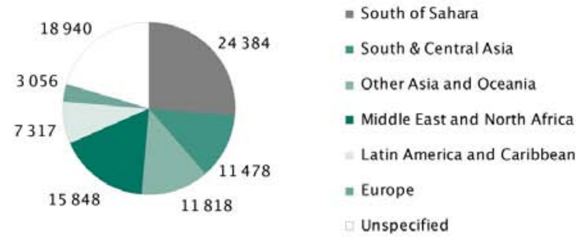
Top Ten Recipients of Gross ODA (USD million)	
1 Iraq	9 462
2 Afghanistan	3 475
3 China	2 601
4 Indonesia	2 543
5 India	2 263
6 Viet Nam	1 745
7 Sudan	1 743
8 Tanzania	1 603
9 Ethiopia	1 551
10 Comores	1 396
Memo: Share of gross bilateral ODA	
Top 5 recipients	22%
Top 10 recipients	31%
Top 20 recipients	43%

Gross Bilateral ODA, 2007-08 average, unless otherwise shown

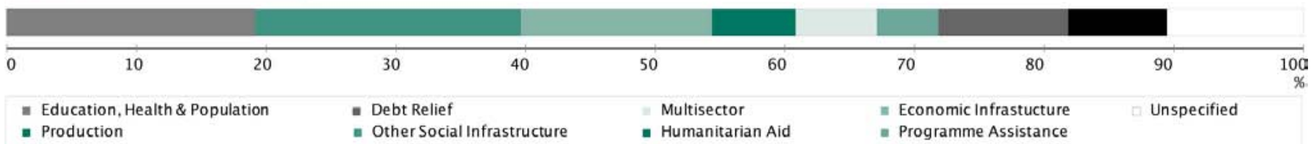
By Income Group (USD million)



By Region (USD million)



By Sector



Source: OECD *Development Co-operation Report 2010.*

StatLink http://dx.doi.org/10.1787/855530353128

Notes

[1] UNCTAD (2009), Economic Development in Africa Report, United Nations Conference on Trade and Development, Geneva.

[2] Ibid.

[3] Davies, K. (2009), "While global FDI falls, China's outward FDI doubles", Columbia FDI Perspectives, No. 5, May.

[4] Specific data are available at stats.oecd.org/qwids

[5] This is the first estimate of the outcome in 2010 of the commitments made by donors at Gleneagles and may change slightly when the 2009 ODA figures are released in April.

[6] For detailed information on these reasons,
see http://www.oecd.org/document/35/0,3343,fr_2649_34487_42458595_1_1_1_1,00.html.

[7] "Donors' mixed aid performance for 2010 sparks concern"
see http://www.oecd.org/document/20/0,3343,en_2649_34447_44617556_1_1_1_37413,00.html).

[8] The full statement can be seen at: www.oecd.org/document/2/0,3343,en_2649_201185_41601282_1_1_1_1,00.html

http://www.oecd.org/document/2/0,3343,en_2649_201185_41601282_1_1_1_1,00.html

[9] At the time the text was written, the 2010 OECD/DAC report (final) was not published yet.

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Trade Policies and Regional Integration in Africa

In recent years, before the global crisis, international trade has increased exponentially. While African countries also benefited from this increase, their share in world trade has remained low; Africa's export trade amounts to only about 3% of world exports. This poor trade performance partly relates to trade protection outside Africa against African products, but it also stems from constraints that inhibit trade within Africa. With the expectation of a generally moderate recovery of the global economy and of world trade as discussed in Chapter 1, it is even more important than before to foster African countries' trade with economies both outside and inside Africa.

A rapid conclusion of the Doha Round and resolution of the outstanding issues in the Economic Partnership Agreements (EPAs) negotiations are crucial to Africa's medium-term prospects in both regional and international trade. Indeed, among the different measures that several advanced countries adopted during 2009 to curb the effect of the financial crisis, trade protectionism has been on the rise. Protectionism increased despite repeated assurances in the context of the G20 meetings in London and later in Pittsburgh, as well as in the context of World Trade Organization (WTO) talks. Often stimulus packages were geared to favour domestic sectors, such as through export support, or to favour buying, lending, hiring or investing in local goods and services (see UNCTAD, 2009a). Such measures clearly discriminate against developing countries, including those in Africa, on two levels. First, African governments lack the resources to curb the domestic impact of the crisis with the same type of measures. Second, African firms face unfavourable treatment precisely in those markets where additional spending is being promoted. Hence, with these new measures African products could easily face discriminatory treatment in relation to similar domestic products and services in developed countries, despite the general agreements about preferential treatment they may enjoy.

A critical reason for Africa's relatively poor trade performance is the weak diversification of African trade both in terms of trade structure and destination. Most African economies depend on very few primary agricultural and mining commodities for their exports and mainly import manufactured goods from advanced countries. As the traditional markets in advanced countries are expected to grow less than markets in emerging Asian and Middle East countries as well as markets within Africa, enhancing trade relations with these more dynamic markets is key.

Several inefficiencies also constrain trade within Africa. These inefficiencies include poor transport infrastructure such as maintenance and connectivity, political instability and lack of security within and among several regions, and intra-African trade barriers. This chapter first discusses recent developments in the Doha Round. Next, it describes policies to enhance intra-African integration. Finally, the chapter examines the challenges to fostering intra-African trade, with a focus on improving infrastructure.

Developments in the Doha Round during 2009

A positive outcome in the Doha Round of international trade negotiations remains critical to Africa's efforts towards increasing its share in global trade. However, as last year's *African Economic Outlook* (AEO 2009, Box 1) highlights, the Doha Round stalemate since the Cancun Ministerial of 2003 has been attributed to the lack of consensus among WTO countries on agriculture and non-agriculture market access (NAMA). No breakthrough was achieved in 2009. The emergence of the new global governance architecture in which the G-20 plays a bigger role did not help the Doha Round, as the Geneva negotiators never translated into action the political signals from the L'Aquila and Pittsburgh summits. Indeed, the negotiations achieved no across-the-board positive development, despite the urgency for swift action introduced by the financial and economic crises. The negotiations' texts remain the ones that were circulated in December 2008, the key among them being those for agriculture and NAMA. These texts received little multilateral-level attention in 2009. Owing to limited engagement on the texts, the 7th WTO Ministerial Conference that some developing countries had hoped would also be a negotiating meeting ended up focusing on the WTO institutional reforms and the global response to the financial and economic crises.

However, as highlighted in the Economic Commission for Africa (ECA) and African Union Commission (AUC) *Economic Report on Africa 2010* released in March 2010, while no breakthrough occurred in the substantive negotiations there were process developments that have implications for Africa. Specifically, the risk of reopening the December 2008 negotiations text heightened when the United States (US) called for hypothetical schedules of the draft modalities, in order to clarify how flexibilities that many developing countries had been pushing for would be utilised. Another important process development was the scaling up of both bilateral and multilateral engagements as opposed to pursuing only the multilateral route. This change raised the risk of members' making trade-offs in the bilateral meetings, which when multilateralised might not encompass everyone's interests. This risk is particularly relevant to African countries that lack capacity to be engaged in parallel bilateral sessions on critical areas of their interest.

Another key 2009 development with respect to the Doha Round was the push for a possible resequencing of the negotiations' priorities. Whereas African countries still see the Hong Kong Ministerial Decision prioritisation that seeks to settle issues in agriculture and NAMA as the optimal route, 2009 witnessed attempts to reorder this sequence, whereby elements in different areas of negotiations would be chosen and resolved first. Therefore, members who felt that services negotiations were most important to them would seek progress there, without necessarily resolving the agriculture and NAMA issues. Such a reordering of priorities would have consequences for African countries that see unlocking their development potential through trade linked to positive results from the agriculture and NAMA negotiations.

Box 3.1: Selected developments in the Doha Round with significance to Africa

Banana Deal

One of the central highlights of 2009 in the context of the WTO Doha Round Negotiations and of particular significance to African countries was the submission of a new proposal on banana trade in mid-December. This proposal was submitted on behalf of the EU, United States and several Latin American banana-exporting countries. After almost two decades of trade disputes on the EU quota system for banana imports, this group of countries generated the General Agreement on Trade in Bananas (GATB), also known as the "Banana Deal", which the rest of the WTO membership is currently considering. If approved, this agreement will have important implications for African, Caribbean and Pacific (ACP) banana exporters, which under the EU-EPAs are enjoying quota- and duty-free access to European markets. Although previous attempts during the Geneva Mini-Ministerial of 2008 among the same group of countries proposing the GATB were unsuccessful, they did pave the way for the current deal. According to the results of a study commissioned by the International Centre for Sustainable Trade and Development (ICTSD), this current agreement will result in ACP exporters losing approximately 14% market share to more competitive Latin American producers such as Costa Rica and Ecuador. The Latin American countries' gain will be approximately 17%, while EU consumers will benefit from an expected 6% increase in banana imports (Anania, 2009).

EU tariffs for non-ACP countries prior to the agreement were set at EUR 176 per ton, while 775 000 tons of ACP bananas enjoyed free market-access conditions. Now, with the GATB, an initial cut of EUR 28 per tonne took effect immediately. Gradual cuts of EUR 3-7 per ton yearly are predicted between 2011 and 2017, with a view to reaching a final level of EUR 114 per tonne. Additional cuts are likely once the Doha Round finalises or by the end of 2015, whichever arrives first. Compensation for ACP countries up to EUR 200 million is also foreseen to help these countries cope with the loss in market share (ICTSD, 2009).

In the light of this agreement, African banana producers should seek to shift and diversify their production towards more value-added banana products (i.e. banana flakes and dried bananas) and/or other cash crops, to curb their gradual loss in market share in the coming years. Either alternative will require investments and the acquisition of technical expertise. Producers may also target niche markets, known for selling "organic" and fair trade produce, which have become very popular in Europe and the United States in recent years. As with value-added banana products, these markets report higher gains but also demand more stringent labelling and production standards.

C4 Cotton Agreement

Another relevant 2009 development for African countries with respect to WTO trade negotiations came in the form of an agreement reached between the "Cotton Four" or "C4" coalition (Benin, Chad, Mali and Burkina Faso) and the EU and United States. Cotton producers of the EU and the United States receive subsidies that greatly harm African cotton producers. These African producers represent around 15 million people in western and central Africa and contribute between 5-10% of their gross domestic product (GDP) and 15% of world cotton exports. Studies on the United States market point out that American cotton producers receive an annual subsidy of USD 3 billion which, if removed, would raise the price of cotton by 6-14%. Eliminating this subsidy would, in turn, allow west African producers to gain 5-12% on the value of their cotton exports (Oxfam, 2002).

Trade Facilitation

In December 2009, the Negotiating Group on Trade Facilitation reached an agreement on a draft text for negotiations during 2010. This agreement reflects all the proposals put forth by different delegations. It served as a starting point for negotiations opening in February 2010 on the content of the future trade facilitation agreement to be adopted by the WTO membership (ICTSD, 2010b). It is hoped that during these negotiations African delegations will emphasise the importance of including special and differential treatment provisions, as well as technical assistance and capacity building to meet their trade facilitation needs in the context of the agreement. Furthermore, African delegations may also link discussion to their Aid for Trade concerns, in particular with regards to trade-related infrastructure, which is one of the main impediments to African trade (Foster and Briceño-Garmendia, 2010).

Despite limited progress on the negotiations' texts, some 2009 developments are worth highlighting, given their significance to Africa's current trade. Box 3.1 explains some of the bilateral/multilateral results on the banana issue, the cotton initiative and trade facilitation. Box 3.2 describes recent developments of EPAs between the European Union (EU) and African countries.

Box 3.2: Developments of Economic Partnership Agreements (EPAs) between the EU and African countries in 2009

If events go as planned, Africa will soon be home to about 26 regional trade agreements. These include 14 regional groupings; 5 EPAs; free trade areas between Europe and the north African countries; and South Africa and Southern African Customs Union (SACU) trade agreements with Europe and Mercosur. Of the 14 regional groupings, the African Union recognises 8 as building blocks towards the African Economic Community. Yet the most challenging of the African regional trade agreements are those of the north-south nature, especially the EPAs, given the inclusion of the Least Developing Countries (LDCs) among the African subgroups. It is for this reason that the EPAs negotiations have the potential of affecting Africa's development agenda for many years to come.

Contrary to expectations, comprehensive agreements on the EPAs were not finalised in 2009. None of the five EPAs under negotiation in the region could be concluded owing to unresolved conflicts. Concerns remained that the comprehensive EPAs, if they were to follow the outlines of the interim EPAs that were initialled towards the end of 2007, would significantly affect Africa's regional integration agenda, Africa's drive for south-south co-operation and Africa's industrialisation strategy. In addition, the development agenda for some countries would likely be affected negatively because of the strong adjustments that African economies would have to undergo to fit in the new EPAs environment. The lack of congruence in the EPAs groupings with the Regional Economic Communities (RECs) memberships continues to pose challenges given the non-harmonised and uncoordinated market access offers by African sub-regions to the EU. Also, the need to deepen south-south co-operation, which might include preferential trade arrangements, remains a challenge because of the Most-Favoured Nation clause in the interim EPAs. The potential for deep liberalisation in efforts to be compatible with WTO articles governing regional trade agreements might also expose nascent African industries. The lack of agreement to match development funding to the level of economic adjustments remains a crucial question that will determine the willingness to conclude the comprehensive EPAs.

Explicitly recognising a linkage between the WTO Doha Round and the EPAs will be vital. The question whether the Doha Round should be concluded before finalising the comprehensive EPAs remains relevant. This question is especially significant because the comprehensive EPAs foresee the possibility of finalising agreements in important areas, such as services and rules, currently under negotiations in the Doha Round. Also, the fundamental questions in relation to EPAs and African regional integration must be resolved. Given the dynamism in Africa's integration agenda as evidenced by the COMESA-EAC-SADC proposed grand free trade area and the African Union's Minimum Integration Programme, the EPAs need to take account of these developments (ECA and AU, 2009).

Important regional integration measures in 2009

Despite progress, intra-African trade is still low, representing on average around 10% of total exports. Many factors contribute to the low trade performance, including the economic structure of African countries, which constrains the supply of diversified products; poor institutional policies; weak infrastructure; weak financial and capital markets; and failure to put trade protocols in place. Moreover, Africa's trade performance is extremely low compared with other trading blocs outside the continent. For example, trade within the Association of South East Asian Nations (ASEAN) accounts for about 60% of their total exports. The same is true for the countries belonging to the North American Free Trade Agreement (NAFTA) area, whose intra-regional trade accounted for 56% of total exports. It is no wonder that the economies of ASEAN and NAFTA are doing remarkably well.

Barriers to external and internal trade in Africa are numerous, despite Africa's determination to dismantle trade restrictions in order to create a common market within the framework of regional and sub-regional agreements. These barriers are mostly the consequences of the above-mentioned factors. In addition, 15 of the countries in Africa are landlocked. These countries continue to face serious challenges in having direct access to the sea. Lack of territorial access to the sea, remoteness and isolation from world markets, and high transit costs continue to impose serious constraints on the overall socio-economic progress of landlocked developing countries. The situation has pushed many landlocked developing countries to higher poverty levels.

Currently, the African Union Commission is focusing on its Minimum Integration Programme (MIP), consistent with previous AU Conferences of African Ministers in Charge of Integration (COMAI). This focus underscores the need for rationalising resources and harmonising the activities and programmes of Regional Economic Communities (RECs). The MIP is in line with a broader undertaking, namely the realisation of the African Economic Community (AEC), as envisaged in the Abuja Treaty and the Constitutive Act of the African Union.

Furthermore, the African Union Commission, together with the United Nations Economic Commission for Africa (UNECA), the African Development Bank (AfDB) and the RECs, has also made notable progress in establishing three-pan-African financial institutions: the African Central Bank, the African Monetary Fund and the African Investment Bank. The AfDB is also supporting the institutional setup for improving macroeconomic and financial convergence on the continent. It has also focused on the preparation of a continental Programme on Infrastructure Development in Africa (PIDA), as well as on the development of an EPA template to be used as a guide in the negotiations for EPAs. This last aspect will be particularly conducive to greater coherence between the different EPAs being negotiated and other regional agreements, which are already in place (ECA and AU, 2009).

Experiences of RECs with FTAs and customs unions

From the moment of its inception, the African Economic Community (AEC) was envisioned as a gradual undertaking to be carried out in six stages. Currently, the AEC is at the third stage of the process, which requires establishment of a Free Trade Area (FTA) and customs union in each of the regional blocs by 2017. However, the current progress of the different FTAs and customs unions varies considerably in the context of the eight RECs that the African Union (AU) recognises.

In the particular case of the Community of Sahel-Saharan states (CENSAD), Economic Community of West African states (ECOWAS), Common Market of Eastern Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC), the FTAs are fully in force, whereas for Arab Maghreb Union (UMA) and Intergovernmental Authority development (IGAD), the process of constituting an FTA has stalled somewhat. Some member countries have not yet joined their respective FTAs, which has important implications for intra-REC trade flows.

For the customs unions, there is more variability in terms of expected results, arguably because this type of agreement requires establishing a common external tariff (CET). A CET is more challenging than negotiating trade preferences among members. In the case of UMA, CENSAD and IGAD, progress has stalled, while ECOWAS is progressing slowly. The Economic Community of Central African States (ECCAS) and SADC are at a more preliminary stage, envisaging the creation of their respective customs unions this year. COMESA and the EAC, meanwhile, have successfully put their customs unions into force. In particular, COMESA launched its customs union in June 2009 with some delay. A CET in all COMESA countries will apply during the coming three years, and by 2025 all barriers on tariffs and movement of people, goods, services and capital will be removed.

One of last year's major developments was the decision to push forth a long-term project dealing with the creation of a FTA among three RECs, namely COMESA, EAC and SADC, spanning over 26 African countries. Efforts to harmonise the regional agenda of COMESA, EAC and SADC are planned, which signals the shared interest of greater coherence among the different RECs. This development is particularly critical for those countries that are both members of COMESA and SADC, who will face major problems once the SADC customs union becomes effective in terms of compatibility of both COMESA and SADC customs unions requirements. Finally, the EAC has launched its Common Market that will free the movement of goods and services, the movement of labour and capital, and the right of establishment from July 2010, to be followed by a Monetary Union in 2012. These changes will also require considerable co-ordination and convergence efforts within the tri-partite arrangement (ECA and AU, 2009).

During 2009 some progress has been made towards African regional integration. Nonetheless, obstacles of intra- and inter-REC trade within the regions prevail. It is therefore imperative that RECs and particularly member countries carry out the AU Decisions to strengthen regional integration through greater production and exchange flows among African countries.

Trade and infrastructure

Weak infrastructure and institutional policies of many of the countries in Africa are partly responsible for poor intra-African trade. For instance, only 29.7% of the African road network is paved. The continent's railway network is also very poor. These factors contribute to high transport costs on the continent as compared to the rest of world. For example, shipping a car from Japan to Abidjan costs USD 1 500, while shipping that same vehicle from Addis Ababa to Abidjan would cost USD 5 000.

Furthermore, the numerous roadblocks and checkpoints on African highways raise transport costs and contribute to increased delays in the delivery of goods. They also limit the free movement of commodities, persons, inputs and investments. African customs administrations are generally inefficient, contributing to barriers to trade within and outside the continent. Customs regulations require excessive documentation, which must be done manually because the process is not automated and information and communication technologies (ICTs) are absent in most of the customs offices. Furthermore, customs procedures are outdated and lack transparency, predictability and consistency. These inefficiencies result in delays that raise transaction costs. A case in point is southern Africa, where waiting for up to 24 hours to cross a border is the norm.

Additional barriers to trade include payment and insurance systems, which are also not well developed. Furthermore, foreign trade financing, export credit facilities and export insurance systems are not available in most African countries. Because monetary and financial regulations are not harmonised at the regional, sub-regional and national levels, there is no inter-convertibility of African currencies. In terms of insurance, a gap exists between the needs of exporters and the services and products offered.

Africa's trade would not improve much with the current poor state of Africa's infrastructure. Africa needs safe, reliable, efficient, affordable and sustainable physical infrastructure to support economic activities and to provide basic social services, especially for the poor. In addition, Africa needs to develop energy infrastructure such as electricity grids and oil and gas pipelines that will facilitate cross-border energy trade, thereby enhancing security and reliability of energy supply. Trade between countries can also be strengthened with shared common water resources if shared rivers and lakes are developed into waterways for the transport of goods and people.

To address the challenges, African countries, with the assistance of the RECs and development partners, have embarked on programmes to strengthen infrastructural development on the continent. They are working to develop an integrated network of roads, railways, maritime transport, inland waterways and civil aviation. In addition, the RECs are developing and implementing harmonised laws, standards, regulations and procedures to ensure the smooth flow of goods and services and to reduce transport costs. The PIDA aims at improving Africa's infrastructure and was launched by the AfDB, AU Commission, the RECs and the New Partnership for Africa's Development (NEPAD) Secretariat. (The NEPAD Secretariat synchronises the development of the NEPAD medium- and long-term strategic framework (MLTSF) and continental infrastructure development master plans.) Under the PIDA various studies will be conducted with the goal of providing African decision makers with analytical and decision-making tools for the formulation of policy, priority infrastructure development programmes and related strategies and processes.

A major challenge confronting the development of African infrastructure is also the lack of adequate financing. Recent estimates by the World Bank indicate that annual infrastructure investment requirement in Africa is about USD 93 billion over the next decade, more than double the previous estimate by the Commission for Africa. These investments are required for the development of new electric power generation plants, cross-border transmission lines, intra-regional fibre optic network and submarine cables, all-season roads to access agricultural land, water and sanitation, and ICTs. Consequently, the financial support programmes that would target Africa's infrastructure development must be scaled up. The World Bank, EU, AfDB and other multilateral agencies need to increase their funding for the development of Africa's infrastructure as African governments lack the financial capacities. It is also necessary further to increase support for the Infrastructure Consortium for Africa (ICA) and the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF).

To promote and address the challenges impeding the flow of goods and services within the continent, policy makers could consider the following prescriptions and strategies that would strengthen Africa's infrastructure development:

- Deepen regional capital markets for more effective mobilisation of local savings and regional financial integration.
- Improve access to long-term financing by setting up special investment instruments, such as infrastructure bonds, to harness resources for infrastructure investments.
- Strengthen public-private partnership (PPP) arrangements by involving the private sector not only in project financing and implementation, but also as stakeholder in policy formulation and enforcement of rules and regulations.
- Continue actions to improve the investment climate in African countries for increased private sector participation by setting up legal, regulatory and institutional reforms.
- Undertake aggressive promotion of Africa as an investment destination since achieving the right investment climate by itself may not necessarily result in increased inflow of investment.
- Aim for sustained economic growth and improved living standards. Governments can do this by establishing a stable economic environment for entrepreneurs. Indeed, in such stable economic environments consisting of careful inflation management and public finance stability, entrepreneurs would expect to face a steady rise in demand and stable production costs.
- Focus on simplifying customs procedures and harmonising the required information. Standardise documents in accordance with internationally accepted practices and guidelines and make them adaptable for use in computer systems. Customs administrations should cultivate a high level of professionalism and integrity and be more transparent about their procedures and more service oriented. Further, customs administrations should collaborate more with tax departments and other related government agencies.

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Progress towards the Millennium Development Goals

With five years left to the Millennium Development Goals (MDGs) end date and with the rate of progress on most of the goals sluggish, it is unlikely that they will be attained. African governments, supported by international donors, must step up efforts to accelerate progress. However, African governments must also be willing to make a difficult choice. In the context of time constraints and limited financial and human resources, they must choose between aiming to achieve all the goals by the target date or to reach a few goals that they consider most critical for their long-term development.

Goal 1: Eradicate extreme poverty and hunger

Target 1A: Reduce by half, between 1990 and 2015, the proportion of people whose income is less than USD 1 a day

Africa experienced several years of high growth that led to a reduction of the proportion of poor people, from 58% in 1990 to 50% in 2005. However, the absolute number of poor people rose from 296 million to 388 million. The continent's rapid growth during 2000-08 came to an abrupt halt in 2009, as Africa became a victim of the worldwide financial crisis. By early 2009, it became clear that for most African countries, the crisis was a serious setback. With five years left to the MDGs end date, Africa became more than ever seriously off track to achieve the poverty reduction MDG.

To prevent a development crisis, the international community needs to continue to work in partnership with African countries to mitigate the effects of the crisis, which threatens the achievements in terms of higher growth and some gains in poverty reduction over the past decade.

Target 1C: Reduce by half, between 1990 and 2015, the proportion of people who suffer from hunger

Although the absolute number of undernourished people in the region has increased on average from 172.8 million in 1990-92 to 217.2 million in 2004-06, the proportion of the African population below the minimum level of dietary energy consumption declined marginally, from 34% to 30%. These figures exclude north Africa, where less than 5% of the population is undernourished. Moreover, west Africa reported a decrease in the absolute number of undernourished people during the period.

Lack of data for the corresponding indicators makes it difficult to monitor progress at individual country levels. Out of 29 countries for which data are available, 22 made progress in reducing the prevalence of underweight children aged under five over the period 1990-99 to 2000-07, with the rate of progress varying by country. Twelve countries (Mali, Angola, Tanzania, Nigeria, Senegal, Mozambique, Ghana, Rwanda, Malawi, Egypt, Uganda and Niger) reduced prevalence of underweight children by over 5%, while the remaining ten countries (Namibia, Eritrea, Cameroon, Liberia, Côte d'Ivoire, the Central African Republic, Algeria, Kenya, Togo and Chad) reduced it by less than 5%. In seven countries the prevalence of underweight children increased over the period.

The continent maintained its progress towards meeting this target in 2007, although the number of people who suffer from hunger has actually increased due to the rising population. Ghana has already met the target in large measure because of its stable good governance, sound macroeconomic policies and increased agricultural investments. North African countries have also met the target. Nonetheless, efforts need to be scaled up to meet this target because of its interaction with the other MDGs, especially the health-related MDGs. International co-operation remains essential in this regard.

The interaction of hunger and poverty makes assessment of progress according to this target complicated. In 2010 hunger persists in many African countries, notably in Niger, Burkina Faso, Madagascar, Eritrea and Chad. The recent global food crisis and economic crisis have contributed to rendering the achievement of this target unrealisable for many African countries.

Goal 2: Achieve universal primary education

Target 2A: Between now and 2015, give children everywhere, boys and girls alike, the means to complete a full course of primary schooling

Despite absolute improvements in primary school enrolment and completion rates, the continent is likely to miss the goal of achieving universal primary school completion, although it could come close.

Of the 29 countries with data for 1991 and 2007, Morocco, Mali, Madagascar, Malawi, Mauritania, Guinea and Ethiopia scored a significant improvement of 30% to 50%. Another group of countries that successfully improved primary net enrolment by about 10% to 30% during this period includes Djibouti, Swaziland, Togo, Ghana, Niger, Senegal, Rwanda, Gambia, Burundi and Burkina Faso. However, the statistics between 2005 and 2007 show that Tunisia, Algeria, Togo, Eritrea and Malawi had actually regressed. Furthermore, Republic of Congo and Equatorial Guinea became clear outliers as they regressed by more than 27% between 1991 and 2007. Also showing a regression during this period, but by a smaller margin, were Cape Verde and South Africa.

On the other hand, as of 2007, Mauritius, Zambia, Algeria, Tunisia, Egypt, Madagascar, and São Tomé and Principe had achieved the target or were only less than 5% from achieving it. Morocco, South Africa, Rwanda, and Uganda were within the range of 5% to 10% from the target. In addition, if progress is maintained at the same pace registered between 1991 and 2005, 13 countries are also likely to achieve this target. Countries from this category are Namibia, Malawi, Swaziland, Kenya, Cape Verde, Burundi, Mauritania, Togo, Guinea, Senegal, Ethiopia, Ghana and Gambia. In contrast, there are seven countries whose net primary enrolments were very low and far from the target by about 37% to 58%. These countries include Djibouti, Eritrea, Niger, Burkina Faso, the Central African Republic, Republic of Congo and Mali.

While the news on enrolment is heartening, progress on completion rate remains very slow. Although completion rate is not an official MDG indicator, it has nonetheless been used as a measure of the quality of the education system. The countries reporting the most progress in both primary enrolment and completion rates are countries with significant private primary education sectors. Countries which achieved the biggest improvements were Mauritania, Tunisia, Malawi, Madagascar, Morocco, Mali, and Guinea. The only countries which actually made a decline in primary completion rates over time were Mauritius and Rwanda by about 13 and 6 points, respectively. Sub-regional analysis was not possible for lack of sufficient data for all sub-regions. But from available data, we can speculate that countries in north and west Africa scored the highest between 1991 and 2007. In general, the continent has shown great improvements in primary level completion when compared with the 1991 level.

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Goal 3: Promote gender equality and empower women

Almost two-thirds of developing countries reached gender parity at the primary school level by 2005; in Africa, the MDG 3 target of achieving gender parity in primary education can be met by 2015. However, MDG 3 also calls for gender parity in secondary and tertiary education, gender equality in employment, and increased political representation of women. Towards the latter goals, Africa's progress has been slower and more uneven.

In primary and secondary education, the west African countries of Gambia, Guinea, Mauritania and Senegal lead the pack as countries that have shown most improvement in achieving gender parity. Data from 2007 show that countries that have achieved or nearly achieved gender parity in primary school, with indicators close to 1, are Zambia (0.97), Seychelles (0.99), and São Tomé and Principe (1). Rwanda, Malawi, Gambia and Mauritania have achieved a gender parity level above one in primary education, indicating that more girls than boys are enrolled in primary schools. Overall, if the current trends continue, most African countries will achieve gender parity in primary education by the target date.

In secondary education, South Africa, Namibia, São Tomé and Principe, and Cape Verde have a gender parity level above 1. With most countries not yet having achieved a gender parity index of 0.90 by 2007, and many still struggling to reach a gender parity index of 0.50, if the current trends continue, it is highly unlikely that African countries will reach this target by 2015.

Considering tertiary education, many African countries continue to fail to report on gender parity, with only nine countries providing data for 1991 and 2007 (Ethiopia, Burkina Faso, Burundi, Tanzania, Malawi, Ghana, Madagascar, Morocco and Tunisia). All of these countries have reduced gender disparity, with Tunisia (0.85) having reduced disparity the most, followed by Morocco (0.31) and Tanzania (0.29). Data for 2007 show that Cape Verde (1.21), Algeria (1.4) and Tunisia (1.51) have actually surpassed parity. In these countries, women are much more likely than men to access tertiary-level education.

In 2009, the overall trend of an upward increase of the proportion of women in African national parliaments remains strongly visible as in the last reporting year of 2008. Countries such as Rwanda, Angola and Mozambique lead the continent on this indicator. In fact, Rwanda, which has consistently taken the lead over the past couple of years, increased the share of women in its parliament by 7.8% between 2008 and 2009. Angola, which held elections in September 2008, improved women's representation in its national parliament by 22.8 percentage points from its previous election held in September 1992, and between 1990 and 2009 Mozambique's share of women in parliament increased by 19.1 percentage points.

Goal 4: Reduce mortality of children under five

Overall, if the current trend continues the continent as a whole is unlikely to meet the goal of reducing under-five mortality by the target date. In particular, poverty and malnutrition, HIV/AIDS, low immunisation coverage, high neo-natal deaths, and malaria still factor into the stagnation and reversal in the previous gains made in under-five mortality rates in some countries.

Algeria, Cape Verde, Egypt, Libya, Mauritius, Morocco, Seychelles and Tunisia are on track to achieve the target of reducing under-five mortality by two-thirds. Countries such as Angola, Benin, Comoros, Eritrea, Ethiopia, Guinea, Liberia, Madagascar, Malawi, Mali, Niger, Rwanda, Somalia and Togo saw under-five mortality rates drop rapidly (by 50% or more) from very high initial values. However, the rate of progress is insufficient to reach the target. On the other hand, in six countries – namely Cameroon (6.5%), the Central African Republic (0.6%), Chad (4%), Republic of Congo (20.2%), Kenya (24.7%) and Zambia (4.3%) – the under-five mortality rate increased between 1990 and 2008.

All sub-regions except central Africa have made progress in reducing under-five mortality. North Africa has made the most progress by reducing this mortality rate by 42% between 1990 and 2007, followed by east Africa (26%), southern Africa (24%) and west Africa (20%). The period 1995-2007 indicates that improvements in under-five mortality have stagnated in central Africa, and the under-five mortality rate has increased by 5% between 1990 and 2007. West Africa and central Africa registered the highest under-five morality rates in 2007.

Goal 5: Improve maternal health

Target 5A: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

The wellbeing of mothers and that of their children is inextricably linked. When mothers are poor, uneducated and unable to access health care, the risks to themselves and their children multiply. The Save the Children organisation estimates a woman's lifetime risk of dying due to maternal causes in Africa to be 1 in 26, compared with 1 in 120 in Asia and 1 in 290 in Latin America. This proportion is alarming, especially if we consider conditions in developed countries, where only 1 pregnant woman out of 3 700 incurs that risk.

Most maternal deaths can be prevented if birth is attended by skilled health personnel. Data from the World Health Statistics (WHS) show significant improvements in much of Africa. Of 52 African countries, 7 report a proportion of births attended by a skilled health professional of 90% and above. Ethiopia is the only country that falls below the 10% mark, with only 6% of all births attended by a skilled professional. Nineteen countries have a birth-attended-by-a-health-professional rate below 50%, of which 12 countries fall behind the World Health Organization (WHO) regional average rate of 46%. Forty countries rank above this average.

Looking at adolescent birth rates, 29 countries report numbers that are below the WHO's regional average of 117 births per 1 000 of girls aged 15 to 19, while 21 countries report a rate that is higher than the average[1]. Three countries have failed to report data on this indicator. Three north African countries report the lowest adolescent fertility rates on the continent. These are Algeria, Libya (both with 4 births per 1 000 girls aged 15 to 19) and Tunisia (6/1000), followed by Morocco, Djibouti and Egypt. These numbers demonstrate that north Africa is well ahead of the rest of the continent in reducing adolescent fertility rates.

Antenatal care coverage across Africa has seen steady improvement. Seventeen African countries report a rate above 90% for at least one visit, and only four countries – Niger (46%), Chad (39%), Ethiopia (28%) and Somalia (26%) – report a rate below 50%. Three countries have failed to report data on this indicator. In addition, 10 countries have a rate that is higher than the WHO regional average of 73%, while 40 countries fall below this average.

Goal 6: Combat HIV/Aids, malaria and other diseases

Target 6A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

The picture is still gloomy in Africa based on new data from the Joint United Nations Programme on HIV/AIDS (UNAIDS). In 2008 sub-Saharan Africa accounted for 67% of HIV infections worldwide, 68% of new HIV infections among adults and 91% of new HIV infections among children. The region also accounted for 72% of the world's AIDS-related deaths in 2008. Over time, there have been some encouraging gains, but progress must be accelerated if the MDG targets are to be met. The prevalence rate in sub-Saharan Africa in 2008, where most HIV patients live, had dropped to around 5% and confirms a trend of declining rates since 2005 (UNAIDS, 2009).

Some improvements were made in the countries most heavily affected by the epidemic. Botswana, with an adult HIV prevalence of 24%, saw some evidence of a decline in prevalence in urban areas. Lesotho's epidemic also appears to have stabilised, with an adult HIV prevalence of 23.2% in 2008. In eastern Africa, declines in HIV prevalence reported in Uganda in the past decade appear to have reached a plateau. In Burundi, official statistics show that for the 15- to 24-years-old population between 2002 and 2008, HIV prevalence declined in urban areas from 4% to 3.8%, and in semi-urban areas from 6.6% to 4%. At the same time, HIV prevalence slightly increased in rural areas, from 2.2% to 2.9%. According to a 2007 household survey in Kenya, the decline reported since 2003 was reversed with HIV prevalence from 6.7% to 7.4%. West and central Africa are still much less affected than southern Africa. While adult HIV prevalence is below 1% in three west African countries (Cape Verde, Niger and Senegal), nearly 1 in 25 adults (3.9%) in Côte d'Ivoire and 1.9% of the general population in Ghana are living with HIV (UNAIDS, 2008).

The mortality rates have not increased and seem to be stable, partly because of an increase in access to antiretroviral therapy (ART) for HIV patients. Even better is that the number of newly infected individuals has dropped to 1.9 million in 2008. The number of adults and children newly infected with HIV has been reduced by 17.4% between 2001 and 2008. The prevention programmes, combined with treatment therapy, are positively affecting current trends; however, the number of people living with HIV continues to be high. This is a strain on health systems. Nonetheless, the number of people living with HIV stays high in part owing to the paradox of success: increased access to treatment is reducing HIV/AIDS mortality and increasing the number of people living with AIDS.

Goal 7: Ensure environmental sustainability

Managing climate change and variability presents significant challenges to African countries not only in terms of achieving their MDGs by 2015, but also in terms of sustaining development and the environment in the longer term. Africa is the lowest emitter of carbon dioxide. Further, carbon dioxide emissions decreased in Africa over the period 1990-2006, except for Seychelles and Algeria. Libya and Equatorial Guinea lead the region in terms of emissions because of gas flaring in oil fields. The World Bank (2009) estimates that adaptation measures would cost about USD 18.1 billion per year for Africa, excluding north Africa. The adaptation cost for the health sector is calculated at USD 4 billion to USD 12 billion and represents possible setbacks in malnutrition and increases in vector-borne diseases from 2010-30.

Related to access to safe drinking water, many countries are experiencing water stress which is likely to be exacerbated by climate change. As water use for irrigation and other agricultural purposes continues to increase, countries will need to introduce more efficient water management systems. The urban-rural divide in access to improved water sources continues to be a policy challenge. Nonetheless, the proportion of rural households with improved access to drinking water sources increased from 54% to 65% from 1990-2006. In north Africa, piped water availability improved from 34% to 63%.

Goal 8: Develop a global partnership for development

With five years left to the MDGs end date and with the rate of progress on most of the goals sluggish, it is unlikely that they will be attained. The African Development Bank estimates that the continent would need about USD 50 billion per year of additional financing to reach the GDP growth rates necessary to achieve MDG Goal 1 of halving poverty by 2015. Although financial needs to achieve several goals are substantial, they must be met. Africa cannot be left alone or viewed as the last priority. Of course, greater financial assistance and other support will be challenging to mobilise in times of economic stress in donor countries. But the returns to helping Africa achieve the MDGs are equally very high, given the progress demonstrated by African countries over the past years.

Table 4.1: **Progress towards Millennium Development Goals**

		Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7	
		Eradicate extreme poverty and hunger	Achieve universal primary education	Promote gender equality and empower women	Reduce child mortality	Improve maternal health	Combat diseases	Ensure environmental sustainability	
Targets		Reduce by half population, between 1990 and 2015, the proportion of whose income is less than $ 1 a day	Ensure that all children can complete primary school	Eliminate gender disparity in all levels of education	Reduce by 2/3 under- 5 mortality	Reduce maternal mortality by 3/4	Combat HIV/AIDS, malaria and other diseases	Halve the % of people without access to safe water	Goals for which a country is classified as "early achiever" and "on tarck" out of 7 goals
Indicator		Proportion of Population living Below $1 (PPP) a day	Net primary enrolment ratio (%)	Girls to boys ratio (primary school level)	under five Mortality (per 1 000)	Maternal Mortality (per 100 000)	HIV Prevalence Rate (%)	Population with access to a sustainable water source (%)	
HDI Rank (2007)/182 countries	Countries								
104	Algeria	early achiever	early achiever	on track	early achiever	regressing	regressing	regressing	4 of 7
143	Angola	off track-slow	off track-slow	regressing	off track-slow	regressing	off track-slow	off track-slow	0 of 7
161	Benin	on track	early achiever	on track	off track-slow	early achiever	on track	off track-slow	5 of 7
125	Botswana	off track-slow	regressing	early achiever	on track	regressing	off track-slow	early achiever	3 of 7
177	Burkina Faso	off track-slow	off track-slow	on track	off track-slow	off track-slow	early achiever	on track	3 of 7
174	Burundi	off track-slow	early achiever	on track	off track-slow	regressing	early achiever	off track-slow	3 of 7
153	Cameroon	early achiever	…	regressing	off track-slow	regressing	regressing	off track-slow	1 of 7
121	Cape Verde	early achiever	regressing	off track-slow	early achiever	off track-slow	off track-slow	early achiever	3 of 7
179	Cent. Afr. Rep.	off track-slow	off track-slow	off track-slow	regressing	regressing	off track-slow	off track-slow	0 of 7
175	Chad	regressing	off track-slow	off track-slow	off track-slow	regressing	regressing	off track-slow	0 of 7
139	Comoros	off track-slow	early achiever	early achiever	early achiever	off track-slow	off track-slow	regressing	3 of 7
136	Congo	on track	early achiever	off track-slow	off track-slow	off track-slow	on track	off track-slow	3 of 7
176	Congo, RDC	off track-slow	regressing	off track-slow	regressing	regressing	off track-slow	off track-slow	0 of 7
163	Cote d'Ivoire	regressing	off track-slow	off track-slow	off track-slow	regressing	early achiever	off track-slow	1 of 7
155	Djibouti	regressing	off track-slow	on track	on track	regressing	early achiever	early achiever	4 of 7
123	Egypt	early achiever	off track-slow	on track	early achiever	off track-slow	regressing	early achiever	4 of 7
118	Eq. Guinea	off track-slow	regressing	early achiever	off track-slow	off track-slow	regressing	off track-slow	1 of 7
165	Eritrea	regressing	off track-slow	regressing	early achiever	early achiever	early achiever	off track-slow	3 of 7
171	Ethiopia	early achiever	early achiever	on track	on track	early achiever	early achiever	off track-slow	6 of 7
103	Gabon	early achiever	off track-slow	early achiever	early achiever	regressing	regressing	early achiever	4 of 7
168	Gambia	early achiever	off track-slow	early achiever	early achiever	off track-slow	early achiever	off track-slow	4 of 7
152	Ghana	early achiever	off track-slow	early achiever	off track-slow	off track-slow	off track-slow	on track	3 of 7
170	Guinea	on track	on track	early achiever	on track	regressing	off track-slow	off track-slow	4 of 7
173	Guinea-Bissau	regressing	off track-slow	off track-slow	off track-slow	regressing	off track-slow	off track-slow	0 of 7
147	Kenya	early achiever	on track	early achiever	off track-slow	off track-slow	on track	off track-slow	4 of 7
156	Lesotho	early achiever	regressing	early achiever	off track-slow	regressing	regressing	on track	3 of 7
169	Liberia	regressing	early achiever	on track	early achiever	regressing	on track	off track-slow	4 of 7
55	Libya	early achiever	early achiever	early achiever	on track	early achiever	regressing	early achiever	6 of 7
145	Madagascar	off track-slow	early achiever	early achiever	on track	regressing	off track-slow	off track-slow	3 of 7
160	Malawi	off track-slow	early achiever	early achiever	early achiever	regressing	off track-slow	on track	4 of 7
178	Mali	early achiever	early achiever	on track	off track-slow	regressing	off track-slow	off track-slow	3 of 7

Table 4.1: Progress towards the Millennium Development Goals

		Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7	
		Eradicate extreme poverty and hunger	Achieve universal primary education	Promote gender equality and empower women	Reduce child mortality	Improve maternal health	Combat diseases	Ensure environmental sustainability	
Targets		Reduce by half population, between 1990 and 2015, the proportion of whose income is less than $ 1 a day	Ensure that all children can complete primary school	Eliminate gender disparity in all levels of education	Reduce by 2/3 under- 5 mortality	Reduce maternal mortality by 3/4	Combat HIV/AIDS, malaria and other diseases	Halve the % of people without access to safe water	Goals for which a country is classified as "early achiever" and "on tarck" out of 7 goals
Indicator		Proportion of Population living Below $1 (PPP) a day	Net primary enrolment ratio (%)	Girls to boys ratio (primary school level)	under five Mortality (per 1 000)	Maternal Mortality (per 100 000)	HIV Prevalence Rate (%)	Population with access to a sustainable water source (%)	
HDI Rank (2007)/182 countries	Countries								
154	Mauritania	early achiever	on track	early achiever	off track-slow	regressing	regressing	off track-slow	3 of 7
81	Mauritius	on track	regressing	early achiever	off track-slow	early achiever	regressing	early achiever	4 of 7
130	Morocco	early achiever	early achiever	early achiever	early achiever	off track-slow	early achiever	off track-slow	5 of 7
172	Mozambique	off track-slow	on track	off track-slow	on track	early achiever	regressing	off track-slow	3 of 7
128	Namibia	regressing	on track	early achiever	early achiever	regressing	regressing	early achiever	4 of 7
182	Niger	regressing	off track-slow	off track-slow	off track-slow	off track-slow	on track	off track-slow	1 of 7
158	Nigeria	regressing	off track-slow	off track-slow	regressing	off track-slow	off track-slow	regressing	0 of 7
167	Rwanda	regressing	early achiever	early achiever	on track	off track-slow	early achiever	off track-slow	4 of 7
131	Sao Tome & Principe	regressing	early achiever	early achiever	off track-slow	regressing	…	on track	3 of 7
166	Senegal	early achiever	off track-slow	early achiever	off track-slow	regressing	on track	off track-slow	3 of 7
57	Seychelles	…	early achiever	early achiever	…	…	…	off track-slow	2 of 7
180	Sierra Leone	off track-slow	…	early achiever	early achiever	regressing	on track	off track-slow	3 of 7
…	Somalia	…	…	off track-slow	off track-slow	off track-slow	regressing	regressing	0 of 7
129	South Africa	off track-slow	early achiever	early achiever	off track-slow	regressing	regressing	on track	3 of 7
150	Sudan	…	regressing	off track-slow	off track-slow	off track-slow	regressing	off track-slow	0 of 7
142	Swaziland	on track	regressing	regressing	off track-slow	off track-slow	regressing	off track-slow	1 of 7
151	Tanzania	regressing	early achiever	early achiever	off track-slow	regressing	off track-slow	off track-slow	2 of 7
159	Togo	regressing	off track-slow	on track	on track	off track-slow	early achiever	off track-slow	3 of 7
98	Tunisia	early achiever	early achiever	early achiever	early achiever	on track	regressing	early achiever	6 of 7
157	Uganda	on track	early achiever	early achiever	on track	off track-slow	on track	off track-slow	5 of 7
164	Zambia	regressing	early achiever	early achiever	off track-slow	regressing	off track-slow	off track-slow	2 of 7
…	Zimbabwe	regressing	early achiever	early achiever	off track-slow	regressing	off track-slow	off track-slow	2 of 7
	Early Achiever	**16**	**21**	**27**	**13**	**6**	**10**	**9**	
	On-track	**6**	**5**	**10**	**10**	**1**	**8**	**6**	
	Off track-slow	**13**	**16**	**12**	**26**	**18**	**16**	**34**	
	Regressing	**15**	**8**	**4**	**3**	**27**	**17**	**4**	
	Satisactory Performance Ratio	**44.0%**	**52.0%**	**69.8%**	**44.2%**	**13.5%**	**35.3%**	**28.3%**	

Source: African Development Bank

StatLink http://dx.doi.org/10.1787/855541223540

Notes

[1] These countries are Niger (199), Chad (193), Mali (190), Mozambique (185), Malawi (178), Guinea-Bissau (170), Angola (165), Uganda (159), Madagascar (154), Guinea (153), Zambia (146), Cameroon (141), Tanzania (139), Liberia (137), the Central African Republic (133), Congo (132), Burkina Faso (131), Equatorial Guinea (128), Nigeria (126), DRC (124) and Somalia (123).

Political and Economic Governance

Political governance

Long-term political stabilisation in Africa regained momentum in 2009, following some disturbance in 2008. Several countries successfully undertook fair democratic elections, and government accountability increased. While setbacks are still common, improvements in checks-and-balances mechanisms bode well for future institutional consolidation on the continent.

To strengthen this process, however, and move firmly towards social progress, civil society must continue to develop and increase its capacity to become more involved in the political process. On the government side, institutional capacity needs to be strengthened and reforms pushed forward, in particular in the judiciary and security realms. Credible and independent courts are still rare in Africa but are key to guarantee the rule of law and protect citizens from any kind of abuse, including abuse of political power. This progress requires a cultural shift in the relations between the population and the government and also increased resources. Africa still suffers from human and financial deficits in its governance institutions, which create a disconnect between legal formal provisions/stipulations and implementation and execution. The improvement of access, quality and affordability of basic public services is also necessary to increase institutional effectiveness and accountability.

In 2008 the sharp increase in the prices of food and other basic consumption goods triggered social tensions and strong reactions from several governments. These events raised fears that the economic weakening in 2009 would further undermine the continent's social stability. Those fears did not prove true. Indeed, contrary to initial expectations, with a few exceptions, the global crisis did not lead to a significant increase in civil tensions. One possible reason is that African economies weathered the global crisis better than some observers feared. Lower food and energy prices also relieved the burden on households, including for the vocal urban middle class that had instigated a number of protests one year earlier. Several governments also put measures in place to sustain internal demand, thus further limiting social tensions. Nonetheless, rising unemployment exacerbated social discontent in several countries, notably in those which heavily depend on mining, a particularly affected sector. Concerns remain for the future, as fiscal stimulus measures have to be phased out to restore economic sustainability while at the same time unemployment may remain high or increase.

Overall for 2009, both tensions and hardening indicators decreased. High-intensity conflicts and rebellions generally calmed down, with some important exceptions. When confronted with peaks in tensions, many governments struck a better balance between hardening their military stance and launching/strengthening dialogue with rebellion movements. By and large, governments reacted more strongly and more responsively than in the past, which may contribute to reducing tensions over the longer term. The notable cases of co-operation among governments in the Great Lakes region provide significant steps towards reinforcing regional stability.

The following sections take stock of the conflicts and political troubles affecting Africa's growth potential and living conditions. This stocktaking is based on the African Economic Outlook original indicators on civil tensions and hardening of the regime, as well as on analysis by independent institutions such as the Heidelberg Institute and Transparency International.

Conflicts and civil tensions

After an increase by 7.5% in 2008 [1] the indicator of Civil Tensions declined in most African countries in 2009, decreasing by 12%, if we consider only the countries in the original sample [2]. Although episodes of instability increased marginally in almost half of the 51 countries included in the sample for 2009 [3] (versus 18 in 2008), the intensity of the average increase moderated significantly. The bulk of troubles concentrated in a very few countries, namely Sudan, Democratic Republic of Congo (DRC) and Madagascar. While Sudan and DRC are considered traditionally unstable countries, bogged down in severe long-term civil strife, Madagascar experienced a serious political crisis, culminating in an unconstitutional change of leadership.

With the return to the downward trend in instability, hopes are raised that the (often violent) troubles experienced in 2008 will remain an exception, brought about by rises in food and oil prices. While demonstrations remained widespread in 2009, they did not generate a similar violence. Public demonstrations of dissent appeared more and more as evidence of a deepening of democracy and a strengthening of civil society, rather than as signs of violence and deep crises. In Senegal and Cameroon several demonstrations occurred for salary claims and to protest frequent energy shortages; in Côte d'Ivoire social claims intensified in the public administration and for election-related issues; in Algeria sporadic demonstrations occurred against unsolved social issues; in Burkina Faso demonstrations related to salary, working conditions, and to claim further investigation on a journalist killed in obscure circumstances in 1998 (the "Zongo" affair). Started in 2006, demonstrations in South Africa continued through 2009 and increased in frequency. Protesters, mostly from poor areas, demonstrated against the lack of progress in lifting living conditions for the majority. However, these events did not reach the level of violence experienced in 2008.

Several stabilisation processes continued during 2009, as witnessed in Rwanda, Angola and Mozambique, where general elections were organised. After a civil conflict of almost 30 years ending in 2002, Angola today is remarkably stable and, despite some demonstrations, civil tensions remain limited. Liberia, whose civil war ended in 2003, still struggles with widespread violence. However, positive signs are increasing, and the government has renewed its commitment to reconciliation.

Rebellions and terrorist attacks intensified in some cases. Several governments reacted to escalating violence on their territories with a two-pronged approach, hardening their response while at the same time opening negotiations. These more pragmatic approaches are a welcome development.

The transnational terrorist network Al-Qaeda and its affiliated groups, motivated by religious fundamentalism, committed numerous attacks of varying scale, particularly in Algeria and Mauritania. A recent development was the spread of such attacks to Mali and Niger. These two countries experienced an increase in civil tensions also owing to the intensification of troubles linked to the Touareg rebellion. In Senegal, tensions resumed in the Casamance region, five years after the signing of the General Peace Agreement.

In 2009 a number of countries began to feel the positive effects of negotiations. A climate of dialogue that bodes well for future stabilisation is emerging. Although the situation remains fragile, the tensions and violence reduced significantly in Nigeria, after the government proclaimed in August 2009 a general amnesty for MEND rebels. Since then, 15 000 rebels have surrendered their weapons and led MEND to declare a ceasefire at the end of October 2009. Since 2006 MEND has succeeded in severely disrupting Nigeria's oil production through frequent attacks to pipelines and kidnapping foreign workers. The actions of MEND are motivated by the very poor living conditions in Delta Niger, a region rich in oil but with relatively few benefits for the population.

In the Great Lakes region, the DRC and Rwanda took a strong collaborative action to roll back a Hutu rebellion that has been spreading instability and violence in the north-east of DRC since 1994, and the Congolese rebel group CNDP *(Congrès national pour la défense du peuple)*. This joint action brought the capture of Laurent Nkunda, the Tutsi-Congolese leader of CNDP rebels. Also, Uganda, DRC, Sudan and the Central African Republic agreed to collaborate to fight against the Lord's Resistance Army (LRA), engaged in an armed rebellion against the Ugandan government since 1987. The conflict, one of the longest-running in Africa, has spread to the surrounding countries from northern Uganda, and has often specifically targeted the civilian population with acts of extreme violence. While these joint actions have temporarily triggered an increase in instability in these countries, they have successfully weakened the LRA and should thus be considered in a context of broader stabilisation.

In Chad overall civil tensions decreased in 2009. These problems had peaked in 2008 when frictions between the government and rebels turned to open warfare. Several agreements were signed in 2009 between Chad and neighbouring Sudan and contribute to lower tension, although the situation remains fragile, and sporadic fights continue between rebels and the government.

Despite the overall positive developments in Africa, tensions remain high in a number of countries. Among the traditionally unstable countries, Sudan continues to face frequent fights between army and rebels in the south and in the Darfur regions. In February 2010, a new peace agreement was signed between the government and the south-Sudan rebel movement JEM (Justice and Equality Movement), but fights resumed soon after. South Sudan remains affected by LRA operations from Uganda, while rebels from Chad operate at the western border. In 2009 tribal conflicts increased markedly, resulting in thousands of civilian deaths. Beyond Sudan, tribal and/or religious clashes intensified in the DRC, Algeria (in the Ghardaïa region), Kenya, Niger, the Central African Republic and Nigeria. In Nigeria, clashes between Muslims and Christians continued in 2010, causing the death of almost 1 000 civilians in only a few days at the beginning of the year.

In Uganda instability increased sharply. This change was due partly to the intensification of the front against LRA rebels in the north, but it was also caused by violent ethnic clashes. In September 2009, inter-communitarian clashes occurred, also involving the regular army. In Kampala, violent demonstrations erupted after the police prevented the visit of the *Kabaka* (king) Ronald Muwenda Mutebi II, who is critical of Banyala political influence. The riots resulted in violent clashes between civilians and the police.

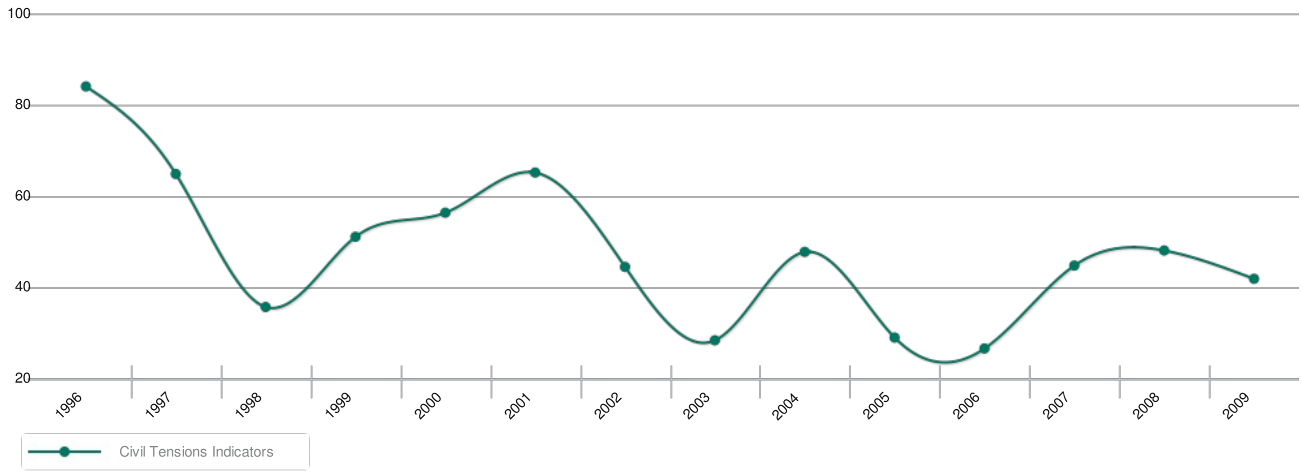
Some post-conflict countries still struggle with instability, in a context of weak legal and judicial systems and widespread human rights abuses. Burundi and Sierra Leone, which recently emerged from violent civil conflicts, continued to experience instability during the year. Instability is in particular due to the easy availability of weapons coupled with the frequent use of violence to solve private disagreements – legacies of the recent conflicts that damaged the countries' social fabric.

The organisation and holding of elections caused instability in Togo, Equatorial Guinea, Gabon and the Republic of Congo. In the Republic of Congo, memories of the past conflict pushed several thousand people to leave Brazzaville, following violent post-electoral demonstrations. In Gabon, several deaths were recorded following post-electoral riots and demonstrations.

A more worrisome development is the continuing occurrence of *coups d'état* in 2009. After unconstitutional changes of power in 2008 in Mauritania and Republic of Guinea, 2009 saw Madagascar and Guinea-Bissau follow suit. In Madagascar, the political crisis was generated by a power struggle between former president, Ravalomanana and the former mayor of Antananarivo, Andry Rajoelina. Violent confrontations erupted in the capital city, the crisis ending with Rajoelina ensconced as new president, supported by the army. In Guinea-Bissau, former President Joao Bernardo Vieira and the Chief of Staff of the army were both killed, following a series of attempted coups at the beginning of the year. Instability, traditionally high in Guinea-Bissau, has recently been exacerbated by the presence of drug-traffickers from Latin America. Weak state capacity offers fertile grounds for criminal networks to settle and sow further instability. Although stability was restored in Guinea-Bissau with the holding of elections, Madagascar remains unstable and, at the time of writing, the political crisis continues. Attempted coups have also occurred in Togo and Equatorial Guinea.

In early 2010, the army overthrew Niger's President Tandja, following several demonstrations and strikes caused by Tandja's attempt to prolong his mandate through a contested constitutional revision.

Figure 5.1: Civil tensions indicators



Sources: Authors' calculations based on *Marchés Tropicaux et Méditerranéens* .

StatLink http://dx.doi.org/10.1787/850370244807

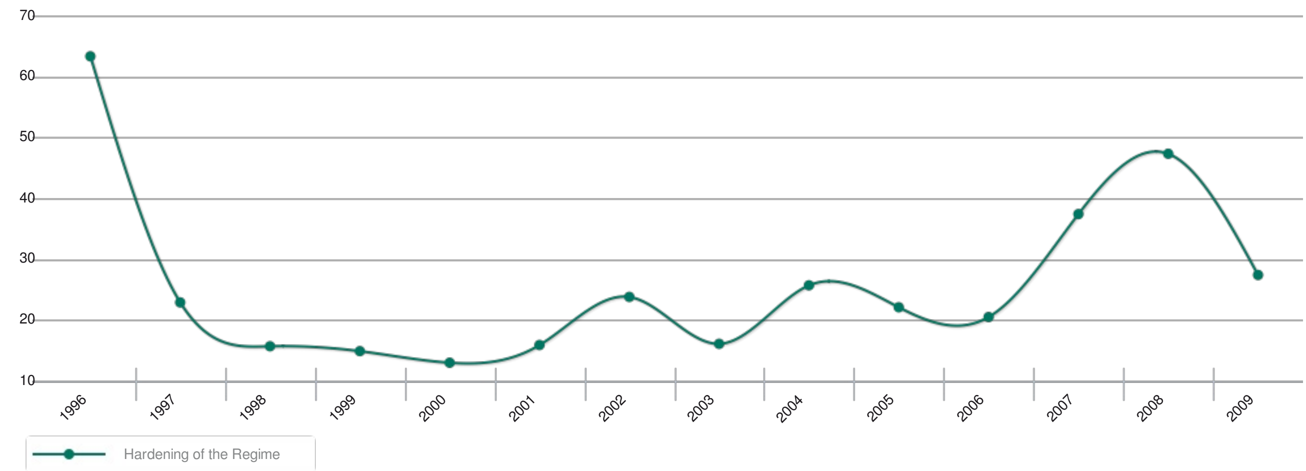
Political stance

After the strong tightening of 2008 in reaction to rising instability, the political stance in Africa relaxed visibly in 2009. Among the countries included in the 2008 sample, the same number experienced a hardening of the regime (22). However, the average of the indicator decreased by over 25%, and the peaks of hardening experienced in 2008 disappeared, with the higher number recorded being 4.1, for Niger, against 9.9 in 2008, for Zimbabwe. While high levels of hardening were recorded in five countries in 2008 (Zimbabwe, Chad, Kenya, Mauritania and DRC), the number fell to only one in 2009, with only Niger recording a high score on this indicator. This evolution reflects that many governments facing an intensification of rebel attacks struck an effective balance between hardening their military stance and launching/strengthening dialogue with rebellion movements.

Examples of governments' mixed responses are widespread. In particular, Niger and Mali pushed forward their dialogue with the Touareg rebellion. This is a positive evolution, especially for Niger, which until 2008 had denied the rebel group's existence. In Nigeria, the government stance hardened in response to a rise in MEND attacks, which the police and army were incapable of holding back. To reduce kidnappings, a new law was passed in May 2009 threatening kidnappers with life-long jail sentences. This measure did not stall the movement and attacks increased further. As a result the government reviewed its position, opened negotiations and offered amnesty to insurgents (though negotiations were temporarily suspended following the hospitalisation of President Umaru Yar'Adua). In Chad, almost all political parties signed an agreement in August 2009 to hold elections in 2010. This, together with the peace agreement signed with the three main rebel groups in July 2009, reduced tensions in that country.

Political crises were also successfully resolved in Kenya and Mauritania, two countries that experienced severe tensions in 2008. In Kenya, post-electoral violence in January 2008 caused hundreds of casualties and fuelled a severe political crisis. But 2009 was marked by a progressive return to a more stable political situation, following the successful mediation of Kofi Annan and the formation of a coalition government in 2008. In Mauritania, instability in 2008 was generated by a by the army, which overthrew the country's first democratically elected president. After a turbulent pre-electoral period, free elections held in July 2009 re-established constitutional order. After a 2008 characterised by high tensions and severe repression, the situation in Zimbabwe also calmed down. The formation of a coalition government ended the violent repression the government had carried out one year earlier. That repression had contributed to worsening the effect of a severe economic and humanitarian crisis which continues.

Figure 5.2: Hardening of the regime



Sources: Authors' calculations based on *Marchés Tropicaux et Méditerranéens* .

StatLink http://dx.doi.org/10.1787/850374883184

In Mauritania the military junta upheld its commitments and organised free elections, allowing for a peaceful transition and the restoring of constitutional order. The government also pushed forward the social reconciliation process following the violent repression of the early 1990s. In March 2009, Mauritania launched a compensation plan for affected families, while several civil servants previously excluded from the public service were reintegrated in October.

A number of governments also recorded a marginal hardening of their position due to actions taken against crime that generated instability and social tensions. This is the case of Algeria and Morocco, which dismantled several terrorist drug trafficking and illegal migration networks (in particular against the Al-Qaeda Maghreb that lately had increased the frequency of attacks and kidnappings). Tanzania for the first time took a stronger stance against ritual murders, in particular against Albinos, which were intensifying.

However, despite these positive developments, cases of hardening of the regime increased in some cases, in the form of attacks against opposition parties, attacks against civil liberties (demonstrations, press freedom, public debates) and attempts to overthrow constitutional order. Such regime hardening occurred in a few countries, in particular those which experienced or attempted coups.

In Niger the situation deteriorated significantly in the last part of 2009, when President Tandja organised a referendum to amend the constitution to allow him to stay in power beyond the end of his mandate, despite the Constitutional Court's prohibition. Demonstrations and strikes occurred before and after the referendum. Several civilians died during the clashes between protesters and the police. Militants, several journalists and members of opposition parties were arrested. During the entire period, censorship and debate/demonstration bans multiplied. The crisis ended with the army's coup d'état.

The situation in Republic of Guinea deteriorated significantly following the coup d'état of 2008, when Captain Dadis Camara, head of the military junta, declared his possible participation in forthcoming elections. Demonstrations and protests were violently repressed. In September 2009, 150 civilians died during a protest rally in a stadium of Conakry. Both nationally and internationally the army's violent reaction was condemned. Following these events, Dadis Camara was subject to an attempted murder. He was expatriated to Morocco and then to Burkina Faso. During this period, human rights organisations denounced episodes of rights violations. Abuse and human rights violations committed by regular troops are also common in countries such as the DRC and the Central African Republic, where the army is often out of control.

In Madagascar, the months before and after the coup d'état were characterised by violent repression of demonstrations, with dozens of casualties, measures against civil liberties and incarceration of opponents, both by the former president and his replacement. At the time of writing, the resolution of the crisis is still uncertain. While protests continue, Andry Rajoelina, the new president, in December 2009 unilaterally cancelled an agreement signed by all political parties and nominated a new prime minister.

Some hardening was recorded in countries organising elections, in particular in Gabon, the Republic of Congo and Comoros, but also in Equatorial Guinea and, to a much lesser extent, in Namibia and Malawi.

Africa has undergone some positive evolution in terms of freedom of press and the media, such as in Zimbabwe, Libya and Sierra Leone. Reporters without Borders named Mali the champion of press freedom in Africa in 2009. Generally speaking, however, the situation of the press on the continent remains problematic. Only seven countries are considered free by Freedom House. Acts against the open circulation of information are widespread in a number of countries, including those that underwent severe hardening related to political crisis or elections, but not only [4] in those countries.

For the first time in years, the Political Freedom Index (PFI) from Freedom House for 2009 shows more improvements than setbacks in sub-Saharan Africa, confirming the analysis and indicator trends used here. Twelve countries saw an improvement of either political or civil rights, against only five that experienced a worsening. The PFI is based on measures of several components of political freedom. These measures include free and fair elections; honest vote counting; the extent to which citizens are free to organise in different political parties or groupings; whether there is a significant vote for the opposition and a realistic possibility of coming to power through elections; self-determination and freedom from any kind of domination; reasonable self-determination for cultural, ethnic, religious and other minority groups; and the extent to which political power is decentralised.

Table 5.1: Freedom in Africa in 2009, countries' sub-scores

Country	Political Rights	Civil Liberties	Freedom Status	2008
Algeria	6	5	Not Free	=
Angola	6	5	Not Free	=
Benin	2	2	Free	Improved
Botswana	3 (worse 1pt)	2	Free	Improved
Burkina Faso	5	3	Partly Free	=
Burundi	4	5	Partly Free	Improved
Cameroon	6	6	Not Free	=
Cape Verde	1	1	Free	=
Central African Republic	5	5	Partly Free	Improved
Chad	7	6	Not Free	=
Comoros	3 (impr 1pt)	4	Partly Free	=
Congo (Brazzaville)	6	5	Not Free	Worsened
Congo (Kinshasa)	6 (worse 1pt)	6	Not Free	=
Côte d'Ivoire	6 (impr 1pt)	5	Not Free	=
Djibouti	5	5	Partly Free	Improved
Egypt	6	5	Not Free	Worsened
Equatorial Guinea	7	7 (worse 1 pt)	Not Free	=
Eritrea	7	7 (worse 1 pt)	Not Free	=
Ethiopia	5	5	Partly Free	Improved
Gabon	6	5 (worse 1pt)	Not Free	Worsened
Ghana	1	2	Free	=
Guinea	7 (worse 1 pt)	6 (worse 1 pt)	Not Free	=
Guinea-Bissau	4	4	Partly Free	=
Kenya	4	4 (worse 1pt)	Partly Free	=
Lesotho	3 (worse 1pt)	3	Partly Free	Worsened
Liberia	3	4	Partly Free	Improved
Libya	7	7	Not Free	=
Madagascar	6 (worse 2pt)	4 (worse 1pt)	Partly Free	=
Malawi	3(impr 1pt)	4	Partly Free	=
Mali	2	3	Free	=
Mauritania	6 (worse 2pt)	5 (worse 1pt)	Not Free	Worsened
Mauritius	1	2	Free	=
Morocco	5	4	Partly Free	Improved
Mozambique	4 (worse 1pt)	3	Partly Free	=
Namibia	2	2	Free	=
Niger	5 (worse 2pt)	4	Partly Free	Improved
Nigeria	5 (worse 1pt)	4	Partly Free	=
Rwanda	6	5	Not Free	=
Sao Tome & Principe	2	2	Free	=
Senegal	3 (worse 1pt)	3	Partly Free	=
Seychelles	3	3	Partly Free	=
Sierra Leone	3	3	Partly Free	=
Somalia	7	7	Not Free	=South Africa
Sudan	7	7	Not Free	=
Swaziland	7	5	Not Free	=
Tanzania	4	3	Partly Free	=
The Gambia	5	5 (worse 1pt)	Partly Free	Improved
Togo	5	4 (impr 1pt)	Partly Free	Improved
Tunisia	7	5	Not Free	=
Uganda	5	4	Partly Free	=
Zambia	3	4	Partly Free	Improved
Zimbabwe	6 (impr 1pt)	6	Not Free	=

Note: In parentheses: The evolution of the index from 2008. "impr": improvement; "worse": worsening; "=": no change. The lower the index, the higher the degree of freedom. Source: Political Freedom Index, Freedom House.

Peace and security

According to the Heidelberg Institute (2009), Africa (including north Africa) still ranked second in the Conflict Barometer classification in 2008, with 98 conflicts[5], after Asia and Oceania with 113[6]. Although according to this analysis the number of conflicts increased, their intensity decreased, confirming our analysis. Eight new crises erupted in 2009, including the one between Angola and the Democratic Republic of Congo (DRC) over oil-rich Cabinda, unprecedented ethnic clashes in the DRC, and the explosion of a crisis in Gabon between government and opposition following the presidential election. Other crises concerned Madagascar, Mali, Niger (two) and Somalia. Among the identified conflicts, only nine are classified as highly violent[7], down from 12 in 2008. Only one conflict is an open war (Somalia), down from three in 2008. Nonetheless, Africa ranks first for the number of *coups d'état*, being the scene of four *coups* or attempted *coups*, out of a worldwide total of nine [8].

Among the improvements, the barometer enumerates the case of Kenya. After the post-electoral violence that caused the death of 1 500 people, a power-sharing deal, though fragile, successfully halted violence. The second de-escalation occurred in Comoros, where the crisis of last year became a latent conflict after the military intervention of African Union (AU) troops had forced the secessionist Anjouan President Mohamed Said Bacar into exile. However, on the negative side, and according to the barometer definition, one latent conflict escalated to crisis in Ethiopia (between the pastoralist community of Oromo and Somali), and one manifest conflict escalated to severe crisis in Nigeria (between the Boko Haram sect and the Nigerian government).

Africa is characterised by two areas of inter-related highly violent conflicts, often transcending national borders: one goes from Nigeria over Chad, Sudan and the Horn of Africa; while the second is in the Great Lakes region, with DRC, Uganda and the Central African Republic (CAR). In the first area, the barometer confirms that terrorist acts rose in 2009, as the AEO civil tensions indicator highlights. At continental level, the most widespread reason for conflict remains the control over resources (33 cases), while national power ranks second, with 26 cases.

A large number of peace agreements were concluded in Africa in 2009. In Chad a treaty was signed between the rebel coalition National Movement and the government. In Burundi, the last remaining rebel faction and the government signed a treaty. In the CAR the treaty was signed between two rebel groups and the government, foreseeing the formation of a consensus government to rule until the scheduled presidential elections in 2010 and an amnesty law covering violations committed during the conflict. In Mali and Niger, treaties were signed between the Touareg rebellion and the respective governments, in the DRC between the Mayi-Mayi militias and the government, as well as between the Tutsi rebel group formerly led by Laurent Nkunda and the government.

As in previous years, Africa is still the region of the world with the largest number of UN peace-keeping missions, no major change having occurred in 2009. Current missions include UNAMID in the Sudanese Darfur region; UNMIS in Sudan; UNOCI in Côte d'Ivoire; UNMIL in Liberia; MONUC in the DRC; MINHURSO in Western Sahara and Morocco; and the peace building mission BINUB in Burundi. UNOGBIS, the peace-keeping mission in Guinea Bissau, was transformed into an integrated peace-building office. This transformation followed the dramatic events of March 2009 and the window of opportunity created by the re-establishment of political stability following the presidential elections. MINURCAT, in the Central African Republic and Chad, took over the tasks from EUFOR mission, from the European Security and Defence Policy (ESDP).

In 2009 the AU extended its mandate for its mission in Somalia (AMISOM) for another three months. Besides this mission, the AU is still active in Darfur, with the hybrid UN-AU mission (UNAMID) also supported by the North Atlantic Treaty Organization (NATO). Established in 2008, UNAMID is the only example of collaboration between the UN and regional and multilateral organisations on the continent. Although this did not take shape as a mission, the AU took a strong position against Guinea, suspending its membership and imposing sanctions and an arms embargo after the army seized power following the death of former President Lansana Conté. The Economic Community of West African States (ECOWAS) took the same measures, while the EU imposed sanctions and an arms embargo. ECOWAS suspended Niger from its membership and also imposed an arms embargo.

The success and effective implementation of the African Peace and Security Architecture (APSA) will help determine peace and stability on the continent in the coming years. APSA consists of diverse mechanisms for conflict prevention, management and resolution, as well as post-conflict reconstruction and development.

The progress and success in the efforts towards the establishment of APSA, launched in Durban in 2002, have been mixed. The past years have witnessed the implementation of the Continental Early Warning System (CEWS); the establishment of the regional brigades, which are the foundations for the African Standby Force (ASF); and the establishment and engagement in various peace and security issues of the Panel of the Wise (POW).

The Military Staff Committee (MSC) and the Peace Fund also came into being. The MSC is mandated to advise and assist the Peace and Security Council (PSC) on military and security issues to ensure that policies and actions in the fields of conflict prevention, management and resolution are consistent with sub-regional mechanisms. The role of the MSC also extends to supporting efforts in early warning, conflict prevention, peacemaking, peacekeeping and post-conflict peace building.

The major challenge of the MSC to perform its functions properly and ensure its support for the PSC is the inadequate representation of member states of the PSC in the MSC. Understaffing has been also a major constraint. The last MSC annual meeting at the level of the Chiefs of Defence Staff took place in May 2009 in Addis Ababa and focused on the ASF.

Electoral processes

In 2009, 14 countries held elections: 10 presidents were elected, 8 parliaments were re-formed and the population expressed its opinion in 2 referendums.

The process has been positive in many cases. Elections put an end to the institutional crisis generated by the *coups d'état* that occurred in Mauritania in 2008 and in Guinea-Bissau in 2009. In Guinea-Bissau, in particular, the constitutional order was quickly re-established and elections were organised ahead of the date initially set for polling, resulting in the victory of Malam Bacai Sanha.

In other countries, the electoral process went on peacefully and was positively judged by observers. This is the case in Botswana and Namibia. In South Africa, legislative elections were considered fair and transparent and the process went smoothly, sealing the deepening of democracy.

However, in some other countries, tensions or irregularities were recorded. Opposition parties often face difficulties in accessing public space for campaign and debate in preparation for elections, which results in biased democratic competition. In Malawi, although no tensions were recorded during the electoral process, The Commonwealth and the European Union witnessed "imperfections". In contrast, tensions marked the electoral campaign in Equatorial Guinea, where Teodoro Obiang Nguema, in power since 1979, was re-elected with 95.37% of votes.

Elections were marked by severe tensions in both Gabon and the Republic of Congo. In Gabon, violent demonstrations marked the post-election period. Ali Bongo Ondimba has succeeded his father Omar Bongo Ondimba, who died in June 2009. In the Republic of Congo the election, won by Denis Sassou Nguesso with 78.61% of votes, was followed by a period of hardening and tensions.

In Niger the willingness of President Tandja to organise a referendum to allow him to change the constitution and remain in power triggered a severe institutional crisis. The referendum was marked by a record abstention rate and was not recognised as valid, either internally or externally.

For 2010, elections are expected in 16 countries, including Côte d'Ivoire, where elections have been postponed several times since 2005, and Guinea. Guinea hopes to solve the crisis generated by the *coup d'état* in 2008, after the death of President Lansana Conté, who had ruled the country without interruption since 1984.

Table 5.2: Elections in Africa, 2009-10

	2009	2010
Algeria	Presidential (9 Apr)	
Angola		
Benin		
Botswana	Parliamentary (16 Oct)	
Burkina Faso		Presidential (21 Nov)
Burundi		Parliamentary and Presidential (Jun and Jul)
Cameroon		
Cape Verde		
Central African Rep.		Parliamentary and Presidential (Apr and May)
Chad		Parliamentary (Nov)
Comoros	Referendum (17 May) / Parliamentary (20 Dec)	
Congo	Presidential (12 Jul)	
Congo Dem. Rep.		
Côte d'Ivoire		Parliamentary (no date) and Presidential (May)
Djibouti		
Egypt		Parliamentary (May)
Ethiopia		Parliamentary (23 May)
Equatorial Guinea	Presidential (29 Nov)	
Gabon	Presidential (30 Aug)	
Gambia		
Ghana		
Guinea		Parliamentary (16 Mar) and Presidential (27 Jun)
Guinea-Bissau	Presidential (28 Jun and 26 Jul)	
Kenya		
Lesotho		
Liberia		
Madagascar		Parliamentary (May) and Presidential (Oct)
Malawi	Parliamentary and Presidential (19 May)	
Mali		
Mauritania	Presidential (18 Jul)	
Mauritius		Parliamentary (Jul)
Morocco		
Mozambique	Presidential and Parliamentary (28 Oct)	
Namibia	Presidential and Parliamentary (27 Nov)	
Niger	Referendum (4 Aug) and Parliamentary (20 Oct)	
Nigeria		
Rwanda		Presidential (9 Aug)
São Tomé and Principe		Parliamentary (Apr)
Senegal		
Seychelles		
Sierra Leone		
South Africa	Parliamentary (22 Apr)	
Sudan		Parliamentary and Presidential (11 Apr)
		Referendum (Jul)
Swaziland		
Tanzania		Parliamentary and Presidential (Oct)
Togo		Presidential (4 Mar)
Tunisia	Presidential and Parliamentary (25 Oct)	
Uganda		
Zambia		
Zimbabwe		Presidential and Parliamentary (Mar)

Sources: www.electionguide.org & africanelections.tripod.com.

Corruption

Despite the efforts recorded in some countries and the rising domestic and international attention, corruption remains a serious problem in Africa. The ongoing corruption reflects poor improvements in local accountability.

According to 2009 Transparency International's Corruption Perception Index (CPI), 31 out of 47 African countries scored less than 3 (out of 10), indicating that corruption is rampant. Additionally, 13 countries scored between 3 and 5, where corruption is perceived as a serious challenge by country experts and businesspeople. As in 2008, only Botswana, Mauritius and Cape Verde scored more than 5. The situation in South Africa continues to deteriorate: while in 2007 South Africa numbered among the best performers on the continent, in 2009 its score declined to 4.7, from 4.9 one year earlier.

Setbacks were more numerous than improvements, with 22 countries ranking lower in 2009, against only 19 going up. Countries that score 3.0 or above and are perceived as relatively less corrupt still face enormous challenges in the fight against corruption, exacerbated by poor enforcement of anti-corruption laws. In these countries, high-profile anti-corruption cases and scandals continue to be frequently reported and risk undermining political stability as well as the governments' capacity to provide effective basic services. According to the CPI, perceptible worsening occurred in Senegal and Madagascar, shifting from 3.4 to 3, and in Algeria, Gabon, Mali, Benin and Tanzania, all shifting from above 3 to 2.6-2.9.

As in the past, the CPI results clearly indicate that corruption is particularly challenging in fragile states, exacerbating political instability. Somalia, once again, features at the bottom of the ranking with a score of 1.0 as continued conflict and corruption trap the country in political and economic collapse, preventing structural reforms. Others scoring at the bottom of the rank, with 2.0 or less, include Angola, the DRC, Guinea, Chad and Sudan, all resource-rich countries. Despite their huge wealth and potential for generating domestic resources in terms of government revenue, these countries seem trapped into a severe lack of economic diversification, poor growth, rising poverty and inequality. In Angola the economic situation looks better thanks to the post-conflict catching–up dynamic, but wealth still remains a privilege of the elite.

On 31 October 2003 at the United Nations Headquarters in New York, the General Assembly of the United Nations adopted the United Nations Convention against corruption. The convention entered into force on 14 December 2005, after the required 30 countries ratified it. Forty-four African countries signed the convention, and 31 ratified it (as of October 2009). Additionally, three new countries, Gabon, The Gambia and Togo, ratified the African Union Convention on Preventing and Fighting Corruption, bringing the total number of ratifications to 46 since 2003.

In 2009, the African Union seems to have taken the issue of corruption more seriously, after a study conducted by the Commission of the AU revealed that costs of corruption amount to up to 10% of Africa's resources-generated wealth. Besides affecting the public administration, often involved at its highest levels, corruption increasingly takes the form of drug trafficking and money laundering. Against this background, the organisation decided to create a Special Commission to Fight against Corruption in January 2010, whose role will be to help African countries to acquire anti-corruption legislation.

In parallel, after the boom of 2008, the African Peer Review Mechanism (APRM) progressed further in 2009. Created in 2002 in the framework of NEPAD, the APRM aims at fostering political stability, economic growth, sustainable development and regional integration through the adoption of policies, rules and best practices. As of March 2010, 30 countries were involved in the process, 1 more than in 2008. After the record of 4 countries in 2008, 3 new countries were peer reviewed in 2009 (Mozambique, Mali and Lesotho), bringing the total number to 12 countries. Ethiopia and Mauritius are expected to be peer reviewed in June 2010 at the APRM Forum. Three countries, Ghana, Rwanda and Algeria, are ready for the second cycle after the peer review, the first two being pioneer countries of the entire process. Other activities foreseen for 2010 are advance missions to Angola, Togo, Djibouti, Sao Tome and Principe, Cape Verde and the Republic of Congo; support missions to Cameroon, Malawi, Sierra Leone, Gabon and Egypt; follow-up mission to Senegal; and country review missions to Tanzania and Zambia.

Launched in 2002 with the aim to foster transparency and good governance in managing natural resources, the Extractive Industry Transparency Initiative (EITI) is progressing in Africa, with 19 out of 30 members being on the continent. In 2009, four new countries became candidates, including Burkina Faso, Mozambique, Tanzania and Zambia, while Guinea asked to be suspended, owing to its delicate political situation. Ethiopia declared its intention to join the initiative. To achieve EITI compliant status a country must complete an EITI validation. This provides an independent assessment of the progress achieved and identifies what measures are needed to strengthen the EITI process. In 2009, six African countries published an EITI report, including the Central African Republic (1st report), Liberia (2nd report), Mali (1st report), Niger (1st report), Nigeria (2nd report) and Republic of Congo (1st report), bringing to 11 the total number of countries having published a report. Of the 22 countries facing a validation deadline in March 2010, only one African country, Liberia, met the deadline and is now EITI compliant, while Gabon was close to completing the process.

Table 5.3: Corruption perception indexes (CPIs) for African countries, 2008 and 2009

Country	Global Rank 2008	CPI 2008	Global Rank 2009	CPI 2009
Botswana	36	5.8	37	5.6
Mauritius	41	5.5	42	5.4
Cape Verde	47	5.1	46	5.1
South Africa	54	4.9	55	4.7
Seychelles	55	4.8	54	4.8
Namibia	61	4.5	56	4.5
Tunisia	62	4.4	65	4.2
Ghana	67	3.9	69	3.9
Swaziland	72	3.6	79	3.6
Morocco	80	3.5	89	3.3
Burkina Faso	80	3.5	79	3.6
Senegal	85	3.4	99	3
Madagascar	85	3.4	99	3
Lesotho	92	3.2	89	3.3
Algeria	92	3.2	111	2.8
Gabon	96	3.1	106	2.9
Mali	96	3.1	111	2.8
Benin	96	3.1	106	2.9
Tanzania	102	3	126	2.6
Rwanda	102	3	89	3.3
Djibouti	102	3	111	2.8
Egypt	115	2.8	111	2.8
Malawi	115	2.8	89	3.3
Zambia	115	2.8	99	3
Mauritania	115	2.8	130	2.5
Niger	115	2.8	106	2.9
Togo	121	2.7	111	2.8
Nigeria	121	2.7	130	2.5
Sao Tomé and Principe	121	2.7	111	2.8
Eritrea	126	2.6	126	2.6
Mozambique	126	2.6	130	2.5
Uganda	126	2.6	130	2.5
Ethiopia	126	2.6	120	2.7
Libya	126	2.6	130	2.5
Comoros	134	2.5	143	2.3
Liberia	138	2.4	97	3.1
Cameroon	141	2.3	146	2.2
Kenya	147	2.1	146	2.2
Côte d'Ivoire	151	2	154	2.1
Central African Rep.	151	2	158	2
Burundi	158	1.9	168	1.8
Gambia	158	1.9	106	2.9
Guinea Bissau	158	1.9	162	1.9
Angola	158	1.9	162	1.9
Sierra Leone	158	1.9	146	2.2
Congo, Rep	158	1.9	162	1.9
Zimbabwe	166	1.8	146	2.2
Equatorial Guinea	171	1.7	168	1.8
Congo, Dem Rep	171	1.7	162	1.9
Guinea	173	1.6	168	1.8
Sudan	173	1.6	176	1.5
Chad	173	1.6	175	1.6
Somalia	180	1	180	1.1

Source: Transparency International.

StatLink http://dx.doi.org/10.1787/855571750518

According to the chairman of EITI, the initiative, although moving slowly, is starting to show positive effects in several countries. In Nigeria, the process has shed light on a complex labyrinth of opaque payments and transfers, and it has shown the way to a more open and effective management of the sector. Several recommendations are now being taken up in the country's Petroleum Industry Bill. In post-conflict countries such as Liberia and the Democratic Republic of Congo, the EITI is part of a wider peace and reconciliation process. The citizens of Equatorial Guinea have for the first time access to information on state revenues from their oil industries. In volatile states such as Niger, Mauritania and Madagascar, the EITI creates a democratic space for citizens to contribute to their country's development. However, the informative content of some of the reports produced could be enhanced and civil society further and more deeply involved.

Economic governance

Africa continued to register marked improvement in its regulatory environment in 2009. Several countries have introduced new laws or have reformed existing laws, which makes it easier to do business. According to The World Bank report 2010, 67 regulatory reforms were registered in 29 of the 49 sub-Saharan African countries. The report further noted that for the first time an African country – Rwanda – has ranked as the world's top reformer. Mauritius also continued to perform well with a ranking of 17 of the 183 countries for the overall ease of doing business.

Rwanda has made major reforms in 7 of the 10 business regulation indicators monitored by . The country put a new law in place that provides flexibility to employers. Rwanda has also made significant improvement in its financial market by introducing a new secured transactions act and insolvency act to make secured lending more flexible, allowing a broad range of assets to be used as collateral. It has also made business start-up easier by eliminating a notarisation requirement; introducing standardised memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications.

Sierra Leone and Liberia are also doing well in adopting reforms. Both countries are rebuilding economies that were ravaged by war and violence for much of the 1980s and 1990s. Sierra Leone has successfully introduced reforms, which include a new company act that offers provisions for improved administration. This act encourages ailing businesses first to try to reorganise instead of going straight to liquidation. In addition, the government of Sierra Leone has made special efforts to improve tax collection by upgrading its human capacity and equipments of the tax authority. It has also introduced a consolidated income tax act and a new value added tax that replaces four sales taxes. Sierra Leone also now provides investor protections through a new company law that enhances director liability and improves disclosure requirements.

Table 5.4: Top reformers of Africa in 2009

Country	Major areas of reform	Progress in global rankings on ease of doing business between DB2009 and DB2010	Remarks
Rwanda	Starting a business -Employing workers -Registering property -Getting credit -Protecting investors -Trading across borders -Closing a business	139 to 67	Rwanda was ranked world's best reformer
Burkina Faso	Starting a business -Dealing with construction permits -Registering property -Trading across borders -Enforcing contracts	148 to 147	
Senegal	Trading across borders	149 to 157	
Sierra Leone	Starting a business -Getting credit -Protecting investors -Paying taxes -Closing a business	156 to 148	
Liberia	Starting a business -Dealing with construction permits -Trading across borders	157 to 149	
Botswana	Starting a business -Enforcing contracts	38 to 45	

Source: *Doing Business* survey 2009.

Several countries have made significant improvements in easing procedures to start a business. Liberia has expedited doing business by establishing a one-stop shop that brings together various ministries and agencies and by streamlining the inspection process. Reforms in Ethiopia included company registry and the streamlining of procedures to start a business. Zimbabwe lowered the cost of transferring a property by 15% of the property value. Ghana simplified business start-up by further streamlining registration procedures through the creation of a customer service desk at the one-stop shop. Uganda sped up trading times through better customs processes, improved co-operation at the borders and owing to increased operating hours at the Port of Mombasa in Kenya, which is the main gate for its external trade. Togo made business start-up easier by setting up a one-stop shop that eliminated six procedures and lowered costs by almost a fifth. Mozambique simplified business start-up by eliminating requirements for minimum capital and bank deposits. In Africa, administrative improvements in customs have helped reduce the time required to clear traded goods.

Table 5.5: African Index of Economic Freedom for 2003-2010

World rank	Country	2010 Score	2009 Score	2008 Score	2007 Score	2006 Score	2005 Score	2004 Score	2003 Score
18	Mauritius	76.3	74.3	72.6	69.4	67.4	67.2	64.3	64.4
34	Botswana	70.3	69.7	68.2	68.1	68.8	69.3	69.9	68.6
61	South Africa	62.8	63.8	63.4	63.5	63.7	62.9	66.3	67.1
63	Uganda	62.2	63.6	63.8	63.1	63.9	62.9	64.1	60.1
71	Namibia	62.2	62.4	61.4	63.5	60.7	61.4	62.4	67.3
73	Madagascar	63.2	62.2	62.4	61.1	61	63.1	60.9	62.8
77	Cape Verde	61.8	61.3	57.9	56.5	58.6	57.8	58.1	56.1
85	Burkina Faso	59.4	59.5	55.7	55.1	55.8	56.5	58	58.9
90	Kenya	57.5	58.7	59.3	59.6	59.7	57.9	57.7	58.6
93	Tanzania	58.3	58.3	56.5	56.8	58.5	56.3	60.1	56.9
96	Ghana	60.2	58	57	57.6	55.6	56.5	59.1	58.2
97	Egypt	59	58	58.5	54.4	53.2	55.8	55.5	55.3
98	Tunisia	58.9	58	60.1	60.3	57.5	55.4	58.4	58.1
101	Morocco	59.2	57.7	55.6	56.4	51.5	52.2	56.7	57.8
107	Algeria	56.9	56.6	56.2	55.4	55.7	53.2	58.1	57.7
108	Zambia	58	56.6	56.2	56.2	56.8	55	54.9	55.3
110	Senegal	54.6	56.3	58.3	58.1	56.2	57.9	58.9	58.1
112	Gambia, The	55.1	55.8	56.9	57.7	57.3	56.5	55.3	56.3
113	Mozambique	56	55.7	55.4	54.7	51.9	54.6	57.2	58.6
114	Mali	55.6	55.6	55.6	54.7	54.1	57.3	56.6	58.6
115	Benin	55.4	55.4	55.2	55.1	54	52.3	54.6	54.9
117	Nigeria	56.8	55.1	55.1	55.6	48.7	48.4	49.2	49.5
118	Gabon	55.4	55	54.2	54.8	56.1	54.8	57.1	58.7
119	Côte d'Ivoire	54.1	55	53.9	54.9	56.2	56.6	57.8	56.7
124	Rwanda	59.1	54.2	54.2	52.4	52.8	51.7	53.3	47.8
127	Mauritania	52	53.9	55.2	53.6	55.7	59.4	61.8	59
128	Niger	52.9	53.8	52.9	53.2	52.5	54.1	54.6	54.2
129	Malawi	54.1	53.7	52.7	52.9	55.4	53.6	53.6	53.2
135	Ethiopia	51.2	53	52.5	53.6	50.9	51.1	54.5	48.8
136	Cameroon	52.3	53	54.3	55.6	54.6	53	52.3	52.7
140	Djibouti	51	51.4	51.2	52.4	53.2	55.2	55.6	55.7
142	Equat.Guinea	48.6	51.3	51.6	53.2	51.5	53.3	53.3	53.1
144	Guinea	51.8	51	52.8	54.5	52.8	57.4	56.1	54.6
151	Lesotho	48.1	49.7	52.2	53.2	54.7	53.9	50.3	52
153	Burundi	47.5	48.8	46.2	46.9	48.7	-	-	-
154	Togo	47.1	48.7	48.9	49.7	47.3	48.2	47	46.8
156	Cent. Afr. Rep.	48.4	48.3	48.6	50.6	54.2	56.5	57.5	60
158	Sierra Leone	47.9	47.8	48.3	47	45.2	44.8	43.6	42.2
159	Seychelles	47.9	47.8	-	-	-	-	-	-
161	Chad	47.5	47.5	47.8	50.1	50	52.1	53.1	52.6
162	Angola	48.4	47	46.9	44.7	43.5	-	-	-
165	Guinea Bissau	43.6	45.4	44.4	46.1	46.5	46	42.6	43.1
166	Congo. Rep.	43.2	45.4	45.4	44.4	43.8	46.2	45.9	47.7
171	Libya	40.2	43.5	38.7	37	33.2	32.8	31.5	34.6
178	Zimbabwe	21.4	22.7	29.4	32	33.5	35.2	34.4	36.7
-	Swaziland	57.4	59.1	58.4	60.1	61.4	59.4	58.6	59.6
-	Sudan	-	-	-	-	-	-	-	-
Sub-Saharan Africa		54.1	55.6	54.4	54.8	54.5	55.3	55.4	55.3
North Africa		54.8	54.3	54	52.9	51.2	51.4	53.7	53.7

Source: The Heritage Foundation, 2010.

StatLink http://dx.doi.org/10.1787/855576715031

The most significant changes took place in the use of information technology to simplify and make processes more efficient. In this regard, Burkina Faso took a major step forward by allowing publication to be done directly on the website of the one-stop shop. This step reduced the registration cost and streamlined tax registration. The creation of a one-stop shop for commercial trade documents has expedited trade across borders. For example, Sudan has expedited trade with improved customs clearance and the electronic connection of ten customs offices –enabling traders to file declarations remotely – and the addition of two scanners at Port Sudan. Cape Verde also improved access to credit information by introducing online access for information providers and retrievers. At the same time, the government raised the minimum threshold for loans included in the database from 1 000 Cape Verde escudos (CVE) to CVE 5 000 for individuals.

Several African countries continue to revise their labour codes. Mauritius and Rwanda made employing workers easier with more flexible redundancy procedures, removing the requirement for authorisation to dismiss one or a group of workers and lowering dismissal costs.

Countries are also revising and reforming business taxes, which have been a major barrier to trade and investment. Cameroon, for example, eliminated the licence tax for new businesses for their first two years. Cape Verde brought down corporate income tax rate from 30% to 25%. Sudan reduced the corporate income tax rate by an average of 15% and the capital gains tax by 5%. It abolished the tax on labour. Togo cut the corporate income tax rate from 37% to 30%.

However, despite all the positive reforms that are taking place on the continent, most African countries have not shown significant improvements in their 2010 ease of doing business rankings. In fact, some slipped down from their 2008/09 rankings, indicating that other world regions are adopting reforms much faster and making their economies more attractive for investment.

Notes

[1] For more details on 2008, see *African Economic Outlook* 2009 edition.

[2] Algeria, Botswana, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Egypt, Equatorial Guinea, Ethiopia, Gabon, Ghana, Kenya, Mali, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe.

[3] See Statistical Annex for country-by-country figures.

[4] Cases were recorded in Morocco, Tunisia, Zambia, Burkina Faso, The Gambia, Senegal, Mauritania and Chad.

[5] According to *Conflict Barometer,* a conflict is "the clashing of interests (positional differences) over national values of some duration and magnitude between at least two parties (organised groups, states, groups of states, organisations) that are determined to pursue their interests and win their cases. A conflict is considered to be a severe crisis if violent force is repeatedly used in an organised way. A war is a type of violent conflict in which violent force is used with certain continuity in an organised and systematic way. The conflict parties exercise extensive measures, depending on the situation. The extent of destruction is massive and of long duration".

[6] For the full list, please see the 2009 *Conflict Barometer* at http://www.hiik.de/en/konfliktbarometer/index.html

[7] Chad, DRC, Ethiopia (in the Ogaden), in Nigeria (both Boko Haram and MEND), Somalia, Sudan (both Darfur and new ethnic clashes), Uganda (LRA).

[8] *Coups*: Madagascar, Guinea-Bissau. Attempted *coups*: Togo, Equatorial Guinea. Plotted *coups*: Ethiopia, Eritrea.

Part Two

Public Resource Mobilisation and Aid in Africa

What is Public Resource Mobilisation, and Why Does It Matter?

Africa is taking a growing role in the world, its population is increasing fast and so too is its need for finance to build for the future: to achieve the United Nations' Millennium Development Goals (MDGs) and close the gap between its infrastructure and the rest of the world's, the continent requires an annual investment of USD 93 billion over the next decade (Foster and Briceño-Garmendia, 2009). In sub-Saharan Africa alone, 3.8 million teachers would have to be recruited within five years to achieve universal primary education (UNESCO, 2009). No economy can afford to fund such development needs primarily from external sources, be they public or private.

Indeed, in 2002, the United Nations' Monterrey Consensus on Financing for Development acknowledged that external financial resources would not be enough to meet the MDGs, and that it was necessary to develop new strategies by mobilising *domestic* resources. Africa is no exception. The global crisis has shown how uncertain external flows are for African governments whose revenues have been badly affected (see Part I). In the long run, greater domestic investment can offset vulnerability as well as strengthen local ownership. Development success stories go hand in hand with better mobilisation of a country's own resources and less dependence on aid and other foreign finance.

Domestic resource mobilisation is the generation of savings domestically - as opposed to investment, loans, grants or remittances received from external sources - and their allocation to socially productive investments within the country. There are two sides to it. The *private* side concerns private domestic savings, which the financial sector (e.g. private banks) channels towards investment. *Public* resource mobilisation is about public savings - the excess of public revenues on current government expenditure. This is what is available for governments to fund public investment in infrastructure, including roads, power plants, schools, health facilities, etc. It originates either from borrowing, e.g. issuing government bonds, or the taxation of individuals and companies.

Mobilising resources for development

	Private	*Public*
Domestic	Domestic private saving	Taxation, public borrowing
External	Foreign direct investment (FDI), portfolio investment, remittances	Foreign aid, public borrowing

This Part of the *Outlook* focuses on the latter. It examines how more "equitable and efficient tax systems and administrations" - which signatories of the Monterrey declaration have committed to secure - can be used to improve funding for Africa's development. It focuses on the effectiveness of revenue collection rather than the quantity and quality of spending, although it highlights their importance. It also discusses how foreign aid affects the mobilisation of public resources.

Why review African tax systems now?

The global economic crisis has revealed the risks for African economies of depending too much on external flows for their revenues. First, the reliance on commodities means many African countries remain vulnerable to upsets from the rest of the world, such as the swings in international prices in 2008 and 2009. Second, although major debt write-offs and the boom before the crisis helped, the risk of over indebtedness cannot be ruled out. With the expected fall in export revenues and return to unsustainable fiscal and current account deficits, international reserves may not be able to protect economies from the shortage of external finance. Third, most African economies – particularly non-oil exporters – are prone to chronic external deficits in the current and trade accounts. Even a small reversal of capital flows can force a domestic contraction, unless accompanied by very large trade improvements. Fourth, following the global crisis, the evolution of foreign direct investment (FDI) into Africa and the rest of the developing world is uncertain over the medium-term. Fifth, remittances from Africans in Europe and North America have become an important supplement to basic incomes, but they have been increasing at a slower pace in recent years, and are set to slow down further. Finally, as highlighted in Part I, Africa is set to receive only about half of the increase in official development assistance (ODA) envisaged at the Gleneagles Group of Eight summit in 2005. Although most donors plan to continue increasing aid, some have not lived up to their promises, and may fall further behind on their commitments as ODA budgets stagnate or shrink. The realisation of this vulnerability has given a new impetus to dialogue on domestic resource mobilisation across Africa, particularly taxation.

The global economic troubles have also stimulated the international dialogue on taxation, in which Africa is increasingly claiming its stake. Confronted by budget deficits, governments are seeking to maximise fiscal revenues by strengthening campaigns against evasion and fraud. The Group of 20 nations has made it a priority to enforce internationally agreed standards against tax havens. The Organisation for Economic Co-operation and Development (OECD) countries are actively seeking to engage others in this dialogue, to build support for wider, more binding multilateral co-operation. Donor countries are stepping up financial and technical support to tax administrations in developing countries. This changing context gives African countries new opportunities to improve tax collection for development.

Africa's taxing question: fiscal legitimacy and the state

Tax is not an end in itself. Development economists have long recognised its importance in the consolidation of a well-functioning state (Kaldor, 1980 and Toye, 1978). A healthy public finance system is needed for rapid, equitable, and sustainable growth: government revenue should adequately finance basic security, education, health services and public investment while avoiding inflationary financing. Taxation is one of the few objective measures of the power and legitimacy of the state (Di John, 2009). In post-war economies, for instance, reconstruction of the revenue base is essential to restore a viable state. Tax revenues are also necessary to fund the military, which ensures that a state can secure its borders. Not only do states rely on tax revenue to function, but taxes are also the primary platform for political negotiations amongst a country's stakeholders. They are part of the social contract between a state and its citizens: taxpayers want to know that everyone is paying their fair share and that the money they hand over is put to good use and not preyed upon by corrupt officials. They are more likely to comply with paying taxes and to accept new forms of taxation if they consider the taxes to be legitimate. This is what is known as "fiscal legitimacy".

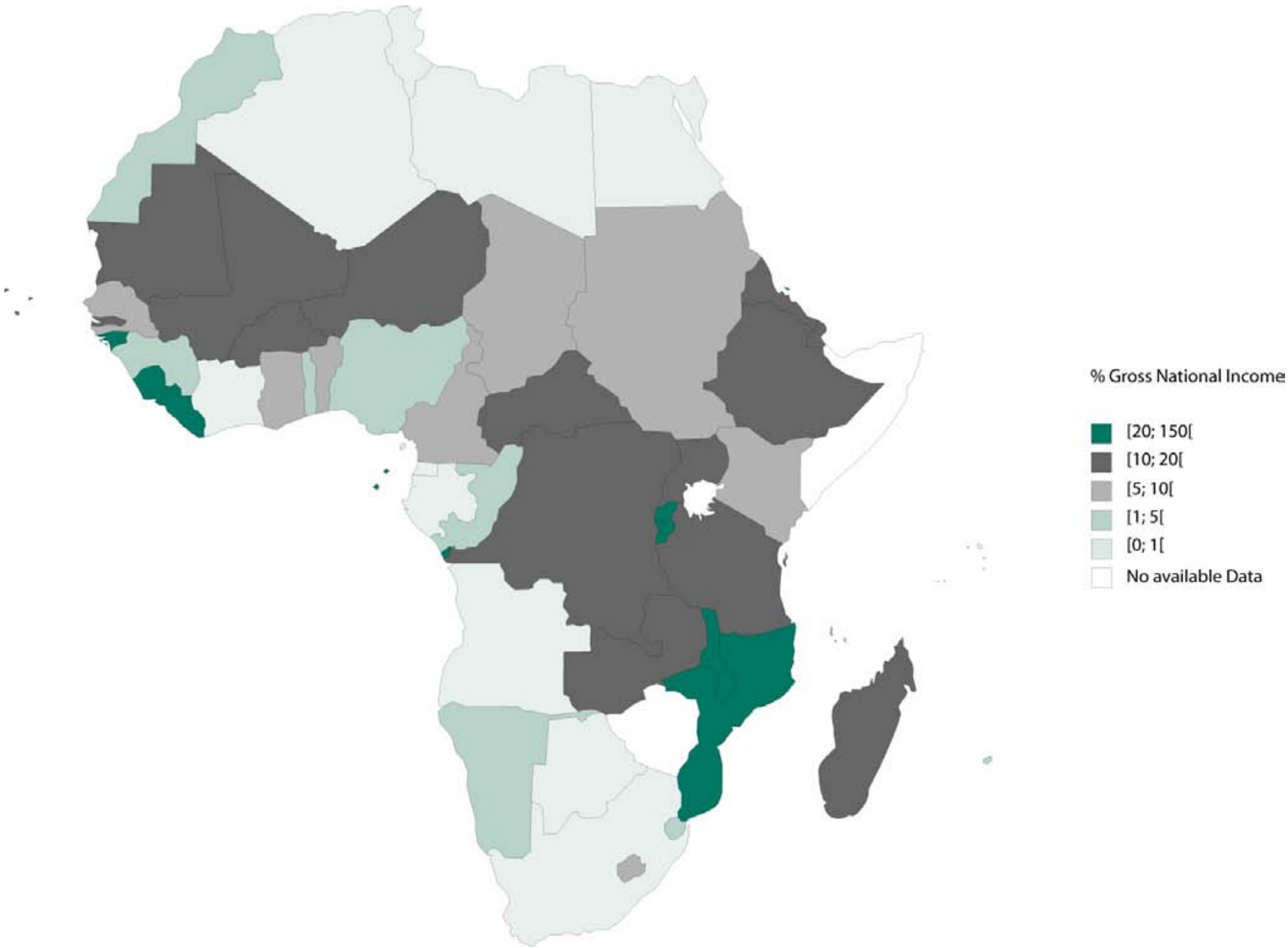
In many developing countries though, poor revenue performance often prevents governments from supplying adequate public services. This creates a vicious circle of dissatisfaction of citizens and firms with those services and a greater willingness to avoid paying taxes. This is largely the result of weak tax administrations, as well as corruption and resistance from ruling elites, who bargain tailored tax cuts and exemptions for themselves and in some cases multinational enterprises. Tax administrations may thus be kept weak because maintaining good relations with donors and large firms exploiting natural resources is easier than being accountable to taxpayers. By contrast, more vigorous taxation and greater fiscal legitimacy implies entering into more constructive dialogue and negotiation with citizens and firms over the spending of taxes collected, with legislators and civil society overseeing tax legislation and government spending. It also requires enlarging the tax base by encouraging the accumulation of capital and the growth of business outside the immediate sphere of influence of the state. Public resource mobilisation therefore goes straight to the heart of Africa's development challenge. But if the aim is legitimacy and greater ownership by a nation of its own development path, does it mean getting rid of foreign aid?

Public resource mobilisation is no alternative to aid in the short run

Africa depends on external resources because domestic savings fall short of current investment needs. Given that this gap will not be closed quickly, most African countries will continue to rely on external resources in the near future. And yet greater independence from ODA is part and parcel of the development process. Better public resource mobilisation is thus not an alternative to aid; they must go together. The challenge is for African countries and their partners to end the vicious circle of aid dependence that shifts government accountability away from citizens towards donors. Instead, they need to start a virtuous circle of aid working to make itself redundant, by supporting public resource mobilisation.

Indeed, aid remains of vital importance for many countries: its share in government revenues is such that if it were to disappear, several states would simply collapse. Figure 1 measures aid dependence as the percentage ratio of aid flows over gross national income (GNI) in countries for which data is available. The most dependent countries are found in sub-Saharan Africa along an arch that crosses the continent from North-West to South-East.

Figure 1: Aid dependance in Africa (2007)



Source: Authors' calculations based on the World Bank's *World Development Indicators*.

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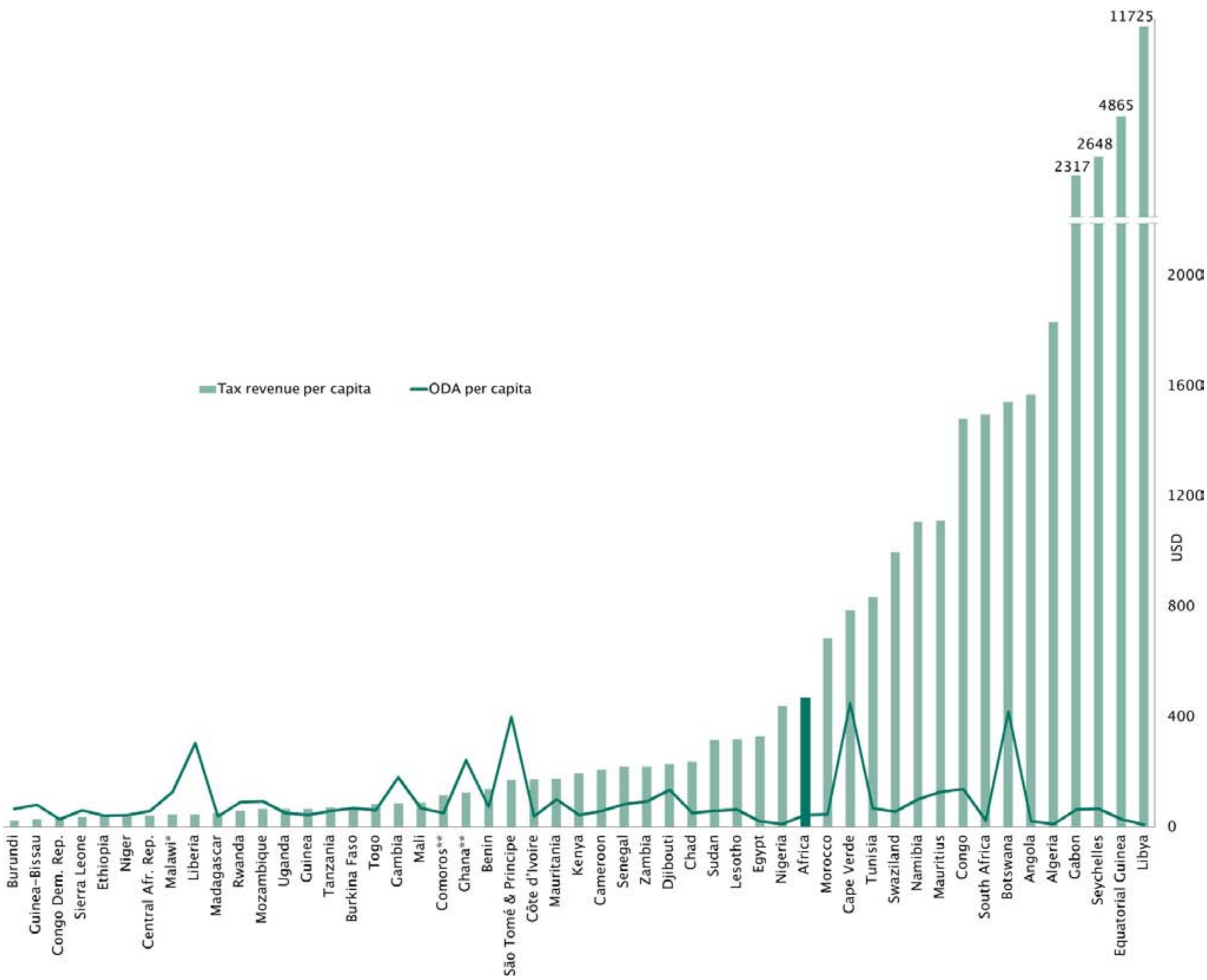
Stimulating public resource mobilisation, the equivalent of increasing the public savings rate, is a necessarily lengthy process. Meanwhile, countries will continue to rely on foreign aid. Yet, the end game should be one in which African countries graduate from, or at least cease to depend upon, aid as a primary source of financing. Mobilising domestic resources better is one way to reduce aid dependency over time. Every effort should thus be made to ensure that aid does not "crowd out", or discourage, domestic resource mobilisation, in general, and public resource mobilisation, in particular. Yet, with so much of Africa's private savings channelled away from productive private investment, or fleeing the continent, the risk of crowding out private savings is relatively limited. Public resource mobilisation actually allows a greater share of savings to remain on the continent and be spent on economic development. One of the dividends of effective tax systems is thus greater ownership of the development process, whereby the government shapes an environment that is more conducive to foreign and domestic private investment, sustainable use of debt and effective use of ODA.

Tax revenues should therefore not be seen as an alternative to foreign aid, but as a component of government revenues that grows as the country develops. Comparing ODA levels with tax revenues in African economies actually reveals that the former is overall much smaller than the latter in many countries. Is that proof that "independence from aid" is within reach in Africa? A closer look at evidence shows a more complex picture.

Figure 2 plots total ODA per capita and total tax revenues per capita in 2008. On average, Africa collects USD 441 of taxes per person per year while it receives USD 41 of aid per person per year. In other words, aid represents less than 10% of collected taxes on the continent as a whole. Of course, the average does not apply to all countries. Of the 48 African countries for which data is available, aid exceeds tax revenues in twelve countries, is larger or equal to half the tax revenues in 24 countries, and exceeds 10% of tax revenues in 34 countries.[1] And yet, in nearly one third of African countries (14 out of 48), aid already represents less than 10% of taxes. Many of those are relatively resource-abundant and/or small in terms of their population (Algeria, Angola, Congo, Equatorial Guinea, Gabon, Libya, Namibia and Swaziland). Figure 2 therefore indicates that, with the exceptions of Egypt, Morocco, South Africa, Seychelles and Tunisia, those countries who made most progress towards “graduating from aid”, the “good performers” in terms of tax collection over the last decade, tend to be those who benefitted disproportionately from rising energy and commodity prices. These have generated higher associated tax revenues, as we see in the next chapter.

Figure 2: Aid and tax revenues per capita in Africa in 2008



Notes: (*) 2007, (**) 2006.
Source: Authors' calculations, based on OECD/DAC, IMF's *World Economic Outlook* and *AEO country surveys,* 2010.

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Major findings

Based on the 50-country *African Economic Outlook 2010* survey, Chapter 2 analyses recent trends in tax collection and compares the performance of African tax administrations.

- The trend of tax revenues on the African continent is positive. The average African tax revenue as a share of GDP has been increasing since the early 1990s. African countries generally collect tax revenues similar to those of countries at similar stages of development on other continents.
- However, this positive trend has been mostly driven by resource-related tax revenues, that typically distract governments from

generating revenue from more politically demanding forms of taxation such as corporate income taxes on other industries, personal income taxes, Value Added Taxes (VAT) and excise taxes.

- By contrast, countries without large natural resource endowments have made relatively more significant efforts in improving the quality and balance of their tax mix.
- In fact, non-resource related tax revenues have stagnated at best, while trade taxes have declined as a result of trade liberalisation. Corporate income taxes are reported to have been resilient, despite decreases in rates at which profits are taxed across Africa, and increases in the number and type of exemption granted by African countries to investors.

Chapter 3 analyses three types of challenges which African economies are facing with respect to further mobilisation of public resources.

- First, the cross-cutting structural bottlenecks: high levels of informality, a lack of fiscal legitimacy and huge administrative capacity constraints, against which donor support has hardly been enrolled.
- Second, the already shallow tax-base is eroded further by excessive granting of tax preferences, inefficient taxation of extractive activities and inability to fight abuses of transfer pricing by multinational enterprises.
- Third, the tax mix of many African countries is unbalanced: they rely excessively on a narrow set of taxes to generate revenues. Some stake-holders are disproportionally represented in the tax base. Declining trade taxes leave a critical gap in public resources.

Finally, Chapter 4 provides policy options for African decision makers and donor countries to tackle those challenges, reviewing some of the good practices in taxation policies, administration and multilateral co-operation.

- Tax reform will bring long-term results only if it is visibly linked to a growth strategy.
- Improving tax collection must be accompanied by a general discussion about governance, transparency and the eventual use of increased public resources by the government.
- Proper sequencing of policy reforms is essential. Administrative bottlenecks are such that in the short run, deepening the current tax base is the only effective policy option. In particular, countries should consider retrenching tax preferences and negotiating fairer and more transparent concessions with multinational enterprises.
- However, developing administrative capacity today is a prerequisite to opening policy options for more progressive tax policies in the medium run.
- In the long run, African countries need to improve the balance between different taxes. Urban property taxes could yield a much higher return if decentralised, as local governments usually have a more direct access to the relevant information.
- Trade liberalisation needs to be purposively sequenced with domestic tax reform. The policy response to declining trade-related tax revenues has to be designed in the context of a broader reform agenda.
- Donors can do more to build capacity in support of public resource mobilisation in Africa. They also need to deliver on their pledges of policy coherence by putting pressure on their own conglomerates to strike decent deals with African nations.

In addition to this report, new data on the tax capacity of African states and the key features of tax systems used across the continent can be downloaded at www.AfricanEconomicOutlook.org. In each country note in the *Outlook*, readers will find a section highlighting key developments in tax collection in the national context.

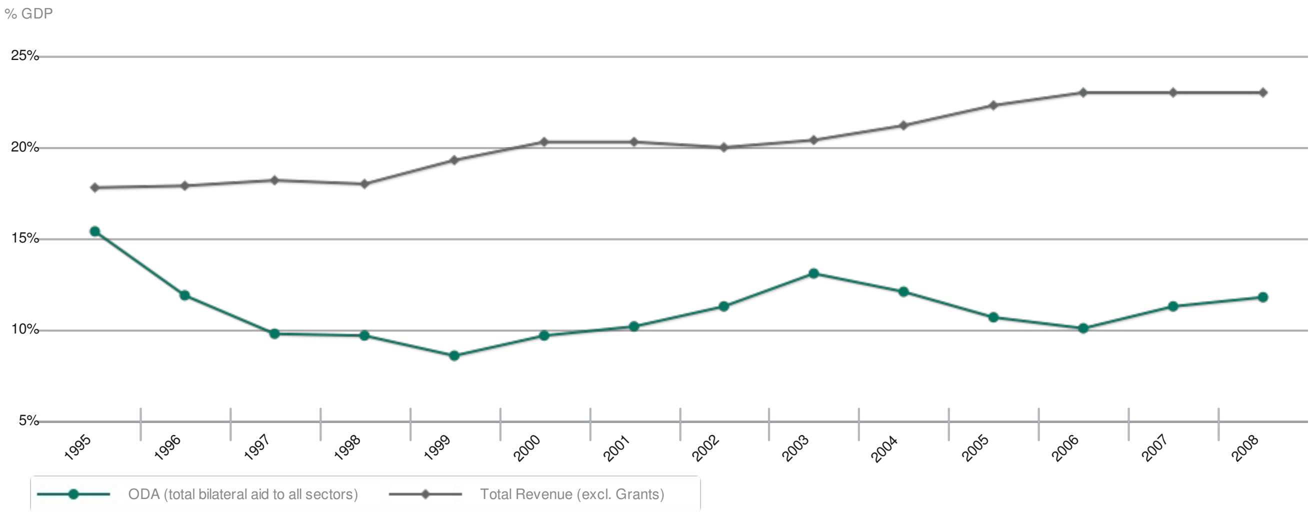
The State of Public Resource Mobilisation in Africa

This section presents a series of stylised facts on the main trends in public resource mobilisation in Africa. The focus is placed on tax revenue, taxes per capita, direct taxation, indirect taxation, trade taxes, and tax effort. The section builds on a data set gathered by the fifty-country survey conducted by the *Outlook*. At the time of final drafting of the Outlook the consistent data ended in 2007.

Collected taxes in Africa increased from 22% of GDP in 1990 to 27% in 2007. Figure 3 illustrates this trend, as well as the growing wedge between fiscal revenues and ODA. However, a closer inspection of the increase reveals that it has been primarily driven by resource-related tax revenues in oil-producing countries. The performance of other types of taxes has been much more modest, as this section shows. Revenue from trade taxes has been declining since the late 1990s but this has been largely offset by indirect and corporate taxes, and resource-related tax revenues. Income taxes (mainly personal and non-resource corporate) have stagnated over the period.

The average growth in tax revenue of African countries in the last two decades also hides significant differences in the performance of individual countries. There is a strong dichotomy between oil-producers and oil-importers, both in terms of collected taxes and the structure of the tax mix. The ability of governments to generate tax revenue from oil can distract them from more politically demanding forms of taxation such as corporate income taxes on other industries, personal income taxes, value added tax (VAT) and excise taxes compared to countries with similar level of tax administrative capacity.

Figure 3: ODA and fiscal revenue as a share of GDP



Source: Authors' calculations, based on OECD-DAC and *AEO country surveys*, 2010.

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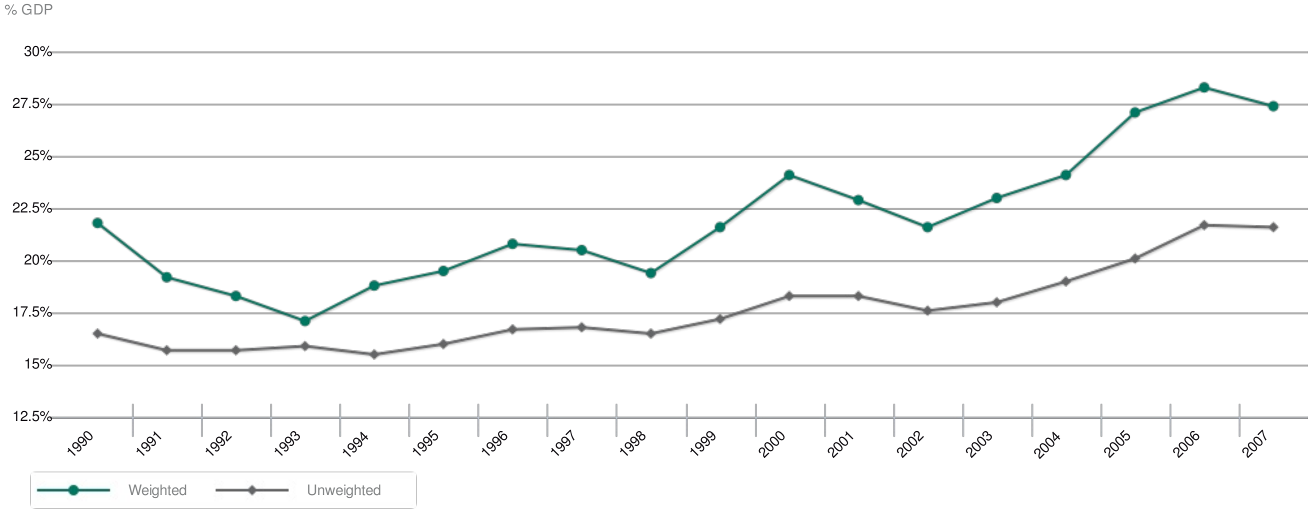
Tax revenue in Africa

The tax ratio is the total of all collected taxes expressed as share of gross domestic product (GDP). The average tax ratio has been increasing in Africa since the beginning of the 1990s, implying that many economies have made noticeable progress in collecting taxes. This ratio is important because it tells how much tax revenue is available to a country's government, taking account of the size of the economy. Figure 4 plots the evolution of the weighted and un-weighted average tax shares for the African continent. The tax shares of countries have been averaged by weighting each country's tax share by the size of its economy.

Classifying African countries according to their level of income shows three different trends in tax ratios. [2] Figure 5 plots the tax share over time of African countries when classified in three groups of income per inhabitant. Countries are classified as "upper middle income" if their income per capita was between USD 3 856 and USD 11 905 in 2008. The tax share of this group of countries has converged with the tax share of OECD countries, to around 35% (OECD, 2009a). Indeed, the OECD un-weighted average was 35.8% in 2007 (Bird and Zolt, 2005). Countries are classified as "lower middle income" if per capita income fell between USD 976 and USD 3 855 in 2008. This group has a tax share comparable to other countries from other continents in the same income category, around 22%. For comparison, Bird and Zolt (*ibid.*) estimate that all countries with income per capita below USD 4 900 have an average tax share of 18.3%. "Low income countries" are those with 2008 income per capita of USD 975 or less.

These countries have a much lower ratio, below 15%.

Figure 4: Tax share, 1990-2007, Africa



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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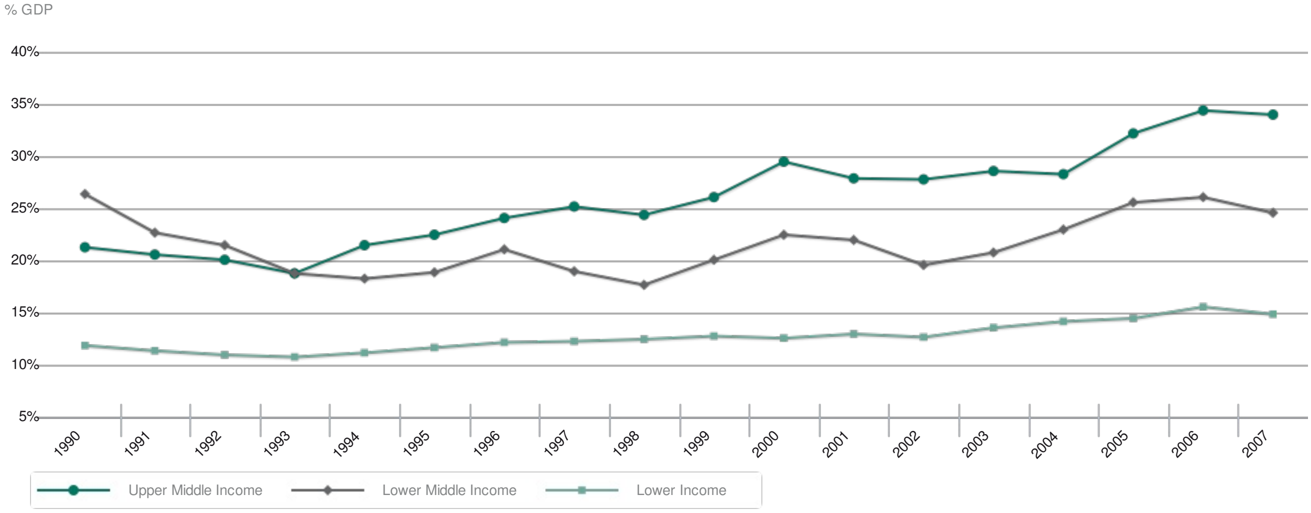
Figure 5: Tax share, 1990-2007, Africa



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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Taxes per capita

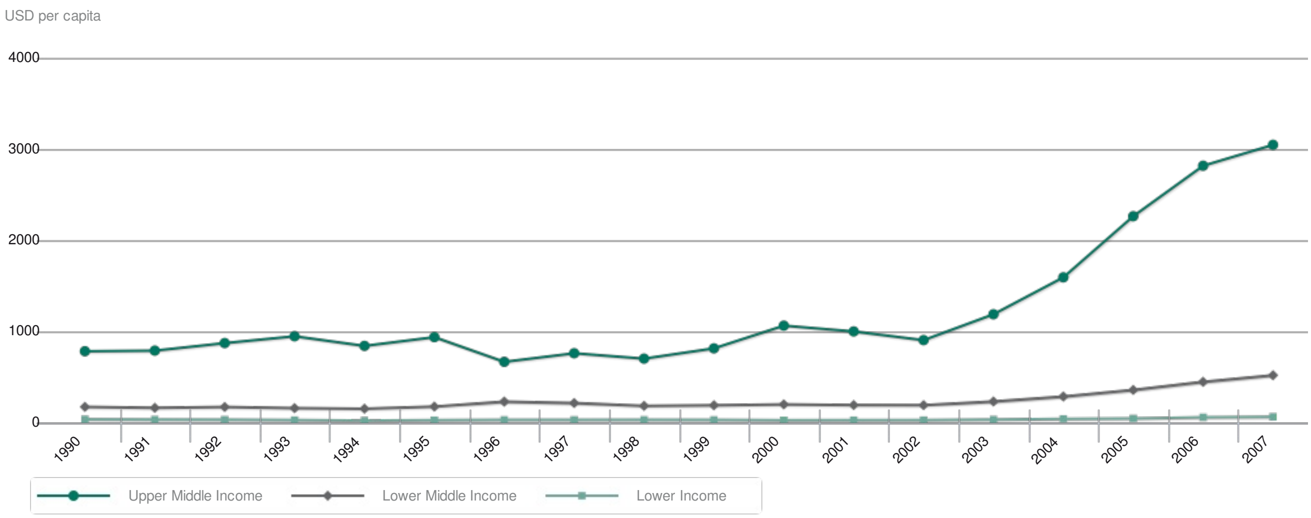
Taxes per capita are the annual total of all collected taxes divided by the number of inhabitants. In general, taxes per capita have been increasing in Africa throughout the last two decades although the increase has been modest in low income countries. Taxes per capita provide an intuitive measure of the amount of tax revenue available on average to a government for each inhabitant. It is the amount of tax money available for the government to spend on everything ranging from building roads to providing public education on average for each inhabitant. Figure 6 plots the evolution of taxes per capita (same income groups as in Figure 5).

There are large differences across African countries in per capita levels of tax revenue. In countries like Burundi, the Democratic

Republic of Congo, Ethiopia and Guinea-Bissau, annual per capita taxes are as low as USD 11 per inhabitant. It is difficult to envision any consequential public service delivery with such a small per capita annual public budget. At the other end of the spectrum, in countries like the Seychelles, Libya and Equatorial Guinea, taxes reach an annual USD 3 600 per inhabitant. In 2008, Equatorial Guinea collected as much as USD 4 865 per inhabitant, primarily as a result of oil-related tax revenue.

There is more to taxes than their overall level in a country. To be able to assess a country's tax system, it is important to also look at the relative composition of taxes, *i.e.* its tax mix.

Figure 6: Taxes per capita in Africa 1990-2007



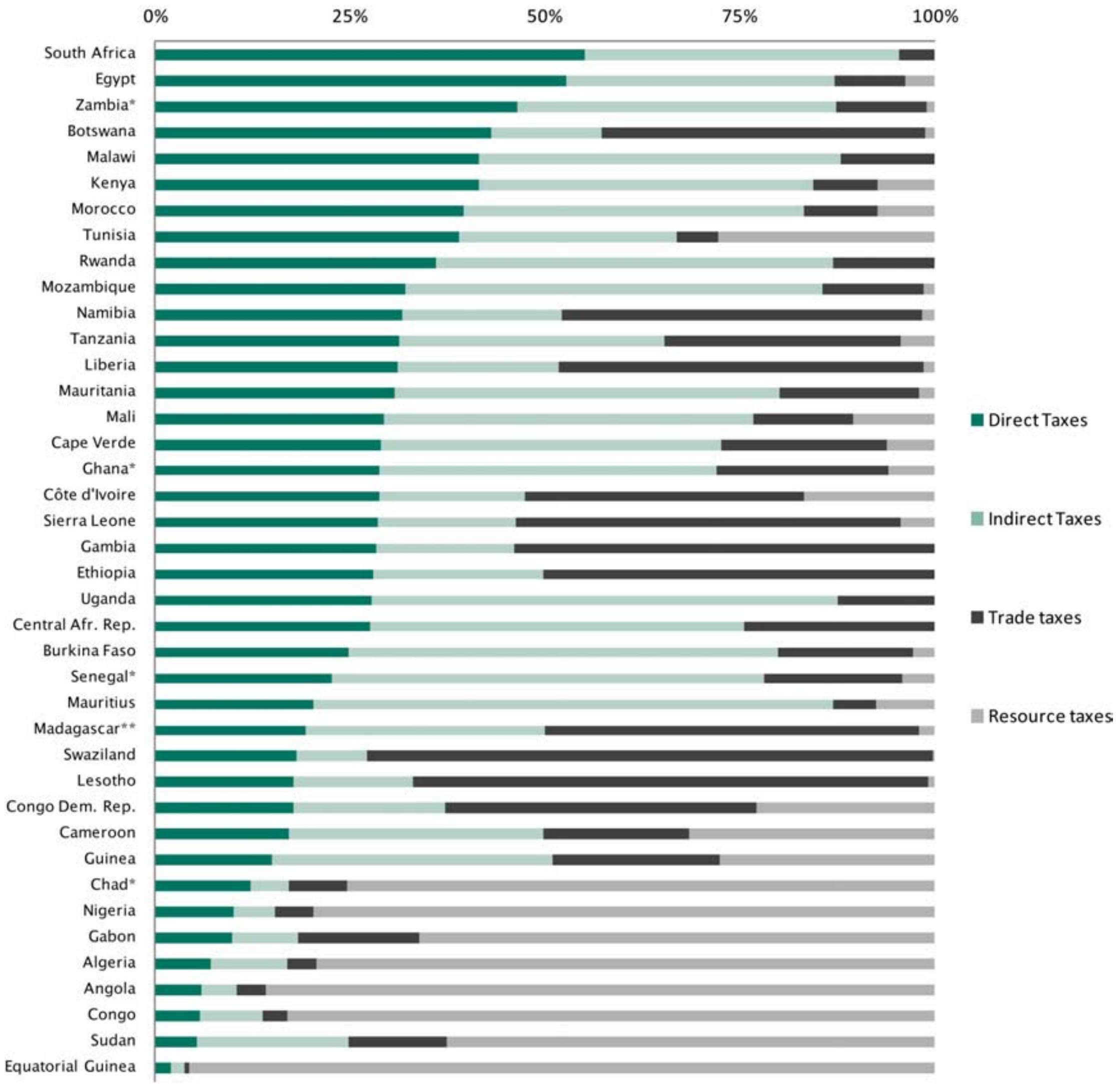
Tax mix in Africa

Modern states typically levy a mix of taxes, including personal and corporate income taxes, broad-based consumption taxes, excise taxes on specific goods or services, payroll taxes, property or wealth taxes, wealth transfer taxes, as well as user fees and benefit taxes. The notion of tax mix refers to the balance of different taxes that make up the tax revenue of a country. Beyond the most obvious purpose of raising revenue to finance public expenditure, taxation is often used to regulate social and economic behaviour and as a tool to shape the distribution of economic resources. The tax mix is a telling indicator of the particular purpose for which a tax is imposed as well as its welfare effects, i.e. the costs it imposes on consumers, workers and capital owners.

For reference, OECD countries typically tend to rely on a relatively balanced tax mix. It is economically more efficient to do so because the welfare cost of collecting any type of tax increases with the collected amount. First, large contributors to a tax are easy to identify while smaller contributors are typically less profitable to track. Second, taxes generate tax avoidance behaviour which has a cost. Third, political resistance and the administrative costs of collection rise with the amount that is collected. However, it should be noted that average collection costs for a new tax may actually go down before they go up, as there are fixed costs for setting-up administrative capacity (staff, IT systems, etc).

Figure 7 bar-charts the distribution of the tax mix in 2007 as a percentage of total tax revenues in African countries. It illustrates that there are large differences in the tax mix patterns in Africa. A country like South Africa obtains most of its tax revenues from direct taxation, while countries like Senegal and Uganda rely mostly on indirect taxation. Kenya and Mauritania show a relatively balanced mix of different types of taxes. So does South Africa if the importance of personal income taxes within direct taxes is taken into account. Other countries, however, like Algeria, Angola, Equatorial Guinea, Libya and Nigeria almost entirely rely on one single type of tax.

Figure 7: The tax mix in 2007 across African countries: share of each type of taxes in total tax revenues

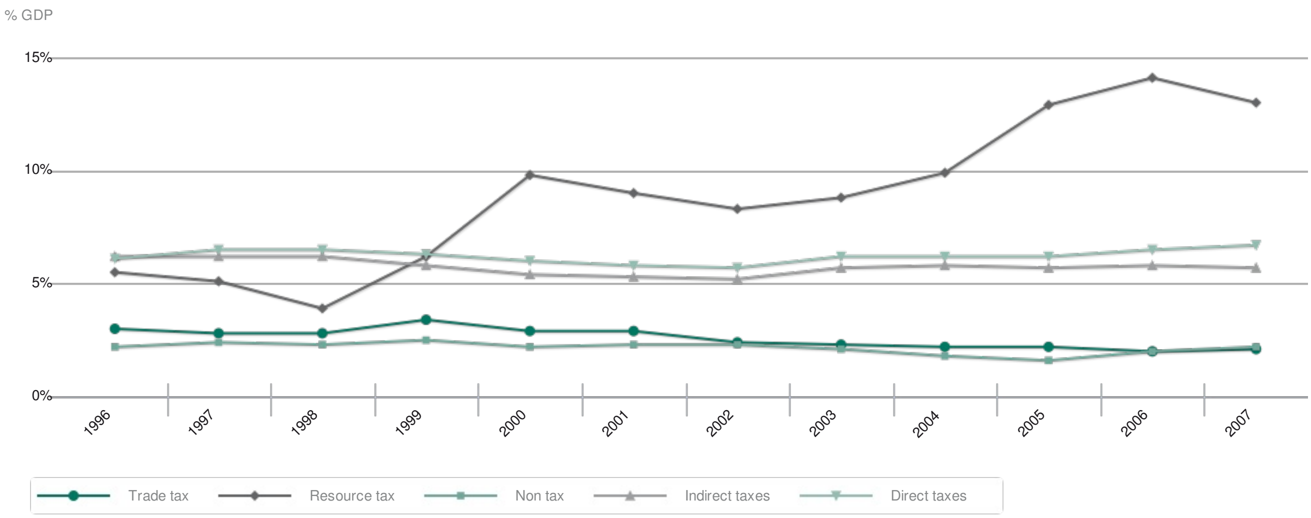


Source: Authors' calculations, based on *AEO country surveys*, 2010.

StatLink http://dx.doi.org/10.1787/848230114805

Figure 8 shows the evolution of the tax mix since 1996 with each type of tax averaged across African countries, weighted by the size of the economy, and measured by collected revenues as a share of GDP. Taxes are classified into four categories: direct taxes (mainly personal and corporate income taxes), indirect taxes (VAT, sales taxes, excises etc), trade taxes (customs duty mainly) and resource-related tax revenues. Governments also collect non-tax revenues such as stamp duties. The relative importance of trade taxes in the tax mix has been declining in Africa since the mid-1990s. Direct taxes have been moderately increasing and indirect taxes have stagnated. The bulk of the increase in tax revenues is due to a spectacular increase in taxes on resource extraction. These taxes have nearly tripled as a share of domestic income over the past decade. The decline of commodity prices in the second half of 2008 coincided with an interruption of this trend – indicating that revenues from this source depend to a large extent on commodity prices and are vulnerable to price volatility.

Figure 8: The Tax Mix in Africa: collected amounts for each type of tax as share of GDP

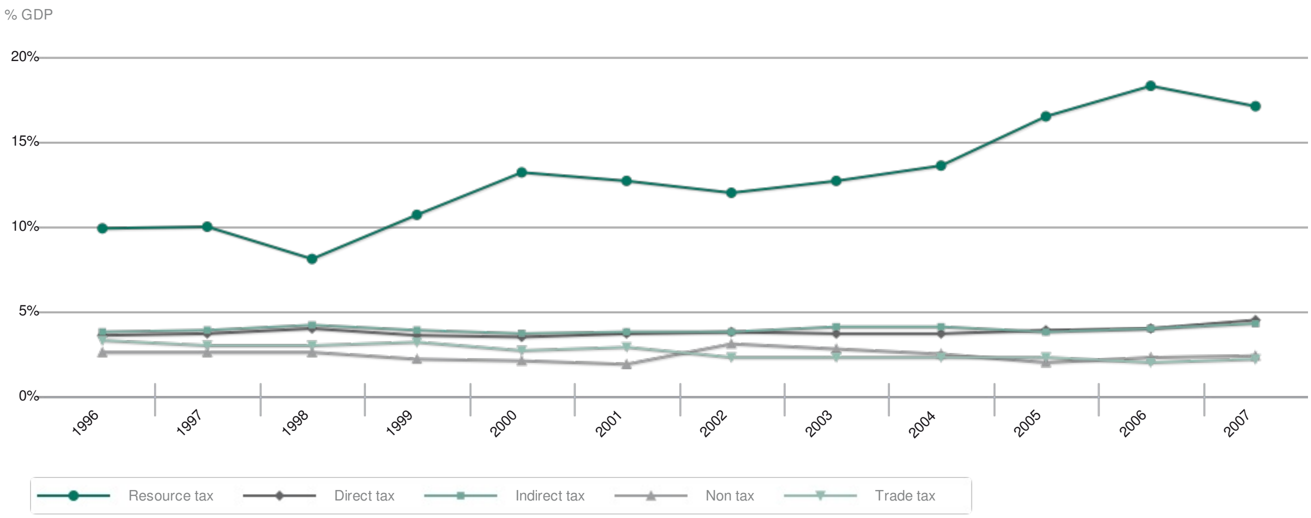


Source: Authors' calculations, based on *AEO country surveys*, 2010.

StatLink http://dx.doi.org/10.1787/848281280420

In Figure 9, countries are classified according to whether they are oil producers or not. This classification explains the evolution of the average tax mix in Africa. On one side, oil producing countries levy a large and increasing percentage of revenues on resource extraction. Other types of taxes have stagnated in these countries in terms of their relative importance compared to the overall size of the economy as measured by the GDP. On the other side, non-oil producers have made more modest overall progress in raising the tax ratio and had to rely on other forms of taxation. In these countries, it is the more politically demanding types of taxes – personal and corporate income taxes together with VAT – that have been driving the slow and laborious increase in tax shares. In other words, although oil producers collect more tax revenue, non-oil producers actually have higher quality tax revenues.

Figure 9a: Tax ratios of oil producers versus non-oil producers in Africa (oil producers)



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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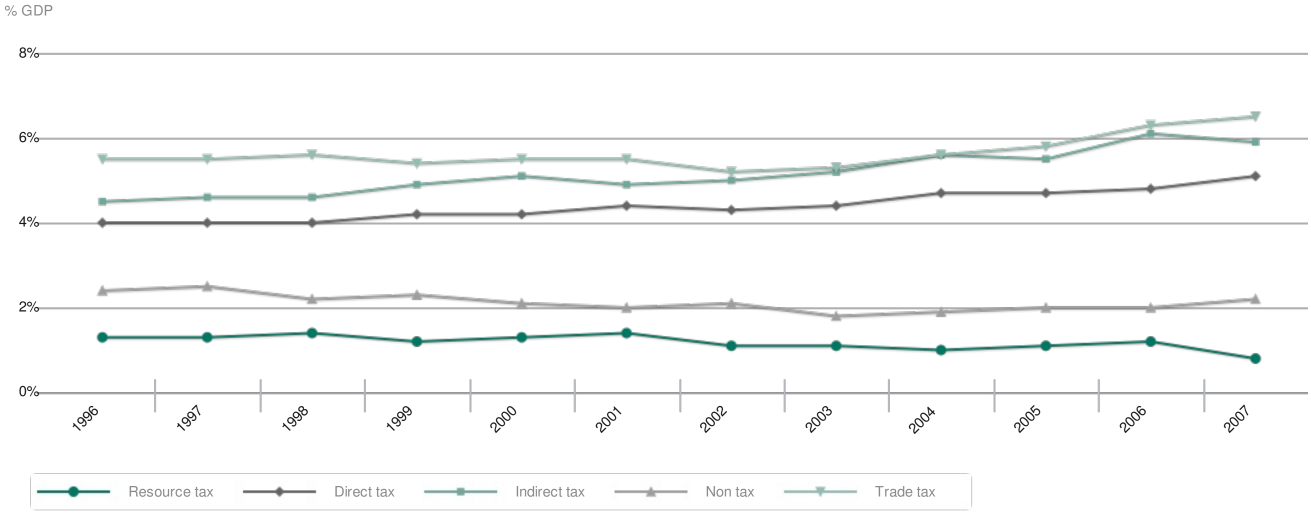
Figure 9b: Tax ratios of oil producers versus non-oil producers in Africa (non-oil producers)



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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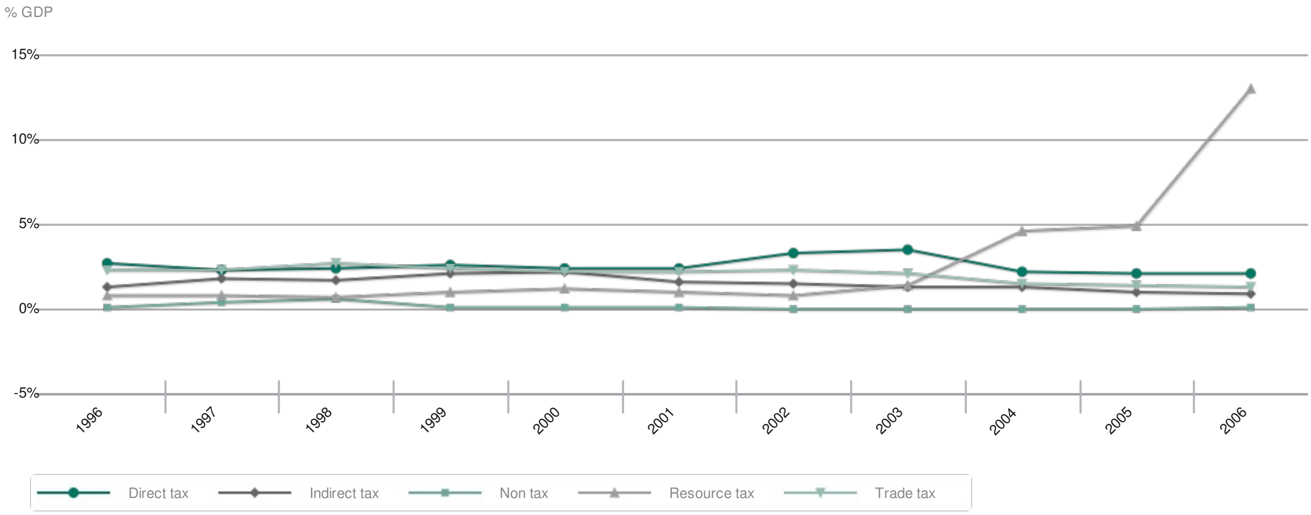
The period of analysis covers a commodity boom and the entrance of new oil-producing countries into the market. Figure 10 provides two examples. Chad began oil extraction in 2003. The country experienced a huge increase in resource-related tax revenues in the period that followed. Other types of taxes stagnated at best following oil extraction. The surge in oil prices also gave hydrocarbon producers higher tax revenues. For example, in Libya the percentage of resource-related tax revenues rose from 20% of domestic income in 1999 to nearly 70% in 2007. In Libya too, other types of taxes stagnated at best following the oil price boom.

Resource-rich countries, including those who have recently discovered oil or minerals, have a tendency to substitute resource-related tax revenues for other taxes, direct, indirect or from trade. This is the case for Algeria, Angola, Botswana, Congo, Chad, Equatorial Guinea, Gabon, Libya and Nigeria.

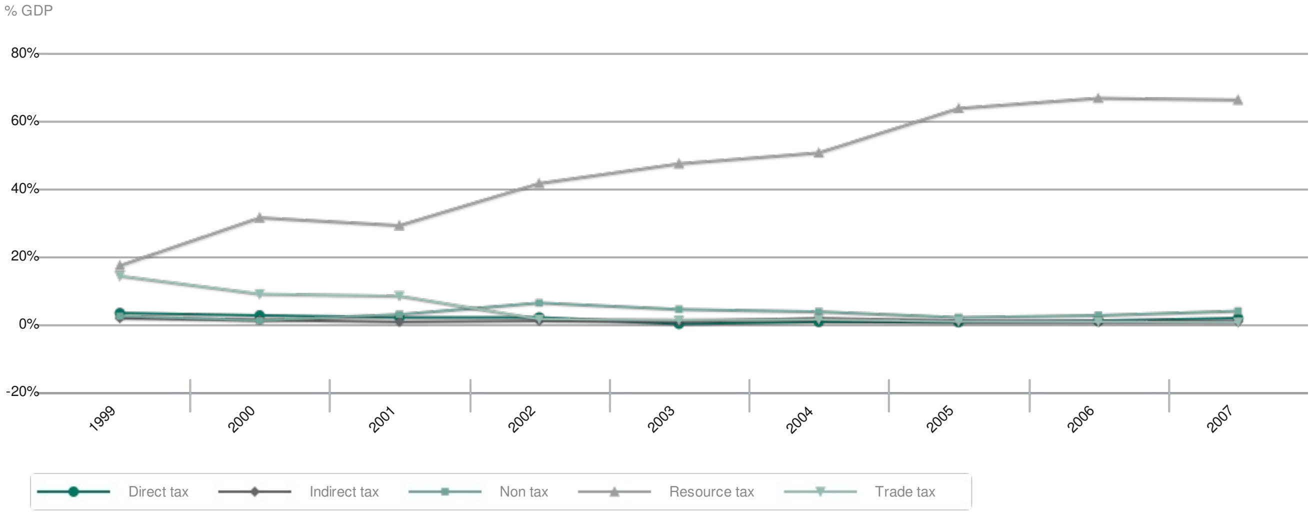
Figure 10a: Chad amount collected for each type of tax, as a share of GDP



Source: Authors' calculations, based on *AEO country surveys*, 2010.

StatLink http://dx.doi.org/10.1787/848367160006

Figure 10b: Libya amount collected for each type of tax, as a share of GDP



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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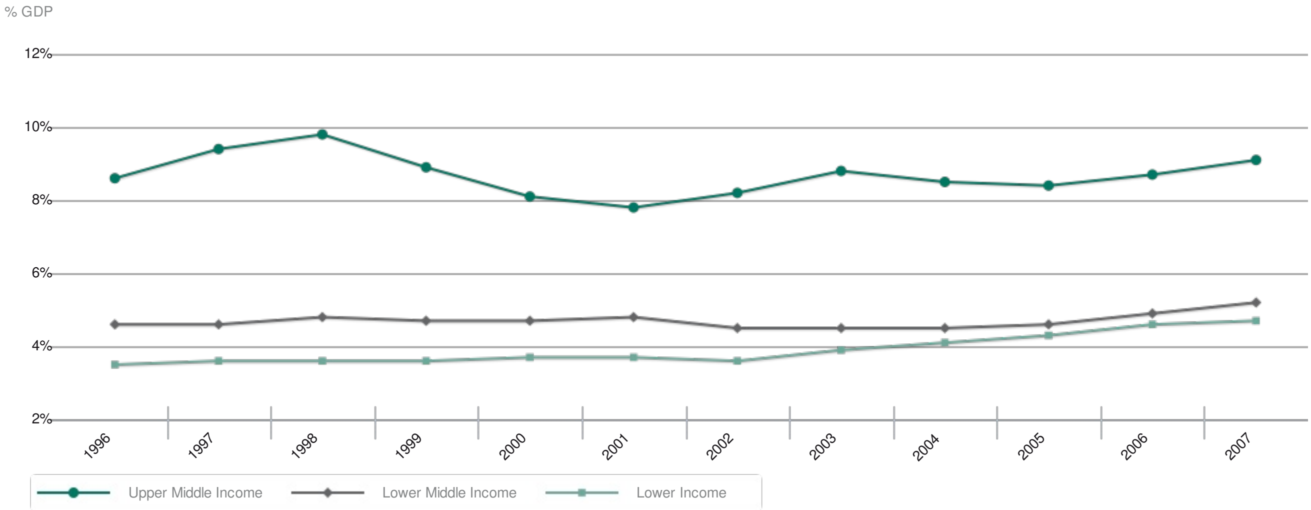
Direct taxation in Africa

Direct taxation consists of taxes levied directly on the income of individuals and on corporate profits. In the last decade, direct taxation as a share of GDP has experienced a small increase throughout Africa, mostly in upper and middle income countries like Botswana, Morocco, South Africa, Tunisia and Zimbabwe. Overall, however, the trend in direct taxation has been flat, as Figure 11 shows.

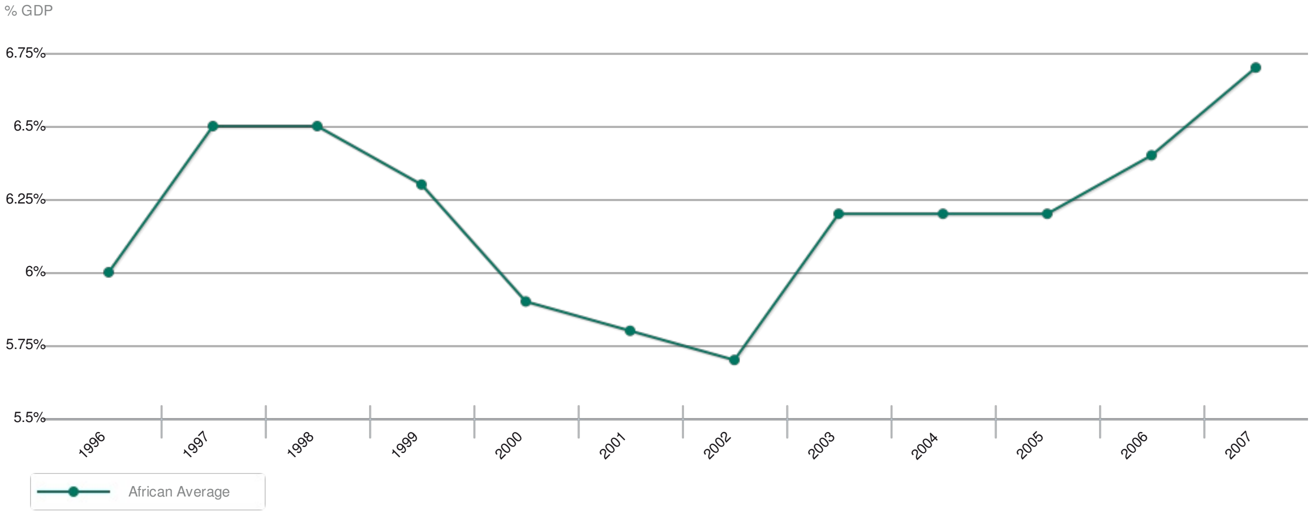
Figure 11a: Direct taxation in Africa, direct taxes as a share of GDP, average across Africa



Source: Authors' calculations, based on *AEO country surveys*, 2010.

StatLink http://dx.doi.org/10.1787/848368554372

Figure 11b: Direct taxation in Africa, direct taxes as a share of GDP, average across Africa



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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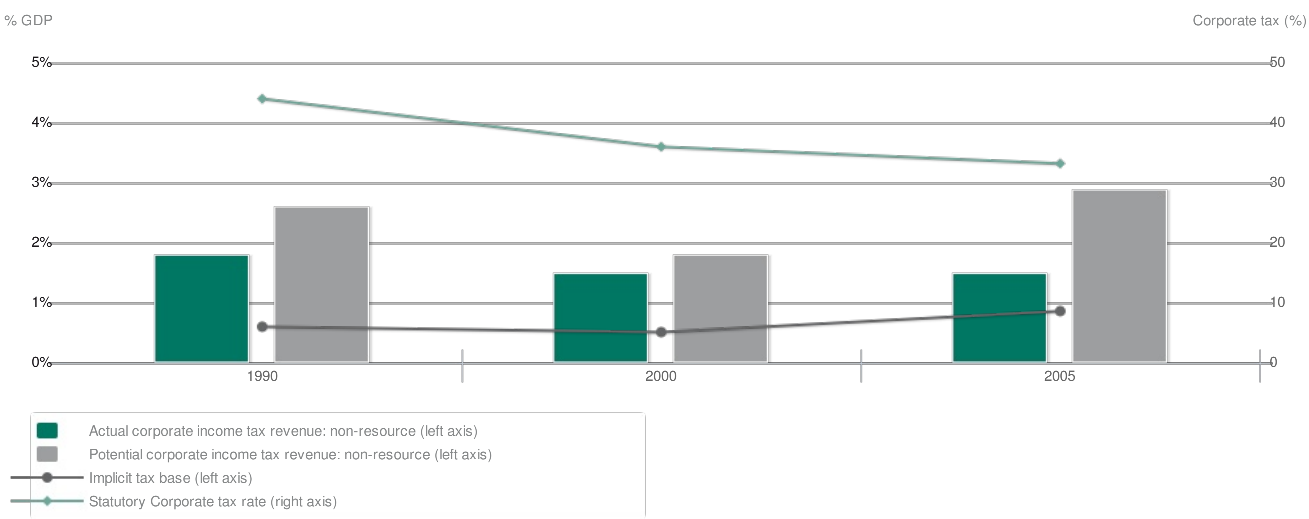
This Outlook survey contains evidence that African countries are slowly lowering their overall personal income tax rates in an attempt to broaden their tax base. Most countries apply a progressive rate ranging from 0% to 35%. Others still have a long path of reform ahead. For instance, Togo recently lowered its rate from 45% to 40%.

Corporate income taxes have been stable across the continent. Figure 12 sheds light on the underlying trends behind this stability. First, the implicit tax base – defined by the authors as revenue, relative to GDP, divided by the (highest) statutory rate – has risen due to a rise in the share of profits in national income in African countries. Second, statutory corporate income tax rates, on the other hand, have been reduced. Combined, these two trends resulted in a net rise in the corporate income tax revenues that could be potentially raised. The third trend, however, is that African countries have granted many tax exemptions to corporations so that actual corporate income tax revenues remained flat as a share of GDP. This Outlook survey shows that corporate income taxes are reported to have been resilient, despite decreases in rates at which profits are taxed across Africa, and increases in the number and type of exemption granted by African countries to investors.

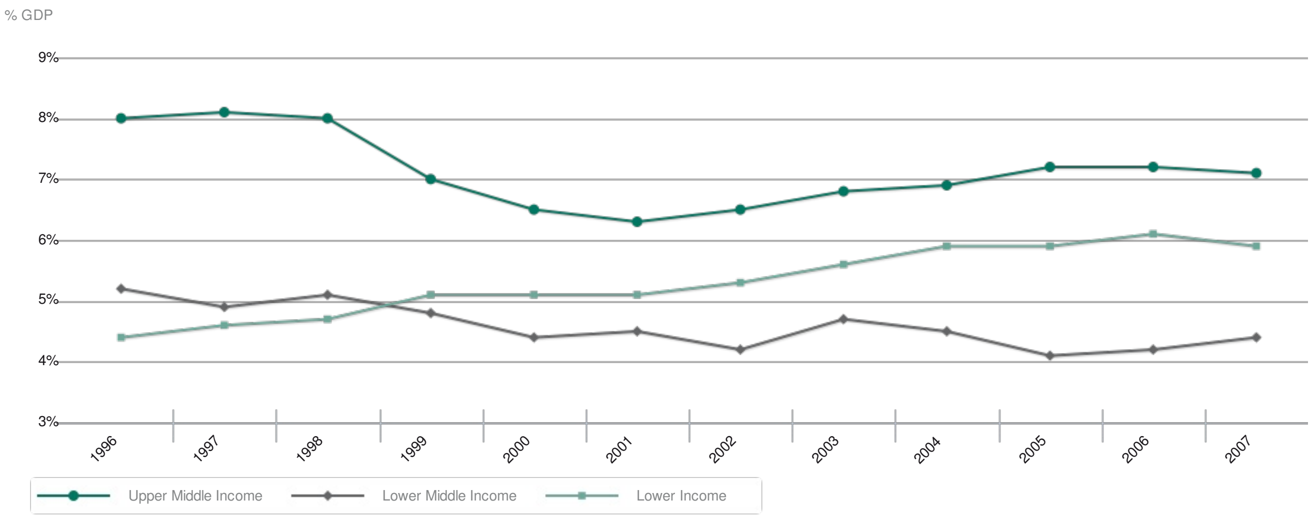
Figure 12 : Evolution of corporate income taxes in Africa



Indirect taxation in Africa

Indirect taxation refers to taxes on consumption collected on behalf of a government. These include VAT, sales taxes and excise duties. Figure 13 shows that during the last decade indirect taxation as a share of GDP has decreased marginally in Africa. This trend is noticed when countries are weighted according to the size of their economies. Countries that have made significant use of indirect taxation are: Burkina Faso, Burundi, Djibouti, Kenya, Lesotho, Mauritania, Mauritius, Morocco, Mozambique, Rwanda, Senegal, South Africa and Zambia. As can be seen in Figure 13, low income countries in Africa seem to make more use of indirect taxation than slightly richer countries

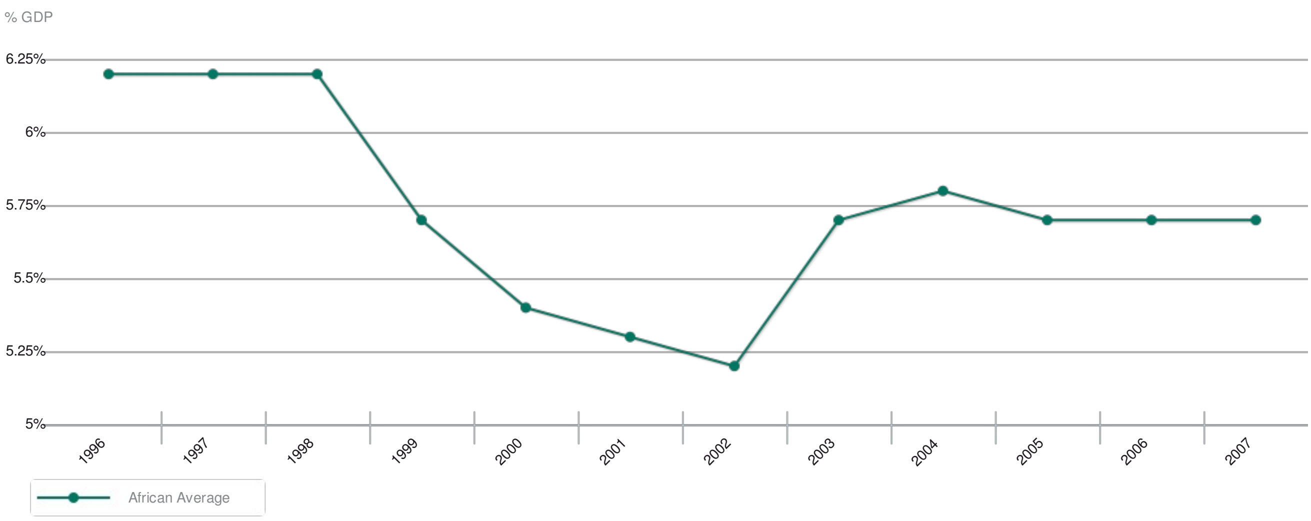
Figure 13a: Indirect taxation in Africa - Collected indirect taxes as percentage of GDP



Source: Authors' calculations, based on *AEO country surveys*, 2010.

StatLink http://dx.doi.org/10.1787/848403703464

Figure 13b: Indirect taxation in Africa - Collected indirect taxes as percentage of GDP



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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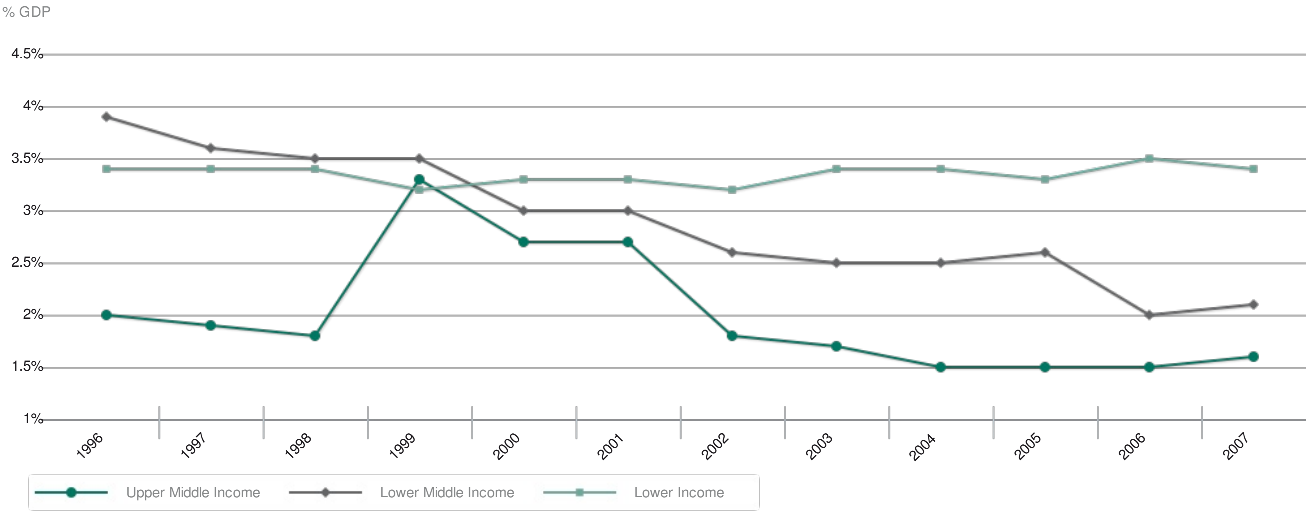
Upper-middle income countries, i.e. countries with income per capita comprised between USD 3 856 and USD 11 905 per year, are converging with OECD countries in terms of share of indirect taxes in national income. Lower income countries have done remarkably well: they have closed the gap with upper middle income countries since 1996. However, lower middle income countries still have some margin for scaling up their efforts to increase their VAT. This Outlook's country surveys report that Angola is planning to introduce a VAT in 2010, while Liberia and São Tomé and Principe are studying the desirability of introducing a VAT system.

Trade taxes in Africa

Trade taxes refer to taxes levied at the border. These are mainly import tariffs and export duties, although export duties have almost entirely disappeared. Figure 14 shows that, when countries are weighted by the size of their economy, trade tax revenues have declined by a third as a share of GDP. The decline has taken place in upper middle income and lower middle income countries, while trade tax revenue in low income countries has remained stable as a share of GDP.

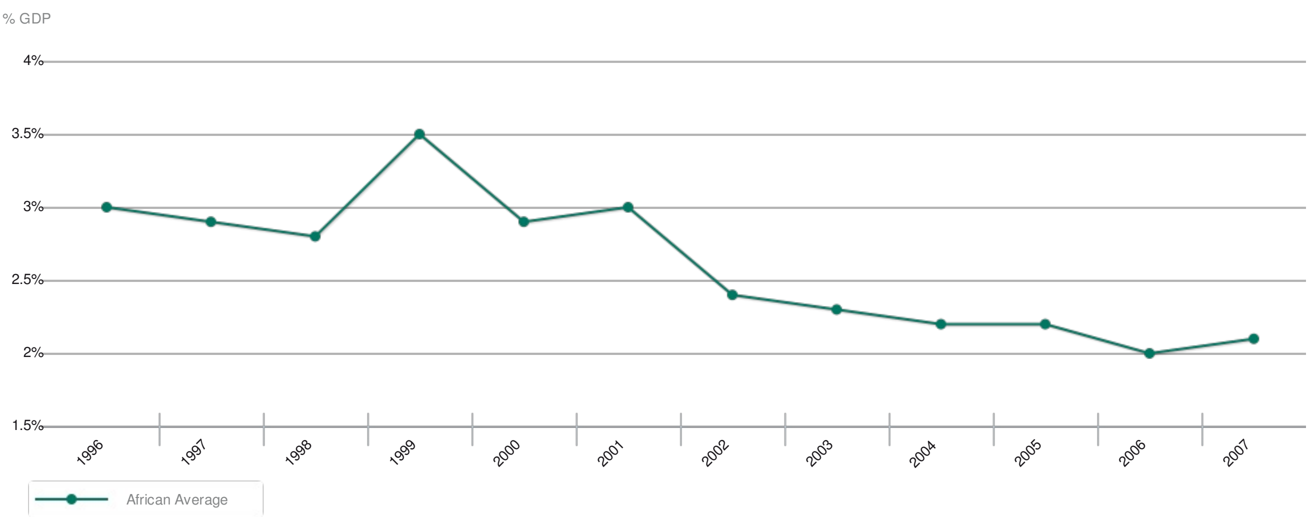
Figure 14a: Trade taxes in Africa GDP weighted - Collected trade taxes as a share of GDP



Source: Authors' calculation, based on AEO country surveys, 2010.

StatLink http://dx.doi.org/10.1787/848417480020

Figure 14b: Trade taxes in Africa GDP weighted - Collected trade taxes as a share of GDP



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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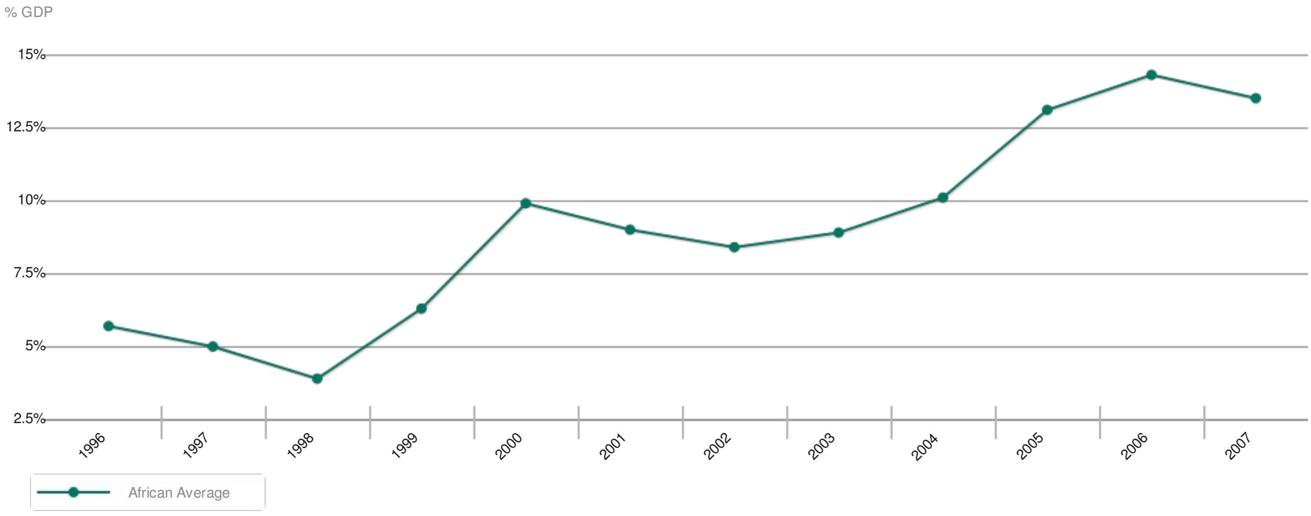
Exceptions include Botswana, the Democratic Republic of Congo, Lesotho, and Swaziland where reliance on trade taxes is the highest in the world. In 2007-08, receipts from the Southern African Customs Union (SACU) exceeded half of total revenues in Swaziland, the country most reliant on trade taxes in 2007-08. Trade taxes in Botswana make up a lower share of government revenues but that is principally due to high resource-related tax revenues. Its trade taxes as a share of government revenues still exceed the sub-Saharan African average (Keen and Mansour, 2009).

To put these observations in perspective, Keen and Mansour (*ibid.*) show that between 1980-82 and 2003-05, of the 40 countries they cover, 30 countries have lower trade taxes as a share of GDP, down on average from 7.4% to 4.2%. Only 10 countries have gained, on average from 3.2% to 4.8%. Between the early 1980s and 2005, the same authors argue that the average collected tariff rate, defined as tariff revenues divided by imports in value, has gone down in sub-Saharan Africa from above 20% to below 13%.

Resource-related tax revenues

Keen and Mansour (*ibid.*) exploited new data that, for the first time, makes the crucial distinction between regular corporate income taxes and resource-related tax revenues. The resource income includes revenues from upstream exploration-to-processing activities in oil, gas and mining, i.e. principally royalties and corporate income taxes on resource extraction activities. Figure 15 focuses on resource-related tax revenues. The surge in this type of tax revenue on the continent is striking. On average, resource-related tax revenues nearly tripled in Africa as a share of national income between the late 1990s and the start of the financial crisis. Since, they have retreated slightly back to around 15% of GDP on average. This is still a very high percentage and this average hides some spectacular numbers in countries like 66% in Libya and 39% in Angola.

Figure 15: Resource-related tax revenues in Africa, resource-related tax revenues as a percentage of GDP



Source: Authors' calculations, based on *AEO country surveys*, 2010.

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The recovery of crude oil prices since 2009 is expected to have contributed to a pick-up in resource-related tax revenues as a share of GDP from its lows in Figure 15. It should be stressed that resource-related tax revenues may be expected to rise further. As the International Finance Corporation (2009) reported, "there is an urgent need for mineral abundant states to enter into a renegotiation of mining contracts when they are unfavourable" with the International Monetary Fund (IMF) designated as the appropriate go-between institution.

Tax effort

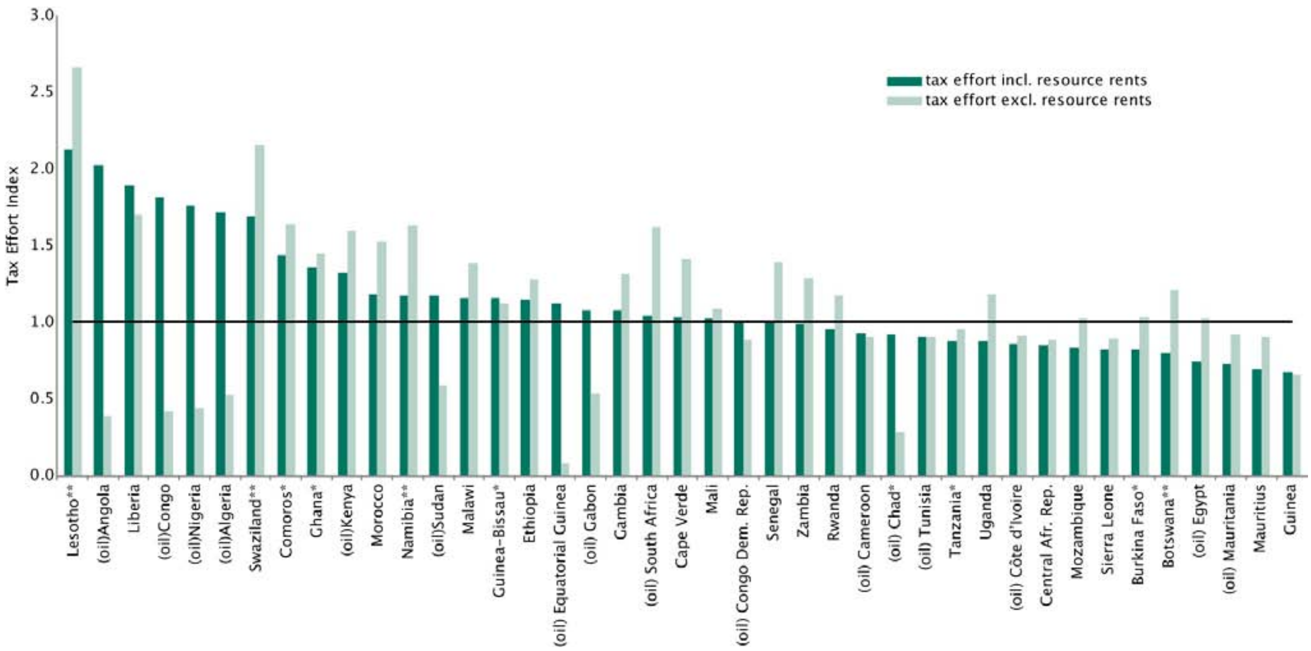
Tax effort is an index measure of how well a country is doing in terms of tax collection, relative to what could be reasonably expected given its economic potential. It is a ratio that, by construction, is always positive. Tax effort is calculated by dividing its actual tax share by an estimate of how much tax the country should be able to collect given the structural characteristics of its economy. Studies identify the general level of economic development of a country, its openness to trade and the relative importance of agriculture in domestic production, as the key characteristics bearing on a developing country's ability to collect taxes, and thus its tax share.

Empirically, these characteristics are captured respectively by per capita income, the ratio of trade to GDP, and the share of agriculture to GDP.

The tax share is expected to increase with GDP and the share of foreign trade; it decreases with the share of agriculture. Low-income, predominantly rural, land-locked countries tend to have a lower tax share than upper-middle income, coastal and significantly industrialised countries. The larger the agricultural share in an economy the lower the tax share is likely to be due to the difficulty of taxing agriculture directly and the relatively low level of monetisation in the agricultural sector (Aguirre et al., 1981). However, a large industrial sector implies a higher tax share since this sector is typically well-organised, highly monetised and relatively easy to tax in comparison to the agricultural sector (Bird et al., 2004). Comparisons based on tax effort are considered superior to those relying on tax shares because they take into account the way in which each country exploits its tax potential (Piancastelli, 2001). A high tax effort ratio, above one, indicates that the country is collecting more taxes than predicted by the structural characteristics of its economy. A low tax effort ratio, below one, indicates that the country is collecting less tax than predicted. A tax effort about one means that tax collection is as expected from structural characteristics.

Tax effort is calculated in this report for 42 African countries. The Outlook takes the position that whether or not a country is an oil producer influences its tax potential and should be taken into consideration. Therefore, two measures of tax effort have been computed. The two sets of results are illustrated in Figure 16. The first measure of tax effort is based on the country's tax share including possible resource-related tax revenues. The second measure is based on an adjusted tax share that excludes this type of tax revenue. Regardless of which set of tax effort is used, a wide range of tax effort is observed, from about 50% up to 250%-300%. In other words, some countries collect as little as half of what they would be expected to while others collect up to 2 to 3 times what they would be expected to. Twenty-four countries have a tax effort index (including resource-related tax revenues) higher than 1. Eighteen countries have indices lower than 1.

Figure 16: Tax effort across African countries in 2007



Notes: (*) 2006 data , (**).
The tax effort measures of Botswana, Lesotho, Namibia and Swaziland reflect their membership in the Southern African Customs Union (SACU), which collects customs duties centrally and redistributes them amongst members.
Source: Authors' calculations, based on *AEO country surveys*, 2010.

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Figure 16 also shows that for some countries, the measure of tax effort is unaffected by whether resource-related tax revenues are taken into account or excluded. Ghana, Lesotho, Liberia, and Swaziland display a high tax effort regardless of the measure. Other countries like Guinea, Madagascar and Mauritius have a low tax effort according to both sets of estimates. But there is also a group of countries that switch from low to high when including resource-related tax revenues. This group of countries is formed by Algeria, Angola, Congo, Equatorial Guinea and Nigeria. The case of Chad is a striking example, showing a relatively low tax effort getting even lower when leaving aside oil tax revenue.

Table 1 summarises the two sets of results for countries whose tax efforts most noticeably differ from one set of estimates to the other. Estimates of tax effort for some resource-rich countries turn out to be quite sensitive to whether resource-related tax revenues are considered or not. Tax effort can be counter-intuitive when including resource-related tax revenues. It is questionable how much "effort" needs to be made to tax natural resource extraction as opposed to more politically onerous sources of taxes such as consumption, wages, and profits on ordinary types of activities.

Table 1: Tax effort including and excluding resource rents, 2007

	Tax Effort incl. Resource Rents	Tax Effort excl. Resource Rents
(oil) Angola	2.02	0.39
(oil) Congo, Rep.	1.82	0.42
(oil) Nigeria	1.76	0.44
(oil) Algeria	1.72	0.53
(oil) Equatorial Guinea	1.12	0.08
(oil) Chad*	0.92	0.28
(oil) Sudan	1.17	0.58
(oil) Gabon	1.07	0.54
Botswana	0.8	1.21
Namibia	1.17	1.63
Swaziland	1.69	2.16
(oil) South Africa	1.04	1.62

* 2006
Sources: Data for 1992-2007, estimates for 2007

Whereas the trend in tax shares in Africa is encouraging, it has mostly been driven by taxes on resource extraction activities. It may hide the fact that most African countries can further stimulate other types of taxes. Indeed, using the tax effort measure that excludes resource-related tax revenues is revealing: several countries collecting relatively modest levels of tax are actually doing quite well in terms of tax effort. This means that governments in those countries ask citizens and firms for a much higher contribution to the national tax effort than they do in most resource-rich countries. These include Burkina Faso, Ethiopia, Rwanda, Tanzania and Uganda. In sum, oil producing countries are primarily driving the remarkable quantitative rise in average tax shares across the continent, while non-oil producers have made the most progress in broadening the tax base.

Challenges for African Policy Makers

For the sake of analysis, the main tax challenges facing African countries may be grouped in three categories, although in reality many of them are interrelated. Firstly, there are key cross-cutting structural issues: the difficulty of taxing the widespread "informal economy", the limited capacity of fiscal administrations and limited support from development partners on tax matters. Secondly, there are problems with the African tax base: tax evasion and fraud, including the misuse of transfer pricing techniques, the difficulty of taxing extractive industries and overuse of tax preferences. Thirdly, there are tax mix imbalances compounded by the challenges of declining trade tax revenues and of ineffective urban property taxes.

Structural cross-cutting issues

Taxing the informal economy

The *Outlook* country surveys gather evidence that the "informal economy" – workers and companies operating outside the reach of the law or public administration – is a major obstacle to broadening the tax base and collecting direct taxes. Informality is indeed widespread in developing countries, but highest in sub-Saharan Africa (Table 2). This poses a wide range of economic challenges: not only are taxes not collected, but informal firms are also often less productive and there are no labour and social protection schemes for workers. In short, high informality leads to lower economic growth and greater social exclusion. Informality often arises where the costs of legal employment outweigh the benefits for producers, employers or employees. If entry costs into a regulated economy are unaffordable, people and businesses are forced to remain outside the system (Jütting and de Laiglesia, 2009).

Table 2: Share of informal employment in total non-agricultural employment in Africa

%, selected countries	1975-79	1980-84	1985-89	1990-94	1995-99	2000-07
North Africa					47.5	47.3
Algeria	21.8		25.6		42.7	41.3
Morocco		56.9			44.8	67.1
Tunisia	38.4	35	39.3		47.1	35
Egypt	58.7		37.3		55.2	45.9
Sub-Saharan Africa				76		
Benin				92.9		
Burkina Faso			70	77		
Chad				74.2	95.2	
Guinea		64.4		71.9	86.7	
Kenya			61.4	70.1	71.6	
Mali	63.1		78.6	90.4	94.1	81.8
Mauritania		69.4	80			
Mozambique				73.5		
Niger	62.9					
Senegal		76				
South Africa						50.6
Zaire (Dem. Rep. of Congo)		59.6				
Zambia				58.3		

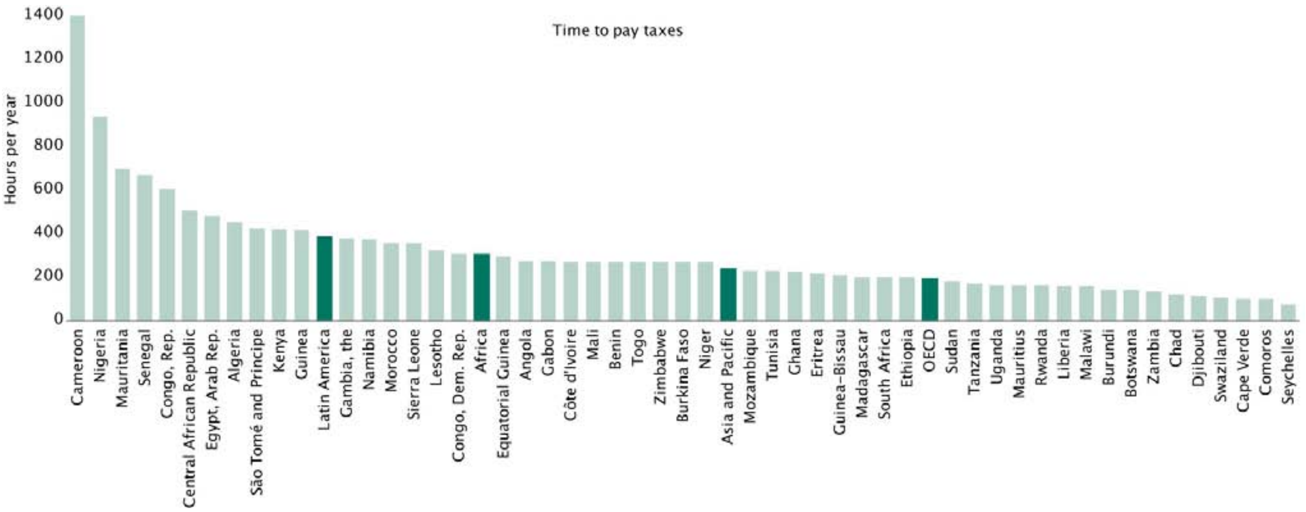
Source: Jütting and de Laiglesia (2009).

Fiscal policy in developing countries must consider capacity, incentives and segmentation. In countries where the informal sector comprises more than half of the economic activity, the question arises as to how governments can pursue fiscal policy in terms of both taxation and expenditure. On the one hand, more firms in the formal sector means increased tax collection and social security contributions for the state. On the other hand, more people covered by social security means increased liabilities for governments as employees become eligible for health insurance, pensions and other benefits where offered. In addition, the increase in tax revenue from formalising informal firms may be smaller than expected. Indeed informal firms that enter the system are often too small and too poor to make sizeable contributions. However, value-added and sales taxes could still produce a notable increase in tax collection as these also indirectly tax informal activities (*Latin American Economic Outlook*, 2009).

Ghana has tried a new approach to tax collection. The Internal Revenue Service negotiated an arrangement with the Ghana Private Road Transport Union (GPRTU) to use the union as a tax collection agent under the "Identifiable Groupings Taxation" (IGT) scheme. Simple and easy to administer, IGT calls for small and affordable taxes to be collected daily or weekly from both formal and informal union members. GPRTU retains 2.5% of revenues as an incentive to maximise collection. Although relatively successful, this attempt to make inroads into the informal sector has come at a high cost and created opportunities for corruption. So, while more tax is raised, the amount is below potential (Joshi and Ayee, 2002).

The quality of tax policies and tax administration also plays an important role. Complex tax codes and high compliance burdens imposed by an inefficient tax administration are powerful incentives for small enterprises to remain informal. For example, country surveys reveal that, in Uganda and Zambia, bureaucracy and corruption are identified as barriers against entering the formal sector. While in Togo, informal firms state that complex registration procedures impede their entering the formal sector. Figure 17 plots the number of hours per year it costs businesses to pay taxes. On average, it takes fewer hours to pay taxes in Africa than in Latin America, but more than in the Pacific, Asia and OECD countries. However, on the left hand of the scale are countries where the compliance burden is exceptionally high. See OECD-CTPA (2008) for an extensive discussion of the tax compliance burden.

Figure 17: Time needed each year to pay taxes



Source: PricewaterhouseCoopers- World Bank, *Paying Taxes* (2009).

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Tax administration capacity

Administrative capacity constraints have been highlighted throughout the Outlook country surveys as a major obstacle to improving tax policy in Africa. The administrative constraints are such that they limit policy options.

- For example, in theory, relying more on income tax and exemptions on basic consumer items would enable more redistribution of resources. But where administrative capacity is weak, personal income tax is less progressive than expected. Firstly, only wages, mostly earned in large private firms and in the public sector, are taxed. Secondly, personal income earned on capital is typically not taxed. Capital, real estate income and other revenues of high earners in the informal sector are thus outside the reach of tax administration.
- For a variety of reasons, VAT exemptions in Africa are often regarded by experts to be regressive (Box 1). Strategies that copy those used in countries with high administrative capacity can be counter-productive. In Morocco, before a 2005 fiscal reform, generous VAT exemptions undermined the potential of VAT introduced in 1986.

The vast majority of countries in the *Outlook* survey cite the lack of skilled staff as a major impediment to tax collection. The constraining factors encourage corruption, as highlighted in the country notes of Cameroon, Comoros, Guinea-Bissau and Nigeria.

The surveys have shown that despite great progress in adopting Information and Communication Technology to increase revenue collection, more can still be done. South Africa offers e-filing for payroll taxes, while Botswana, Cape Verde and Cameroon have e-taxation platforms. These initiatives require educational campaigns to motivate individuals and enterprises to use these systems. In Cape Verde, about 15% of companies used the new e-taxation system in 2009. Algeria, Angola, Côte d'Ivoire and other countries are looking for ways to incorporate new technology in their taxation systems.

Box 1: Regressive nature of VAT exemptions for commodities in Africa

Paradoxically, "traditional" VAT exemptions on commodities (Chambas, 2005) compromise poverty-reduction strategies. We immediately think of the reduction in tax revenue and the resulting fall in the financing of public spending as a result of tax exemptions. But we generally forget another direct effect of VAT exemptions.

In an open economy, the price levels of tradable goods are a result of CIF (cost, insurance and freight) prices, including taxes. If there are VAT exemptions on commodities, the prices of commodities, especially food products, are lower than if they were subject to VAT, since the exemption means that VAT is not applied at the border. This decline in domestic prices affects not only exempted products, but also substitute products. A VAT exemption for rice, for instance, could reduce the price paid to local producers, and even to producers of substitute products for rice. Indeed, the effects of a VAT reduction generally fall not on the marketing and processing channels but on the producers, who are paid lower prices.

Consequently, exemptions lead to a fall in the price of commodities -- usually food products -- thus benefiting consumers, especially poor people in urban areas. But the lower prices of products have a negative effect on local agricultural production, reducing producer prices and therefore the revenue of local producers, especially farmers, many of whom are also poor.

Furthermore, the more modern producers of agricultural products are worst affected in terms of competitiveness, since the significant input supplies they require are subject to VAT. As a result of the exemptions, even if local producers choose to be subject to VAT in order to benefit from the rebate mechanism, they must definitively bear the VAT on their intermediate consumption subject to VAT. The disadvantage of residual VAT places producers in a situation in which they have negative protection against imports not subject to any VAT (the VAT exemption applies at the customs barrier).

VAT exemptions are therefore counter-productive to the aim of reducing the poverty of the poorest agricultural producers and they slow down the development and modernisation of the agricultural sector.

Source: Jean-François Brun and Gérard Chambas, CERDI.

Getting donors to help

Whether, overall, aid helps or hinders public resource mobilisation remains unclear. However, it is a well established fact that the share of aid aiming to strengthen it is still very small.

There is increasingly widespread concern that the availability of foreign aid may reduce incentives for governments to raise domestic revenue. This may, in turn, negatively affect the quality of governance by reducing pressure for state capacity development and reducing incentives for government to bargain with citizens over taxes, as discussed earlier. Obviously, tax administrations are genuine in their desire to raise revenue, but the availability of large foreign aid flows may reduce the urgency with which revenue collection is pursued. There is an additional risk that aid-dependent governments, in particular, will shy away from politically demanding income, property and local tax reforms, while these are precisely the areas that are likely to be most important to tax-governance linkages. In practice, however, it is very difficult to test the impact of aid on domestic revenue because of the many factors that shape tax collection. The debate amongst academics remains largely inconclusive (Box 2). Eventually, aid donors are an integral part of the political economy of public resource mobilisation, even more so as they increasingly propose financial and technical assistance to increase revenue collection.

Indeed, ODA often includes components designed to increase revenue collection, such as direct funding for tax reform; conditionality that requires increased or at least constant, domestic revenue generation; requirements for local matching funds for aid projects; and/or demands for increased social spending which, indirectly, generate pressure for greater revenue mobilization. Figure 18 shows that public sector financial management represented 2% of aid spent on technical cooperation in Africa in 2008. Given that tax administration is a subset of technical cooperation for public sector financial management, donors' help in building African tax administrations is less than 2%. The Outlook country surveys confirm that there is a lot of room to increase aid in this area. Finally, the issue of whether aid-funded goods and services should be taxed by recipient governments is discussed in the next section.

Box 2: Does aid help? A review of the academic debate

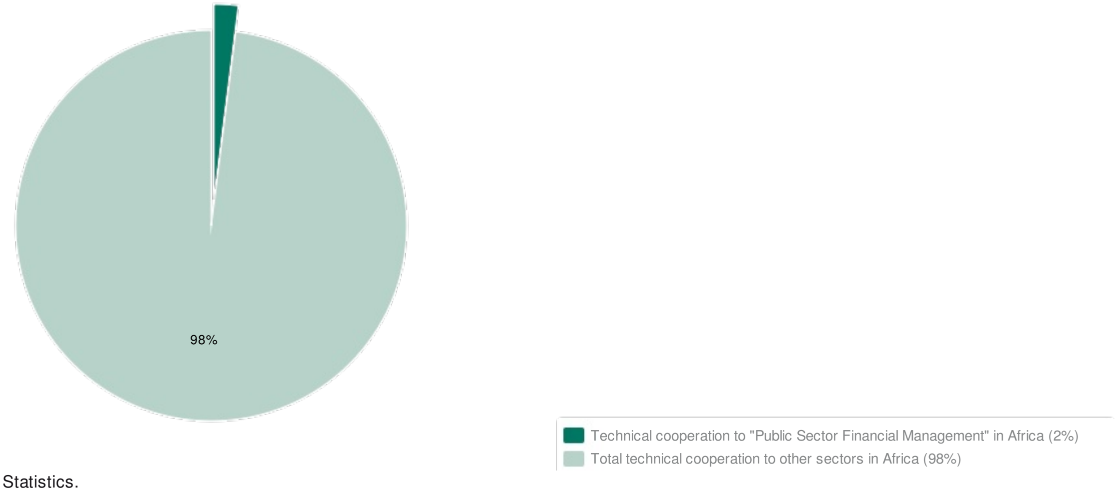
The renewed interest for public resource mobilisation in Africa comes at a time when the effectiveness of foreign aid on the continent is again being questioned. Against the "aid fatigue" argument, proponents of aid have been saying that the returns from aid-funded investment in development can be enormous. They argue that a "big push" in aid funds is required to turn a vicious circle of poverty and under-development into a virtuous circle of poverty reduction and shared economic prosperity.This "big push", first popularised in the 1950s and 1960s (Easterly, 2005; Guillaumont and Jeanneney, 2006), is now advocated by the UN under the lead of academic Jeffrey Sachs. Aid considered as a "subsidy" provides temporary financial assistance to encourage long term revenue collection, investment in physical and human capital, and the establishment of the institutions of a developmental state (Brautigam and Knack, 2004). Aid-as-subsidy played this role in Botswana, South Korea or Chinese Taipei (Brautigam, 2000, Moss *et al*., 2006).

Conversely, Ross (2004) makes the case that, like resource rents, foreign aid hurts incentives for good governance in Africa and elsewhere. The so-called "resource curse" argues that unearned income undermines incentives to build local institutions and a social contract with the population. Aid is suspected to have a similar effect of discouraging revenue collection, distorting expenditure decision-making and undermining the incentives to build state capacity. Under this view, aid is not only a crutch delaying institutional development, but potentially undercuts those effects (Moss *et al.* 2006,). When a government specifies expenditure needs and donors match these needs with budget support, the public budget constraints are softened and so there is no incentive to raise revenues. Aid would also lead to overall increases in government spending (Remmer, 2004). As politicians have less of a need to prioritise expenditure within a budget constrained by revenue collection, it would weaken government's capacity to identify budgetary trade-offs. In addition, as Heller and Gupta (2002) argue, the fiscal uncertainty of dependence on external assistance makes long-term planning extremely difficult for countries.

Collier (2006), however, argues that aid has "a less damaging effect on governance than oil if it is provided in "purposive" ways, and accompanied by mechanisms of scrutiny, expertise and management techniques that can add value, and create some pressure for accountability". Besides, the "resource curse" thesis, applied to either natural resource rents or aid flows, finds little robust evidence in the academic literature.

Amongst the studies that focus more specifically on the impact of foreign aid on tax revenue and tax administration, several conclude that this impact is negative (Remmer, 2004; Gupta , 2005; Devarajan, Rajkumar and Swaroop, 1999; Brautigam and Knack, *ibid*.; Knack, 2009). Gupta (2007), however, finds a negligible, or even positive, impact of aid on tax revenue. As for studies by Brun (2007) and Cottet and Amprou (2006), they do not clarify whether aid helps or hinders domestic resource mobilisation. Much depends on the type of aid flow and the circumstances in the recipient country. In their 2004 study, Gupta *et al*., focus on the revenue response to foreign aid, separating total net aid into grants and loans to test whether the impact of grants on domestic revenue is different from that of (concessional) loans. The study suggests that some governments may consider grants to be free substitutes for tax revenue. By contrast, loans must be repaid, which provides incentives for governments to at least maintain tax revenues at current levels if not to increase them (Brautigam, *ibid*.). Finally, aid is thought to work best in states with high quality public institutions (Burnside, Craig and Dollar, 2000; Brautigam, *ibid*.).

Figure 18: Public sector financial management as a share of technical cooperation to Africa in 2008



Source: OECD DAC Aid Statistics.

StatLink http://dx.doi.org/10.1787/848606005315

Tax base issues

Multinationals and misused transfer pricing techniques

Multinational enterprises (MNEs) are responsible for more than 60% of world trade and roughly half of this exchange of goods and services takes place within individual conglomerates (UNCTAD, 1999). International trade is thus largely an activity between different divisions of the same enterprise operating in different jurisdictions. MNEs may take advantage of the different tax regimes, including tax havens to maximise after-tax profits. One way in which multinational enterprises may try to benefit from their international presence is misuse of transfer pricing, *e.g.* by artificially shifting taxable profits from high tax jurisdictions to low tax jurisdictions. This happens when firms under- or over-invoice for goods, services, intangibles or financial transactions between entities situated in different tax jurisdictions.

African tax authorities may not be able to identify such profit shifting where this occurs and even if they did, they often lack the means and technical capacity to deal with the complexities of the practice. Despite the development of international and domestic guidance, even the world's most sophisticated tax administrations sometimes have difficulties assessing whether the prices at which multinationals carry out cross-border transactions are manipulated, especially for complex financial transactions and those involving significant unique intangibles. African tax administrations already struggle to collect regular corporate tax beyond a few dozen of the largest companies. Auditing capacity is often very limited and relies mainly on information directly provided by the multinationals. Not to mention that the dispute resolution process in any disagreement with a trans-national enterprise can be very costly.

Improper transfer pricing is an international problem that affects developed and developing nations alike. The main beneficiaries are assumed to be tax havens and the multinationals. While there are no solid figures measuring the size of the problem, a number of studies have tried to approximate its magnitude. Kar and Cartwright-Smith (2008) estimate that total trade mispricing in 2006 was more than USD 500 billion. Hollingshead (2010) reckons that the amount of tax revenue lost by developing countries to misuse of transfer pricing averaged between USD 98 billion and USD 106 billion annually from 2002 to 2006. In Africa, a yearly average of USD 3.8 billion would have been lost between 2002 and 2006. Again, these figures must be treated with some caution since they are based on models for assessing the loss of tax revenues which are still being developed.

Taxing natural resources

Vast extractable natural resources – oil, gas and minerals – are already an essential revenue source for many African nations. But the African Development Bank's 2007 *African Development Report* highlighted the widely held belief that African countries get less money from resources than many other countries in the world. There is evidence that African countries are not maximizing the tax revenue they obtain for the resources (Keen and Mansour, *id.*). It is difficult to obtain a clear picture, however. Contracts are often subject to strong confidentiality clauses by the companies, governments, investors and banks involved. There is little transparency and disclosure. Corruption is often blamed for this secrecy. Corruption and secrecy feed off each other. But there is more than corruption involved. Governments argue that they cannot make all details of the extractive industries public and that they have limited influence on companies. Countries compete for the scarce managerial and technical skills needed for resource extraction (Di John, *ibid*.). Yet, shortages of legal and negotiation skills play a major role in driving down tax revenues from natural resources.

Tax preferences creep-up

Tax preferences – also known as tax incentives – grant preferential tax treatment to specific taxpayer groups, investment expenditures or returns, through targeted tax deductions, credits, exclusions or exemptions. Governments may cite various arguments for the use of tax incentives, such as addressing different types of market failures, attracting foreign firms (*e.g.* Comoros, Cameroon) or stimulating exports (*e.g.* Namibia). Tax preferences are also used to increase or decrease the progressivity of the taxation system or to benefit some groups over others for political reasons. In Sudan, for instance, a high proportion of civil servants are exempt from paying taxes, undermining the country's tax base.

Tax preferences are difficult to target and may not yield intended outcomes. Significant tax revenue losses and other unforeseen effects may result instead. Inefficiencies and inequities can also arise where tax relief is targeted to specific groups over others for political reasons. Indeed, tax preferences can undermine the tax base, revenues, and fiscal legitimacy when granted arbitrarily. For example, tax preferences granted to powerful and rich potential tax payers place more of the tax burden on people with less economic and political clout. African governments also lose a significant amount of revenue from corporate income tax exemptions, though the cost is hard to estimate given their often arbitrary nature (Keen and Mansour, *id.*). Yet corporate income tax and other tax revenues are essential for funding infrastructure, education, and expenditures underpinning good governance, which investors repeatedly identify as key considerations when making investment location decisions. Finally, the consequences of exemptions granted to aid-funded goods, services and personnel are also debated by donors and recipients (Box 3).

Countries should therefore use tax incentives with care. This includes explaining the rationale for their use and reporting tax revenues foregone by tax incentives (tax expenditure reporting) for transparency and the integrity of the tax system, while at the same time guarding against erosion of the tax base needed to fund economic development.

Box 3: Taxation of aid-funded goods, services and personnel

Donors frequently secure tax exemptions from developing countries on aid inputs. The exemptions typically include income taxes on aid worker salaries, goods and services; value-added taxes on local purchases; and customs duties and excise taxes on imports. Tax officials in recipient countries consider that such exemptions weaken their tax systems, generate considerable costs and complications and provide opportunities for corruption. Some multilateral donors have already taken action on this issue. The World Bank typically rolls the relevant duties into the total loan (and later debt), allowing them to be met from within the loan amount. This is implemented in different ways, often by setting a government project 'share' or matching payment at the assumed minimum level of taxes.

This is an issue of both principle and practice for developing country tax systems. In principle, exemptions should be removed for reasons of economic efficiency and consistency and to help strengthen tax systems. In practice, it is argued that the exemptions:

(i) cause economic distortions (goods and services imported from donor countries may receive preferential tax treatment over domestically-produced goods and services);

(ii) provide opportunities for corruption, particularly tax fraud and tax avoidance schemes, both of which have to be policed by tax administrations, straining their scarce resources;

(iii) importantly, fuel a tax exemption culture which affects overall governance; while taxing government activity obviously generates net public resources, perceptions matter and public servants not paying taxes discourages other tax payers from carrying out their fiscal duty; and

(iv) impose significant transaction costs because of the large number of individually negotiated agreements with each donor country.

Country-level evidence suggests that tax exemptions for aid-assisted projects represent a significant budgetary issue for recipient countries. In Niger, tax expenditures on vouchers—one method by which exemptions may be implemented—amounted in 2002 to about 18% of project financing, and 10% of all tax revenue. In Tanzania, customs exemptions for donors accounted for around 17% of the gross value of imports in 2005. Developing countries argue that removing exemptions would widen the tax base, boost the credibility of both the revenue administration and the donors, simplify tax systems and encourage voluntary compliance by local and multinational taxpayers.

From a donor perspective, the process of unravelling the current range of exemptions would be complex and the benefits uncertain. Very few bilateral donors have indicated an interest in debating this topic. Donors are unlikely to accept that developing countries forgo revenue by accepting aid from outside, and would point out that paying taxes on aid inputs reduces the resources available for other projects. There is also scepticism as to whether removing exemptions on aid inputs would lead to a general abolition of exemptions, including on developing countries' own purchases.

Source: OECD-DAC (2010).

The imbalances

A balanced mix of taxes can help stabilise public revenues while getting a wider range of contributors. Countries that rely heavily on a single type of tax run several risks. If a shock hits that source of tax, the country could see its public revenues collapse. A volatile tax base also leads to uncertain revenues. The risk can be seen in countries heavily reliant on taxes on resources. The tax revenues of these countries are closely linked to commodity prices and the price of crude oil in particular. A heavy reliance on corporate income taxes also leads to tax revenue volatility, this time through the correlation of the tax base with the business cycle. VAT can also be business-cycle sensitive.

Each tax is influenced by a different factor. By balancing the different types of tax, a country is able to lower the overall volatility of tax revenues. Diversifying the fiscal base stabilises revenues and brings political benefits. Stakeholders who make up a large part of the tax base will naturally tend to be given more attention by policy-makers than those who barely contribute to revenues. Diversifying the tax base broadens a government's natural constituency, increases local ownership of the development agenda and enhances democratic governance. Senegal, Tanzania and Cape Verde stand out as having made a lot of progress on diversifying their tax mix over the past decade.

Declining revenue from trade taxes

As discussed in Chapter 2, trade-related tax revenues have been decreasing over the last decade in Africa in the face of trade liberalisation. Replacing declining trade taxes is one of the major challenges to African countries already struggling with public deficits and large development needs. Border tariffs, arguably one of the easiest types of taxes to collect, still represent a large share of total government revenues in many African countries, particularly low-income countries.

Although trade liberalisation is on the political road map of most African regional blocks, its implementation remains extremely fragmented. Trade liberalisation affects tax revenues in two ways, direct and indirect. The direct effect is that, in the short run, trade liberalisation — tariff cuts — provokes an immediate fall of tariff revenue. Longoni (2009) finds evidence of a large trade-off between greater openness to international trade and the revenue collected from trade taxes.

In the longer run there is an indirect effect when trade liberalisation triggers a process of increased domestic competition and higher investment incentives that leads to higher economic growth. Other tax revenues may rise or fall, depending on the impact of trade reform on growth. Baunsgaard and Keen (2005) estimated that revenue recovery from the suppression of trade taxes in low-income countries (those most dependent on trade tax revenues) is not more than about 30 cents of each lost dollar. The net impact of trade liberalisation in the short run is thus a net tax revenue loss.

Ineffective urban property taxes

Rural land reform is a largely unresolved question in most parts of Africa. However, urban property taxes offer a significant, and largely unexploited, opportunity for taxation. There are as many urban inhabitants in Africa as there are in North America. According to projections by the United Nations Population Fund (UNPFA, 2007), Africa's urban population will more than double between 2000 and 2030, from 294 million to 742 million. It is becoming urgent to put in place local tax structures that can grow with urban development and the corresponding need for urban infrastructure. Property taxes are a natural candidate as they are one of the few types of tax that is progressive, administratively feasible in Africa and that scales up automatically with urban expansion. The Outlook surveys show that a large number of countries apply some sort of urban property tax, however they vary greatly. Egypt, for example, plans a property tax on farmland. The general observation is that, due to political sensitivities and outdated or incomplete cadastres, property taxes do not yield as much revenue as they should.

Policy Options

A number of policy options are discussed in this section. The order in which these policy options are presented follows the logical sequencing of a typical tax reform process. In the short term, policy makers should concentrate on ways to deepen the tax base in the most efficient and fairest way – removing tax preferences, dealing with transfer pricing abuses by multinational enterprises and taxing extractive industries fairly and transparently. In the medium run, structural concerns require strategies that target the informal sector, enhance fiscal legitimacy, boost administrative capacity and harness international cooperation to improving resource mobilisation. The longer-term goal of generating revenues from a more balanced tax mix could be achieved with more focus on instruments such as urban property taxes. It is a progressive tax which can be scaled up to keep pace with Africa's explosive pace of urbanisation and the corresponding need for urban infrastructure. Development partners can easily help with such a tax.

Ideally, what can African countries do to improve their tax systems?

Recent studies have made several recommendations to African policy makers about tax treatment. Volkerink (2009), IFC (2009), Keen and Mansour (*id.*), Bahl and Bird (2008) said taxes should be levied at low and relatively flat rates across a broad base, as they are easier to collect and administer. As well, exemptions and loopholes should be eliminated. Countries must move away from heavy reliance on inefficient trade taxes. VAT must become the focus of indirect taxation, replacing turnover and even sales taxes. The basic message is keep tax low, flat, simple and broad based.

The most effective way of increasing public revenue is through policies that increase the tax-base through sustained economic growth. Efficient tax collection also strengthens public resource mobilisation without over-taxing the economy. Any increases in taxation should ideally be growth-neutral, without harming the already weak private sector in many African countries.

To increase revenues, a country can increase taxation on current payers, and/or increase the number of potential payers. African countries should target new potential tax payers over time. A wide tax base is more stable because it relies on a diversified set of taxes, with a mild burden on each type of taxpayer and each type of economic activity. A wide base engages a bigger range of stakeholders in the national political process.

But tax policy needs to walk the tight rope of tax administration constraints

Governments should first identify which tax options are feasible and then maximize revenue within these options. Short-term tax policy options in most African countries are constrained by the tax administration capacity. Stakeholders often over-estimate what can be reasonably achieved through tax policy. In particular, there are fewer redistributive tax policies available than in industrialised countries. Therefore, upgrading tax administration is a pre-requisite to reducing income inequality through progressive taxation.

Copying redistributive strategies used in countries with high administrative capacity can be very counter-productive, either unintentionally or because such strategies benefit the middle-class. It would be better to raise fees on tertiary education, introduce road tolls, car registration fees – all key consumption items for richer Africans. These are likely to be politically difficult to introduce as they are aimed at the elite who have most influence on legislation. Bolnick and Haughton (1998) suggest that African countries could use excise taxes more intensively, despite the fact that these are levied at high rates on a narrow base. Property-based taxes may also provide options for income redistribution. Here too, the elite that are most likely to pay the tax can discourage the legislation.

Deepening the tax base

The tax base is the set of economic activities and assets that is taxed. Broadening the tax base by widening the payer net does not necessarily mean more revenues will be collected as the cost of collection must be considered. Any attempt to broaden the tax net needs to take into account whether the extra revenues outweigh the collection costs. The priority targets should be those benefiting from tax preferences, those misusing transfer pricing to shift profits, and the extractive industry. Many countries have successfully enlarged their tax bases. Tunisia's has increased its own at a yearly average of 3.5%, South Africa has more than doubled it, as has Egypt in the last five years, while Côte d'Ivoire has rebuilt its tax base after civil war.

Figure 19 shows where African countries stand in terms of tax base diversification. There is an impressive amount of diversity across African countries with respect to the composition of their tax bases. To extract useful patterns, a typology of six types of countries has been developed. The goal is to distinguish between the quantity of taxes and the political quality of the tax base. In the top row are countries with tax shares above potential, the bottom row features countries with tax shares below potential. Columns classify countries directly according to their tax shares, *i.e.* collected taxes as a share of GDP, with the first column corresponding to countries with a share smaller or equal to 15% of GDP, the second column, countries with a share of 15%-20% and the third column to those with a tax share above 20%.

Countries with a tax share above what would be expected on the basis of their fundamental characteristics are those that collect few taxes on resource rents. Conversely, countries with a tax share below what would be expected are those that rely heavily on resource rents. Countries rich in natural resources can afford to – and tend to – shy away from more politically demanding forms of taxation. Their fiscal revenues are more exposed to volatile commodity prices, making macroeconomic management and development planning more difficult. Further, the disproportionate importance of resource taxes implies that stakeholders outside the resource extraction sector are insufficiently represented in the tax base, raising concerns about the political representation of a large part of society in these countries.

Another pattern that emerges is that fragile countries – which extreme poverty puts at risk of conflict or disease epidemics – tend to have low tax shares and tax efforts. More stable countries tend to have higher tax effort and tax shares. Some caution is needed in the case of fragile countries. Typically, trade tariffs play an important role in their tax mix while direct taxes play a small role. History shows, however, that public resource mobilisation has played an important role in post-conflict countries (Box 4). They need to make a gradual and careful move away from trade taxes, which can only be ended as VAT and other types of tax are phased in (Di John, *id.*).

Countries also have to be careful how they increase the share of taxes in national income, especially those with an already high tax effort. Merely increasing tax rates is rarely the solution. It is often better to lower tax rates while eliminating exemptions and expanding the tax base to new payers. There is a limit, though, to the amount of taxes even the most effective administration can collect. For countries with a high tax rate, the main road to enhancing the fiscal share is to widen the tax base by pursuing private sector development. Efficient, effective and fair taxation is a crucial condition for development but fiscal reform is not a substitute for an effective development agenda but it should be a priority.

Box 4: Tax administration/reform in the context of post war-conflict countries and fragile states

About half of the countries of sub-Saharan Africa can be categorised as fragile states. [3] With some exceptions (mainly oil producers), tax revenues in fragile states are typically less than 20% of GDP, reflecting the low levels of formalisation of the economy and weaknesses in tax administration. Key objectives of tax reform in fragile states are to boost budget revenues to fund a rebuilding of public services, to support sustainable economic growth and to contribute to better governance.

Most fragile states have a relatively narrow tax base. Broadening the tax base requires stronger tax administration. Hence alongside tax policy reforms, institutional reforms have also been implemented with financial and technical support from development partners such as the UK Department for International Development (DfID), the World Bank and the IMF. Tax administration reform aims to create a modern system based on voluntary compliance by taxpayers, backed by risk-based selective audits to enforce compliance. Especially in fragile states where technical capacities in both the public and private sectors are weak, this requires the creation of tax systems which are relatively simple, easy for taxpayers to understand and transparent, and where payment procedures for taxpayers are simplified.

A key component of tax reform has been the reorganization of tax administration along functional lines, rather than by the type of tax. This includes setting up large taxpayer departments to handle the companies which often generate up to 70% of domestic tax revenue. Furthermore, 14 sub-Saharan African countries, about half of which are fragile or post-conflict states, have established semi-autonomous revenue agencies to take over tax collection - but not tax policy - from government ministries. The rationale for revenue agencies is that, compared with the civil service, they can pay more competitive salaries and have more managerial autonomy and clearer incentives for collecting revenue.

The achievements of tax reform in fragile states, in terms of raising revenue, have been mixed. In some post-conflict countries where revenue had collapsed, such as the Democratic Republic of Congo, Mozambique, Uganda, Liberia and Rwanda, tax reforms have facilitated a recovery in revenue. Sustaining further increases in the revenue/GDP ratio, on the other hand, has proved more difficult.

Key lessons of tax reform in fragile states include:

(i) political commitment for reform is imperative because raising revenue requires bringing politically influential taxpayers fully into the tax net, for example by removing tax exemptions. Tax incentives have actually become more ubiquitous in SSA since the 1990s and this has weakened the tax effort;

(ii) the authority to make all decisions on tax policy must be centralised in the Ministry of Finance. Agencies which have no responsibility for public finance, such as Investment Agencies, should not have the authority to confer fiscal concessions on taxpayers;

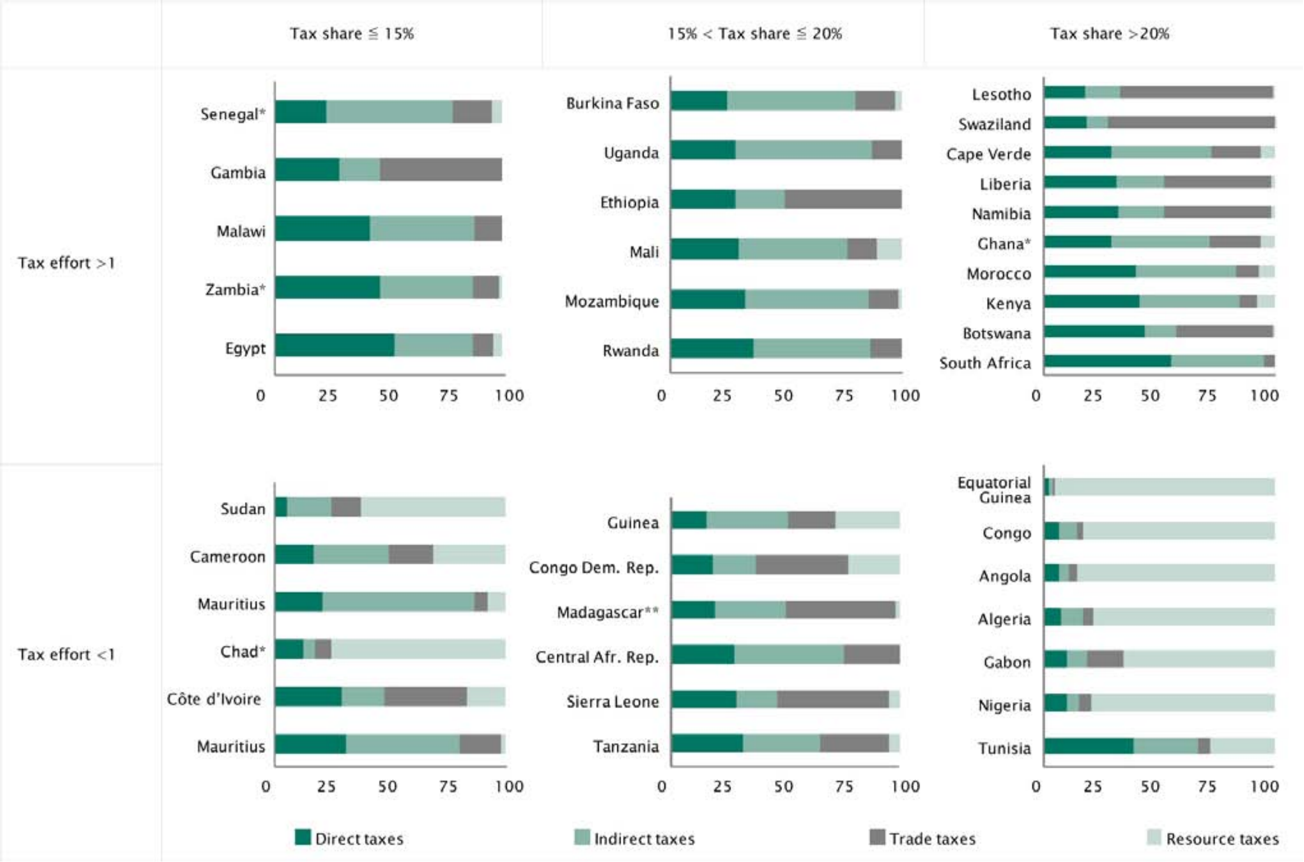
(iii) it is counterproductive to try to enforce complex taxes such as VAT or income tax on small and micro enterprises because the costs of collection outweigh the benefits; these enterprises will pay VAT when they purchase inputs from the formal sector;

(iv) reforms to tax administration should be part of a broader effort to strengthen governance and public financial management; and

(v) opportunities for corruption are pervasive in tax collection; hence a comprehensive anti-corruption strategy, including an effective internal audit function, is essential.

Source: Martin Brownbridge, Oxford University.

Figure 19: Tax effort vs. tax shares, a typology of African tax systems



Source: Authors' calculations, based on *AEO country surveys*, 2010.

StatLink http://dx.doi.org/10.1787/848650078288

Ending tax preferences

Whether tax incentives are a cost-effective way of overcoming impediments to investment depends on the host country's investment conditions and characteristics. In general, it is better to focus on the actual impediments to investment and aim to address these directly. Addressing non-tax impediments may be a more effective policy to attract investment than seeking to match the tax incentives provided by other countries, especially if the latter prompts a race to the bottom as countries compete for investment and no country collects much tax as a result.

As case studies show, key investment considerations include market size, political and economic stability, rule of law and protection of property rights. Where tax is identified as a major issue, transparency and stability of the tax law, administrative certainty, and a wide tax treaty network are typically ranked well ahead of targeted tax preferences. Uncertainty over the tax treatment of FDI increases the perception of risk and discourages long-term, capital-intensive investments that governments are typically eager to attract. Administrative discretion in granting tax incentives undermines transparency, and creates a perception that the tax authorities are open to influence and persuasion. Where tax systems are seen as unfair or open to negotiation, this risks eroding voluntary compliance with the system.

In providing an attractive tax system for investors, African governments should aim for transparency and certainty of tax treatment, and take steps to limit compliance costs (e.g. through taxpayer education, streamlined payments), before exempting international investors from all or part of their fiscal obligations. Simplifying tax legislation, establishing "Large Business Offices" to improve service to important clients, and initiating electronic payment facilities are all important steps that African nations have used to improve compliance. Businesses are often willing to trade higher tax payments against lower compliance costs and more predictability and transparency in the assessment of their liabilities. Egypt is a good example. The Outlook country surveys confirm the progress made by countries that have established large business offices, including Algeria, Angola, Cameroon, Central African Republic, Côte d'Ivoire, Egypt, the Gambia, Niger, South Africa, Sudan, Uganda and Zambia.

Revenues foregone by tax incentives for investment – such as tax holidays, partial profit exemptions, free trade zones, etc. – tend to exceed by a wide margin the revenue costs expected before the concession is put in place. In particular, countries frequently under-estimate tax planning opportunities for multinationals to extend the coverage of tax relief to shelter non-targeted activities and profits. Increased reliance on other taxes and the need for tax base protection measures place additional strains on the tax system.

At the same time, competition amongst countries to attract mobile investment creates pressure for continued use of targeted tax incentives. Given this, some degree of cooperation amongst countries may be necessary to prevent a counter-productive race to the bottom in effective tax rates on profit, especially amongst those countries linked by free trade arrangements and thus likely to be in the most direct competition for mobile capital. Arguably, with some form of regional collaboration, the priority of policy makers should be to limit the most damaging tax preferences such as tax holidays and export incentives. A monitoring framework and system to exchange information would be necessary to implement this type of agreement (IMF, 2009).

The African Tax Administration Forum (ATAF, see Box 5), which was officially launched in 2009, could act, if properly mandated, as the political and logistical platform to implement such an agreement and to establish best practices for the reporting of fiscal expenditure. Even without international collaboration, policy options are available at the national level. Morocco and Egypt, for example, have both shown that eliminating exemptions while lowering tax rates can increase overall fiscal revenue. This type of reform is beneficial from a taxation and investment perspective: it boosts tax revenues and the transparency and predictability of the investment environment. Angola, Cameroon, Central African Republic, Côte d'Ivoire, São Tomé and Principe, Senegal and Togo are all pursuing similar reforms. As a prelude to such reforms, tax expenditure analysis and reporting can be useful in stimulating discussion among stakeholders.

Box 5: The African Tax Administration Forum (ATAF), the African Development Bank (AfDB) and related initiatives

The African Tax Administration Forum (ATAF), officially launched in November 2009 in Kampala, Uganda, brings together the heads of African tax administrations* to discuss common challenges and key priorities for effective domestic resource mobilisation. ATAF's objective is to become a platform for articulating African tax priorities and building the institutional capacity of the continent's fiscal administrations through peer learning and the sharing of good practices. It is setting up an African Tax Centre to foster experience-sharing, benchmarking, and peer reviewing. ATAF is engaged in regional and international dialogue on taxation.

The African Development Bank (AfDB) is a strategic partner of ATAF since its inception, providing both financial and technical support. Together with ATAF and the Korean African Economic Cooperation Fund, the Bank has established the East Africa Tax Initiative, which focuses on sharing best practices in revenue governance in East Africa (Burundi, Kenya, Rwanda, Tanzania, and Uganda). The AfDB also facilitates deeper dialogue with other pan-African platforms that deal with different aspects of public finances, such as the Collaborative Africa Budget Reform Initiative (CABRI) and the African Organization of Supreme Audit Institutions (AFROSAI).

**ATAF members as of March 1st, 2010: Botswana, Chad, Egypt, Eritrea, Gabon, Gambia, Ghana, Kenya, Lesotho, Liberia, Malawi, Mauritania, Mauritius, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Uganda, Zambia and Zimbabwe.*

Source: CABRI & AfDB (2008).

Finally, removing tax exemptions on aid-funded goods, services and personnel could render aid more conducive to effective domestic resource mobilisation not only by generating new fiscal revenues, but also by sending a signal that all economic activity should be subject to taxation (Box 3). The issue of tax exemptions for international assistance projects has been on the agenda of the United

Nations Committee of Experts on International Cooperation in Tax Matters for the last few years. In 2006, the Committee discussed draft guidelines prepared by the secretariats of member organisations of the International Tax Dialogue (ITD). However, the UN Committee comprises only tax experts from developed and developing countries. The UN Committee has acknowledged the debate will not advance without the donor agency staff who include the exemptions in memoranda of understanding governing aid contributions. The debate has been given new impetus by the Africa Tax Administration Forum which wishes to engage donors on this topic. African countries should actively engage in these discussions and adopt a common stand.

Dealing with transfer pricing

Even the most sophisticated tax administrations struggle with transfer pricing. There are different approaches to tackling the problem. The most commonly adopted approach is the Arm's Length Principle. All OECD countries use this principle, as well as non-OECD countries such as Argentina, China, India, Russia, Singapore and South Africa.

According to the Arm's Length Principle, the conditions of cross-border transactions between different parts of a multinational enterprise should not differ from those which would be agreed between independent firms, *i.e.* they should not be distorted by the control relationship that exists between them (Box 6). This principle aims at achieving a dual objective: protecting a country's tax base against artificial shifting of profits abroad by multinational enterprises, while at the same time limiting the risks of disputes and of economic double taxation that can arise if two countries take differing views as to what the "fair" price of a transaction should be. Under the Arm's Length Principle, the conditions of commercial or financial transactions between different parts of a multinational enterprise should not differ from those which would be made between independent enterprises in comparable circumstances. In effect, economic double taxation can arise if the same amount of profit is being taxed in two different jurisdictions which take differing views about how to determine "fair" prices.

While the Arm's Length Principle is simple, its implementation can be complex. Governments need a solid legislative framework and tax administrations to develop the expertise and build the resources to enforce transfer pricing legislation. This can only be done over time, as many OECD countries have experienced and continue to do. This means that risk assessment techniques are needed to focus the enforcement of transfer pricing rules to the riskier areas of cross-border trade.

Box 6: Legal framework to combat transfer pricing abuse: the Arm's Length Principle

Governments need to ensure that the taxable profits of multinational enterprises (MNEs) are not artificially shifted out of their jurisdiction and that the tax base reported by MNEs in their country reflects the economic activity undertaken therein. For taxpayers, it is essential to limit the risks of economic double taxation that may result from a dispute between two countries on the determination of the arm's length remuneration for their cross-border transactions with associated enterprises.

The rules to achieve these goals are found in country domestic transfer pricing legislation, in applicable double taxation treaties, and in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD, 2009c). These rules generally embody the Arm's Length Principle which is endorsed in the OECD and UN Model Tax Conventions. According to this principle, the pricing and other conditions of cross-border transactions between associated enterprises should not differ from those that would be made between independent enterprises in comparable circumstances. It is worth noting that developing countries use a similar principle for customs valuation purposes.

It is inherent to the functioning of multinational enterprises that affiliated enterprises transact with each other. Transfer pricing, *i.e.* the determination of a price for transactions between associated enterprises, is normal and legitimate business practice. Transfer pricing becomes a problem when non-Arm's Length terms are used for transactions, *i.e.* if a company's transfer pricing deviates from what would be agreed in open market commercial terms, and the distribution of profit between affiliated enterprises becomes distorted. This is a particular problem when multinational enterprises misuse transfer pricing to deliberately shift profit towards low tax countries irrespective of where the economic activity that generates such profits actually takes place.

Examples of possible misuse of transfer pricing that developing countries need to monitor are the possible overvaluation of service or royalty fees charged by a foreign head office or group service companies, and the possible undervaluation of the price of goods sold to foreign affiliates. It must be stressed that tax avoidance by transfer pricing should be distinguished from illegal acts such as not recording commercial transactions or falsifying invoices.

Source: OECD Centre for Tax Policy Administration.

In certain circumstances, unitary taxes, also known as 'global formula apportionment', have been suggested as an alternative method to the Arm's Length Principle for the taxation of multinational enterprises (Mold, 2004). In the 1980s a number of states in the US used such a system to tax multinational activity within their jurisdictions (Vernon, 1998). This approach apportions the global income of a multinational enterprise among its various units on the basis of the relative levels of their business activity, as measured by employment, sales, or assets. Proponents' arguments are its administrative simplicity, transparency and the fact that it would make transfer pricing activities obsolete. Companies might arguably also benefit from such an approach, as it could simplify internal accounting practices and thereby reduce their own administrative costs.

The approach is not without problems, however. Difficulties arise in determining the amount of a multinational enterprise's profits to be allocated in this way and the appropriate apportionment formula. These difficulties relate both to reaching any international agreement on the implementation of the apportionment formula and to obtaining and verifying the foreign-based information any one jurisdiction would need to be able to use the approach effectively. Critics also point to issues of arbitrariness, and the risk that it may encourage non-transparent negotiations between multinational enterprises and tax authorities, thereby engendering corruption.

So which way forward for African countries? The consensus is that fighting transfer pricing abuse requires countries to develop specific legislative measures that are adapted to their legal system and economic context, and to build the administrative expertise needed to enforce them. African governments must carefully consider how much resource to devote to transfer pricing. With the administrative capacity constraints and considerable amounts of tax revenue at stake, a pragmatic approach is needed, adapted to the administrative and institutional means available to governments.

International organisations, including the OECD and the International Monetary Fund, have started offering numerous programmes to support African tax administrators in tackling transfer pricing. Some observers actually worry that there are too many overlapping conferences of that kind to attend, as international organisations compete for attention in this strategic policy area (Reisen, 2010). To be effective, policy advice must be well targeted, and go beyond principles to inform decisions at implementation level. This challenge may be addressed by the recently created Task Force on Tax and Development (see Box 12). A crucial complement to policy advice consists of African tax administrations learning from each other and their peers in other regions of the world. African tax administrations can leverage the experience of other countries that have wrestled with this problem, such as Brazil, China, India and South Africa.

Dealing with extractive industries

African policy makers often have the misconception that any attempt they make to substantially tax extractive industries will jeopardise the activity or discourage further investment (African Development Report, 2007). Experts reckon, however, that most natural resources can be taxed, within the bounds of reason, without scaring away investors. Multinational enterprises do not rank tax considerations very high among the concerns they cite as influencing their investment decisions in Africa (Keen and Mansour, *id.*)

The extractive industries in Africa can contribute more to sustainable development than they are currently doing. Countries should develop their resources, while meeting international environmental, social, and governance standards, and use the tax revenue from these industries transparently and effectively. Extractive concessions have to be analysed on a case-by-case basis, however, to evaluate if they are paying the right level of tax to their host country.

Some extreme cases were reported by the IMF in 2009. And where multinational firms fail to abide by minimal corporate governance standards in terms of tax contributions, governments should consider renegotiating concessions. Multinational enterprises may threaten to leave but they are unlikely to actually abandon the exploitation of mines because of a reasonable rise in taxes or royalties. Renegotiation of some contracts is warranted under the notion of odious debt.

African states are entitled to receive a fair deal for the exploitation of their natural resources. Botswana's management of its diamond industry stands as a good example. Negotiations were important to ensure a fair deal for the country. The government renegotiated when circumstances changed and diamond companies became increasingly profitable.

Increased interest in Africa's minerals from Chinese corporations and other new partners is an opportunity for governments to reap the fiscal rewards of competitive bidding. African states must use this opportunity to generate higher public resources. The rise of commodity prices poses many challenges to African countries and their populations; it is all the more important that the commodity boom be harnessed to boost government revenues. The increased public resources from taxing extractive activities should be used to diversify the economy and improve tax administration rather than for rewarding other taxpayers for political reasons.

The Extractive Industries Transparency Initiative (EITI) is unique in its aim to increase the transparency of transactions between companies and government entities, and of the use of revenues by the governments concerned (Box 7). In 2009, Liberia became the first country to comply with EITI.

Box 7: African Development Bank and extractive industries

Through the Extractive Industries Transparency Initiative (EITI), the AfDB works to improve revenue governance in the management of natural resources, especially extractive industries. By supporting the initiative, the Bank seeks to promote fair, transparent, and efficient use of resource revenues to avoid the "resource curse" and a return to conflict over resources. Its support is directed at two main components: *i)* the governance of extractive industries; and *ii)* the implementation of EITI in several countries. In addition, the Bank provides *ad hoc* policy development support to improve the governance framework for natural resources in individual African countries.

As an observer member of the EITI Board, the Bank attends meetings to keep track of progress and better coordinate with other institutions and stakeholders involved in the provision of technical assistance to African countries. The AfDB and the World Bank are developing a new capacity building initiative which aims to improve governance along the extractive industries value chain. The launch of this "EI Governance Initiative" is expected to take place in the first half of 2010 under the sponsorship of the AfDB and the World Bank.

Source: AfDB.

Tackling cross-cutting structural issues

Informality and fiscal legitimacy

— Bringing small enterprises into the tax net

Box 8 below explores practical ways to bring small enterprises into the tax net in Africa. The *Outlook* country surveys show that, for example, Algeria is using a presumptive tax for the mainly informal entrepreneurs. In Zambia a flat-rate 'base tax' for rural areas has been introduced along with 'presumptive taxation' of 3% on gross income for urban areas. Additionally, a 'peddler's licence' has been issued for street sellers. Senegal has also introduced a system aiming to tackle tax evasion.

Box 8: Taxation of small and micro enterprises in Africa: the role of assessment by indices

Since the 1990s, the strategy adopted by African tax authorities has been to benefit from the concentration of the potential of tax revenue. The authorities have adopted relatively high thresholds for direct tax. They have thus used specific services to focus their efforts on a small number of large and medium-sized enterprises with strong potential tax revenue, setting up specific departments for large enterprises and for medium-sized enterprises.

Companies below the threshold for direct tax are currently ignored. Some of these companies are subject to complex tax schemes, which are often based on turnover and are therefore not suited to survival-oriented micro-enterprises. Other companies are subject to simplified tax schemes that do not provide satisfactory taxation of small enterprises that, unlike micro-enterprises, generate much more revenue than is needed to remain afloat. Other schemes attempt to cover these two very different types of companies simultaneously through synthetic taxes that combine assessment by indices with taxes based on turnover or profit estimated using proxy indicators.

These schemes are rarely and poorly implemented, thus undermining the coherence of the tax system and feeding a sense of unfairness, and they are ineffective in mobilising tax revenue. Moreover, the absence of direct tax contributions from many businesses is contrary to the principle of encouraging compliance with tax payments and a sense of liability to the payment of taxes to the state and the local authorities. Bodin and Koukapaizan (2009) support a new segmentation based on a distinction being made between micro-enterprises and small enterprises to enable a feasible way forward towards the taxation of these companies.

Micro-enterprises could be taxed through a synthetic fixed tax: the micro-enterprises would have to pay a fixed tax based on the business activity and a few other easy-to-measure parameters (location, equipment). Micro-enterprises would thus be subject to a simple tax scheme based on an assumed profit. Because the synthetic fixed tax scheme would be simple and easy to implement, it would be possible to involve the local authorities in collecting the tax, since it is conceived as a local resource (Chambas, 2010). Small enterprises, meanwhile, could be taxed on their real profit, which could be assessed through simple accountancy (cash-based accounting). These small enterprises would be subject to the fixed tax but excluded from the application of VAT.

Source: Jean-François Brun and Gérard Chambas, CERDI.

Presumptive taxes, the standard prescription for taxing small informal businesses, can distort economic decisions while absorbing large amounts of administrative resources that could be better used chasing large tax evaders. However, taxing small businesses is still politically desirable for turning the informal sector into a stakeholder in government policies. It should be stressed that there is a point where the cost of administrating a tax will outweigh the revenue. This threshold is much lower in developing countries than in developed ones. Therefore, African tax administrations should conduct a careful cost-benefit analysis when deciding how far to go in their efforts to formalise small businesses.

— Tackling corruption

However, tackling corruption within tax administrations is a priority to establish legitimacy. Corruption undermines tax morale on top of the fact that bribes cut revenues. An appropriately paid tax inspector will be less likely to take bribes. An additional challenge is that talented tax specialists are poached by the private sector, particularly in Africa where tax expertise is scarce. African governments must find solutions, which could include a different pay scale for tax administrators than for regular civil servants. However, excessive use of bonuses and revenue targets can lead to decreased quality and cause frustration amongst tax administrators.

Reducing compliance costs helps with private sector development and lowers the amount of bribe a taxpayer might be willing to pay to avoid declaring and paying tax. Similarly, reducing the number of times a taxpayer needs to interact with tax administrators minimises opportunities for bribery. It also reduces administrative costs and improves compliance. Information technology can also help, as do unambiguous, transparent tax codes. Compliance costs can be reduced by relying more on taxation at source through withholding taxes. The Outlook country surveys reveal that a number of nations, like Uganda and Zambia, have introduced a "Pay as you earn" (PAYE) withholding tax collected by the employer.

Taxpayers who are treated as clients rather than suspected criminals are typically more compliant. Educating taxpayers about fiscal issues brings great benefits for tax collection and contributes to building legitimacy and trust. Well-defined and well-executed educational campaigns using media and new technology can help ensure taxpayers understand compliance requirements. In South Africa and Zambia, for example, tax education campaigns have helped to make the public more aware, increasing voluntary compliance. Customer Relations Managers need to be particularly professional with the biggest clients since the 80/20 rule applies *i.e.* 20% of taxpayers make up 80% of tax revenue. Setting up a "one-stop-shop" where large clients can deal with all tax liabilities at once can be very rewarding.

— Communicating on tax

Similarly, tax administrations can increase their effectiveness by targeting awareness campaigns to client segments with higher compliance risk (Dohrmann and Pinshaw, 2009). Tax administrations should wave the "carrot" of tax education and high-quality service first but compliance cannot be achieved if they do not wave and also use the "stick" of audits, fines and lawsuits wisely. Low tax compliance in many African countries is worsened by the perception of firms and individuals that paying taxes brings them little public service in return. Similarly, the cost of dodging taxes and risk of getting caught are perceived as low. This undermines legitimacy as tax-paying citizens and firms complain that they are unfairly taxed when they see others who do not fulfil their obligations. In many African countries, small and large taxpayers evade tax, while the middle income segment shoulders the bulk of the burden, generating feelings of inequity and frustration. Aid agencies and multinational firms contribute to undermining compliance as local people observe that they often pay little or no tax. Box 9 explores practical strategies to strengthen fiscal legitimacy in African countries.

Box 9: Building fiscal legitimacy

Taxation provides one of the principal lenses through which to measure state capacity, legitimacy and power relations in a society. Joseph Schumpeter noted: "The fiscal history of a people is above all an essential part of its general history." Tax systems are also instrumental to building effective states because taxation is a core manifestation of the social contract between citizens and the state. *How* taxes are raised (and spent) shapes government legitimacy by promoting the accountability of governments to tax-paying citizens, and by stimulating effective state administration and good public financial management.

In 2004, the Malawi Revenue Authority decided to reward tax compliant taxpaying businesses. If at the end of their annual accounting period, legal requirements and liabilities are met, businesses receive tax compliance certificates. In return, certificate holders are assigned Revenue Officers who are in charge of all issues affecting the taxpayer, including reminders, tax information and notices for audits to be carried out. Of broader significance, local banks have unilaterally started using the certificates as an index of overall credit worthiness for businesses seeking loan finance.

The government of Malawi reports that this initiative has led to an increase in tax compliance for large and medium taxpayers and there has been a motivational effect on other smaller taxpayers who are keen to qualify for the certificates. Overall, incentives on both sides have resulted in a climate of improved relationships between the Malawi Revenue Authority and businesses, based on the principle of reciprocity. The way in which banks have used this initiative has considerably reinforced its impact.

DfID's support to the Rwanda Revenue Authority (RRA) has resulted in a dramatic increase in domestic revenue: as a percentage of GDP, it has increased from 9% in 1998 to 14.7% in 2005. Costs of collection have also been reduced. This success is attributed to both the strengthening of RRA's internal organisational structures and processes, and the building of accountable relationships with external partners such as central and local government, a newly growing tax consultancy profession and taxpayers themselves. The RRA now plays an important role in strengthening relationships between citizens and the state, building a "social contract" based on trust and co-operation.

Source: Di John (id.), OECD and DfID.

Improving tax administration

More effective tax administration gives fewer incentives for taxpayers to bribe their way out of fiscal obligations. It also benefits companies by lowering compliance costs, improving transparency and predictability in tax liabilities. Box 10 documents best practices for effective tax administration in developing countries. The Outlook country surveys show that a number of countries have made a policy priority of facilitating the payment of taxes or set up national capacity building strategies for strengthening tax and customs administrations. These include Senegal, Egypt, Comoros, Central African Republic, Sudan and Uganda.

Box 10: Three pillars of modern tax administration

Management and structure

The current trend is a shift away from organising departments by geographical regions towards a focus on tax, sector and functions:

- Taxes can be sub-divided into different segments: Business Taxes (including Corporate Taxes, Value Added Taxes and Excises that are mainly collected from businesses), Transaction Taxes (such as Stamp Duty and Land Taxes on real and financial transactions), Personal Income Taxes, Customs Duties and Export Taxes if any, and Property Taxes.
- Within each tax segment, sector based divisions may be made, to reflect resource availability, all the while keeping in mind that each division allows specialisation and the ability to better understand taxpayer behaviour. These divisions could comprise Large Business Services (if possible divided into sectors such as Banking, Insurance, Oil and Gas, Telecom, Construction and Real Estate, Major Manufacturing, Charities, Specialised Agencies and Bodies such as Universities, Complex Individuals, Municipalities, and others), Small and Medium Enterprises, etc.
- Functional divisions supporting field activity in the sectors would include operational and analytical functions. These include risk and intelligence, compliance, assessment, audit and scrutiny, adjudication and appeals, policy and strategy, analysis buttressed by data mining, finance and legal services. Modern administrations focus on the People Function or Human Resource Development (HRD) so as to address issues of recruitment, retention, training, incentives and natural attrition and so as to adhere to emerging global practices. HRD also monitors staff morale and professionalism in order to react quickly when necessary.

Many African tax administrations have successfully implemented modern management structures. Elements of the above criteria can be found in Kenya and Rwanda who are continuing to enhance their systems through international dialogue and self implementation.

Customer focus

- Stakeholder Engagement: The word "taxpayer" is not used anymore; it is now "stakeholder" or "customer". The use of these new words reflects the realisation that taxpayers have a stake in the tax base and that the administration needs to treat them as customers. Engagement with taxpayers involves continued consultation on different levels – from the ministerial to the technical officer – eschewing any secretive stance that a traditional tax administration has typically taken. At the same time, special favours need to be minimised; rather low headline rates of various taxes is the goal.
- Powers of Intervention: At the same time, modern administrations have to retain their powers of intervention to enable efficient administration, while still using such powers discriminately. Prior co-operation with stakeholders, for example, through Customer Relations Managers, who could pre-verify accounts of large, medium and small businesses, would minimise such intervention. This makes intervention selective and outcome-focused.

This is an area where the South African Revenue Service (SARS) has taken important steps based on customer-centric concerns and learning from other countries experiences.

Information Technology (IT) and the use of analytical capabilities

- The importance of implementing an advanced IT system in a modern tax administration cannot be overemphasised. It allows for rapid filing, the better management of return forms, easy access to information, connectivity across tax offices and among officers, among many other benefits. Such an IT system has to be developed with a significant initial investment to install a data warehouse supported by a business continuity centre and a disaster recovery site. The disaster recovery site would preferably be housed separately from the data warehouse. Similarly a computer network giving simultaneous access to all officers across the country is beneficial.

Interested countries may examine available developing country models in Asia and Latin America to assess their suitability in their own environment.

- A modern IT system has one important benefit. This is the enhancement of analytical capability so that policy measures and strategies may be informed by better analysis. For example, direct tax and VAT compliance, revenue projections, estimate of the tax gap, random survey based understanding and strategy, customer profiling and segmentation, third party information matching, random audit selection, all become immediately feasible. For such operations to become functional, however, tax administrations have to steadily build up a team of analysts from different professions such as economists, operations researchers, social researchers and statisticians.

African countries have to focus on administrative efficiency but, at the same time, have to recognise the inherent link between productive administration and incisive background analysis based on a systemic structure of data and information.

Source: Partho Shome, Chief Economist for Her Majesty's Revenue and Customs, UK.

— How autonomous should tax administrations be?

There is a debate as to whether or not African states should follow the autonomous agency model and set up their tax administrations as institutionally independent bodies or the embedded agency model which keeps them inside the finance ministry or treasury. The first option is supposed to enhance independence and promote change management while the second is said to improve collaboration with policy-makers and other administrations. According to our country surveys, a majority of countries apply the embedded agency model, keeping tax administration inside the finance ministry/ treasury. However, there are also various examples of semi-autonomous tax administrations.

— E-government and taxation

Information technology plays an increasing role in African tax administration (Box 11). The relative scarcity of skilled staff in Africa is such that the productivity of available administrators needs to be optimised. Information technology makes the handling of mainstream clients faster, freeing scarce resources for more complex high-potential clients. Investing in self service options like websites and automated phone service has a significant benefit. The advantages are even greater given the fact that administrations which have adopted software late can move directly into the latest generation of tools.

Box 11: Tunisia: using new information technology to collect more taxes at a lower cost

The use of information and communication technologies for the collection and online payment of taxes is expanding rapidly throughout Africa. Various countries have set up a modern, online filing system for revenue collection (Algeria, Morocco and Cape Verde, among others) or for online payment of income tax (South Africa, Uganda, Cameroon and Gambia, among others). Given the high cost of setting up the necessary infrastructure, some countries have implemented such systems only for the largest taxpayers and certain large corporations. The success of this new practice depends on various factors: access to computer equipment, government incentives (transparency, communication, etc.) and the willingness of taxpayers.

Tunisia has introduced a system for online filing and payments. The system has two schemes. The first scheme (online filing and payment) was instituted in the framework of the 2001 finance law as a voluntary scheme. In 2005, this became mandatory depending on turnover. This scheme has not only reduced the frequency of payments and the time required to file and pay taxes, but it has also produced higher filing and settlement rates, which has reduced the tax-evasion rate and reduced the transaction costs for tax collection.

Evolution of online tax filing

	2002	2007	2008	September	
				2008	2009
Number of registered users	48	813	1845	1634	3503
Number of tax declarations	42	616	1478	1350	2838
% of declarations	87.5%	75.8%	80.1%	82.6%	81%
Amount paid by online filing	26 249	156 564	219 989	250 977	299 516
Revenue from online filing as a % of total revenue.		54.9%	66.4%	68.6%	75.5%

The enterprises that have registered for the scheme are mostly large ones, and many small and medium-sized enterprises (SMEs) are still reluctant to do so. To address their concerns, the Tunisian authorities have introduced the possibility of filing online while paying the taxes in person at a tax bureau. The second temporary scheme (e-payment) was implemented in April 2008. These two procedures have just been reinforced by a third one, which allows taxpayers to pay with a bank card. In addition, Tunisia also put up a one-stop e-window *(Tunisian Trade Net)* intended to simplify procedures for trading across borders, as well as banking and transport procedures. Enterprises also have the possibility of filling out social security contribution forms on line.

Source: Tunisia country note.

In Africa, political influence on tax collectors must be reduced. Furthermore, to reduce the incentive to accept bribes, governments may pay tax administrators on a different scale from the rest of the administration, which is difficult if tax administration is part of a ministry. However, what appears to matter most for lasting tax reform is not so much the institutional set-up but strong high level political commitment to support the work of the fiscal administration in the eyes of taxpayers and other government branches (Di John, *ibid*.).

— Decentralisation, the answer to rapid urbanisation?

The second institutional debate is about fiscal federalism – in particular, which taxes, responsibilities and functions are best centralised and which ones are best managed at the regional and municipal level. Usually, local tax administrations in Africa have some tax competences, such as delivering local business patents. However, as confirmed by this *Outlook*'s country surveys, due to a combination of political reluctance to decentralise power and the severe shortage of capacity, local tax collection is estimated to be of the order of 1% of national income in Africa with a high concentration in large urban centres (Chambas *et al*., 2007). Various countries, including Algeria, Cameroon, Comoros, Côte d'Ivoire, Namibia, Nigeria and Sierra Leone are decentralising their tax administrations. An important benefit of decentralisation is the opportunity to enhance fiscal legitimacy in the eyes of local taxpayers. This should be balanced, however, against the need to keep a low administrative burden for tax payers, as evidenced in Botswana, where efforts have been made to centralise tax collection. Whatever the political merits of decentralisation, the current situation is unsustainable if local authorities are to provide a minimum level of infrastructure and services. Many African countries are seeking to decentralise responsibilities and expenditure but local revenues have not kept pace. Decentralisation would reduce transfers from the national government to sub-national governments and the vulnerability of local resources to discretionary central decisions.

— Improving tax administration widens policy space

There are many benefits to an efficient tax administration besides the revenue it generates. The ease of paying taxes bears directly on private sector development. Where compliance costs are high, businesses are likely to remain small and in the tax evasion zone. Further, the rate at which a country is able to increase its tax base depends on the quality of its tax policies and tax administration. A low capacity tax administration may not offer policy-makers the opportunity to shift from a sales tax to a VAT system, even though this is generally considered economically more efficient. A country with a weak tax administration may be limited to forms of taxation that runs against other policies aimed at bringing businesses and workers into the formal sector.

Harnessing aid

Partly due to the negative impact of the global economic crisis on government revenues, 2008 and 2009 have seen a resurgence of international co-operation and dialogue on tax policy (Box 12). This positive development has arguably made it easier for African initiatives in public resource mobilisation to attract multilateral and bilateral support. Tax administrations are often amongst the most effective parts of the administrations in African countries and yet they face considerable capacity challenges that donors can help them to address (OECD, 2008b and c). Donors should focus on improving the working environment of local fiscal administrations and help build the capacity for those that are missing the human, technical and financial means to run efficient revenue collection activities. Indeed, increasing the share of aid spent on improving tax administrations is one of the aims of the Task Force on Tax and Development recently launched by the OECD. Key challenges, though, as in other sectors of development co-operation, will be to ensure that the proliferation of initiatives: *i)* serve African countries' own priorities for domestic resource mobilisation; *ii)* facilitate access to information, services and training rather than establish a complex web of overlapping initiatives, and *iii)* create net capacity in tax administrations, rather than lead to depletion, with tax administrators being eventually hired by firms or donor agencies who pay higher wages, or taken too frenquently on policy dialogue "tours".

Box 12: Recent initiatives in support of public resource mobilisation in Africa

Multilaterals, regional development banks, donors, think tanks and NGOs have different approaches to domestic and international taxation issues. Some focus on tax administration, others on fiscal policy (Schuppert, 2010). The African Tax Administration Forum (ATAF) has enrolled the support of the African Development Bank, of the joint Task Force on Tax and Development set up in January 2010 by the OECD Centre for Taxation Policy and Administration (CTPA) and its Development Assistance Committee (DAC), and of Germany's International Co-operation Enterprise (GTZ).

The AfDB has also been supporting the African Regional Technical Assistance Centres (AFRITACs) since 2006. At the global level, fiscal issues are traditionally part of the International Monetary Fund's (IMF) domain of intervention, rather than the World Bank's. The Fiscal Affairs Department of the IMF provides technical co-operation *via* assistance, missions and training. The IMF also collaborates with the European Commission (EC), the Inter-American Development Bank (IDB), the OECD, the DfID and the World Bank in the International Tax Dialogue (ITD), a multilateral co-ordination effort amongst tax administrations and bilateral donors, to "encourage and facilitate discussion of tax matters among national tax officials, international organisations, and a range of other key stakeholders". The ITD organises global conferences, one of which took place in Africa in 2009.

In April 2010, the EC has given new prominence to its co-operation in the field of taxation for development by issuing a Communication on "Tax and Development" (European Commission, 2010). Having developed expertise in supporting tax administration reforms in Central and Eastern Europe as a means of financing development, the EC has turned to Africa, for instance by supporting reform in Tanzania, or financing a fiscal transition programme with the West African Economic and Monetary Union (WAEMU). The Extractive Industries Transparency Initiative (EITI) is part of the EU-Africa Governance Partnership and supported by 10 EU Member States and the EC. It encourages the verification and full publication of company payments and government revenues from oil, gas and mining. All EU Member States that support the EITI provide financial assistance, with most using the World Bank's Multi-Donor Trust Fund, and a few giving grants to the EITI International Secretariat. The EC is also a member of the International Tax Dialogue. It uses IMF Regional Technical Assistance Centres for technical cooperation initiatives at country level, and collaborates with the International Tax Compact.

Donor countries with strong fiscal capacities are currently the most involved in supporting public resource mobilisation in Africa through their development agencies. The International Tax Compact (ITC), an initiative of the German Federal Ministry for Economic Co-operation and Development (BMZ), aims to strengthen international co-operation with developing and transition countries to fight tax evasion and avoidance. DfID has been funding research programmes on effective taxation, as well as projects enabling African governments to broaden their tax base.

The Norwegian Agency for Development Co-operation (Norad) provides support in the field of natural resource taxation and management, for instance in the mining sector in Tanzania and Zambia. Germany's GTZ has included tax administration components in its projects in Burkina Faso, Ghana, Mali, DRC, Mozambique, Rwanda, Senegal, Tanzania and Zambia. It also co-operates with regional institutions such as the East African Community (EAC) and the Economic Community of West African States (ECOWAS). The Swiss State Secretariat for Economic Affairs (SECO) supports a multi-donor common fund that facilitates tax administration reform in Mozambique, and provides technical assistance to the Ministry of Finance in Burkina Faso to support tax policy reform.

Sweden, the Netherlands, the United States and Italy also have projects in that policy area. France's Ministry of Finance has been funding technical co-operation, and participates in CREDAF (*Centre de rencontres et d'études des dirigeants des administrations fiscales*), a dialogue and study centre for francophone fiscal administrations, most of which are African. The North-South Institute (Canada) carried out case studies on domestic resource mobilisation in Africa along with the Canadian Development Agency (CIDA) and Research Centre (IDRC), the AfDB and the African Economic Research Consortium (AERC). A Collecting Taxes database is available online in the USAID fiscal reform section, presenting information on revenue performance, tax structure and tax administration.

Finally, several civil society organisations are active in that area. For instance, the Tax Justice Network for Africa (TJN-A) advocates for socially just, progressive taxation systems. Think tanks such as Global Financial Integrity have been documenting tax losses in Africa due to tax evasion. Organisations and networks lobbying against tax evasion and fraud include the Extractive Industries Transparency Initiative (EITI), Transparency International and Publish What You Pay.

— Why invest aid into public resource mobilisation?

A key argument in favour of using aid to stimulate public resource mobilisation is that the returns of a dollar spent on tax systems can generate several dollars in tax collected. In the words of the President of the African Tax Administration Forum, Oupa Magashula, to the participants in the OECD Global Forum on Development in January 2010, it can have up to "a tenfold multiplier effect on states' resources". In this *Outlook*'s South Africa note, we computed that the cost to revenue ratio of the South African Revenue Service has been low and stable, at around 1%. This implies that on average every South African Rand (ZAR) of resource spent on tax administration generates ZAR 99 in tax revenues, net of collection costs. This may not be true at the margin as the first million ZAR of tax revenues are less costly to collect than the last. But, a tenfold multiplier, which implies a 10% cost to revenue ratio at the margin, is plausible if optimistic. An additional benefit for the government is the accumulation of data collected in the process of bringing in taxes, which expands the knowledge base for general macroeconomic and development planning. Conversely, the multiplier effect does not factor in the cost of collecting tax revenues in terms of lost economic efficiency, as taxes always distort economic decisions on investment, saving, or labour in some way.

To put this in perspective, Table 3 reports cost-revenue ratios for African countries based on the Outlook's survey. Benin, South Africa and Swaziland display the lowest cost–revenue ratios, around 1%. However, other countries are not far behind, reporting average cost-revenue ratios of no more than 6%.

Table 3: Cost – Revenue ratio in African countries

Country	Cost - rev ratio	Period average
Sierra Leone	6.00%	2004-2008
Sudan	5.70%	2001-2008
Ethiopia	5.30%	2001-2006
RDC	5.20%	2005-2008
Rwanda	3.20%	2004-2008
Tanzania	3.20%	1996-2008
South Africa	1.20%	2006-2008
Swaziland	1.20%	1996-2008
Benin	0.90%	2008
Argentina	1.80%	2006-2007
Costa Rica	0.80%	2006-2008
Ecuador	1.00%	2006-2009

Note: Total cost of tax administration as reported in general budget, divided by total tax revenue. Source: Author's calculations, based on AEO country surveys, 2010; *Inter-American Center of Tax Administrations, 2010.

Another benefit of spending aid on public resource mobilisation is that it can help recipients and donors progress towards the goals set out in the Paris Declaration on aid effectiveness (2005) and the subsequent Accra Agenda for Action (AAA, 2008): increase the use of country systems by donors, untie aid, enhance aid predictability and maximise the ownership of development strategies by aid recipient countries. Indeed, it is governments who decide how to spend the taxes collected. Wider fiscal space makes for wider policy space. Moreover, since stimulating revenue implies that the government is ultimately to convince taxpayers to pay taxes, this type of aid can help to tighten the social contract that binds citizens with their government. Aid contributes to fiscal legitimacy when invested in reporting public expenditure more transparently and in strengthening the capacity of tax administrations. Traditional aid assistance, on the other hand, empowers the government to set priorities independently of taxpayers. We now take stock of recent initiatives in support of public resource mobilisation in Africa.

— Making the most of aid for public resource mobilisation, and managing risks

Donors should not become a substitute for local administrations. Initiatives like taking over operational management of a revenue or customs authority can be very efficient in the short term. However, in the long run, this strategy fails to build legitimate and sustainable public institutions. A significant feature of more successful recent tax reform efforts is that they have not just been externally driven. Britain's support to the Rwandan Revenue Authority and Germany's help for the Ghana Revenue Authority are cited as works that secured sustained increases in administrative effectiveness and a high degree of local ownership.

Aid should not undermine the relationship between the fiscal administration and other parts of the government. Assistance should focus on capacity building programmes that also help the general administration and governmental activities. For example, sponsoring a population census and urban land register helps to assess and collect personal income and urban property taxes but also helps civil servants and policy makers formulate and drive social and urban planning.

More generally, discussion about enhancing the capacity of African tax administration must be accompanied by a general discussion about governance, transparency and the eventual use of increased public resources by the government. Increasing the capacity of the fiscal administration, or enhancing the tax base, will not bring long term results if reforms are not visibly linked to productive strategies, including aid policy. Taxes can only be a "facilitator" for the building of capable states, and then only as long as the state is legitimate and its actions are based on a legitimate political consensus. It is therefore important not only to bring politics back into taxation and governance issues but also the specific context of each country.

The participation of developing countries' tax officials in the global community of tax professionals should be encouraged. The emphasis should be on sharing knowledge and best practices through dialogue. South-South cooperation should be strengthened and supported by the donor community. Transparency in inter-company trade must be increased through country-by-country reporting and the adoption of international accounting standards aimed at tackling transfer pricing. International support should be mobilised to help developing countries while recognizing their differing needs. These needs must be highlighted at international meetings. African tax administrations must be helped to take advantage of such international groups and meetings.

Donors need to deliver on their pledges of policy coherence by putting pressure on their own mining conglomerates to strike decent deals with African nations. They should encourage revenue transparency, including country-by-country reporting, by their companies so that civil groups can question unacceptable deals. Better reporting would also ease the job of African tax administrations in their attempt to report the magnitude and sources of fiscal expenditure to their governments and people. Donors could offer legal assistance to developing countries signing a deal with a multinational enterprise, even if it was based in a different country. Donors should not poach the scarce African tax expertise to meet their needs for local experts.

Revenue conditionality is another way in which aid can be made more conducive to effective domestic resource mobilisation. On the one hand, matching donor contributions and collected taxes could encourage a more active revenue collection policy. Donor budget support would be calculated as a pre-agreed percentage of a government's collected tax revenues, with an upper limit to the amount of budget support and a provision for the matching percentage to come down as the government's capacity to raise revenue strengthens. This approach is an incentive to revenue collection by design. State officials know that raising extra revenue will result in additional inflows of donor resources. For this system to work, donors must commit to the medium and long-term through the development of trust funds.

On the other hand, revenue conditionality can focus on how aid affects the way tax is collected, not just how much revenue is collected. This implies a focus on vertical equity, tax payer awareness and education, transparency, strengthening tax-expenditure linkages and bargaining with taxpayers and organised groups when designing revenue conditionality and support for tax reform efforts. The major challenge involves the willingness of donors to make aid flows predictable and reliable, putting into practice agreements on good donor practice embedded in the 2005 Paris Declaration.

Balancing the tax mix

Concentrating taxes on a narrow set of taxpayers serves no good use. An unbalanced tax base puts the burden on too few tax payers and this means tax rates need to be high, and compliance enforced harshly, to generate substantial tax revenues. An optimally broadened tax base not only generates the highest possible tax revenues, but also widens a government's policy options. A balanced tax-base enables lower statutory rates on all, or selected taxpayers. A broader base can lead to a better mix of increased tax revenues at lower statutory rates.

Diversifying the tax mix

African countries with unbalanced tax mixes should prioritise the collection of direct (corporate and personal) and indirect taxes (VAT). Algeria, Angola, Chad, Congo, Equatorial Guinea, Gabon, Nigeria, and Sudan have all taken steps on these lines. It would be wrong to conclude though that resource-rich countries should (even partially) replace taxes on extractive activities with other types of taxes. Indeed, some states need to generate more public revenues from resource activities. Resource-rich states should save at least part of their resource tax revenues away for rainy days and for future generations. Some were already moving in this direction before the global economic crisis, by running large current balance and budget surpluses.

Clearly, there is more to increasing a country's tax share and tax effort than exhorting its tax administration to be more active, or even for donors to support hard-pressed tax officials. Countries obviously do not decide themselves whether they will belong to the resource-rich club or be a fragile/post-conflict nation. They can and should, however, adapt their public resource mobilisation strategy to their own circumstances. A country's characteristics should clearly be taken carefully into consideration when deciding a course of fiscal reform. Institutions like ATAF should help African countries to identify others who have been through the same experience and can help.

Dealing with trade liberalisation

Trade liberalisation in Africa needs to be purposively sequenced with domestic tax reform. The policy response to declining trade-related tax revenues as a result of trade liberalisation has to be designed in the context of a broader reform agenda. Policy options include cutting domestic expenditure, relying on the growth effects of trade liberalisation, replacing all Non-Tariff Barriers (NTBs) with new tariffs, and increasing other tax revenue. In practice, cutting expenditure is hardly an option for most African countries, given their development needs and poverty reduction challenges. As for relying on growth effects, Part I of the Outlook has shown they were too uncertain for sound policymaking. Replacing NTBs and remaining import quotas by tariffs can offset some of the revenue losses while liberalising trade, but will not be enough in most countries. As a result, the policy response to the impact of trade liberalisation on government revenue will hinge around an ambitious tax reform agenda.

As we have seen in the previous sections, this agenda might include a combination of strengthening tax administration capacity, deepening the tax base, dealing with informality and relying on a wider range of taxes. In other words, policymakers face the challenge of replacing existing "easy-to-collect" trade taxes with more politically-demanding forms of taxation. Another difficulty is sequencing: in order to minimize fiscal losses, tariff cuts should be introduced once the benefits of tax reforms in terms of revenues are tangible, in particular in fragile states. This means that trade negotiations should be informed by the progress in overall tax reform.

Evidence shows that this reform agenda can work in developing countries, but that middle-income countries are more successful at recovering revenue than low-income countries. Baunsgaard and Keen (*ibid.*) finds that around half of the low and about one-third of mid-income countries do not offset the loss of trade tax revenues. In Africa, some countries like Kenya and Egypt have a poor track record of offsetting revenue losses from trade liberalisation. Others, like Malawi and Uganda have done better (IMF, 2007). Overall, the Outlook finds that the most successful countries in terms of replacement of trade tax revenues are those that have diversified their tax base rather than those that focused primarily on VAT. The experience of post-conflict states like Rwanda and Uganda shows that this is possible (Box 4).

Reforming urban property taxes

Certain taxes, such as urban property taxes, could yield a much higher return if decentralised, as local governments usually have a more direct access to the relevant information. Cape Verde and South Africa have successfully decentralised urban property tax collection. The physical proximity makes it easier to service smaller-scale payers. To unlock this potential, local tax administrations need greater skills and their rights and obligations should be clearly enshrined into law. Policy co-ordination and harmonization by the central tax administration and government would help to ensure that municipalities compete fairly with one another and avoid inconsistencies and overlaps in the overall tax system. To avoid a feeling of harassment, it is important that municipalities focus on a narrow set of high potential and administratively feasible taxes (Chambas *et al.*, 2007).

The main obstacle is political. The more wealthy and influential sections of society would be affected by this tax. Municipalities would have to make a credible commitment to upgrade urban infrastructure to win acceptance. Yet, as collection of urban property taxes would require an up-to-date cadastre of African urban centres, it would have a momentous side benefit – bringing clarity to property rights, at least in city areas. Consequently, it would improve access to credit as demonstrable ownership of real estate can be used as collateral for a loan.

Conclusion

As several African nations celebrate 50 years of independence in 2010, it is time for a continent that still relies too much on often volatile and unpredictable external flows to take a new look at taxes – a potential untapped source of billions of dollars. It is time also for donor countries to consider the benefits they can get from giving more help to set up stable, broad-based tax systems in African nations.

African tax administrators, under serious capacity constraints, face a daily battle against informality, evasion, corruption and fraud, pressure to grant exemptions, etc. Yet there is a more optimistic side to the story. Following a decade of reforms, levels of tax revenues collected in Africa compare well with those of countries at similar stages of development. African politicians are looking for ways to improve collection further.

Tax revenues should not be seen as an alternative to foreign aid, but as a component of government revenues that grows as the country develops. One of the development dividends of effective tax systems is greater ownership of the development process, whereby the government shapes an environment that is more conducive to foreign and domestic private investment, sustainable use of debt and effective foreign aid. The challenge is therefore for African countries and their partners to reverse the vicious circle of aid dependence shifting government accountability away from citizens towards donors, and trigger a virtuous circle of aid becoming redundant by supporting public resource mobilisation.

In the short run, strategies towards more effective, efficient, and fair taxation in Africa typically lie with deepening the tax base in administratively feasible ways. Policy options include removing tax preferences, dealing with abuses of transfer pricing techniques by multinational enterprises and taxing extractive industries more fairly and more transparently. In the long run, the capacity constraints of African tax administrations must be released to open up policy options.

Notes

[1] Data on tax revenues is not available for Comoros, Eritrea, Malawi, Somalia and Zimbabwe.

[2] LICs are Zambia, Tanzania, Mozambique, Eritrea, Uganda, Gambia, Kenya, Central African Republic, Zimbabwe, Comoros, Somalia, Niger, Mali, Madagascar, Burkina Faso, Senegal, Rwanda, Guinea-Bissau, Ghana, Guinea, Congo, Dem. Rep., Burundi, Malawi, Sierra Leone, Togo, Chad, Mauritania, Ethiopia, Benin, Liberia.

LMICs are Nigeria, Sudan, Egypt, Arab Rep., Djibouti, Lesotho, Tunisia, Cameroon, Morocco, Cape Verde, Congo, Rep., Sao Tome and Principe, Angola, Cote d'Ivoire, Swaziland.

UMICs are Algeria, Botswana, Gabon, Namibia, Equatorial Guinea, Seychelles, Mauritius, Libya, South Africa.

[3] Although the term covers states with heterogeneous characteristics, most fragile states are low income economies with weak public administrations. More than half of the fragile states in sub-Saharan Africa are post conflict countries. See Annex of DfID (2005) for a proxy list of fragile states.

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Part Three

Country Notes

Algeria

Despite an outstanding performance in 2009 of non-gas/oil activity, overall economic growth was limited to 2.2%, down 0.2 percentage points from 2008.

The oil and gas sector constitutes the main source of wealth in Algeria: it generates 97.6% of export revenue, 62% of budget revenue and 55% of GDP.

Overall tax revenue has been increasing in recent years thanks to improved revenue collection from ordinary taxes and oil taxes.

Despite strong growth of nearly 9% in the non-oil/gas sectors, owing mainly to the excellent performance in the agricultural sector, which grew 17%, overall economic growth in 2009 was 2.2%, down 0.2 percentage points from 2008. This moderate growth, which was not sufficient to ease unemployment and poverty in the country, was due to the drastic decline in government revenue from oil and gas exports, which are the country's main export products. The expected upturn in global demand in 2010 and the consolidation of the public investment programme (PIP) through the 2010-14 plan is projected to increase growth to 3.9% in 2010 and 4.3% in 2011. Inflation, which was contained at 3.9% in 2008, increased markedly in 2009 to 5.7% as a result of the spiralling costs of fresh food products, which rose by 20% during the same period.

The real sector had mixed success in 2009. While both oil production and oil exports fell, agriculture was one of the drivers of growth outside the oil and gas sector, notably thanks to unprecedented cereal production. The industrial sector remained stagnant, while growth was good in the services, infrastructure and construction sectors, pulled by strong public demand.

Despite the constraint of reduced tax revenue, especially from oil, fiscal policy remained expansionary, resulting in a relatively high budget deficit, the first deficit in a decade. Based on a reference price of 37 US dollars (USD) a barrel, the annual budget benefited in particular from the significant resources that had accumulated in the revenue-regulation fund, FRR (*Fonds de régulation des recettes*), which by the end of 2009 had reached more than 4 800 billion Algerian dinars (DZD) , the equivalent of about 50% of GDP. Algeria adopted a relatively conservative monetary policy, with prudent management of bank liquidity and official foreign-exchange reserves. Algeria's external position has markedly deteriorated since 2008, with a sharp decline in the current-account surplus due to imports that remain too high and a drastic fall in export revenue. The external financial position remains good however, with a stock of foreign-exchange reserves equivalent to more than three years of imports and low foreign debt. The exchange rate of the national currency remains close to its equilibrium value.

With regards to structural reforms, those already made are being consolidated and further efforts are ongoing. The business environment has improved because the public sector has been boosted to generate a favourable macroeconomic environment. In the private sector, reforms are in progress with a goal of promoting private initiative, development and the modernisation of the banking and financial sectors as support to the development of the private sector. Remarkable progress has been made in infrastructure, and reforms are continuing to strengthen capacities for the evaluation of major projects, in particular through the CNED, the national equipment fund (*Caisse nationale d'équipement pour le développement*), so as to improve expenditure efficiency. Reform of the agricultural sector, the second most important production sector in Algeria after the gas/oil sector, seems to have progressed significantly. This sector needs a real recovery in order to support the national food-security strategy. Institutional reforms are also being consolidated, and the country is now enjoying an overall state of security.

Social reforms are moving along swiftly. Substantial progress is observed in the areas of human development (health and education) and in the fight against unemployment and poverty, which is encouraging with respect to Algeria's reaching the Millennium Development Goals. Generally speaking, access to basic education is performing well: the gross enrolment rate for mandatory schooling (6-12 years old) reached 111% in 2008. The health system is clearly improving despite the persistence of chronic and/or communicable diseases. Life expectancy at birth increased from 67.3 years in 1995 to 75.7 years in 2008, one of the highest levels in the region.

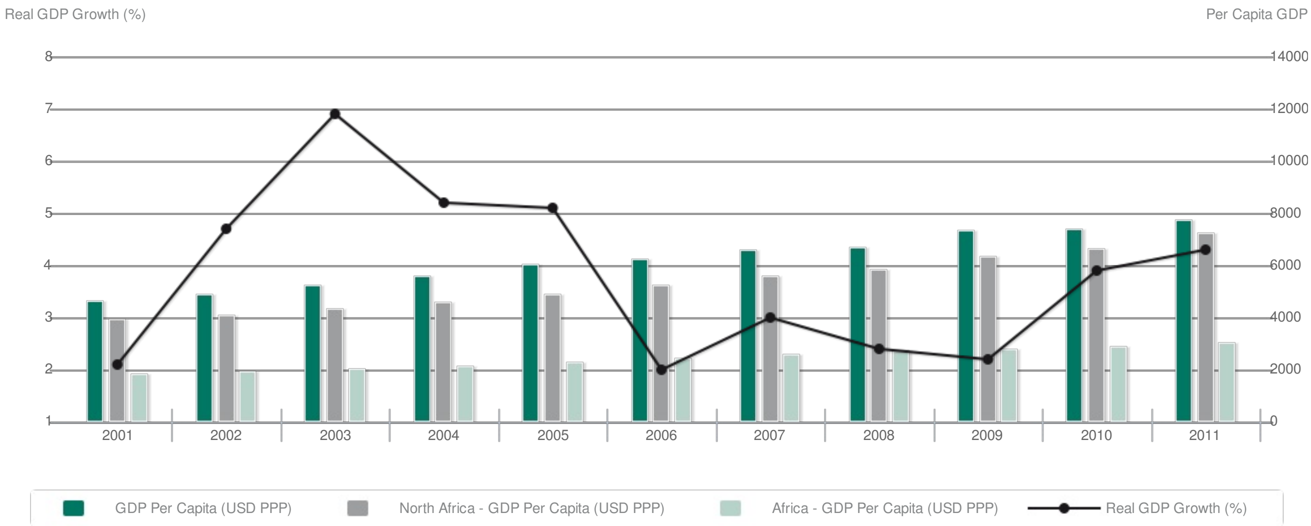
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.4	2.2	3.9	4.3
CPI inflation	3.9	5.7	3.4	4.5
Budget balance % GDP	6.0	-8.3	-6.3	-4.6
Current account % GDP	17.6	-3.1	4.9	5.2

Sources: Data from the Bank of Algeria and the National Office of Statistics, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855612715106

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/850450123372

Angola

Massive swings in GDP growth during 2008, 2009 and 2010 show that Angola's economy, despite encouraging non-oil sector growth, remains entirely beholden to global oil markets.

The new constitution, approved by the National Assembly in January 2010, abolishes direct presidential elections and concentrates even greater power in the hands of the presidency.

Comprehensive taxation reform, planned for 2010, is long overdue since the current tax system is over 30 years old, and pre-dates Angola's civil war.

Angola was hit hard by the collapse in oil prices in 2009. As one of the world's fastest growing economies prior to the global crisis, economic growth came to a standstill. The country suffered negative GDP growth of -0.6% in 2009. However, the economy is expected to pick up substantially in 2010, with growth rising to 7.4%, owing to projected high oil prices. Inflation remained high in 2009, at 14%, and is expected to edge up further in 2010 to 15%.

Angola's economy is, and will remain, extremely dependent on oil revenue. Nevertheless, the non-oil sector, expected to grow by 10% in 2010, has been growing faster than the oil sector for the third year running. This trend is encouraging for the country's most pressing issues: employment (especially for youth) and diversification of the economy. Non-oil economic growth is supported by the efforts made in infrastructure and by a resurgence of economic activity throughout the country. Nevertheless, Luanda still remains the economic and political hub of the country, accounting for 70-75% of economic activity and consumption.

The abrupt drop in oil prices, which started in late 2008, led to a considerable deterioration of the macroeconomic situation during the first half of 2009. The government, faced with plummeting revenues and an unfavourable imbalance in external accounts, implemented far-reaching fiscal tightening measures to cut spending and control the fiscal deficit.

Furthermore, monetary policy measures taken in reaction to the crisis – and the insistence on using foreign currency reserves to stabilise the kwanza against the dollar – led the country to an unprecedented liquidity crisis. The recovery in oil prices since mid-2009 has established conditions for a gradual normalisation in 2010. Nevertheless, monetary and fiscal tightening is expected to continue. The diversification of revenue sources continues to be the cornerstone to macroeconomic stability.

At the end of 2009, as a result of the crisis, the government sought the intervention of the IMF, which provided a 1.4 billion US dollar (USD) stand-by arrangement (SBA) to support Angola's balance of payments. The IMF later agreed to help raise a further USD 1 billion. The World Bank, Brazil and Portugal have all made commitments. But the Angolan government's attempt to issue USD 9 billion worth of sovereign debt in the international markets has run into some difficulty. To boost confidence from capital markets, Angola may acquire an investment rating from the main international ratings agencies.

It is hoped that the revenue crisis of 2009 will focus attention on the management of the country's resources. Reconstruction of Angola's infrastructure has proceeded at an impressive pace since the end of the decades-long civil war in 2002, but many projects have been of poor quality, with massive resources siphoned off through corrupt and inefficient procurement. Better management of Angola's public resources is necessary if the country is to avoid a replay of the liquidity crisis of early 2009.

The reform of Angola's constitution was approved by the National Assembly in January 2010. The new constitution removes presidential elections (the president instead being nominated as head of the ruling party) and replaces the prime minister with a vice-president directly under the president's authority. This will concentrate even greater power in the hands of the Presidency. The Presidency is now fixed to two five-year terms, opening the possibility for the current President to remain in power for another ten years should he choose to run for the seat.

In 2009, a new Ministry of Economy was established to manage Angola's economic planning headed by the respected Economy Minister Manuel Nunes Junior. The much-anticipated Angolan Sovereign Wealth Fund (*Fundo soberano angolano*), was also created at the end of 2009, under the same ministry.

President Eduardo dos Santos has announced a national campaign against graft and a few high-level officials have been indicted, but whether real steps are being taken to reduce corruption and opacity is unclear. Angola's economy remains highly concentrated in the hands of a small, extremely well connected political elite, and improvements will require huge efforts to strengthen institutions and increase transparency.

Preparation for the African Cup of Nations in January 2010 mobilised investment and may have contributed to overstretching the country's finances during an already difficult time. However, as the first important international event organised by Angola, the African Cup has been viewed as an important signal of the country's "coming out" on to the African and international stage. Unfortunately, the event was marred by the tragic attack on the Togolese team in Cabinda province, highlighting insecurity in the region.

Angola's main challenges are to manage its non-renewable national wealth more efficiently, and create jobs. Better management will require strengthening institutions and relaxing the tight grip of power, both political and economic, by the country's leadership. Angola's economy remains largely driven by public investment, which is marred by political patronage and corruption. Over the medium term, Angola's economy will need to rely less on public investment and more on private sector activity.

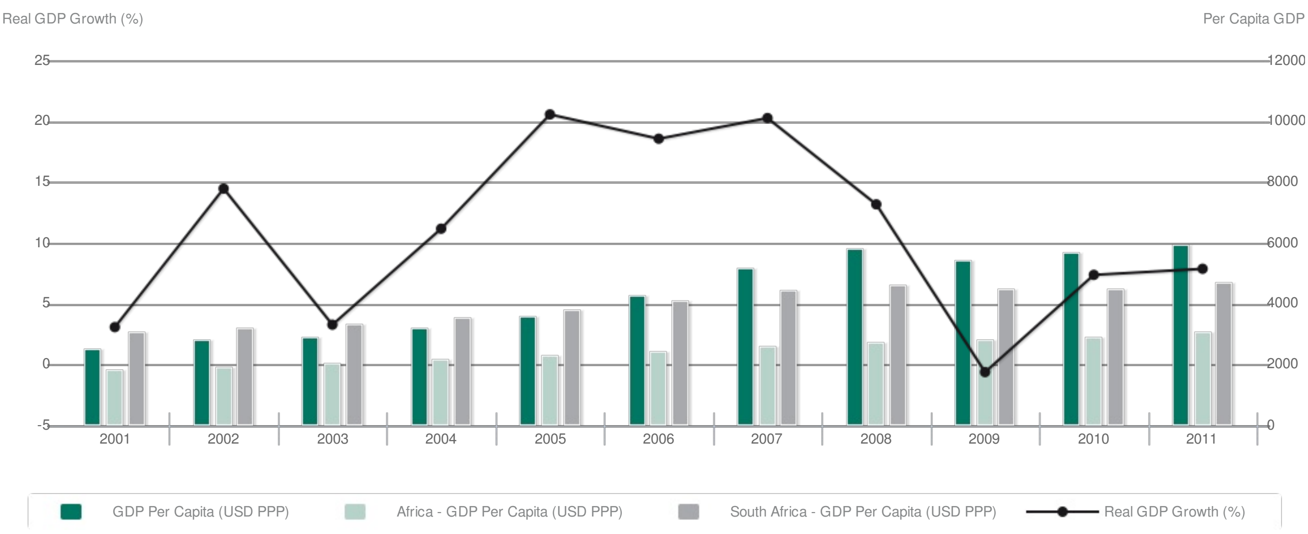
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	13.2	-0.6	7.4	7.9
CPI inflation	13.2	14.0	15.0	9.9
Budget balance % GDP	8.8	-7.7	-3.9	-1.7
Current account % GDP	7.5	-3.8	2.6	3.0

Sources: National authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855655888061

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/850522376226

Benin

After three years of a relatively upbeat economic and social situation thanks to an accelerating growth rate, Benin returned in 2009 to weak growth owing to the world financial crisis and the country's vulnerability to external shocks.

In the past several years, the government has initiated structural reforms in key sectors of the economy in an attempt to diversify sources of growth, but these reforms have not yet produced any significant results due to their slow implementation.

Mobilisation of resources, both internal and external, has improved since 2006, but the government is aware that work still needs to be done if the Beninese tax system is to be compatible with development policy, based on the private sector.

Benin is one of the few sub-Saharan African countries to have achieved a peaceful political transition at the beginning of the 1990s. The country adopted a new constitution in December 1990, thereby ending the Marxist-Leninist system that had prevailed since 1974 and replacing it with a democratic system. The country has experienced a relatively stable socio-political situation since then. The last presidential elections, which brought President Boni Yayi to power in April 2006, laid the foundations for an economic revival that continued into 2008. Growth slowed in 2009 as a result of the world economic crisis, however, and remained at 3% compared to the 4.5% average over the three preceding years.

Public finances were in a difficult situation in 2009 owing to the impact of the growth slowdown on fiscal revenue. The government pursued a counter cyclical policy, the implementation of which was accompanied by some lapses in budgetary procedures, mainly due to excessive usage of extraordinary expenditure procedures via payment orders. In addition, heavy social pressure drove the authorities to grant civil servants bonuses and other benefits in 2008 and the first half of 2009. The wage bill rose heavily in 2009, increasing the budget deficit. The government had to resort to various loans and other sources of finance, both internal and external, in order to cover its financial needs.

The government introduced a number of measures to limit the 2009 budget deficit starting in August 2009, pressed to do so as a condition for support it received from the International Monetary Fund (IMF). These measures, which are continued in 2010, concern both expenditure and revenue. They restrict the social benefits granted to civil servants, reduce expenditure on major public works, limit the use of payment orders to a strict minimum and accelerate the implementation of the emergency plans drawn up by the Directorate-General of Customs and the Directorate-General of Taxes to reduce fraud and tax evasion.

Encouraging results have been recorded in the social sphere with a reduction in the poverty rate from 37.4% in 2006 to 33.3% in 2008. Health and education services have improved overall, even if work still needs to be done to protect the most vulnerable against major endemic diseases such as malaria.

The medium-term economic and social outlook is relatively good as the effects of the world economic crisis are essentially only circumstantial. There will be an upturn in the situation over the next two years, although at a relatively weak level, with growth rates of 3.5% in 2010 and 3.8% in 2011. Growth should be stronger from 2012 onwards as a result of increased efforts to introduce key reforms, in particular regarding the Port of Cotonou, the business environment and the energy sector.

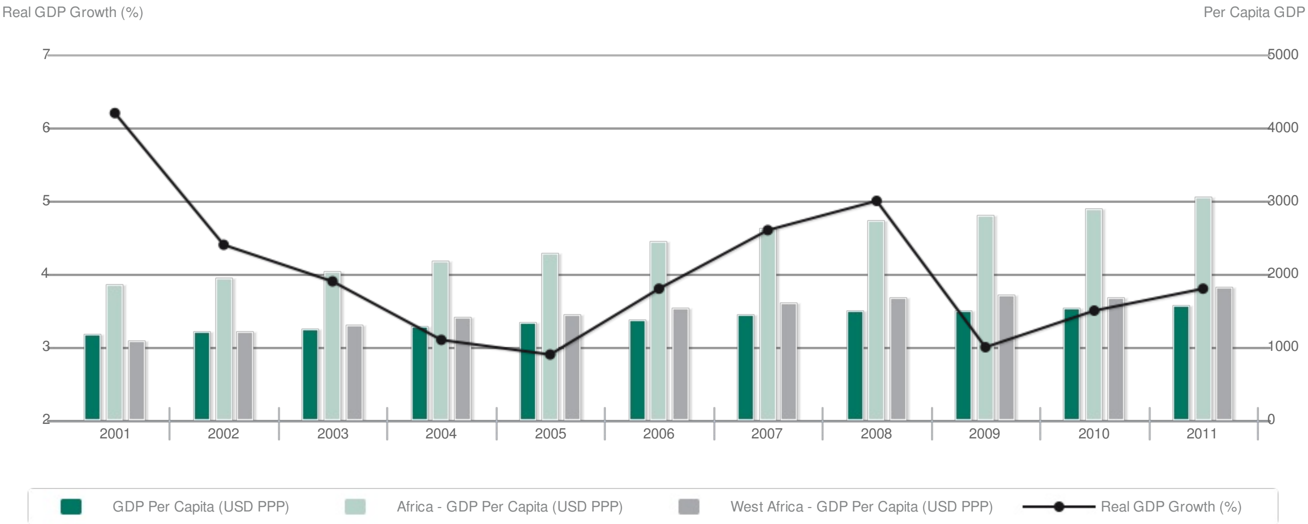
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.0	3.0	3.5	3.8
CPI inflation	7.9	4.1	3.3	3.0
Budget balance % GDP	-1.7	-2.4	-1.6	-1.3
Current account % GDP	-8.3	-10.0	-9.5	-9.6

Sources: National Institute of Statistics and Economic Analysis (INSAE); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855740305664

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Institute of Statistics and Economic Analysis (INSAE) data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Botswana

During the global crisis, Botswana's economy was hit hard by the collapse in demand for diamonds.

In the second quarter of 2009, Botswana returned to positive growth as mining production resumed.

The main challenge facing Botswana is diversification of its economy, still heavily reliant on mining.

The global economic crisis has had a devastating impact on Botswana's economy, mainly because of the latter's heavy dependence on the mining sector, which accounts for more than a third of gross domestic product (GDP), and particularly on diamond exports. The collapse in demand for diamonds forced operators to suspend mining activities in late 2008 and early 2009. In contrast, the non-mining sectors of the economy were less affected. Botswana's banking sector has only limited interactions with the international financial system and thus was insulated to some extent from the effects of the crisis, while other private sectors benefited from increased government spending. Nonetheless, the collapse of diamond production caused GDP to fall sharply in the first quarter of 2009. When diamond mining resumed in the second quarter, the economy picked up again, but owing to the sharp first-quarter decline, annual GDP for 2009 fell by an estimated 4% with respect to 2008. In 2010, the mining sector is expected to benefit further from the global recovery. At the same time, the government is starting to tighten spending in order to ensure long-term fiscal sustainability. The economy will thus begin to grow again with rates of 3.4% in 2010 and 3.1% in 2011, driven by mineral exports and services.

To mitigate the impact of the crisis, the government followed moderately anti-cyclical fiscal and monetary policies. On the fiscal side, since about two-thirds of government revenue stems from the diamond sector, the drop in diamond production led to substantial revenue losses. However, the fiscal surpluses recorded in previous years and ample foreign reserves enabled the government to continue the major spending programmes in the 2009/10 budget. Only a few development projects were cut or postponed as a result of the tight fiscal situation. The government thus avoided a pro-cyclical policy, which would have aggravated the recession, but at the cost of Botswana's first fiscal deficit since 2003: the budget balance deteriorated by about 10 percentage points of GDP, from a surplus of 5% of GDP in 2008 to a deficit of 5.4% in 2009. To finance its development projects, the government contracted a general budget support loan of 1.5 billion US dollars (USD) from the African Development Bank (AfDB) in 2009.

Monetary policy was eased by lowering the benchmark interest rate and increasing credit to boost economic activity in the non-mining sector. At the same time the monetary authorities sought to reduce inflation, which had reached the double-digit level. The drop in energy and food prices helped them to achieve this goal, and inflation fell below the 6% mark towards the end of 2009, thus entering the target range of 3-6%.

Recent policy initiatives undertaken by the government include the establishment of the Transport hub (one of six sectoral co-ordinating bodies, or "hubs", created to foster economic diversification and sustainable growth) to promote the construction of the Kazungula Bridge, the dry port at Walvis Bay, the trans-Kalahari railway and other projects. Major progress has also been made towards meeting the Millennium Development Goals (MDGs), particularly in health and education. On the negative side, the privatisation master plan of the Public Enterprise Evaluation and Privatisation Agency (PEEPA) has run into further delays.

Where resource mobilisation is concerned, Botswana's economic development has been financed by domestic resources rather than by capital or aid inflows from abroad. National saving has been relatively high and has steadily increased over the years, thanks to the robust growth in diamond revenue until the recent crisis and to the government's sustained effort to build up reserves by running fiscal and current account surpluses. As a result, national saving has not been a constraint on the financing of domestic investment. In future, however, capital inflows are likely to become more important as Botswana pursues economic diversification away from mining. The government recently announced a 2 percentage point increase in value added tax (VAT) in an effort to boost domestic revenue.

In addition to immediate revenue shortfalls, the Botswana economy is likely to face considerable economic challenges in the coming years. In the short term, policy will need to support the recovery until the world diamond market recovers fully. Structural problems need to be addressed to diversify the economy and foster growth potential. Despite many attempts over the years to upgrade the national skills base, the supply of skilled labour does not match the demand, which is a major hindrance to efforts to diversify the economy and move it into a higher growth path. As a result of the skills gap, vacancies for skilled labour cannot be filled, while at the same time unemployment is high, particularly among the young. According to a 2008 Central Statistics Office report, the unemployment rate in 2005/06 was over 60% among 15- to 19-year-olds and around 45% among 20- to 24-year-olds. The report also noted that these age groups were highly vulnerable to HIV/AIDS.

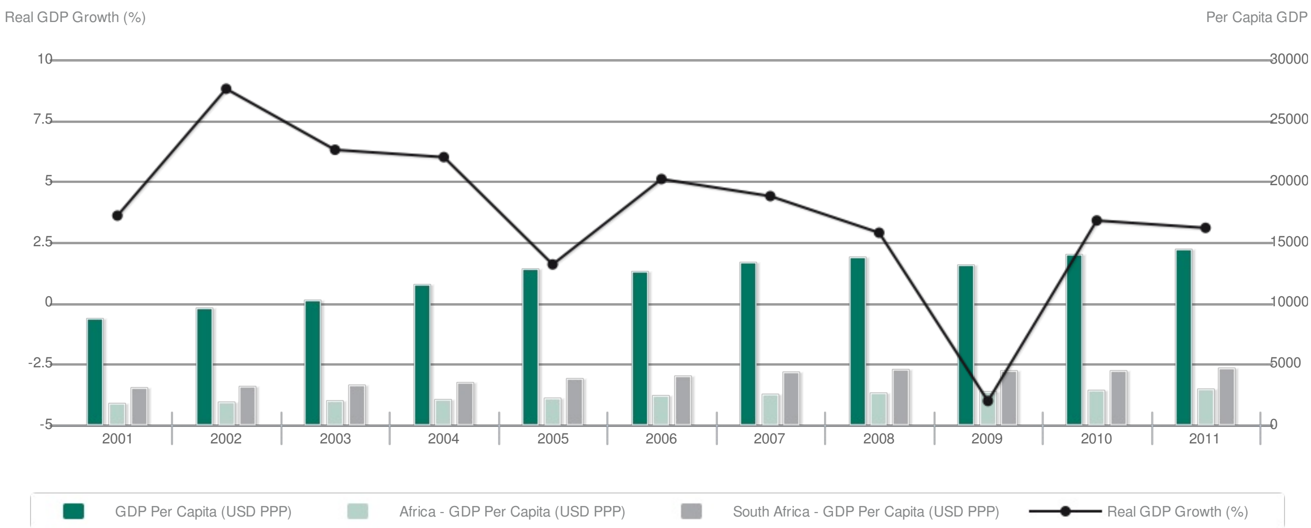
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.9	-4.0	3.4	3.1
CPI inflation	12.6	8.2	6.8	5.1
Budget balance % GDP	5.0	-5.4	-4.9	-4.8
Current account % GDP	6.3	-4.2	-4.4	-3.2

Sources: Data from Central Statistics Office, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/855854874038

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Burkina Faso

Burkina Faso's economy should grow more strongly in 2010 and 2011, with low inflation.

Growth will depend mainly on the food-crop and livestock sectors, as well as mining and transport.

The main challenges are poverty reduction, competitiveness and economic diversification to reduce dependence on cotton and gold.

Burkina Faso remains highly vulnerable to external shocks and adverse weather conditions, which increases the country's risk of debt overload. The economy is insufficiently diversified and heavily dependent on gold and cotton exports.

Despite the effects of the energy, cotton, food and financial crises, the economy registered positive growth in 2009 as real gross domestic product (GDP) expanded by 3%, down from 5.2% in 2008. Growth is projected to pick up again in 2010 and 2011, with rates of 4.4% and 5.2% respectively.

The economy is dominated by the primary sector and services. The primary sector (agriculture, livestock, forestry and fisheries) accounts for no less than 34.5% of GDP. It is followed by trade, transport and communications (17.1%). Manufacturing is not highly developed (12% of GDP), while the mining sector, although it has grown very strongly in the last two years, still accounts for only a small share of GDP (2.8%). Owing to the cotton sector's difficulties, gold has become Burkina Faso's leading export product. Gold accounted for 41% of total exports in 2009, and its share is projected to rise to 45% in 2010 and 55% in 2011.

The easing of political tension in neighbouring Côte d'Ivoire helped to boost the growth of the tertiary sector, which accelerated from 1.5% in 2008 to 2.5% in 2009. Trade and transport expanded respectively by 6.1% and 12.7% during the year. The financial sector, however, suffered from the effects of the global crisis.

Despite the inflationary pressures observed early in the year, inflation was held in check in 2009 thanks to the easing of oil and food prices. This trend should continue in 2010 and 2011. The inflation rate, estimated at 2.8% in 2009, should remain under 3% over the forecast period.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.2	3.0	4.4	5.2
CPI inflation	10.7	2.8	2.6	2.5
Budget balance % GDP	-4.4	-5.6	-4.7	-4.5
Current account % GDP	-11.8	-7.9	-7.4	-6.7

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

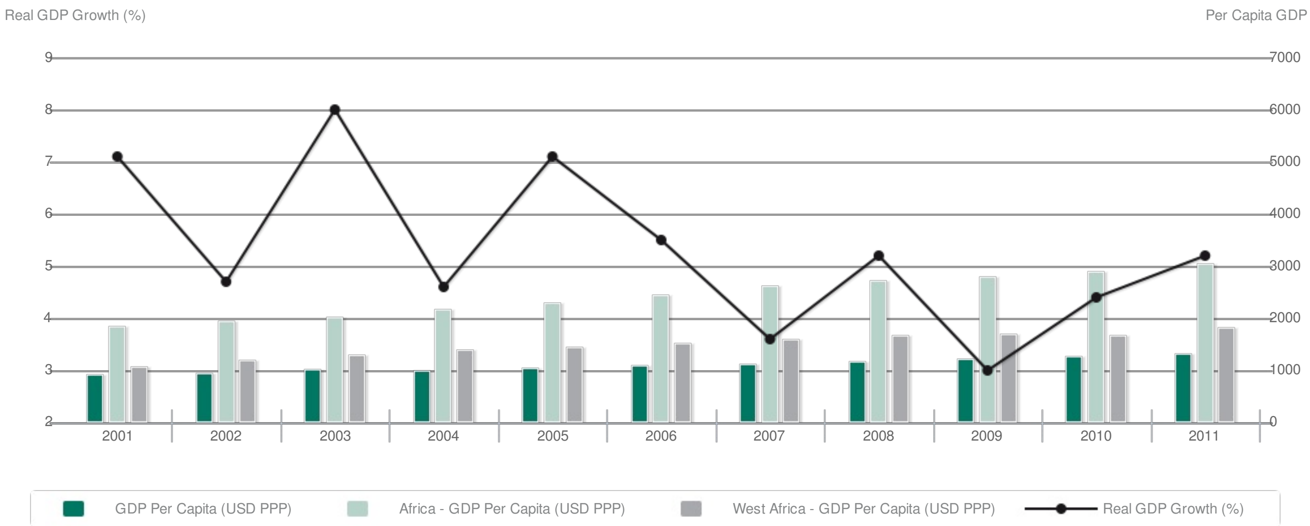
StatLink http://dx.doi.org/10.1787/856120603584

The business environment has improved, but private sector development is still hampered by shortcomings in contract enforcement, investor protection, taxation and access to credit. Burdensome formalities for cross-border trade were another obstacle. The level of tax revenue is low, estimated at only 11.5% of GDP in 2009, as against the West African Economic and Monetary Union (WAEMU) standard of 17%. As a result, it is difficult to implement development programmes.

The economy's lack of competitiveness is due to high production costs. The disadvantages of Burkina Faso's landlocked situation are compounded by the inadequacy of its infrastructure and public services. Improvements are needed in contract enforcement and investor protection, as well as cross-border trade, taxation and access to credit.

Poverty remains endemic, despite the country's good economic performance and the improvement of social indicators. In 2008, 42.8% of the population was still living below the poverty line. The poverty situation is exacerbated by the difficulties of the cotton sector, which are hurting small growers, and by the fact that 80% of the population lives in rural areas.

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/850778738614

Burundi

The year in 2009 was marked by a fall in production, ongoing world financial crisis and deteriorating macroeconomic indicators, with the exception of the inflation rate, which was contained to its 2007 level.

In order to achieve sustainable development, the government must introduce structural reform to support the private sector in both real and financial terms, improve public services to attract domestic and foreign investment, protect the environment and natural resources, and combat the informal economy and unemployment.

Finally, irrespective of whether the envisaged policies are economic or structural, vast financial resources will have to be raised via sufficient direct and indirect taxation, so that fiscal revenue is maximised without impeding the development of taxpayers.

The Burundian economy witnessed a contraction in growth in 2009. The rate of real gross domestic product (GDP) growth fell from 4.3% in 2008 to 3.3% in 2009. The main causes were: *(i)* the ongoing effects of the international financial crisis; *(ii)* the drop in coffee and food crop production; and, *(iii)* reduced industrial production, mainly in the sugar sector. Although production in the tertiary sector expanded by almost 12%, this was not sufficient to stem the downward trend in GDP growth. In Burundi, as in many developing economies, the primary sector plays a central role in economic growth.

The demand components all had a positive influence on growth in 2009. The private sector's contribution to gross capital formation increased considerably more than that of the public sector, owing to the increased share of private enterprise in investment and national production. Public investment continued to make the largest contribution to growth, however. Final consumption added 2 percentage points to growth. The growth in public consumption is mainly due to the increase in the civil service wage bill. Foreign trade made a positive contribution to growth of 0.4 percentage points, owing mainly to a proportionally greater rise in exports than imports.

The budget deficit deteriorated in 2009. The overall balance as a share of GDP went from -3.1% in 2008 to -4% in 2009. This rising deficit is due to the government's 2008 commitment to increase the salaries of various sections of the civil service. While overall revenue increased in volume, it decreased as a proportion of GDP from 30.3% in 2008 to 26.8% in 2009.

In terms of monetary policy, with a view to containing inflationary pressures, the authorities committed to maintaining relatively moderate monetary growth and refinancing rates as well as a stable nominal exchange rate. Although the foreign exchange market determines the exchange rate, the central bank retains a certain level of control in terms of fixing the amount of foreign exchange made available to financial institutions.

The external position is improving. Interest payments on public debt were under control in 2009. Burundi has reached the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative, thereby achieving cancellation of an important part of its multilateral debt. The government's policy is to reduce public debt as much as possible by relying more on non-interest bearing grants or highly concessional loans.

Private sector development is hindered by an unfavourable business environment. The *Doing Business* and *Global Competitiveness* reports classify Burundi as one of the countries where it is most difficult to start up a business and where investment, production and commerce are most hindered by the political and institutional environment.

Other recent developments have been noted in the financial sector, in public sector reform, in infrastructure, in the management of natural resources and in reform of the agricultural sector. The financial sector was characterised in 2009 by the liberalisation of the refinancing system of second-tier financial institutions.

Public sector reforms introduced in 2009 were essentially institutional in nature, for example the adoption of a strategy and action plan to improve the management of public finances, the proclamation of a public procurement code, the census of civil servants and those working in the police service and the armed forces, the closure of off-budget accounts, and many others.

As far as infrastructure is concerned, the upgrade of the capital city Bujumbura's motorway network continued and the road linking the provinces of Gitega and Karuzi was finished. Studies were carried out on future routes, mainly the Gitega-Ngozi axis and the nationally important Ruhwa-Cibitoke-Rumonge-Makamba highway.

The main environmental management initiatives carried out in 2009 concerned environmental education and reforestation. A land tenure policy paper was adopted in 2009 that aims to resolve land ownership conflicts and modernise agricultural production.

Mobilising domestic resources is at the heart of all economic and even structural policies in Burundi in that the country has to rely on its own resources in order to finance development. In 2009, this was focused on applying common external tariffs, replacing transactions taxes with value added tax (VAT), creating a one-stop shop for large enterprises to facilitate payments and the establishment of the Burundi Revenue Authority, which should start operating properly in 2010.

The political situation in 2009 was characterised by increased concerns and demonstrations relating to the elections in 2010. The general political instability index increased from 2.0 in 2008 to 3.7 in 2009.

Finally, the situation in terms of social context and human resource development was one of continued poverty in various forms such as low income per capita, a low primary schooling rate and an infant mortality rate that remains very high.

Human development policies were continued in 2009 with measures relating to universal primary education, free health care for children aged less than five years and free maternity delivery services.

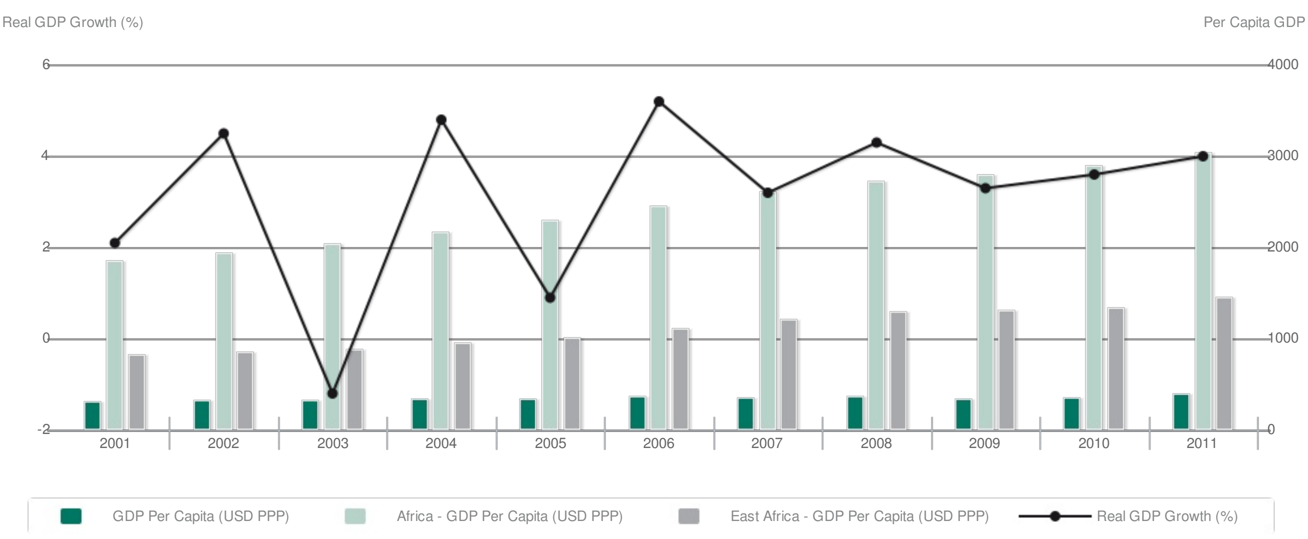
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.3	3.3	3.6	4.0
CPI inflation	24.5	8.3	8.3	7.0
Budget balance % GDP	-3.1	-4.0	-5.1	-7.7
Current account % GDP	-19.1	-12.9	-13.4	-12.5

Sources: Data from Burundi Institute of Statistics and Economic Studies and Bank of the Republic of Burundi; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856324611438

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Cameroon

The Cameroonian economy is less vulnerable to external shocks.

Efforts to boost agricultural output must be accompanied by a programme to develop transport infrastructure.

Informal sector businesses must be brought into the formal system to increase the tax take.

The growth rate of the Cameroonian economy slowed from 2.9% in 2008 to an estimated 2% in 2009. This slowdown can be attributed to the deterioration of the trade balance, the sluggish international economic climate and the country's increasing fiscal difficulties due to the combined effects of the global economic and financial crisis, the food crisis and the energy deficit. The government has taken emergency measures to stimulate the agricultural sector, assigning priority to products such as maize, rice, manioc, potatoes, palm oil and plantains. Given the signs of recovery observed in developed countries, real gross domestic product (GDP) growth is projected to rise to 3.5% in 2010 and 4.6% in 2011. According to projections, the improving international environment should strongly boost world demand and thus stimulate commodities exports from developing countries.

On the supply side, the main growth drivers in 2009 were agriculture, construction and telecommunications services. On the demand side, growth was led by domestic demand, particularly household consumption, which was spurred by the increases in civil service pay and staffing since 2008.

The government recently prepared a long-term development strategy known as Vision 2035. In late 2009, to cover the first ten years of this strategy, it adopted a Growth and Employment Strategy Paper (GESP), which will serve as a framework for its activities in 2010-20. The GESP focuses on boosting growth, creating formal sector jobs and reducing poverty. Specifically, it sets the following targets: *i)* raising the average annual growth rate to 5.5% over the 2010-20 period; *ii)* cutting the underemployment rate from 75.8% to under 50% in 2020 by creating tens of thousands of formal sector jobs annually for the next ten years; and *iii)* reducing the monetary poverty rate from 39.9% in 2007 to 28.7% in 2020.

Where public finances are concerned, the government is directing its efforts to increasing non-oil revenue in order to reduce the economy's vulnerability to oil price volatility. Its programme for 2009 and 2010 calls for continued mobilisation of non-oil revenue by broadening the tax base, the idea being to increase the tax yield by bringing new taxpayers into the system. The government is also seeking further improvement in the expenditure process and fiscal transparency.

Monetary policy focused on monetary stability and on management of bank liquidity through the refinancing policy (which acts on the supply of central bank money) and the imposition of mandatory reserve requirements (which act on demand for central bank money) to ensure bank discipline.

The inflation rate rose to 3.2% in 2009, fuelled by a surge in food prices on the local market. The latter was due to domestic and subregional demand for food exceeding the supply and to market supply difficulties.

The current account remained in deficit, at -3.7% of GDP, reflecting the impact of the international crisis on the country's trade and the structural deficit in the services and factor income balances.

On the reform front, the government appointed a new management team for the national airline, another step in the process of rendering it operational. Other measures are aimed at improving the business environment, in response to Cameroon's disturbingly low ranking in the World Bank's *Doing Business 2010* report.

In the political sphere, the government continued its crackdown on corruption, as well as its efforts to set up and modernise the authority responsible for organising, managing and supervising the entire electoral and referendum process. A new government was also formed in 2009.

The government continued its efforts to enhance the supply of health care, education and employment. In education, the construction of new schools and universities, including the University of Maroua, has helped to raise the enrolment and literacy rates. In the health sector, new hospitals have been built and more persons living with HIV/AIDS are under treatment, which has reduced the incidence of this disease in Cameroon.

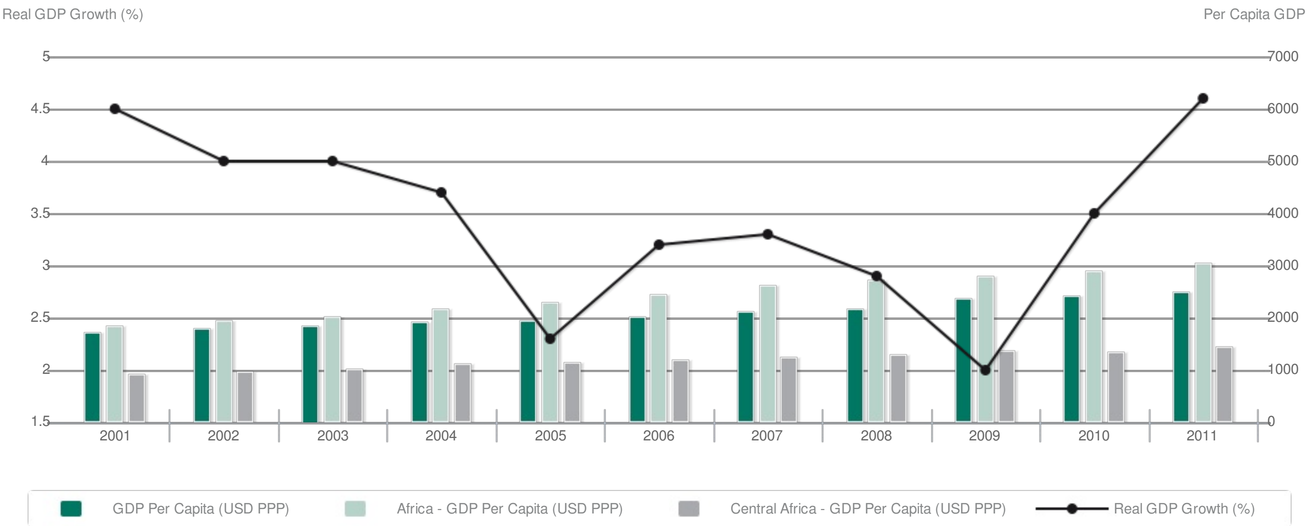
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.9	2.0	3.5	4.6
CPI inflation	5.3	3.2	2.2	1.9
Budget balance % GDP	2.3	1.6	0.7	0.2
Current account % GDP	-2.3	-3.7	-3.8	-5.4

Sources: Data from INS, Ministry of Finance and Economy Data, BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856413578465

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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Cape Verde

Cape Verde suffered from a fall in tourism, construction and foreign direct investment in 2009 in the wake of the global financial crisis, but economic growth has resumed thanks to the government's fiscal package and the recovery of tourism.

The 2008 graduation of Cape Verde from the status of Least Developed Country to Middle Income Country challenges a country still dependent on official development assistance flows and concessional loans to make the structural reforms and investments necessary to become a sustainable economy.

Thanks to the 2004 introduction of VAT, indirect tax revenues account for almost half of total tax revenues, while import taxes - still representing one-fifth of total tax revenues - are set to fall to zero by 2018.

Cape Verde's economy was adversely impacted by the global financial crisis with its gross domestic product (GDP) growth rate contracting to 3.9% in 2009 from 5.9% in 2008. Growth decreased owing to the fall in tourism, construction, and foreign direct investment (FDI), but by late 2009 both tourism and construction had started to recover and FDI flows stabilised. Remittances remained fairly constant and even rose by 1.7% in 2009.

To counter the impact of the crisis, the government expanded its public investment programme (PIP) by 45.5%. Private and public investments are expected to increase in 2010-11, with the economy recovering to 2008 GDP growth rates. Inflation decreased substantially in 2009 to 2.2%, down from 6.8% in 2008, but is expected to increase slightly in 2010-11 because of the rise in international prices, and in imports, with the pick-up in tourism.

The overall fiscal balance widened considerably from 1.1% of GDP in 2008 to 6% in 2009, and is expected to remain high in 2010, though within the International Monetary Fund (IMF)'s Policy Support Instrument (PSI) target. International reserves remained above the PSI target, since the deficit was fully financed by external borrowing, mostly concessional. Cape Verde also received a Special Drawing Rights (SDR) allocation. Donor budget support continued to be high – 8.5% of the budget in 2009.

In 2008, Cape Verde graduated from Least Developed Country (LDC) status on the United Nations' (UN) scale to Middle Income Country (MIC). The African Development Bank (AfDB) adopted this decision in 2009 since it uses the same classification. This change in status prompts Cape Verde to transform donor-beneficiary relationships with traditional foreign partners into a framework of economic co-operation and to diversify its partnerships, in particular with other developing economies. The short-term outlook on financing is positive. In December 2009, the IMF completed the 7th PSI review approving the country's policies: an important signal for donors, development banks and markets. It reached an agreement for many concessional loans in 2009, being no longer eligible after 2013.

The transition from LDC to MIC presents challenges because Cape Verde is highly dependent on official development assistance (ODA) and concessional loans. Becoming a sustainable economy will require significant structural reforms and investments. Cape Verde aims at becoming an international hub in different areas. In particular, in transport services given its strategic position between America, Europe and Africa and its air connections between Senegal and Guinea Bissau; in financial services and Information and Communication Technologies (ICT) for off-shoring; maritime services through its ports and fish processing; culture, with its music, theatre festival, traditional dance, and the historical heritage of *Cidade Velha*, which was inscribed in UNESCO's World Heritage List in June 2009. The government is engaged in a medium term aggressive PIP with a budget increase in the 2008–11 Growth and Poverty Reduction Strategy Paper (GPRSP-II) from 16 billion Cape Verde escudos (CVE) in 2008 to CVE 24 billion in 2009 and CVE 31 billion in 2010.

The government of Cape Verde is promoting the private sector by easing the process of starting a business and paying taxes. It has reduced direct tax rates for firms and is implementing a reduction of tax rates on imports starting in 2010. They will gradually decline to zero by 2018 in compliance with World Trade Organization (WTO) guidelines. The country strongly supports an innovative e-government system and is diversifying energy production, turning to renewable sources of energy to reduce its oil dependence.

Poor infrastructure between and within islands remains the major constraint for the development of Cape Verde's economy even though the country has made progress on road and ports expansion, maritime transportation and electricity distribution.

The political and social contexts remain positive in Cape Verde. A large number of the UN Millennium Development Goals (MDGs) have been achieved: the percentage of poor people was almost halved between 1990 and 2007. Efforts to develop coordinated plans for education, employment and professional training seek to match job skills with job vacancies and thus decrease unemployment, which is 17.8%. Among young people, the rate is a worrying 31%.

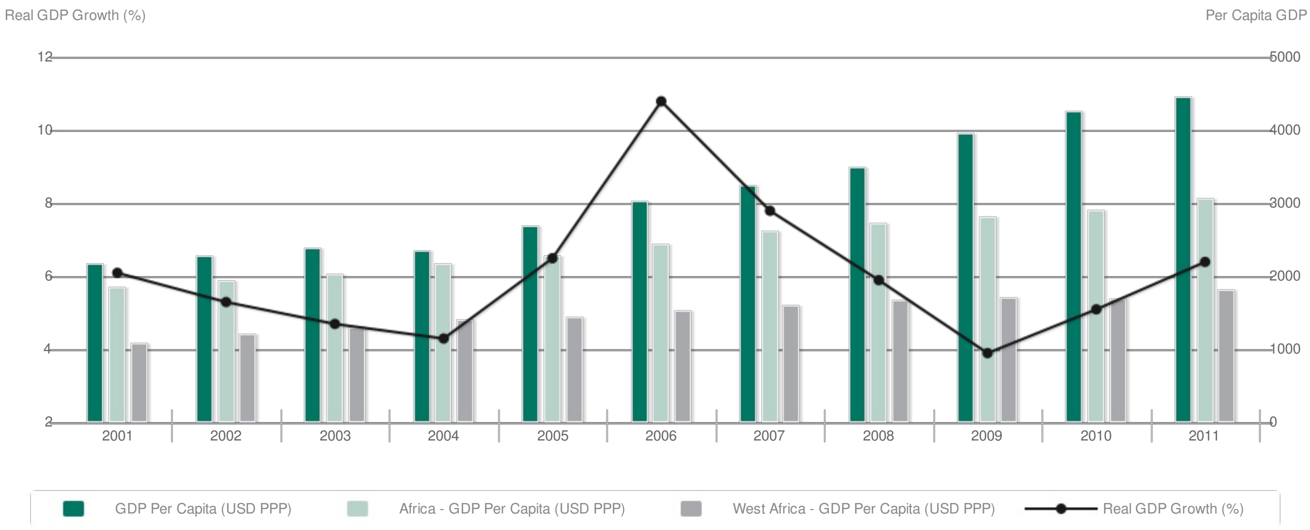
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.9	3.9	5.1	6.4
CPI inflation	6.8	2.2	2.5	2.7
Budget balance % GDP	-1.1	-6.0	-9.5	-9.3
Current account % GDP	-11.7	-12.0	-10.2	-11.0

Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856552166642

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851084585500

Central African Republic

The economy is still feeling the effects of the external and internal shocks that slowed growth in 2009, boosted inflation and undermined the current account.

Macroeconomic management remained steady and satisfactory. The country reached completion point in the Heavily Indebted Poor Countries Initiative in 2009 under the IMF-sponsored poverty reduction programme, strengthening the foundation of a gradual economic revival in 2010.

Taxation remained low despite better management of public finances. Increasing revenue should be a priority of the structural reform programme.

After a gradual economic recovery in 2004 once political peace returned, the country experienced internal and external shocks that disrupted prospects for growth. Real gross domestic product (GDP) advanced by an estimated 2% in 2009.

Despite the shocks, which also increased inflation and eroded the current account, the Central African Republic (CAR) maintained steady macroeconomic management. The 2007-09 poverty reduction and growth facility (PRGF) agreed with the International Monetary Fund (IMF) produced satisfactory results and helped lay the basis for gradual medium-term economic recovery, which appeared to be starting in 2010. GDP growth should improve to 3.4% in 2010 and 4% in 2011. Inflation fell to 3.8% in 2009 (from 9.3% in 2008) and should be about 2.6% in 2010 and 2.3% in 2011. The current account deficit began to ease a little in 2009, to 9.2% of GDP (from 10% in 2008), but a return to pre-crisis figures will take time.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.8	2.0	3.4	4.0
CPI inflation	9.3	3.8	2.6	2.3
Budget balance % GDP	-0.4	0.1	0.5	0.0
Current account % GDP	-10.0	-9.2	-9.1	-9.4

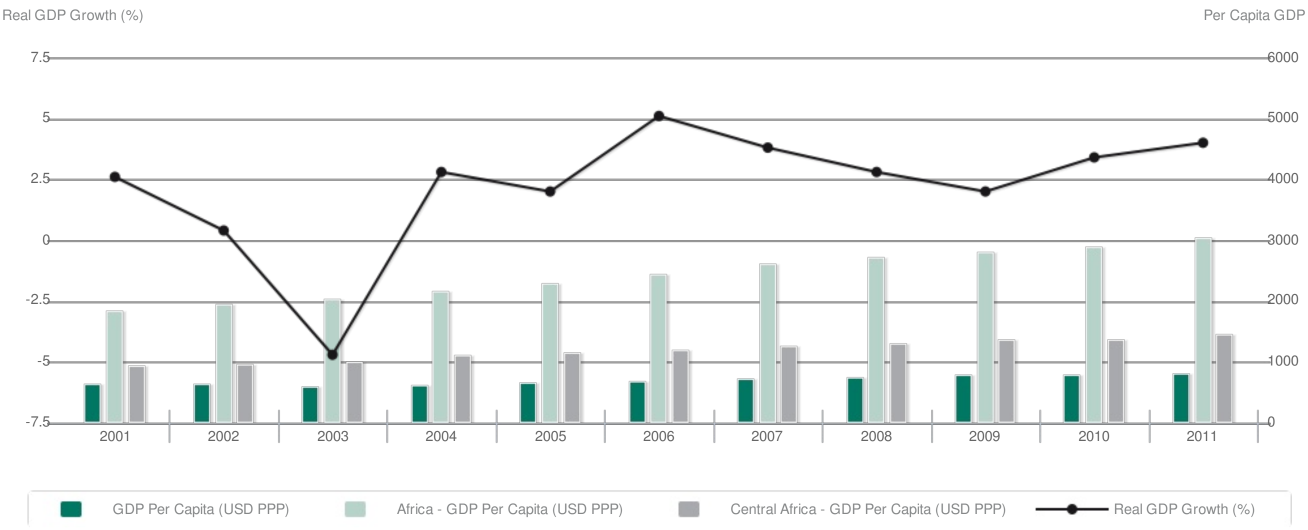
Sources: Data from IMF, Central Bank of Central African States (BEAC) and national authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856624171427

The government made significant public sector reforms, especially in public finance management. It continued its budget policy of raising domestic revenue, curbing expenditure, clearing debt arrears and strengthening confidence in public finance management. The tax burden, 7.7% in 2009, was still well below the 12.9% target set in the government's 2008-10 poverty reduction strategy paper (PRSP). The main obstacles to raising more revenue are the weak and complicated tax system, which is poorly run with inadequate inspections and collection. The government and its development partners drafted an overall public finance reform programme in 2009 with a priority of collecting more revenue. The IMF-backed tax reform will be a key structural aspect of the sixth PRGF review in 2010.

The country's long-term development will depend on how the structural obstacles of poor institutional capacity, infrastructure, public security and business climate are tackled. The government should encourage the private sector and spend more on modernising economic infrastructure, especially concerning energy supply.

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Chad

Thanks to the new investment in the oil sector that began in 2009 and the relatively good outlook for the climate, the outlook for growth and agricultural production for 2010 and 2011 is encouraging. Inflation, meanwhile, should be largely kept under control.

The absence and lack of quality of basic infrastructure are an obstacle to the development of trade and growth in the private sector as a driving force of economic and social development.

The lack of compliance with state tax obligations is mainly due to the difficulties with co-ordination between the main financial authorities, in particular the inland revenue, customs and excise, the oil-tax department and the treasury.

The year 2009 was marked by a slight decrease in economic activity owing to poor performance in the agricultural sector and the continuing effects of the international financial crisis on the economy. This resulted in total real gross domestic product (GDP) decreasing by 0.8%. Inflation accelerated and reached a yearly average of 10.5% by end-December 2009 owing to an increase in money supply and a weakening in agricultural yields. For 2010/11, government policy aims to keep average annual inflation within the regional target of 3% set by the Central African Economic and Monetary Community (CEMAC). The international financial crisis led to a depreciation in the country's fiscal and external position in 2009.

The overall fiscal balance (commitment basis, including grants) fell to -10.8% of gross domestic product (GDP), while the current account balance fell to -31.8%. With an economic recovery expected to begin in 2010, the overall fiscal balance could reach -9.6% of GDP in 2010 and -11.6% of GDP in 2011. The current account balance could fall slightly to -26.7% of GDP in 2010 before recovering to -22.8% of GDP in 2011.

Concerning the mobilisation of domestic resources and grants, total government revenue during the 2000-09 decade accounted for the equivalent of 25.7% of non-oil GDP, with tax revenue accounting for 19.8% of non-oil GDP and non-tax revenue (essentially grants, including official development assistance) accounting for 6%. Government revenue has increased, with the ratio of total revenue to non-oil GDP having risen from 12.3% in 2001 to 51.3% in 2008. This development reflects Chad's commencement of oil production in 2003, at which point corporate tax on the oil consortium companies was introduced. Since 2006, this tax has provided more than 50% of tax revenue.

The Chadian government has continued its talks with the opposition. An electoral commission, the *Commission électorale nationale indépendante*, was set up in July 2009. The commission is composed of 15 members of the political parties that form the presidential majority and 15 members of opposition parties. An agreement in principle has been reached for parliamentary elections to be held in 2010 and presidential elections in 2011. This agreement was the direct result of dialogue between the governing parties and the opposition in accordance with the 13 August 2007 agreement to strengthen the democratic process in Chad.

The government has committed to devote a larger portion of public expenditure to promoting the social sectors. The aim is to increase the proportion of resources allocated to health and education for the 2009-11 period. Spending on health could thus rise from 14.6% to 15%, while spending on education could rise from 5.6% to 7%. Nevertheless, these additional resources seem to fall short of the levels necessary to deal with recent socio-political events in the country. On the Human Development Index (HDI), Chad was ranked 175th among 182 countries in 2009, while on the Human Poverty Index (HPI), which was analysed as part of the United Nations Development Programme (UNDP) *Human Development Report*, it was ranked 132nd out of 135 developing countries.

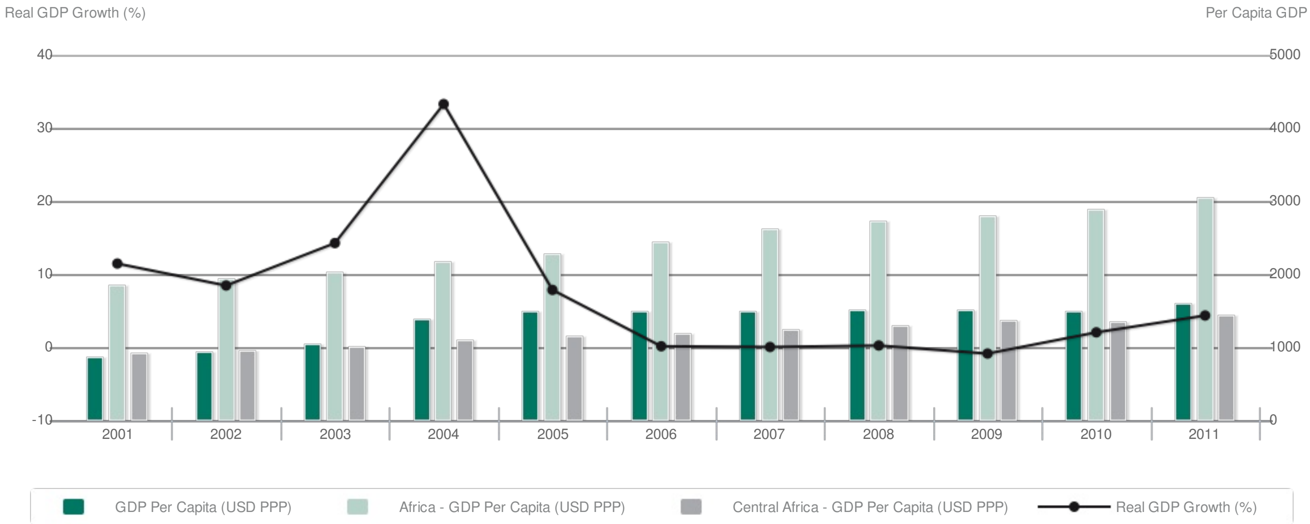
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	0.3	-0.8	2.1	4.4
CPI inflation	8.3	10.5	3.0	3.5
Budget balance % GDP	5.2	-10.8	-9.6	-11.6
Current account % GDP	-10.3	-31.8	-26.7	-22.8

Sources: Data from IMF, BEAC and national authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856705581215

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and National Institute of Statistics, Economic and Demographic Studies (INSEED) data
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851255687477

Comoros

The economy stagnated in 2009 as the global recession delayed foreign investments in tourism.

Private sector development is hampered by a poor business environment and underdeveloped infrastructure.

Reforms are in progress to revise the tax code, widen the tax base and boost revenue collection.

The Comoros economy continued to stagnate in 2009, with real gross domestic product (GDP) growth estimated at 1.4%. The world recession affected the country mainly by delaying foreign direct investment (FDI) in the tourism sector. Remittances declined slightly, while aid decreased sharply to its 2007 level, after the historical high of 2008.

The secondary sector suffered from frequent power shortages during the first half of the year. Services and retail commerce were affected by the crash of a Yemenia flight in June, which reduced the flow of returning migrants and resulted in the cancellation of some of the immense traditional wedding ceremonies known as *grands mariages*, which are typically associated with a significant boost in local production.

The government managed to increase tax collection slightly, from 10.8% of GDP in 2008 to 11.3% in 2009, and to reduce the public wage bill and other expenditures. A reduction in development aid was accompanied by a contraction in public investment, as the overall fiscal deficit shrank to 1.5% of GDP. The budget was under stress, however, with the accumulation of six months of public sector wage arrears. Reforms are needed to computerise revenue collection and the expenditure process and to boost collection capacity. A reformed tax code is expected to eliminate some of the current distortions within the forecast period.

Monetary policy is constrained by the fixed parity with the euro (EUR). Inflation, which is mostly imported, stood at 4.5%. The effect of lower oil and food prices was partly offset by an increase in transportation costs due to the international crisis.

The current account deficit improved from 11.8% of GDP in 2008 to 8.6% in 2009. The change was driven by lower prices for imported oil and food products and by increased exports of vanilla and cloves.

In 2009, key agreements were signed with the International Monetary Fund (IMF) to activate a Poverty Reduction and Growth Facility (PRGF), and European countries belonging to the Paris Club agreed to reduce the service on their outstanding loans. In addition, a Poverty Reduction Strategy Paper (PRSP) was approved in December. If Comoros respects the conditions associated with these agreements, it may be able to reach the decision point for debt cancellation under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative. At the same time, increased investment and bilateral debt cancellation are expected from Arab countries.

Private sector development is constrained by lack of progress in the business environment and by poor infrastructure development. In 2009 the government established a national agency for investment promotion and a one-stop shop for import and export, but these institutions are not yet fully functional. Some progress was made in financial sector development, with the opening of a third commercial bank and innovations for the direct transfer of migrants' remittances to Comorian bank accounts.

Power supply is unreliable, and prices for electricity and telecommunications are among the highest in Africa. Efficiency gains are expected from the privatisation of power and telephone utilities, but the timeline for these privatisations is still unclear. A second mobile telephony licence has been awarded, and competition is expected to start in 2010. The East Africa Submarine Cable System (EASSy) fibre-optic cable landed on Grande Comore. Intra-island telecommunications backbones and inter-island connections are expected to be operational over the forecast period.

Political stability has improved since the landing of African Union troops ended the latest separatist attempt by Anjouan in 2008. A constitutional reform approved by referendum in 2009 clarifies the separation of roles between the Union and island governments, strengthening the federal president and parliament and eliminating some of the overlapping competencies that have been blocking the decision-making process.

Over the forecast period, the reforms associated with the PRSP, in particular those concerned with government capacity and an enabling business environment, are expected to raise real annual GDP growth from the current 1.4% to 3.3%. This growth will initially be driven by infrastructure investment, which is expected to give new dynamism to agricultural production, fisheries and tourism.

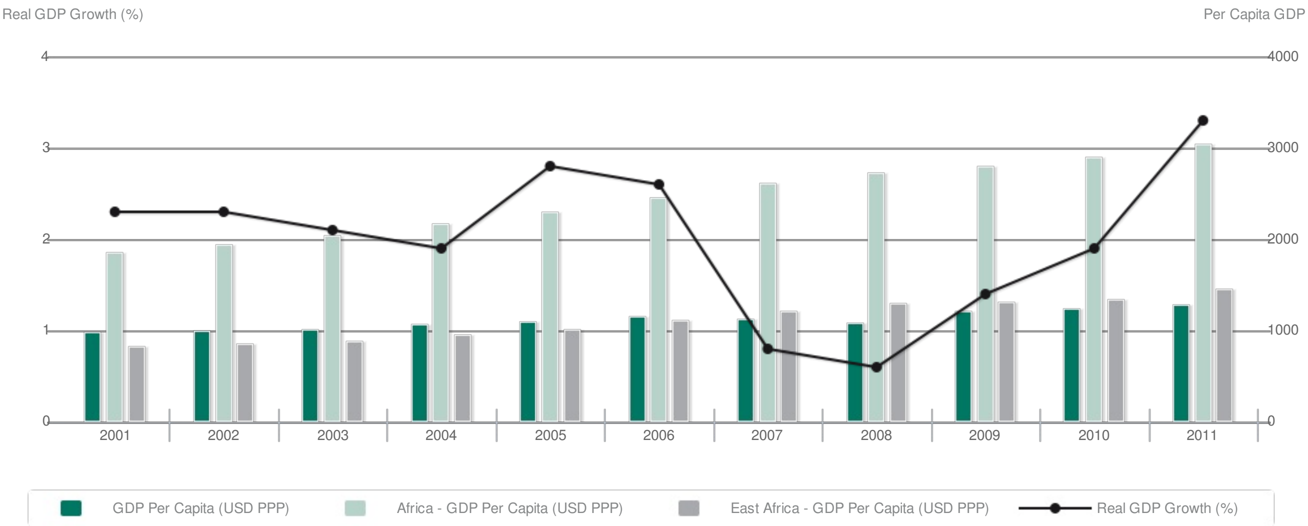
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	0.6	1.4	1.9	3.3
CPI inflation	4.8	4.5	2.3	3.4
Budget balance % GDP	-2.6	-1.5	-1.6	-1.4
Current account % GDP	-11.8	-8.6	-8.9	-9.8

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/856812312244

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851320273821

Congo, Democratic Republic

The economy grew 2.5% in 2009.

The macroeconomic structure came under great strain from the world recession.

The country may reach completion point under the Heavily Indebted Poor Countries Initiative by June 2010 and so qualify for the Multilateral Debt Relief Initiative.

Economic growth in the Democratic Republic of Congo (DRC) slowed to 2.5% in 2009 (from 6.2% in 2008) owing to structural problems and the effects of the world economic and financial crisis. It mainly affected the country through shrinking trade and foreign direct investment (FDI) because of lower world demand and a drop in prices for the DRC's main exports. Growth should recover to 6.5% in 2010 and 8.8% in 2011 as the world economy picks up, debt relief is granted, reforms are made and an agreement with China to build infrastructure in exchange for mining concessions to a Chinese-led consortium goes ahead.

The macroeconomic structure came under great strain in 2009 because of the international recession. The trade deficit grew, government revenue fell, the central bank had to finance the budget deficit, the Congolese franc (CDF) lost 45.2% of its value against the US dollar (USD) and inflation averaged 44% over the year. The government tightened the budget to restore macro-economic stability and, with foreign help and spending cuts, the public deficit was reduced by the end of the year.

The government made various reforms and took steps to improve the business climate, setting up a "Doing Business" steering committee. Great progress was made towards joining the African Business Law Harmonisation Organisation (OHADA).

Mobilising domestic resources remains a big challenge for the government. Public revenue greatly increased between 2001 and 2009 but not enough to meet spending and development needs. Tax collection and management is well below capacity and held back by major structural flaws.

The government signed a new agreement with the International Monetary Fund (IMF) in December 2009 under the Extended Credit Facility (ECF) after amending its agreement with China. The DRC may reach completion point under the Heavily Indebted Poor Countries (HIPC) Initiative by June 2010 and so qualify for the Multilateral Debt Relief Initiative (MDRI).

The political and social situation was calmer in 2009 but remains fragile. Violence continues to plague the east of the country, especially targeting women, despite peace agreements and joint operations by Congolese, Rwandan and Ugandan troops to hunt down remaining rebels. The leadership of the national assembly had to be changed because of disagreements over the military operations.

The DRC strengthened its position internationally and in regional organisations.

The economic crisis made life tougher for the population and the chances of achieving the Millennium Development Goals (MDGs) by 2015 faded. Employment and food supplies shrank.

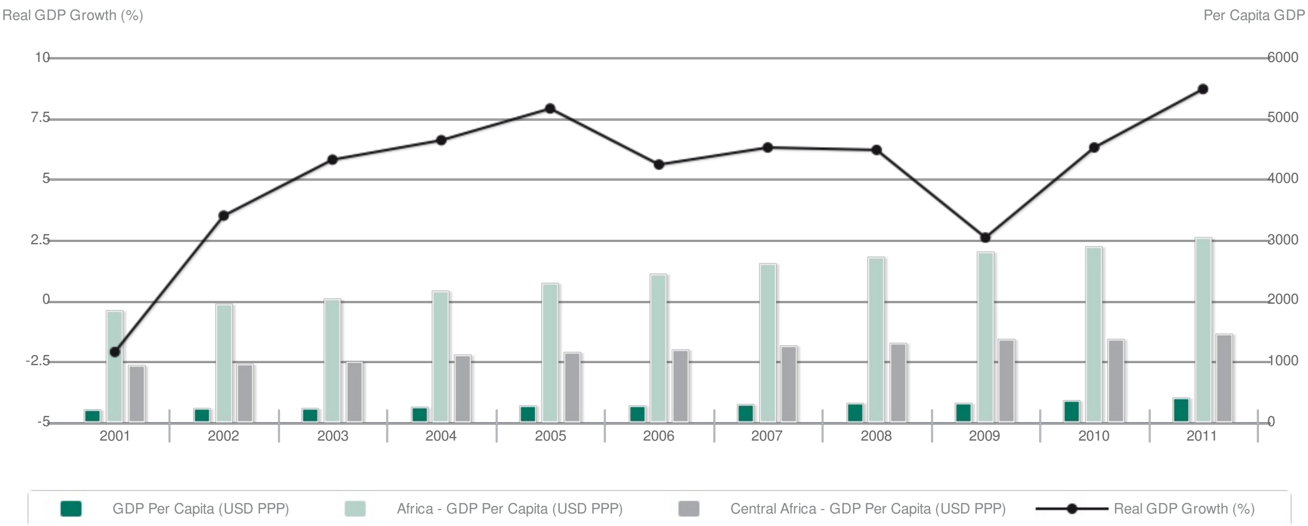
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.2	2.6	6.3	8.7
CPI inflation	18.0	44.2	25.0	18.4
Budget balance % GDP	-2.4	-1.6	8.5	-6.5
Current account % GDP	-15.9	-16.4	-4.8	-8.0

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857151263463

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851587131120

Congo Republic

The Republic of Congo's economy grew strongly in 2009 despite the international crisis, and government debt was greatly reduced. Nonetheless, he external position weakened.

More non-oil rax revenue was collected, and spending was brought under control.

Private-sector growth in still hampered by an increasingly large informal economy, complicated bureaucracy and dilapidated infrastructure.

The Republic of Congo has made significant progress in restoring internal political peace and applying reforms launched under the three-year programme agreed with the International Monetary Fund (IMF) as part of the Poverty Reduction and Growth Facility (PRGF). President Denis Sassou Nguesso was re-elected in 2009 for another seven-year term in a vote disputed by the opposition. Despite the world crisis, the economy grew strongly (7.6%), driven mainly by oil production and the construction sector. Forestry and primary timber-processing was badly hit, though, by a drop in external demand and in export prices. Regardless, gross domestic product (GDP) growth remained largely sustained by exports and investment, and should increase to 11.9% in 2010 thanks to projected higher oil production.

The country's external position deteriorated in 2009, with its trade surplus down from 2008 because of the fall in value of oil and timber exports, and greater imports of consumer and capital goods. The current-account deficit also worsened to 7.1% of GDP (1.6% in 2008). Public debt was however sharply reduced in 2009 to 77% of GDP, after cancellation of a large part of it by the Paris and London clubs of creditors. As a result, debt servicing fell to only 3.5% of GDP, from more than 13.5% in the years before 2005, and allowed more money to be spent on social services. Large-scale construction and upgrading of infrastructure thus continued in 2009 through a government programme for 2008-12 amounting to 1.4 billion US dollars (USD) including backing from several donors, a massive public-investment effort that remains dependent, nonetheless, on oil and timber revenues.

Fiscal policy continued to be guided by the IMF-agreed PRGF in 2009. More non-oil tax revenue was raised and spending was brought under control, but non-oil tax revenue averaged only 6.8% of GDP between 1999 and 2000 compared with the 26.3% contribution of oil revenue. Such dependence on oil income is Congo's main problem, and the country will have to diversify its sources of revenue to meet its increased funding needs and reduce its vulnerability to fickle oil and timber prices.

Private-sector growth is hampered by an increasingly large informal economy, complicated bureaucracy and dilapidated infrastructure. Promises by the authorities of better governance were kept in 2009 with rules being set for public procurement and an action plan to fight corruption and improve governance.

The country continues to be held back by food insecurity, unemployment, poor health care access and the consequences of the armed conflicts of the 1990s. Progress towards most of the Millennium Development Goals (MDGs) is very slow and only two – education for all and gender equality – seem likely to be achieved.

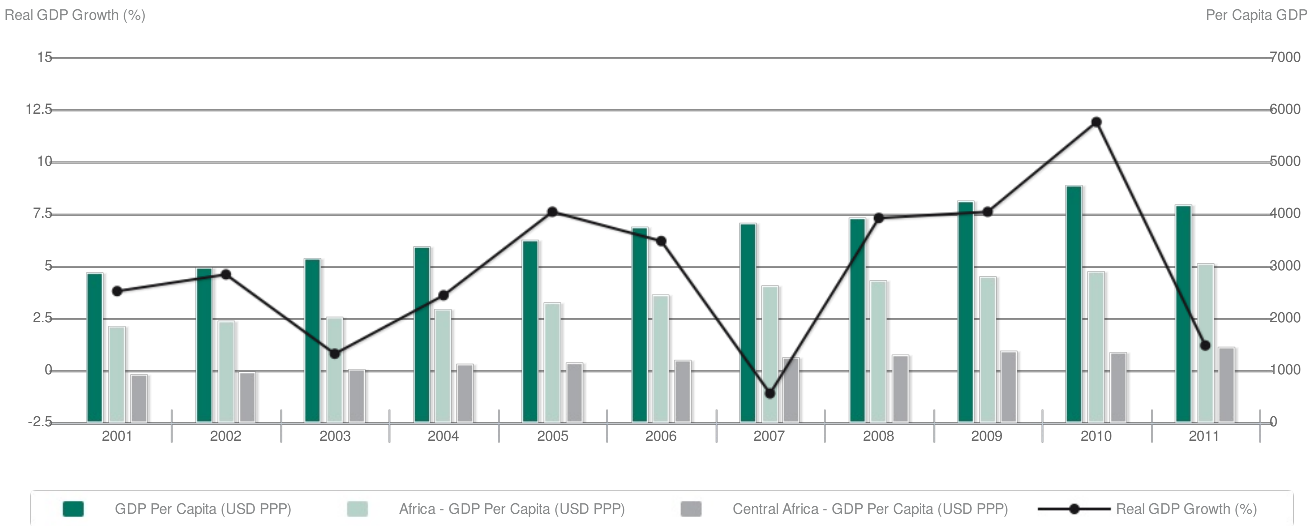
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.3	7.6	11.9	1.2
CPI inflation	6.0	6.0	5.3	4.2
Budget balance % GDP	26.1	17.0	24.1	23.1
Current account % GDP	-2.5	-17.5	-2.9	-8.8

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857031747431

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851423356422

Côte d'Ivoire

Côte d'Ivoire withstood the global economic crisis in 2009, but future growth will depend on the political climate.

Further structural reforms are needed to improve governance and the business environment, boost investment and diversify the economy.

Efforts to broaden the tax base and increase tax yields should improve resource mobilisation.

The recovery of the Ivorian economy continued in 2009, despite the context of international crisis. Growth reached 3.6% in 2009 and inflation fell, thanks to good supply conditions on the local market and a thaw in international prices. The reunification of the country, uniting former rebel areas in the Centre-Northwest zone with the regions controlled by the regular army, helped to soften the shock of the economic crisis. The country has restored relations with its donors and has adopted a prudent budgetary stance. Other positive factors had an effect in 2009, such as ample rainfall and the favourable trend in coffee, cocoa and oil prices. The recovery should continue in 2010 if the often-postponed presidential and legislative elections take place peacefully. If this is the case, growth should continue to rise to 3.9% in 2010 and 4.5% in 2011.

As investment in industry contracted during the crisis, oil extraction and telecommunications became the principal drivers of growth. According to the World Bank's *Doing Business* report, Côte d'Ivoire's ranking improved in 2009, gaining five places over 2008. The country remains in the 20 bottom countries, however, ranking 163rd out of 183 countries. In agriculture, cash crops (coffee, cocoa, palm oil, rubber, mahogany and sugar) benefited from the good weather conditions of 2008-09 and from the securing of borders. The recession left the cocoa market untouched, and prices remained strong, leading to better tax receipts.

The reunification of the country has not been entirely positive, as it complicates public resource mobilisation. The tax administration exerts great pressure, while the available tax base tends to be overstretched. Other reasons for poor tax collection are the size of the informal economy and the lack of tax compliance. Tax evasion results in an annual revenue loss of around 120 billion CFA Franc BCEAO (XOF) for the state. The authorities are therefore pursuing a policy aimed at widening the tax base and improving tax yields. Reforms of business licensing tax, income tax, property tax and value added tax (VAT) have been launched. They aim at simplifying tax declarations, giving greater weight to domestic taxes relative to customs levies, and optimising taxes on the oil and informal sectors. The objective is to increase the tax base before 2011 to the West African Economic and Monetary Union (WAEMU) standard of 17% of GDP.

After several postponements, which the authorities have blamed on technical problems linked to the electoral census, legislative and presidential elections were rescheduled for November 2009. Once again, however, the elections could not be held on this date, despite the fact that the normalisation of the political and security situation depends on these elections going smoothly.

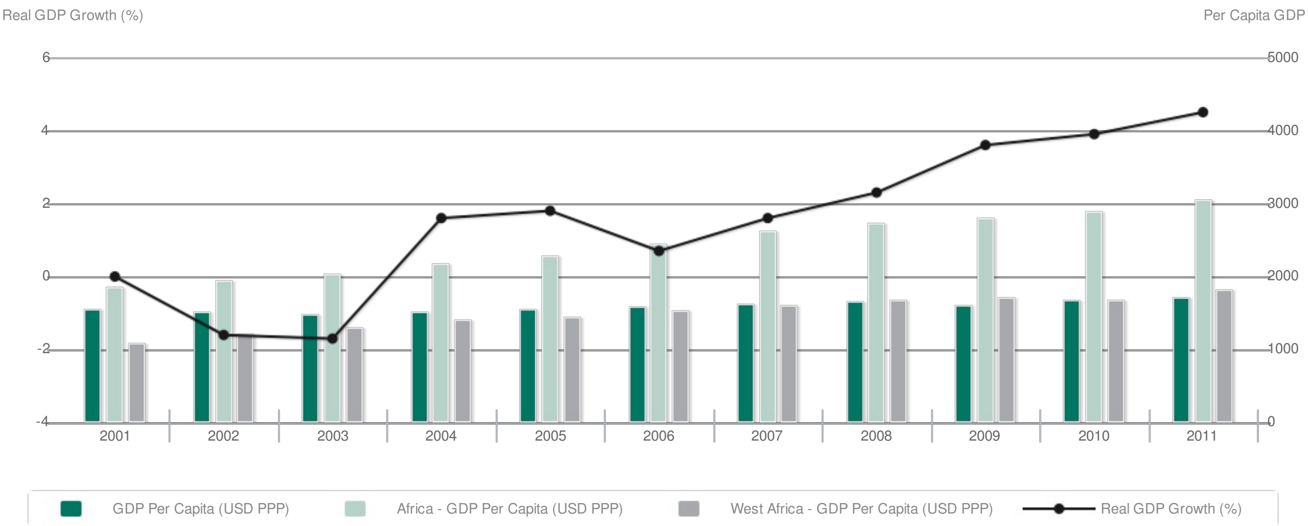
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.3	3.6	3.9	4.5
CPI inflation	6.3	1.4	2.5	2.2
Budget balance % GDP	0.6	1.1	-1.9	-1.6
Current account % GDP	2.1	-3.5	-7.0	0.9

Sources: Data from Direction de la conjoncture et de la prévision économique and Central Bank; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857104561566

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: Data from Direction de la conjoncture et de la prévision économique and Central Bank; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851488738625

Djibouti

Growth will not pick up until 2011, and inflation should return to its historical level the same year.

Economic recovery will depend on private investment and the development of neighbouring countries' trade and port activity.

Medium- and long-term challenges include food security and aid dependence, making improvement in public resource mobilisation even more important.

In 2009, Djibouti's economic growth slowed, but remained strong at 4.8%. The slowdown in growth was mainly due to the reduction in private investment, as a great deal of foreign direct investment (FDI) was postponed.

Unlike the economies of other countries in the region, the Djiboutian economy seems to be withstanding the crisis, notably thanks to major investment projects and the decline in food and fuel prices in 2009.

The level of growth should contract further in 2010 to 3.9%, but a recovery is expected in 2011, with real growth of 5.7%. The sharp drop in investment is set to continue in 2010. This reduced investment is a result of uncertainty regarding when and to what extent the global recovery will take place, firms' high level of overcapacity and the deterioration of their earnings.

Djibouti has always managed to control inflation, but as in other countries that import food products and fuel, the inflation rate reached a record high (12%) in 2008. Inflation fell substantially in 2009 to 1.7%, and is projected to be moderate in 2010 and 2011, at 3.8% and 1.9% respectively.

Despite cuts in government expenditure in 2009, external debt increased to 60.5% of gross domestic product (GDP), owing to the slowdown in growth and the reduction in international aid.

The current account deficit fell from the record level of 39% of GDP in 2008 to 18.2% in 2009, owing to the fall in world prices of Djibouti's imports, especially food and beverages (which accounted for 32.4% of the total value of imports) and oil and petroleum products (33.3% of value imports).

The value of imports fell by 12% in 2009. The current account deficit is projected to fall further in 2010 and 2011 thanks to the decline in imports and increased exports of services.

The opening up of the banking sector to greater competition has increased access to financial services through a policy of increasing the penetration of banking services, facilitating loan provision and improving services to private customers (Islamic banking services, microcredit, consumer credit, etc.).

Djibouti has adopted a policy of long-term economic development based on opening up its market to investment and international trade. This policy resulted in the decision to join the customs union of the Common Market for Eastern and Southern Africa (COMESA).

Djibouti's adhesion to the customs union will not take place, however, until after a transitional period of extensive reform of direct and indirect taxation to avoid double taxation with existing taxes (domestic consumption tax, value added tax [VAT], common external tariff [CET]).

With the aim of compensating possible losses in tax revenue, reforms are planned in the short and medium terms to deal with this long-term constraint. For example, VAT was introduced in Djibouti in early 2009. Despite these efforts, a reform of the tax system and of administrative practices (computerisation, e-government, etc.) is needed to improve tax collection, since the current system is based on taxpayers' declarations and there is almost no auditing.

In 2009, the country started its programme to reduce urban poverty in Djibouti (*Programme de réduction de la pauvreté urbaine à Djibouti* – PREPUD), with the aim of improving access to basic social and economic infrastructure and promoting community development opportunities. The programme focuses mainly on infrastructure and equipment, community development, and technical assistance and project management.

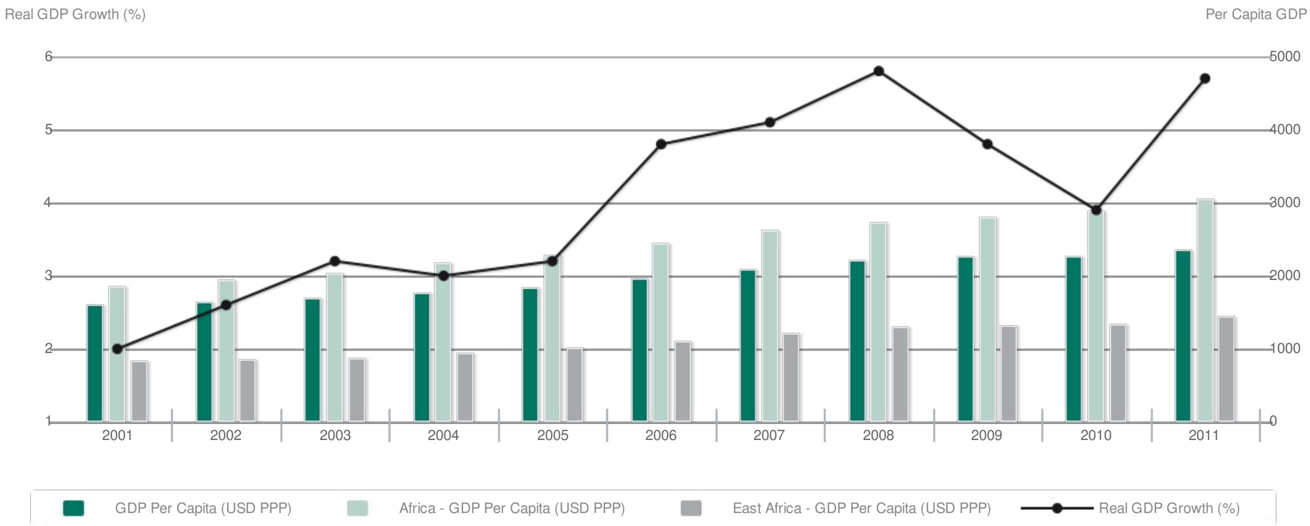
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.8	4.8	3.9	5.7
CPI inflation	12.0	1.7	3.8	1.9
Budget balance % GDP	1.3	-1.8	-0.1	-1.7
Current account % GDP	-39.0	-18.2	-8.4	-7.8

Sources: IMF and local authorities' data, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857268177822

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851682834300

Egypt

Egypt was resilient to the first round effects of the global financial crisis but the second round effects led to slower growth of 4.7% in 2008/09.

Egypt undertook several initiatives to increase tax revenues but more effort is needed to reduce the regulatory burden of tax compliance and to formalise the informal sector.

Unemployment, reducing poverty and improving the quality of healthcare and education are all major challenges.

Egypt's economy slowed down in 2008/09. The gross domestic product (GDP) growth rate reached 4.7% (Figure 1). The deceleration of growth was a result of the global crisis. Domestic final consumption proved resilient and increased public investments offset the decline in private investments to some extent. The key driving sectors in the economy were extractive industries, information and communications technology (ICT), construction and wholesale and retail trade. However, all sectors with international linkages were negatively affected by the global crisis especially tourism, the Suez Canal, and workers' remittances. Foreign direct investment (FDI) dropped by around 38.7% in 2008/09.

Egypt held up well during the first round of the global financial crisis thanks to its reformed banking sector and low integration into global financial markets as a whole. As a result, Moody's raised Egypt's sovereign rating from negative to stable in September 2009. Egypt advanced by 10 ranks - to 106 out of 183 grades - in the World Bank's Doing Business 2010 report. Its ranking also improved by 10 positions in the World Economic Forum's *Global Competitiveness Report* 2009-10, to 70th out of 133 countries.

The overall budget deficit stabilised at 6.9% of GDP in 2008/09, close to its previous year's level. As the Egyptian government continues its counter cyclical policy, the overall budget deficit is expected to widen to 7.5% of GDP in 2009/10. Average annual CPI inflation increased to 16.2% in 2008/09, up from 11.7% in 2007/08. As international prices continue to stay at a lower level, we expect inflation to decline to 13.2% in 2009/10.

To counter the adverse effects of the global financial crisis on the Egyptian economy, the government took several measures to prevent a sharp decline in economic activity. Fiscal and monetary policy boosted economic activity while targeted programmes cushioned the effects of the crisis on the most exposed sectors such as manufacturing, tourism and foreign trade.

The balance of payments is in deficit for the first time in five years because of declining current account receipts, falling remittances and receding foreign investment. As the impact of global economic crisis starts to subside and the world economic outlook brightens, the Egyptian economy is expected to grow at higher rates, 5.4% in 2009/10 and 6.1% in 2010/11. The balance of payments deficit is expected to decline. The biggest challenges are rising unemployment, especially with investment slowing-down, and unequal income distribution: more than two fifths of the population are close to the poverty line. Illnesses such as hepatitis B and C represent major challenges to improving health and labour productivity as do, potentially, an H1N1 swine flu or bird flu epidemic.

Egypt's key goal for tax reforms is to increase tax revenues. Throughout the last decade, there have been several legislative and administrative reforms that have led to increased tax revenues. Yet more effort is needed to reduce the regulatory burden of tax compliance and to formalise the informal sector. On the other hand, the impact on income distribution and social welfare of new tax measures such as the property tax or a new fully fledged value added tax (VAT) should be carefully studied.

Egypt faces many challenges: lower savings and investments, lower FDI, rising unemployment, reducing poverty and improving health and education. All that in the context of an unpredictable political environment in the face of upcoming parliamentary and presidential elections.

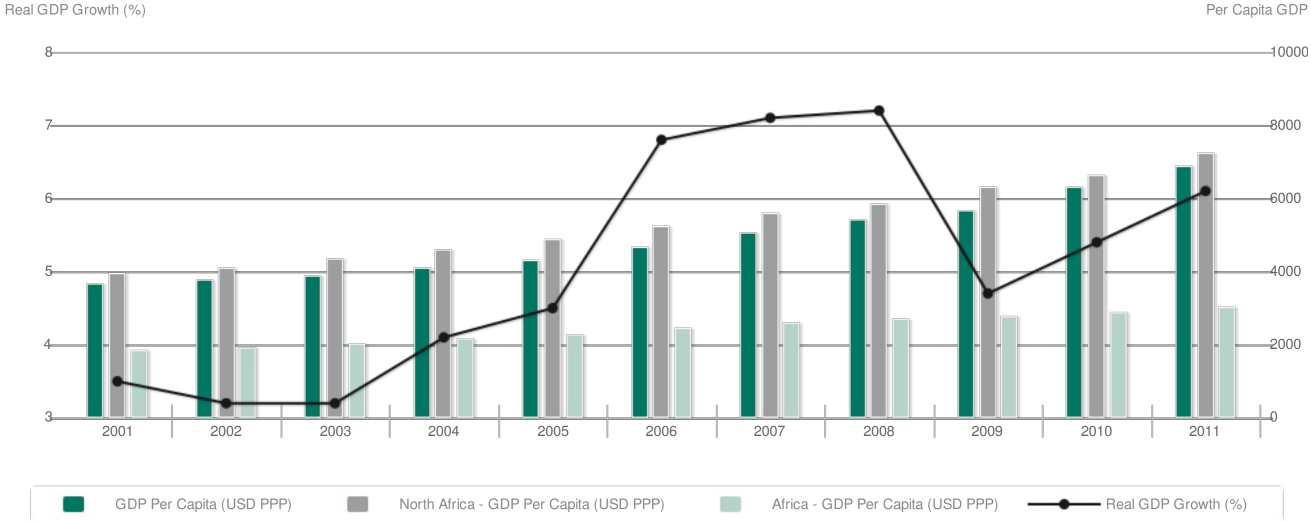
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.2	4.7	5.4	6.1
CPI inflation	11.7	16.2	13.2	11.0
Budget balance % GDP	-6.8	-6.9	-7.5	-6.6
Current account % GDP	0.8	-2.6	-2.2	-1.8

Sources: Data from Central Bank of Egypt (CBE) and CAPMAS; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857443133168

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851688861883

Equatorial Guinea

Equatorial Guinea has been one of Africa's fastest growing economies and main destinations of foreign investment, thanks to its natural resources; however, it experienced a sharp economic slowdown in 2009 with a GDP growth rate declining to less than 2% from more than 11% in 2008.

With over 70% of the population living below the poverty line, a major challenge is to use the oil revenues to reduce widespread poverty.

The key concern for public resource mobilisation is to manage the government's large and diversified portfolio of assets generated by the oil boom effectively.

Equatorial Guinea has been one of the fastest growing economies in the world since large-scale commercial exploitation of oil began in the 1990s. It remains one of Africa's fastest growing economies and also one of the main destinations of foreign investment. However, the country experienced an economic slowdown in 2009, posting a gross domestic product (GDP) growth rate of 1.9%, compared with 11.3% in 2008. The decline was due to a fall in oil prices and oil production in the wake of the global recession. This also caused the share of the hydrocarbons sector to fall from 77% of GDP in 2008 to around 61% in 2009, although it remains the main sector of the economy. After a recession in 2010, the economy is expected to recover gradually and return to positive growth of 2.7% in 2011. The fall in oil revenues has had a major adverse effect on the government budget with the budget surplus falling by 16 percentage points to 6.9% of GDP in 2009. It is projected to rise to 14.4% of GDP in 2010 and further to 17.7% in 2011. In contrast, the current account surplus rose to 8.3% of GDP in 2009, compared with 3.7% in 2008. It is projected to rise to 17.3% in 2010 and further to 19.7% in 2011. Inflation was 5.5% in 2009 and is forecast to fall to 2.4% in 2010. Equatorial Guinea faces no debt problems thanks to its large budget surpluses and external reserves. External debt at the end 2009 was only 1% of GDP and is forecast to fall to 0.7% in 2011.

Equatorial Guinea continues to face major governance challenges, notably a high perceived level of corruption. The country ranked among the bottom 13 countries in the world on the *Corruption Perception Index* of Transparency International, a global civil society organisation working to expose and combat corruption. Furthermore, the environment for private sector activity remains difficult. Equatorial Guinea also ranked among the bottom 13 countries in the world on the World Bank *Doing Business Index*. Key constraints include poor infrastructure in the area of electricity and Internet connectivity, the perceived high level of corruption, elaborate procedures and a perceived inauspicious judicial environment.

Widespread poverty and the persistence of poor health and low levels of other human development indicators raise questions about the extent to which the country's oil wealth benefits the majority of the population. The most recent statistics indicate that about 77% of the population fell below the poverty line in 2006. Maternity and infant mortality rates are among the highest in the world. The country is not on course to achieve several of the Millennium Development Goals (MDG).

On the political front, President Nguema Mbasogo won a landslide victory for another seven-year term in presidential elections in November 2009. The opposition disputed the results, but the results have stood. In February 2009, an attack was launched on the presidential palace in Malabo, the national capital. The attack was repulsed by the presidential guard and army.

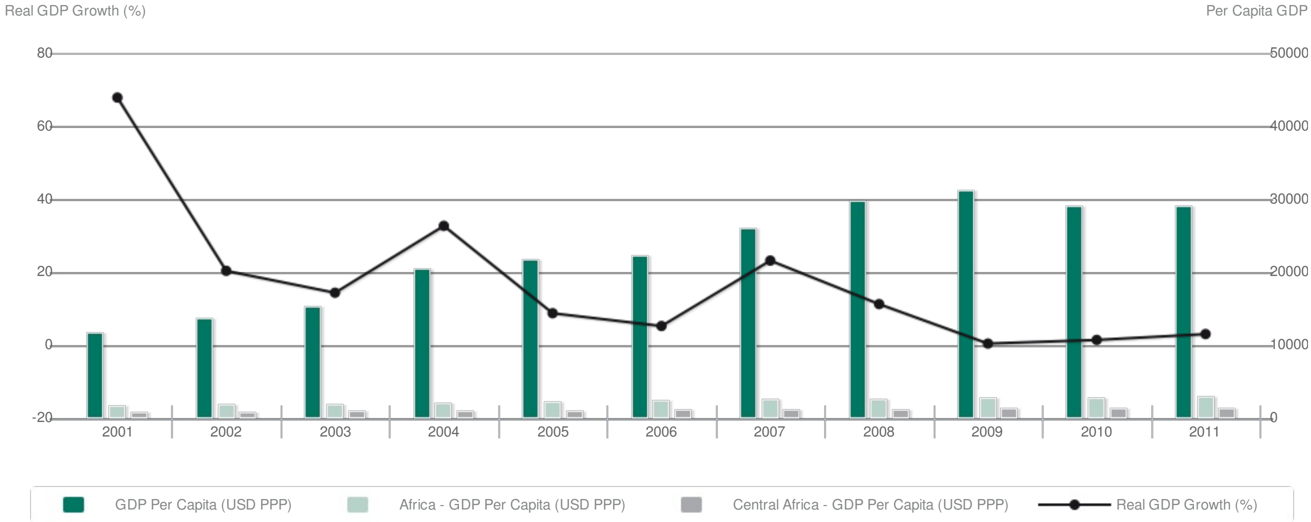
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.3	0.5	1.5	3.1
CPI inflation	6.0	5.5	2.9	2.5
Budget balance % GDP	22.9	6.4	8.3	8.1
Current account % GDP	3.7	7.3	14.9	15.8

Sources: Data from national authorities, IMF and BEAC; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857635548146

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/851778684062

Ethiopia

Ethiopia has grown at or near double-digits since 2003/04 but faces inflation and low international reserves.

Giving greater priority to education, health, agriculture and roads for a decade has achieved impressive results.

Despite tax reform and other measures government revenue has actually declined in recent years.

Ethiopia is a fast growing non-oil economy that achieved double-digit growth in the period 2003/04-2007/08. However, the country has been struggling with the twin macroeconomic challenges of high inflation and very low international reserves since 2007/2008. Economic growth remains robust, with real gross domestic product (GDP) growth of 9.9% in 2008/09, down from 11.6% in 2007/08 – the lowest since 2003/04. This high growth rate has been driven mainly by a boom in services and healthy growth in agriculture, supported by strong service exports and increasing official development assistance (ODA). Growth is expected to slow marginally to 9.7% in 2009/10, owing to the expected weak global recovery. The tight fiscal and monetary policies that seek to contain inflation are expected to slow down domestic demand.

The Ethiopian economy experienced structural change in 2008/09 as services surpassed agriculture to become the dominant sector of the economy. Annual growth in services, the fastest expanding sector since 2005/06, hit 15% over 2005/06–2008/09. Despite the strong overall performance of agriculture, the country continues to face food insecurity because of consecutive seasons of failed rains in some parts of the country. Private consumption is the main driver of domestic demand, growing strongly since 2002/03. Private investment, however, was not only less than public investment but has also been falling since 2004/05.

The fiscal health of the Ethiopian economy has been improving substantially since 2005/06 with the fiscal deficit including grants amounting to only 1% of GDP in 2008/09. The substantial improvement in the fiscal position of Ethiopia in 2008/09 was mainly the result of tight fiscal policy – leading to a decline in government spending – coupled with a marginal increase in domestic revenue and external grants.

In recent years, monetary policy has been geared to achieving low inflation and a stable exchange rate. But inflation has hit double-digits with a rising trend since 2005/06. Overall average annual inflation spiked to 36.4% in 2008/09, up from 25.3% in 2007/08, 15.8% in 2006/2007 and 12.3% in 2005/06. The leap in food prices was the major factor behind the unprecedented inflation in Ethiopia, in both 2007/08 and 2008/09. But in the second half of 2008/09, food price inflation registered only 2.3%.

The government's target of single-digit inflation in 2009/10 – through tight fiscal and monetary policies – is likely to be achieved thanks to a good harvest and a swift decline in food prices in response. But this goal may be challenged by the fast depreciation of the Ethiopian Birr (ETB). The ETB's rapid depreciation in recent years is due to increasing pressure on foreign exchange reserves. The adverse impact of the global economic slowdown on merchandise exports, workers' remittances and foreign direct investment (FDI) diminished foreign exchange reserves. But increased aid inflows have helped to offset it.

Ethiopia experienced a marginal decline of 1.2% in merchandise exports in 2008/09 after registering high average annual growth of 25.5% during 2003/04-2007/08. Net service exports expanded at the remarkable rate of 145% in 2008/09, compared with the 31% contraction recorded in 2007/08. Merchandise imports continued to grow at 27% in 2008/09 thanks to donors' assistance supported by the expansion in export earnings from the service sector. In line with the improving trade deficit, the expansion in net service exports offset the decline in factor income and current transfers – leading to a slight improvement in the current account deficit in 2008/09. In 2008/09, external debt registered an increase contrary to the decline in domestic public debt.

The private sector of Ethiopia is predominantly small scale, informal and service-oriented. Although the privatisation process started in the mid-1990s, it gained new momentum in 2004. Despite the fast privatisation process in recent years, private investment as a percentage of GDP not only remains low but has actually declined since 2003/04. Because of the international economic crisis and a severe shortage of foreign reserves, the government adopted a stronger stance towards the private sector. The country performs poorly in a number of the World Bank's Ease of Doing Business indicators with only slight improvements in recent years. The banking system, which is not yet open to foreign competition, dominates the financial sector of the country. Private banks generally performed better than state-owned banks in terms of resource mobilisation.

Political tensions are expected to rise owing to the upcoming federal and regional elections in May 2010. Civil tensions also increased in 2009 though the hardening of the regime remained pretty stable in 2009. Relations with Eritrea will dominate the foreign policy of Ethiopia, as the long-standing border dispute has not yet been settled. Tensions in the region also remain high because of insecurity in Somalia. Moreover, human rights activists fear Ethiopia's new law on local non-governmental organisations (NGO) and civil society organisations (CSO) will criminalise their work and lead to a crackdown on political debate. Members of opposition parties and many media groups have also expressed their deep concern and frustration over the new Mass Media and Freedom of Information Proclamation that allows state prosecutors to invoke national security as grounds for impounding materials prior to publication and distribution.

In the last decade, Ethiopia demonstrated impressive achievements in social and human development as government spending targeted education, health, agriculture and roads.

Ethiopia has been undertaking a number of tax reform measures since 1992/93 as well as structural and institutional reforms. But domestic government revenue relative to GDP has actually been falling in recent years, particularly since 2003/04, *i.e.*, from around 16% of GDP in 2003/04 to 12% in 2008/09. Tax evasion and commercial fraud are the critical problems of the tax administration in Ethiopia. The large informal economy is not paying taxes and the tax administration lacks the institutional capacity to deal with problems of enforcement.

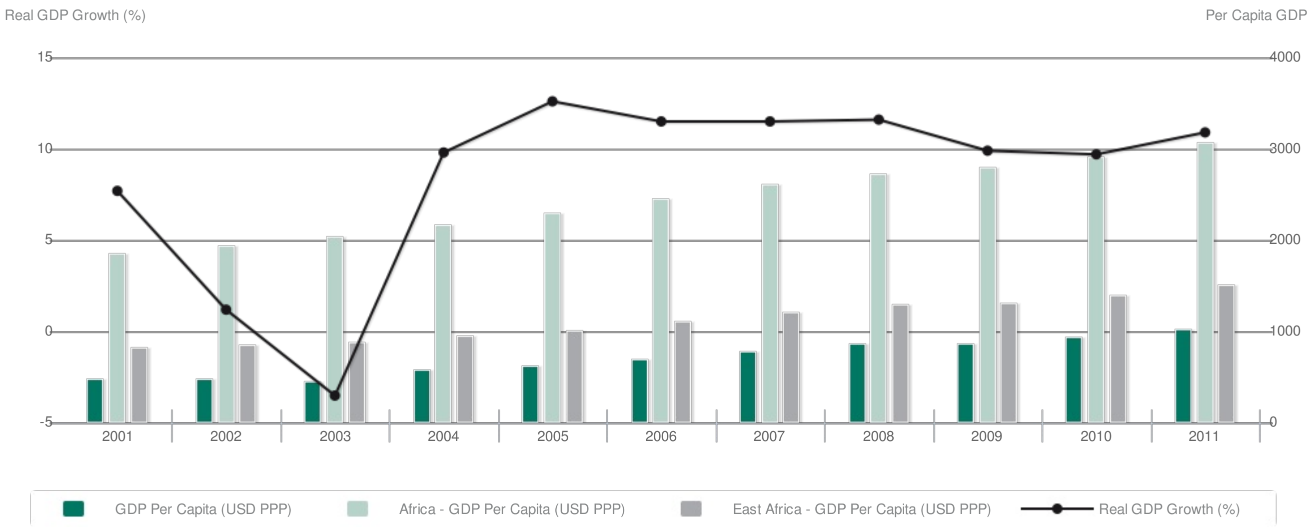
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.6	9.9	9.7	10.9
CPI inflation	25.3	36.4	7.7	10.9
Budget balance % GDP	-3.0	-1.0	-3.5	-3.1
Current account % GDP	-5.5	-5.3	-9.6	-7.4

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/857826430431

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Gabon

Investment and the recovery of exports should pull the Gabonese economy out of recession in 2010 and 2011.

The international crisis highlighted the need for economic diversification to reduce oil dependence and for structural reforms.

More efficient mobilisation of public resources is needed to offset the steady decline in the oil rent.

Gabon's macroeconomic situation in 2009 was marked by gloom and uncertainty. President Omar Bongo died in June, and an early presidential election in August was won by his son, Ali Bongo. The climate of uncertainty was due to the international crisis, which compromised the economic recovery.

The crisis pushed the economy into recession, with a negative growth rate of -1% in 2009, against 2.3% growth in 2008. It also resulted in budget tightening, with strong negative impacts on the real economy, public finances and foreign trade. In 2009, the budget contracted sharply and the current account deteriorated, despite a slight easing of inflationary pressures. The money supply should rise slightly.

The principal macroeconomic and social indicators weakened in 2009, despite the country's wealth and potential. Gabon's real problem remains the insufficient diversification of its economy.

The priorities are still private sector development and improved governance. In order to achieve higher growth rates, the government should speed up its infrastructure programme and promote agriculture, forestry, tourism and the environment.

The non-stop work day, an adjustment in working hours introduced in 2009, should stimulate market gardening by the Gabonese after office hours, thus reducing Gabon's food dependence.

The recent elections demonstrated the urgent need to revise the constitution, as well as legislation and regulations, to help the country progress towards the rule of law.

On the social front, education policies and the implementation of the National Health Development Plan (PNDS) will bring improvements in the quality of education, particularly primary and vocational education, and in access to health care.

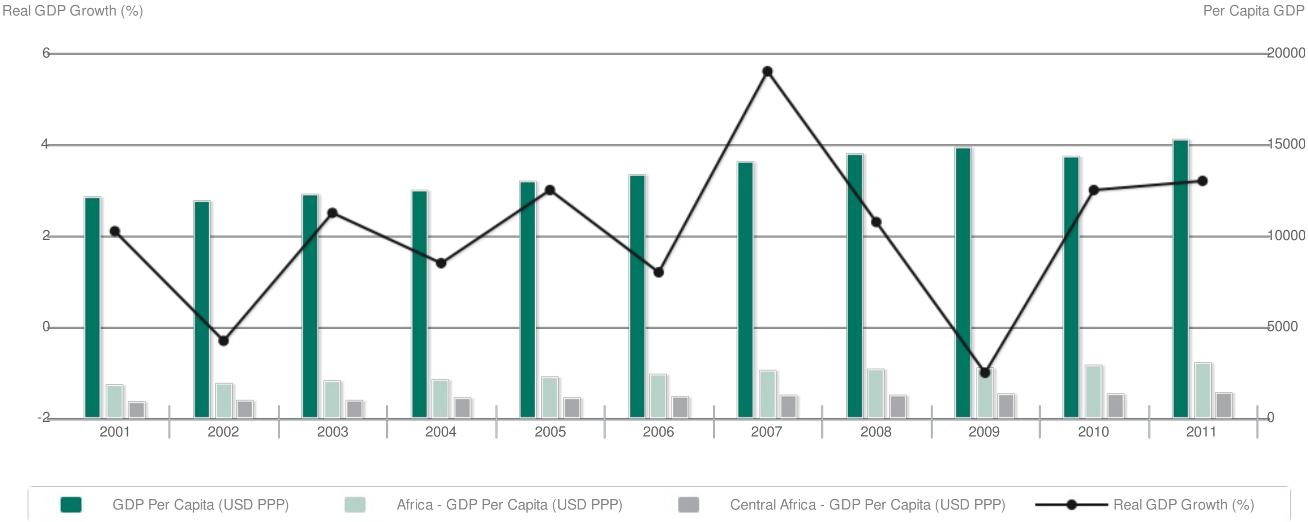
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.3	-1.0	3.0	3.2
CPI inflation	5.3	2.5	3.3	2.6
Budget balance % GDP	12.1	6.9	8.5	9.2
Current account % GDP	21.4	7.4	11.4	14.8

Sources: Data from BEAC and national administrations (DGE); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858125418330

Figure 1: Real GDP Growth and Per Capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852034340668

Gambia

The Gambia's economic growth should rebound in 2010-11, depending on rains and on global economic recovery.

The Gambia's successful launch of the Gambia Revenue Authority has improved the effectiveness of tax collection.

Long-term challenges hinge on factors such as poverty in rural areas, requiring investments to improve agricultural productivity.

The Gambia is a small, open economy surrounded by Senegal and the sea. The majority of the population lives on subsistence farming. Nevertheless, a dominantly larger share of value added in the country comes from service industries such as trade, transport and tourism rather than from agriculture. With growth in the past three years averaging 6.3%, The Gambia ranks as one of the high-growth economies in western Africa.

In 2009, the economy recorded weaker growth at 4.8%, down from 6.1% in 2008, due to the global financial crisis and the subsequent global economic recession (Table 1). The main drivers of growth were good harvests and expansion of the financial sector and communication services. In particular, a rising rice-cultivation trend has contributed to improving the productivity of agriculture. Gains from these activities have more than offset the substantial setbacks in the tourism industry and in remittances, as well as sluggish domestic business activities. Economic growth is expected to bounce back to 5.4% in 2010 and 5.7% in 2011, depending on global economic recovery. To the extent that the main growth driver, agriculture, is dependent on rain-fed farming, the growth prospect is also susceptible to climate change, especially to timing of the rain.

The government of The Gambia has maintained macroeconomic stability amidst the global financial crisis with an expansionary tax policy, a flexible monetary policy, and financial and technical support from development partners. Prices have stabilised to a low level since the second half of 2008 after having undergone relatively high inflation. The main threat to price stability is the expected spending increase connected to the presidential election scheduled for 2011.

The Gambia has benefited from successful public-sector reforms including the institution of the Integrated Financial Management Information System (IFMIS) for improving the transparency of public finance, and the Gambia Revenue Authority (GRA) for improving the tax-collection system. The compliance rate of tax payers has been increasing since the introduction of the GRA. Improved effectiveness of tax collection led to a substantial increase in tax revenue, especially internationa trade tax revenue, despite decreasing domestic taxes in the wake of the global financial crisis. Besides, budget support from the World Bank and the African Development Bank (AfDB) has helped the country finance budget deficits and will be continued by the European Union (EU) in 2010. Nevertheless, because of increased spending the fiscal balance excluding grants worsened beyond the West African Monetary Zone (WAMZ) convergence criterion, which is less than 4% of gross domestic product (GDP).

The Gambia has recently run substantial trade and current-account deficits financed largely by official grants and public debts. One of the macroeconomic challenges facing the government is to contain debts to a sustainable level. In particular, managing the high-cost domestic public debts, amounting to 24.4% of GDP in 2009, will be the key to keeping debts from becoming unsustainable.

The banking sector continued to expand as a whole, driven mainly by foreign direct investments (FDI) and intensified competition amongst banks as new banks have entered the industry. Despite fully liberalised capital-account transactions, the banking sector was relatively isolated from the direct impacts of the financial crisis, chiefly because there was no stock market and the banks were highly capitalised.

Buoyed by the president's call for 'Back to Agriculture" agricultural development has taken a priority in the policy agenda. Given the high poverty rate and the prevalence of undernourishment in the rural areas, increasing agricultural productivity is an urgent issue to be addressed. As agriculture requires relatively smaller initial investments than services and manufacturing, increasing agricultural productivity seems feasible to some extent, provided that infrastructure, such as irrigation and roads, is provided with support from the government and donors. In fact, introduction of new-variety seeds and new ways of cultivating rice contributed to the growth of high-value-added rice production in 2009. Application of these agricultural innovations on a wider scale is expected to help the country achieve food self-sufficiency in the years to come.

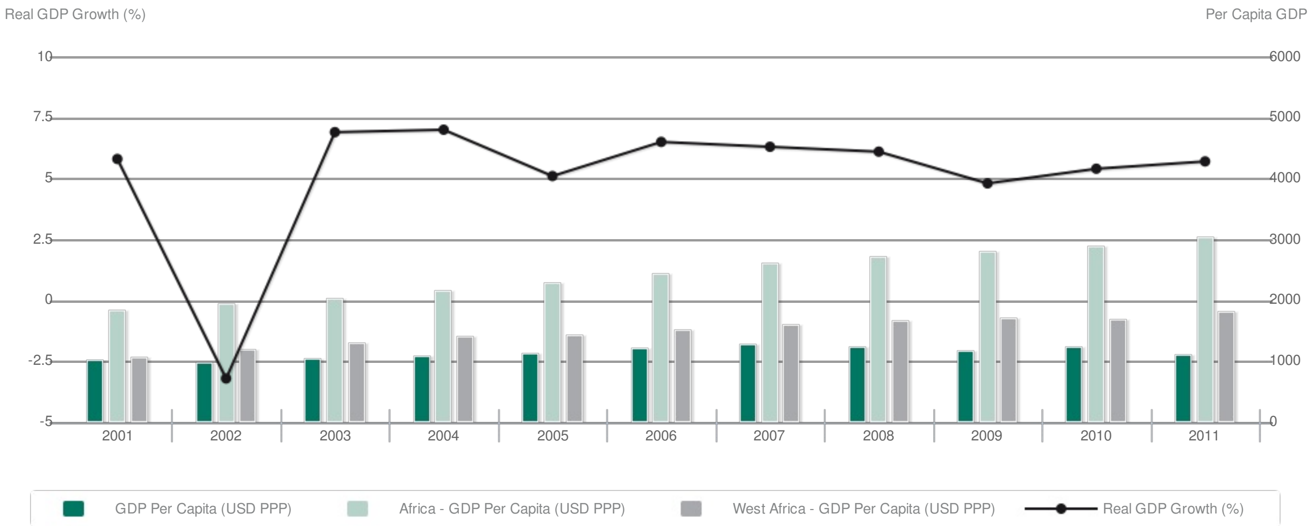
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.1	4.8	5.4	5.7
CPI inflation	4.5	4.2	5.1	5.5
Budget balance % GDP	-3.2	-4.4	-2.6	-4.2
Current account % GDP	-18.0	-13.6	-12.2	-20.9

Sources: Data from The Gambia Bureau of Statistics; estimates (e) and projections (p) based on authors' calculations. http://dx.doi.org/10.1787/868837424047
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858406783064

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852075313775

Ghana

The initial belief that Ghana's economy was not going to be affected by the global financial crisis has turned out to be an illusion: growth slowed in 2009 to a mere 4.7% - the lowest since 2002 - after rising to a two-decade high of 7.3% in 2008, but is expected to recover on the back of a global economic recovery and revenues from oil exports.

In spite of recent progress and many attempts at reform, the business climate faces the fundamental challenges of poor infrastructure and a weak institutional and administrative framework.

The government continues to make efforts at improving the tax system but the effective tax base is still low because a large number of economic activities take place in the informal sector outside the tax net.

After about a decade of relatively strong economic performance with real gross domestic product (GDP) growing at an average of about 6% annually over the last five years, there was greater uncertainty about Ghana's economic growth prospects at the beginning of 2009. Unsurprisingly, economic growth slowed in 2009, to a mere 4.7% – the lowest since 2002 – after rising to a two-decade high of 7.3% in 2008. Economic growth is expected to recover modestly to 6.4% in 2010 and accelerate to 8.3% in 2011 on the back of global recovery, exceptional public investment in the rising oil sector, and revenues from anticipated new oil discoveries.

Inflationary pressures were high in the first half of 2009 because of an excessive expansion of the money supply in the run-up to general elections in December 2008, and the food and energy crises of 2008. But increases in the general price level slowed down in the third quarter of the year. By December 2009 inflation had reached 16% after hitting a peak of 20.7% in June 2009. This puts the average inflation rate for 2009 at 19.3% – the highest in five years. Looking ahead, inflation is projected to decline to the 10-12% range by end-2010.

Despite years of impressive performance, Ghana's economy remains bedeviled by huge structural challenges. Agriculture still accounts for about a third of GDP, while the industrial sector contributes 28%. Growth in the agricultural sector was very strong, relative to previous years, and to other sectors. Growth in services dropped from 9.3% in 2008 to 4.6%. Growth in industry was also about 4.3 percentage points lower than in 2008.

Although the global financial crisis has been relatively favourable to Ghana's terms of trade so far, the country remains vulnerable because of its over-dependence on a few primary commodities. Exports constitute a significant part of Ghana's GDP but are not diversified in terms of products and destinations. Gold and cocoa dominate, accounting for over 70% of exports in 2009 with respective shares of 42% and 30%. Manufacturing accounts for a mere 9% of output, despite the rhetoric of successive governments about encouraging industrialisation.

Ghanaians went to the polls in December 2008 to elect a successor to former president John Agyekum Kufuor and 230 parliamentarians. After two rounds of voting, Professor John Evans Atta Mills from the opposition National Democratic Congress (NDC) party won the presidential elections by just 40 000 votes. The smooth and peaceful transfer of power in January 2009, from an incumbent party to an opposition party, despite the narrow margin, has been hailed as a model for Africa. This enviable achievement, it has been suggested, was one of the reasons for American President Barack Obama's choice of Ghana for his first African visit in July 2009.

President Atta Mills has vowed to make fighting corruption a priority. The passage of the freedom of information Act demonstrated a commitment to the party manifesto to fight corruption. Allegations of corruption have been levelled against former public officials. But many people, mainly from the opposition parties, doubt the government's commitment to expose and punish its own senior government officials who are suspected of corruption. Many government officials failed to declare their assets upon assuming public office as required under the constitution; it remains to be seen if the president is willing to discipline the guilty ones.

Ghana continues to make frantic preparations to commence the production of oil and gas in the last quarter of 2010. Economic performance in 2010 is expected to be primarily shaped by investments in oil-related infrastructure while 2011 growth is expected to be influenced strongly by revenues from oil exports. The government continues to seek more non-oil revenue by reforming tax administration and improving the efficiency of the tax system. This effort entails broadening the operations of the large taxpayer unit to ensure that very large companies receive one-stop tax service. Tax revenue as a percentage of GDP has increased from less than 17% to about 23% over the period 2000-09. But the effective tax base in Ghana remains low. This is because many people operate in the informal sector outside the tax net.

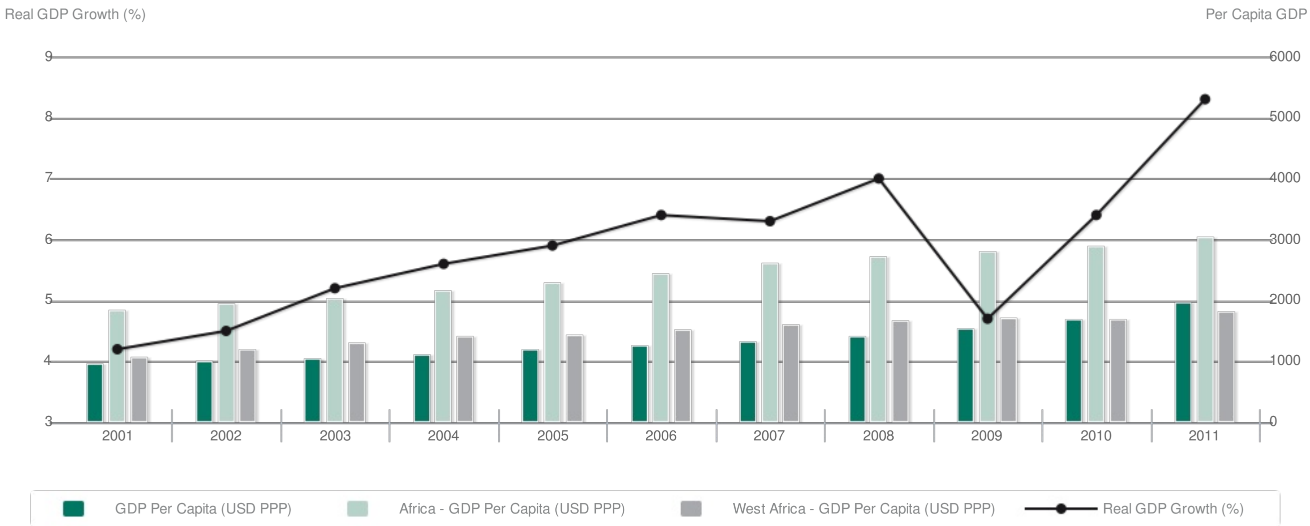
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.0	4.7	6.4	8.3
CPI inflation	18.1	18.8	12.2	10.1
Budget balance % GDP	-14.0	-10.0	-6.4	-3.1
Current account % GDP	-15.8	-23.4	-19.7	-9.4

Sources: Data from Ghana Statistical Service (GSS) and Bank of Ghana; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858537270276

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852201208883

Guinea

The potential return to a new constitutional order following free, fair and transparent elections in 2010 could open up better prospects for social calm and macroeconomic stability, necessary for the launch of profound reforms aimed at combating unemployment, poverty and exclusion.

Economic diversification must be speeded up to develop the considerable unexploited potential in all sectors and in all regions.

The key challenges relate to the promotion of good governance, the raising and effective use of public resources and the strengthening of social dialogue and management capacity.

Guinea enjoys considerable, varied and unexploited economic potential, but is having difficulty making an economic breakthrough. Growth is structurally weak and slow, with inflationary episodes. It has also been hard hit by the oil crisis (2007/08), food crisis (2008) and the financial crisis (2009).

From 1985 to 2002, the country was committed to a process of liberalisation and economic change, which created average real growth in gross Ddmestic product (GDP) of 4% a year (representing a growth in income of 0.8% per head), while also stabilising prices and the exchange rate.

After the implementation of the reforms of 2003-06 veered off course, with a resultant drop in income of 0.6% per head, the economic slump was aggravated by the world crisis in 2007. Inflation rose to more than 22%, along with a depreciation of the currency of 18%.

This was followed by a deterioration in living standards, reflected in a rise in the poverty rate from 49.1% in 2002/03 to 53% in 2007/08. In the face of these difficulties, Guinea launched reforms in 2007 under its second Poverty Reduction Strategy Paper (PRSP 2), supported by the Poverty Reduction and Growth Facility (PRGF) of the International Monetary Fund (IMF) and the intervention of other technical and financial partners.

The reforms bore fruit in 2008, despite a difficult international context: public and private investment rose by 14%. Growth accelerated from 1.8% in 2007 to 4.9% in 2008, driven by the improvement in the terms of trade resulting from the surge in mineral raw material prices and the fall in the price of oil.

Reorganisation of the macroeconomic framework and public finances and improvements to key production and transport infrastructure have encouraged new operators to enter the promising sectors of agriculture, mining and construction. Real GDP per head rose from 375 US dollars (USD) in 2007 to USD 382 in 2008 while inflation fell by four points.

Reaching the completion point of the Highly Indebted Poor Countries (HIPC) Initiative, a huge task almost achieved at the end of 2008, was delayed until 2010 with the advent of the National Council for Democracy and Development (NCDD), the military junta that took power after the death of President Lansana Conté, on 23 December 2008.

The economic situation in 2009 was marked by a socio-political crisis caused by the massacre by the regime of protesters in September 2009 and an assassination attempt on its leader Moussa Dadis Camara in December, which led to a new political transition from January 2010.

These crises, reflecting bad governance, were the consequences of the break in dialogue internally between political actors, around a consensus on the strategy for concluding a national pact to deal with the challenges and major issues of the country; and externally with technical and financial partners. Overall, the political instability has not helped the implementation of the two cycles of the Poverty Reduction Strategy (PRS) in 2001/02 and 2007-10, and has impeded appreciable progress in the achievement of the Millennium Development Goals (MDGs).

It was in this context of political and economic uncertainty that the Ouagadougou accords were concluded. These provide the basis for a resumption of internal talks on a smooth political transition to free, fair and transparent elections in 2010.

The overall objective of the economic and political road-map of the 2009/10 transition is to strengthen internal social and political dialogue, which should lead to a new constitutional order, to the return to barracks of the defence and security forces (DSF) and to their conversion into a national force in the service of peace, democracy and development.

This objective breaks down into three specific sub-aims: to organise free, fair, open and credible elections; to implement the basic programme of reform of the DSF; and to build on the results of the measures taken in 2007-09 under the implementation of the PRS, the PRGF and the HIPC Initiative, as part of an Emergency Economic Recovery Programme (EERP).

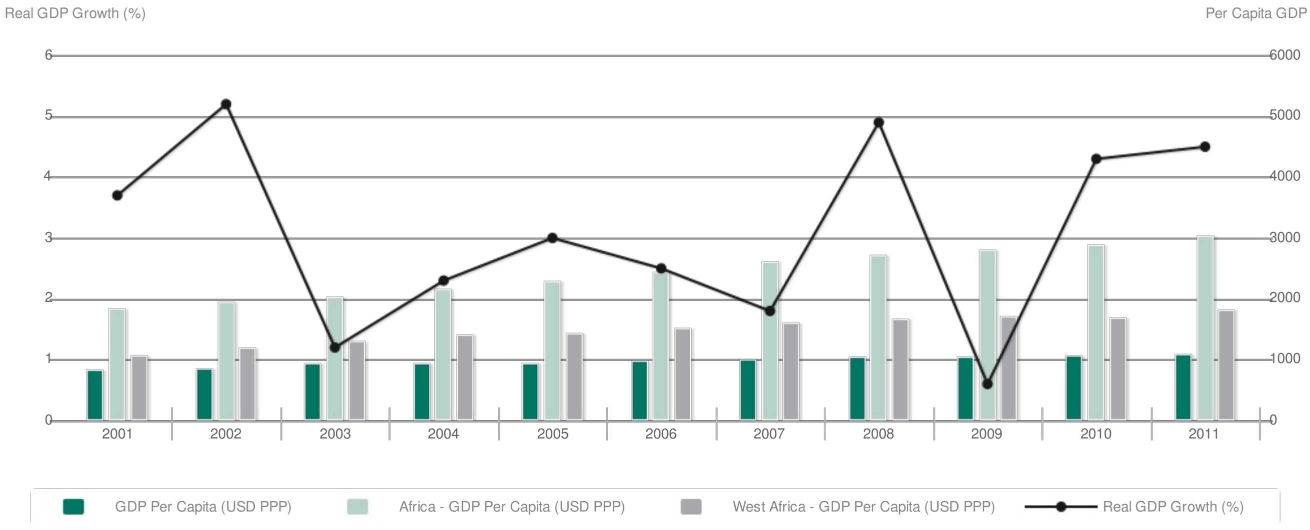
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.9	0.6	4.3	4.5
CPI inflation	18.4	4.8	8.9	4.7
Budget balance % GDP	-1.2	-1.5	-6.1	-6.6
Current account % GDP	-6.9	-9.3	-8.3	-10.2

Sources: National authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860006561015

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852442851146

Guinea-Bissau

Economic growth in Guinea-Bissau declined to 2.9% in 2009 from 3.3% in 2008, owing to domestic political instability and the consequent late disbursement of development assistance. Growth is expected to increase in the mid term, although the major downside risk to the outlook is the resumption of political instability.

To catalyse growth, the country should implement drastic structural reforms in the public administration (in the security and defence sector in particular), invest in agriculture, infrastructure and energy provision, improve the business environment and start exploiting its mineral potential. However, all this will not be possible without the normalisation of the political situation and strong donor support.

Guinea Bissau's capacity to mobilise resources is severely hampered by political instability and a low capacity in tax administration. Small gains made during peacetime are practically undone during times of conflict. As a result, over the past decade, Guinea-Bissau's revenues have been falling.

Economic growth in Guinea-Bissau declined to 2.9% in 2009 from 3.3% in 2008, as a result of political instability and the late arrival of development assistance. However, economic activity was sustained by an exceptional cashew nut harvest. Because of its isolation from the world economy, the global economic and financial crisis did not have a significant direct impact on the economy, although it did on government export revenues and remittances. Growth is expected to increase to 3.4% and 4% respectively in 2010 and 2011, as a result of increased agricultural production and donor support. The major downside risk is new political instability. For the mid term, inflation is expected to remain within the Central Bank of West African States (BCEAO) boundary of 3%, up from a negative rate in 2009.

Still one of the world's poorest countries, Guinea-Bissau was a focus of the liberation struggle by Portuguese colonies in Africa between 1961 and 1973. At independence, it inherited a legacy of an unstructured and unskilled public administration, disrupted infrastructure and highly unstable politics. As a result, economic performance has been extremely weak. The country is highly dependent on agriculture and erratic donor support. Because domestic resources are limited to export revenues, the country is not economically viable.

The normalisation of relations with the International Monetary Fund (IMF) in January 2008 resulted in the signing of an Emergency Post Conflict Assistance (EPCA) to support the government's 2008 and 2009 economic programme, and of an Extended Credit Facility at the beginning of 2010. Tax and management reforms contributed to increased tax revenues and limited spending to within the boundaries of available resources. This boosted the fiscal balance which should further improve in the mid term. Exceptional exports could not, however, compensate for increased imports and lower remittances and official development assistance (ODA), and the current account deficit rose.

To spur growth, the country needs major reforms in public administration (particularly security and defence), to invest in agriculture, infrastructure and energy, improve the business environment and start exploiting its mineral potential. However, this will not be possible without political stability and strong donor support.

Encouraging signs of political normalisation and security emerged with the peaceful transition and elections organised after the assassination of President Joao Bernardo Vieira in March 2009. Maintaining stability, implementing reforms and fighting the narcotics trade will be the new government's main challenges and strongly influence economic success.

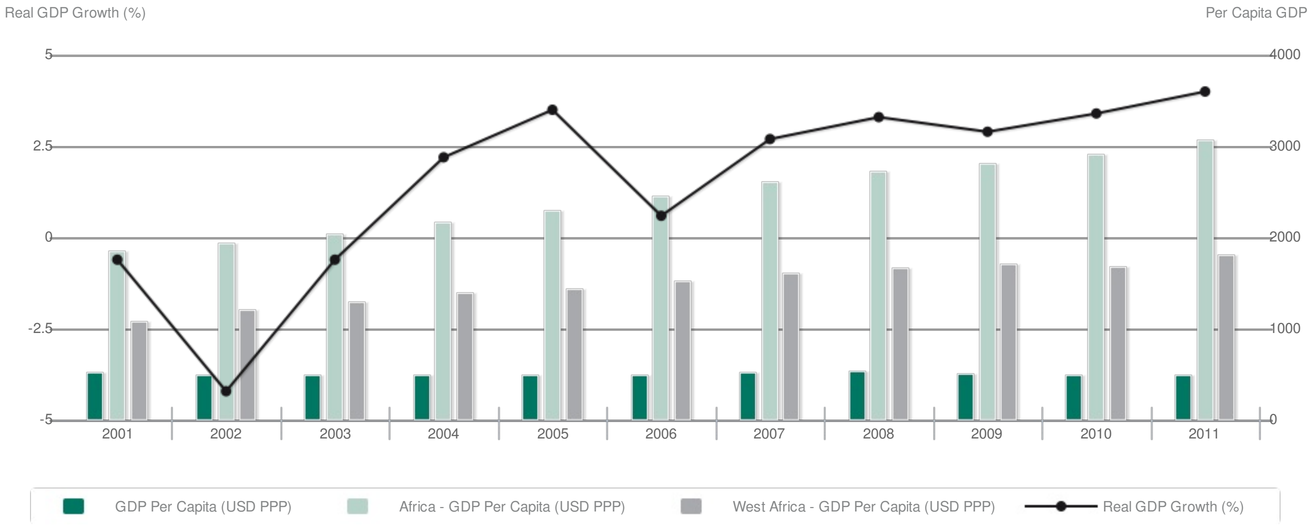
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.3	2.9	3.4	4.0
CPI inflation	10.4	-1.5	2.5	2.3
Budget balance % GDP	-7.0	1.7	-0.7	-0.4
Current account % GDP	1.8	-2.2	-2.4	-3.1

Sources: Data from local authorities; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/858787440043

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852223351178

Kenya

The Kenyan economy grew at only 2.5% in 2009 because of the global slowdown, poor rainfall and post-election violence.

The 2010 outlook is better, provided there is sustained global recovery, sufficient rainfall and governance challenges are resolved.

Kenya could benefit from increased integration and expansion of the economies of the East African Community.

The performance of the Kenyan economy in 2009 was severely affected by three adverse shocks. First, the second-round effects of the global economic downturn depressed Kenya's main export markets. Second, the erratic, delayed and shorter rainfall had a negative impact on the agricultural and power sectors. Third, the prolonged effects of the 2008 post-election violence depressed investor confidence and had adverse effects on the whole Kenyan economy and population. As a result, the Kenyan economy is expected to have grown by 2.5% in 2009. In spite of the slump of international capital markets, Kenya demonstrated the depth and liquidity of its domestic capital market by successfully floating two infrastructure bonds in 2009.

The 2010 outlook for the Kenyan economy is more positive. First, Kenya's exports are likely to benefit from the expected recovery in world economic growth and the increase in prices for some of Kenya's main exports recorded in early 2010. Second, the impact of the 2009 fiscal stimulus, implemented by the government in late 2009, will be felt throughout 2010. Public and private investments are also expected to increase in 2010. As a result, the Kenyan economy is expected to grow by 3.6% in 2010.

Risks to a robust recovery in 2010 remain significant, however. Given the importance of agriculture to gross domestic product (GDP) and employment, any delay in the long or short rainy season will have severe economic and social consequences. Progress on improving institutional transparency is also critical for all Kenyan stakeholders to be confidently engaged. Particular attention needs to be paid to issues arising from the evictions and relocations of those who had settled in the Mau Forest, Kenya's main water catchment area. Similarly, the International Criminal Court's progress in investigating Kenya's post-election violence, as well as efforts to have the constitution put to a referendum in 2010, will be closely watched.

More positively, Kenya, which is already a hub for East African countries, stands to benefit from further integration of the East African Community (EAC). The plan for the EAC to have a common central bank and common currency has the potential to further enhance trade within the region. The common-market protocol that was signed at the end of 2009 and should be ratified by mid-2010 ought to have a significant impact on Kenya's integration with the rest of East Africa in the immediate term. Kenyan businesses are well-positioned to take advantage of the free movement of labour and capital. An important characteristic of the Kenyan economy when compared with the rest of Africa is the large share of its exports which are for other East African countries. As such, Kenya's external performance in 2010 will depend on the growth rate of East African countries, especially Uganda and Tanzania.

Kenya will also benefit from its strategic location, its communication with the rest of the world through the port of Mombasa and Nairobi airport, and its well-developed financial and services sectors. In addition, Kenyan businesses, especially those operating in the burgeoning information and computer technology sector are likely to reap strong benefits from the two fibre-optic cables (TEAMS and SEACOM) that came into operation in 2009. Bearing all these factors in mind and barring any major external shock, Kenya's economy is likely to recover in 2010 and 2011.

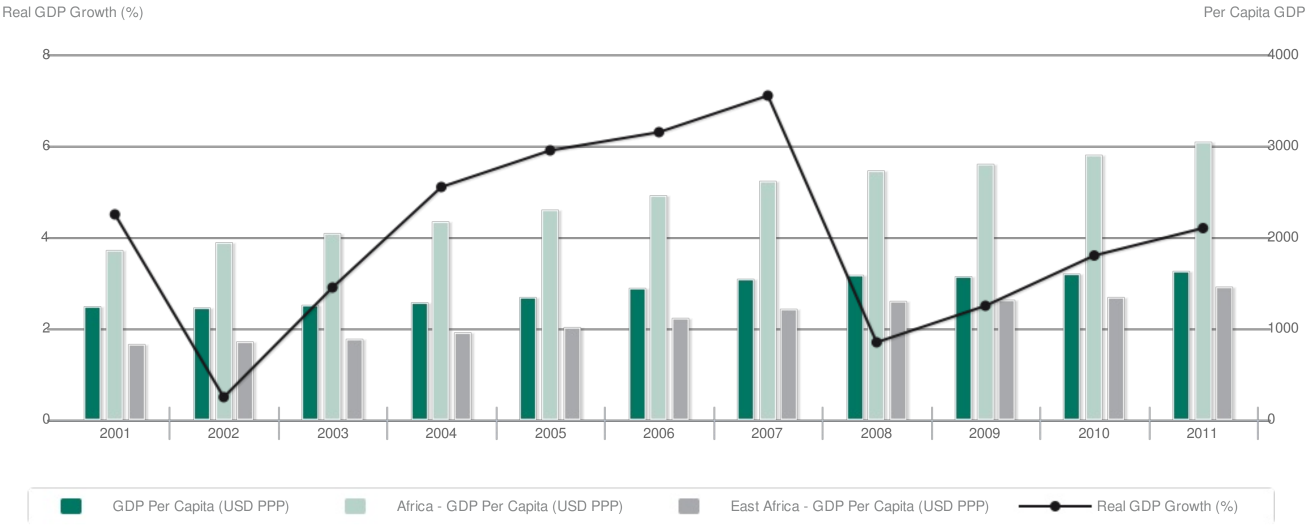
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	1.7	2.5	3.6	4.2
CPI inflation	18.5	9.3	7.3	6.4
Budget balance % GDP	-5.9	-5.8	-6.1	-6.8
Current account % GDP	-6.5	-4.9	-6.7	-7.2

Sources: Kenya Central Bureau of Statistics (KNBS) and Ministry of Finance data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860088687260

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852536451566

Lesotho

Lesotho's growth outlook for 2010 and 2011 remains weak and depends on demand for textile products.

Rising unemployment, declining remittances and weak social safety nets all mean deteriorating living standards are expected.

Major investment to improve power and water supply is needed but declining revenue from the South African Custom Union poses a serious challenge.

The global crisis badly affected Lesotho's economy in 2009 and its outlook for 2010 and beyond. Gross domestic product (GDP) growth fell from 4.4% in 2008 to 1.1% in 2009 as the manufacturing and the mining sectors both shrank. The government estimates that employment in the manufacturing sector declined by 4.1% in 2009. Unemployment also increased because of layoffs in the textile industry and the mining sector in South Africa. The number of migrant mine workers in South Africa declined by 10% in the third quarter of 2009.

The government budget remained in surplus in 2009 for the sixth year running but is expected to be in a deficit of 4.6% of GDP in 2010. This is mainly due to a sharp decline in the South African Customs Union (SACU) revenue pool – made up of South Africa, Lesotho, Botswana, Namibia and Swaziland – which is a major revenue source for Lesotho. The crisis led to lower demand for imported capital and consumer goods, reducing SACU revenues.

The current account balance declined from a surplus of 3.2% of GDP in 2008 to a 2% deficit in 2009. The crisis also badly hit remittances which fell by 9.6% in 2009. Budget and current account deficits in 2010 raise the risk of debt distress unless fiscal restructuring is pursued. Inflation eased in the last quarter of 2009 thanks to better agricultural production, a stronger currency and generally lower demand for goods and services.

Shrinking incomes, rising unemployment and a weak overall resource balance threaten to reverse gains from the accelerated growth and macroeconomic stability of recent years. In 2009 *per capita* GDP declined in absolute terms for the first time in six years, by 1.6%.

Increased growth and lower income inequality helped Lesotho reduce the proportion of the population living below one US dollar (USD) a day from 45.4% in 1999 to 33.1% in 2008. Sustaining this performance would allow Lesotho to meet the UN Millennium Development Goal (MDG) of reducing extreme hunger and poverty by half by 2015. But extreme poverty is estimated to have increased by about 2% in 2009. Rising unemployment and falling household incomes could also affect school attendance rates, according to a recent government survey.

The government initiated reforms in 2009 to spur short- to medium-term growth and improve the prospect of reaching the MDG and its own Vision 2020 development goals. These include a support strategy for the textile and clothing industry, a private sector development strategy and a domestic resource mobilisation strategy.

Measures for the textile industry range from direct financial support to technical assistance to improve competitiveness. There are plans to create institutional and financial facilities to support export-import businesses for existing and new foreign and local firms. Studies are underway to explore new markets and new products to facilitate exports to southern Africa, the European Union (EU), United States and other regions of the world. The government has sought co-operation with China to increase skills, by working with Chinese textile firms to help increase productivity. The government set aside 600 million Lesotho loti (LSL), equivalent to 79 million US dollars (USD), to provide water supply, roads, factory shells and communications for firms that locate on a new industrial estate set up for manufacturing.

Efforts will also be made to improve Lesotho's weakness in attracting investment. Domestic resource mobilisation is also an increasing priority for the government. Reforms are under way to improve tax collection, expand the tax base and increase the tax compliance rate. A large public investment programme should boost economic activity in 2010-11. In the short term, real GDP growth is expected to rise to 2.3% in 2010 and 3.3% in 2011. However a poor export performance could adversely affect the current account balance in 2010 and 2011.

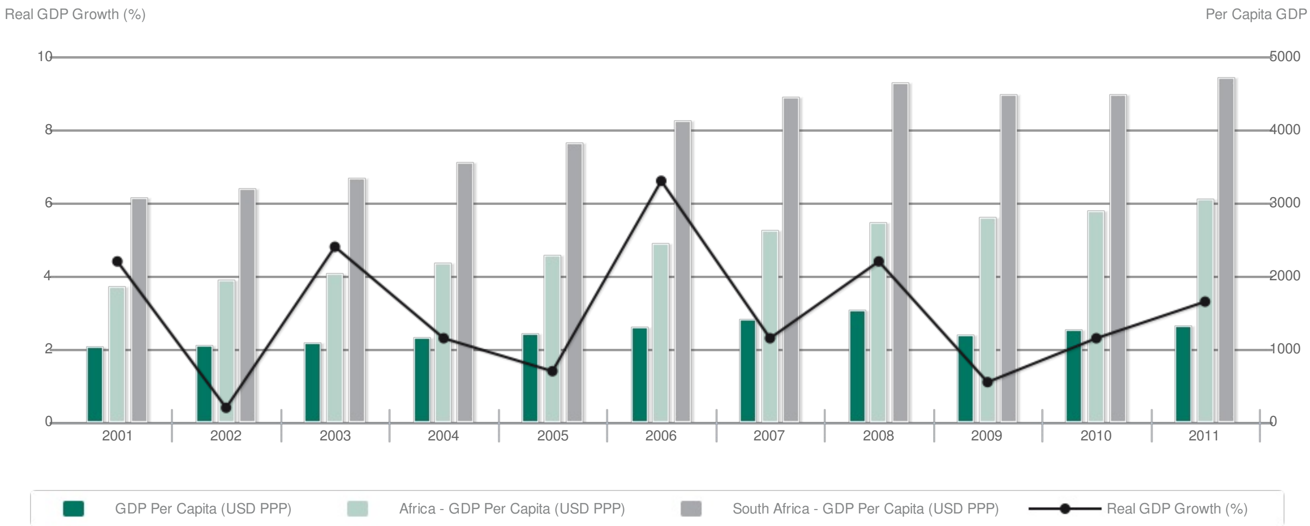
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.4	1.1	2.3	3.3
CPI inflation	10.7	4.8	5.5	5.4
Budget balance % GDP	19.5	8.2	-4.6	-12.3
Current account % GDP	3.2	-0.2	3.3	-0.1

Sources: Data from Lesotho Bureau of Statistics and Central Bank of Lesotho; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860170644870

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Bureau of Statistics data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852574872635

Liberia

Liberia's growth has been boosted by post-civil war reconstruction and donor assistance. However because of delays getting the mining and timber industries up to full operation, real GDP initially estimated to have grown 10.8% in 2009 was revised down to 4.1%.

Political stability will be influenced by the report of the Truth and Reconciliation Commission and presidential and legislative elections in October 2011 in which President Ellen Johnson-Sirleaf has announced she will run again.

The Extractive Industries Transparency Initiative board named Liberia the "Best EITI Implementing Country" in 2009 for the early completion of its report and being the only country to include forestry in the report.

Liberia's economic growth has been helped by reconstruction and impressive donor assistance since the end of the country's second recent civil war from 1999 to 2003. Real gross domestic product (GDP) was initially estimated to have grown 10.8% in 2009, but this was adjusted down to 4.1% because of delays in getting the key mining and timber industries up to full speed. Growth is expected to be driven by the agriculture (including forestry) and service sectors. The outlook in 2010 and 2011 is positive as the global credit crunch and recession ease. GDP growth is projected to rise about 6.9% in 2010 and 7.7% in 2011.

Liberia's slow growth in 2009 was largely due to the global economic and financial crisis. Foreign exchange inflow fell in 2009 against 2008 because of a drop in remittances from 959 million US Dollars (USD) in 2008 to USD 782 million in 2009, lower export proceeds and reduced or delayed investment in mining and other key sectors. The value of the Liberian dollar (LRD) against the US dollar (USD) depreciated by 7.1% to 67.81 LRD to the US dollar at the end of 2009 from LRD 63.29 at the end of 2008. The crisis caused salary cuts and layoffs especially on rubber plantations and at mining companies. The Liberian government proposed a number of measures including tax cuts and a USD 2 million guarantee fund for Liberian entrepreneurs.

Although the food crisis eased in 2009, the government and institutions such as the World Bank and the African Development Bank (AfDB) pursued a food security programme initiated in 2008 to cushion the impact of the crisis. The tariff on imported rice was reduced and the Central Bank of Liberia (CBL) set up a USD 1 million fund to purchase local rice to ensure adequate food supplies and increase a food programme for schools. The annual rate of inflation measured by the Harmonized Consumer Price Index (HCPI) fell to 7.4% in 2009 from 17.5% in 2008 as food and oil prices eased.

The Liberia Extractive Industries Transparency Initiative (LEITI) Act was signed into law in 2009. LEITI is the first and only extractive industries transparency initiative (EITI) in the world to include forestry and agriculture in its reporting. Liberia is also the first country in Africa and the second (after Azerbaijan) in the world to have completed validation. The EITI Board named Liberia "Best EITI Implementing Country" in 2009. Total tax revenue excluding grants increased significantly from USD 72.7 million in 2000 to USD 187.8 million in 2008. Between 2000 and 2008, tax revenue accounted for over 81% of total revenue including grants.

Much care is needed not to upset political progress made since the end of Liberia's civil war. Stability is likely to be influenced by implementation of the report of the Truth and Reconciliation Commission (TRC) presented to the legislature in June 2009 and the conduct of the October 2011 presidential and legislative elections in which President Ellen Johnson-Sirleaf has announced her intention to run for a second term. The TRC report recommends that perpetrators of human rights abuses during the civil war be tried and others including the president be banned from political office for 30 years.

Other issues threatening socio-political and economic stability include corruption, high unemployment, poverty, land disputes, ethnic and religious tensions, violent crime, especially armed robbery and sexual and gender-based violence.

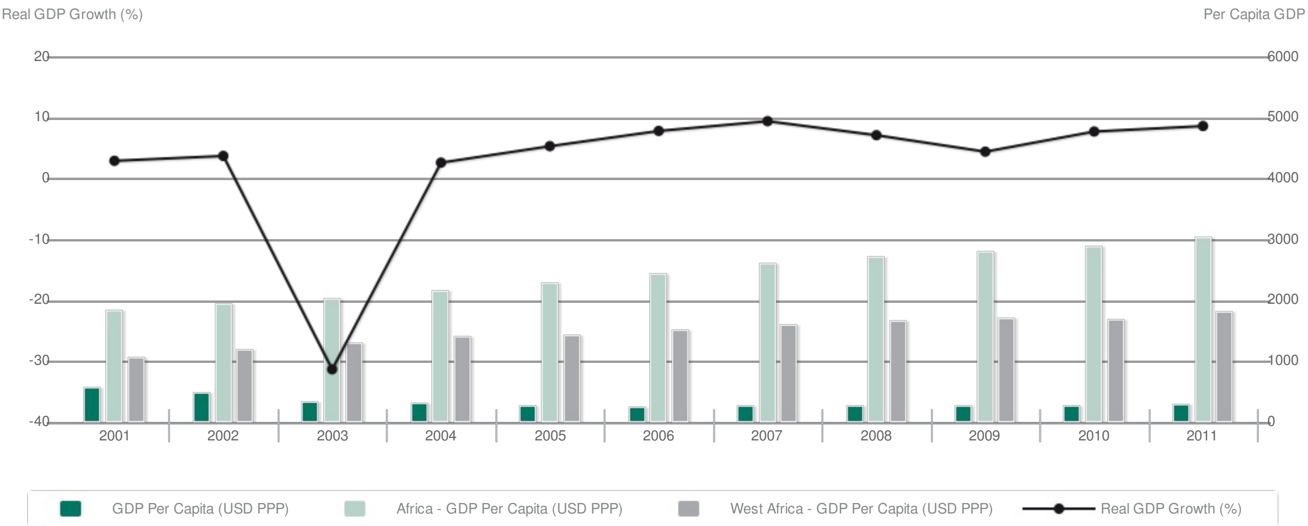
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.1	4.4	7.7	8.6
CPI inflation	17.5	7.8	5.0	5.3
Budget balance % GDP	1.6	-1.6	-0.7	-1.8
Current account % GDP	-53.9	-52.8	-63.0	-56.4

Sources: Data from ECOWAS and IMF; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860401738000

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Liberia Institute of Statistics and Geo-Information Services data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852605851070

Libya

Libya has been moderately affected by the effects of the global economic and financial crises and growth is expected to exceed pre-crisis levels by the end of 2010.

Libya continues its ambitious diversification and privatisation agenda, as well as a massive Public Investment Plan, mostly focused on transport, housing, utilities and power.

Despite most recent efforts to diversify sources of income, hydrocarbons account for over 90 % of government revenues.

Libya is one of Africa's wealthier countries. It has the continent's largest proven oil reserves and is the third biggest producer behind Angola and Nigeria. Libya was only moderately hit by the global economic and financial crisis. Preliminary data indicate that real gross domestic product (GDP) growth slowed to 2 % in 2009, due to the fall in international oil prices and the Organization of the Petroleum Exporting Countries (OPEC) lower production quotas.

Lower commodity prices also eased inflation to approximately 2.5 % for the first nine months of 2009, compared to 10.4 % year-on-year. It is expected to stabilise over the medium term at about 5.5 %. The fiscal and external current account surpluses shrank in 2009 to 10.6 % and 16.8 % of GDP respectively, from 26.9 % and 40.7 % over the previous year. Growth forecasts for 2010 and 2011 are around pre-crisis levels of 5.2 % and 6.1 % respectively as global demand for oil helps prices recover.

Despite significant efforts over the past two decades to diversify its economy, Libya remains highly dependent on hydrocarbons, which account for close to 70 % of GDP, and generate more than 90 % of government revenues and 95 % of export earnings. According to the 2006 census, Libya is struggling with an unemployment rate of 20.7 % due to its poor ability to generate jobs.

To lessen its dependence on oil and the resulting vulnerability to shocks from volatile commodity prices, as well as counter the high unemployment rate (especially among young graduates), Libya has embarked on reforms aimed at rationalising its oversized, low performing public sector; and promoting trade, the private sector and foreign investment. The opening up of Libya's economy has triggered the interest of foreign investors attracted by opportunities in energy and construction, and to a lesser extent by the new and promising tourism sector. According to the UN Conference on Trade and Development *2009 World Investment Report*, foreign direct investment (FDI) in Libya quadrupled between 2005 and 2008.

Still, the country suffers from a business environment that many call unpredictable and cumbersome, with weak coordination, a complex decision-making process and inadequate human skills and manpower for the new private sector demands. Coupled with opaque legal and institutional frameworks, these structural constraints significantly hinder Libya's efforts to diversify its economy.

While extreme poverty is now largely eradicated and per capita income has been increasing, Libya still has weak healthcare and education systems in dire need of reform to lay the groundwork for a more private sector-led economy.

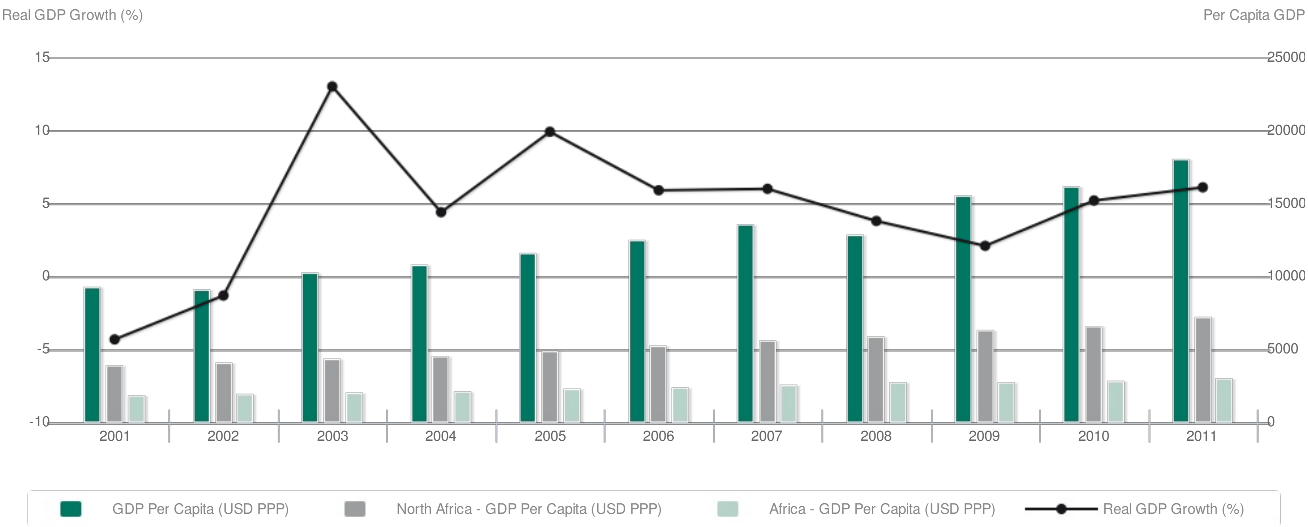
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.8	2.1	5.2	6.1
CPI inflation	10.4	2.5	5.3	5.6
Budget balance % GDP	26.9	10.6	14.8	21.6
Current account % GDP	40.7	16.8	32.6	37.3

Sources: Data from Central Bank of Libya (CBL); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860556222260

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852707883245

Madagascar

Madagascar's political crisis had a heavy impact on the economy in 2009.

The 2010-11 outlook depends on whether the political crisis ends and aid flows resume.

The crisis hit social sectors hard: poverty is up, basic education and health services down.

A grave new political crisis hit Madagascar in 2009 and the impact combined with the global financial crisis to send the 2009 gross domestic product (GDP) growth rate plummeting to -4.5%. The international community condemned the change of government as undemocratic, and some external aid, on which Madagascar is dependent, was frozen. Its growth is led by public investment, which in turn is financed by external resources. The outlook for 2010 and 2011 therefore depends on whether the country emerges from the crisis. Even if political events return to normal, GDP should contract again in 2010, because growth drivers, such as tourism and construction, are particularly sensitive to the political crisis. In addition, funding for a "green revolution" has dried up, which could detract from agricultural output.

Capacity for domestic resource mobilisation is low, making it impossible to take up the slack left by the loss of external aid, and the government was obliged to adopt a restrictive fiscal policy to contain the deficit and inflationary pressures. As a result, financing for development projects, particularly in the social sectors, was sharply curbed. The country nonetheless continued to meet its external debt service obligations, thus avoiding international sanctions. The central bank's monetary policy focused on fighting inflation, notably by intervention in the foreign exchange market to avoid excessive depreciation of the national currency, while at the same time supporting the troubled economy. The trade deficit narrowed, as imports fell more than exports, but the overall balance fell into deficit owing to the drop in foreign direct investment (FDI) and aid flows.

The political crisis has had a strong impact on the private sector. Firms suffered heavy losses in looting at the start of the crisis, and business activity has been greatly hampered by the ensuing insecurity. The fall in external financing and condemnation of the forced government change by trade partners reduced market outlets. For example, the suspension of the agreement with the United States under the US Africa Growth and Opportunity Act (AGOA) should cut textile sector output by 20%. Among the social consequences of the troubles, unemployment is rising fast, particularly in urban centres.

Madagascar's dependence on external resources to finance its development is partly due to the country's low capacity for resource mobilisation. Its tax rate is one of the lowest in Africa. To address this problem, the country embarked in 2007 on extensive fiscal reforms aimed at making the tax system simpler and more transparent, the tax administration more efficient, and stepping up the fight against fraud and corruption. It is essential for Madagascar to increase its resource mobilisation capacity since more than half of tax revenue is currently levied on foreign trade, and this revenue will decline because the country is in the process of liberalising trade with its partners through the Southern African Development Community (SADC) and through economic partnership agreements with the European Union.

Efforts to achieve the UN Millennium Development Goals (MDGs) have also been undermined by the crisis. Although data was not yet available, some of the progress made in recent years has probably been wiped out, particularly in poverty reduction, school enrolment and health. Moreover, the country's poverty reduction strategy, known as the Madagascar Action Plan (MAP), has been abandoned since the government change and has not been replaced by a new strategy.

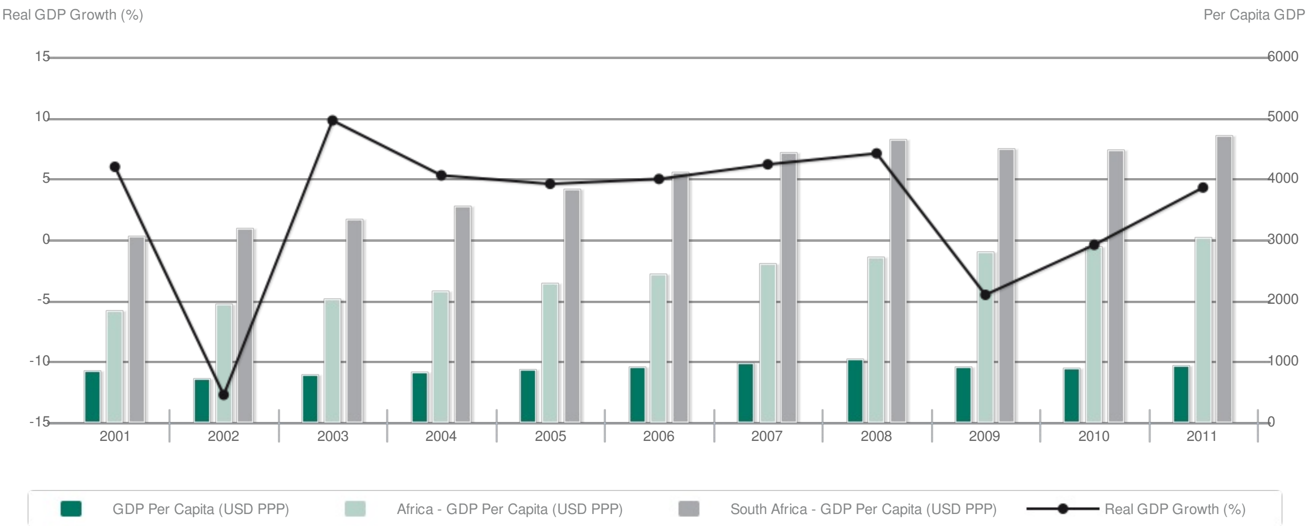
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.1	-4.5	-0.4	4.3
CPI inflation	9.2	8.9	9.1	8.0
Budget balance % GDP	-1.9	-1.3	-0.6	-1.0
Current account % GDP	-20.5	-16.2	-17.4	-17.7

Sources: Data from National Institute of Statistics of Madagascar (INSTAT); stimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860672317284

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/852816442816

Malawi

Malawi's largely undiversified economy has been relatively resilient with 2009 growth at 7.0%.

Export earnings were up thanks to a strong tobacco harvest (though prices fell) and uranium exports.

Projected growth rates for 2010 and 2011 are 6.0 and 6.2% respectively but are threatened by local dry spells.

Macroeconomic policy performance has been generally consistent and strong although government commitment weakened as the country approached and held 2009 presidential and parliamentary elections. Domestic revenue performance was robust at an estimated 29.8% of gross domestic product (GDP) in 2009/10, buoyed by recent institutional and administrative tax reforms. The creation of the Large Tax Payers Unit and the expansion of the auditing function under the Malawi Revenue Authority have helped improve the efficiency of tax mobilisation. However, an escalation in domestic debt which increased domestic interest payments and expansion of the fertiliser subsidy well beyond initial budget plans offset the benefits of the strong revenue performance, widening the fiscal deficit to 5.4% of GDP in 2009.

Malawi's pursuit of a de facto fixed (pegged) exchange rate policy from 2006 to late 2009 made it difficult for the Reserve Bank of Malawi (RBM) to clear the foreign exchange market at the official exchange rate, causing import demand backlogs and serious forex shortages. Foreign reserves became precariously low in 2009 falling to 0.6 months of imports. The authorities have renewed their commitment to policy reform, announcing measures for exchange rate liberalisation and fiscal consolidation to help build foreign reserves.

The May 2009 presidential and parliamentary elections were declared free and peaceful giving President Bingu wa Mutharika and the Democratic Progressive Party (DPP) a mandate for a second term of office. Women won 21% of the seats, increasing their representation by 50% from the 2004 to 2009 Parliament. Following the elections, President Mutharika replaced his core economic management team with new appointments for Minister of Finance, Reserve Bank Governor and Secretary to the Treasury.

The DPP has a working majority in parliament that facilitated smooth approval of the 2009/10 national budget and a number of financial bills carried over from the politically tenuous 2004-09 Parliament. Using its majority in parliament, the DPP passed a number of bills in the November 2009 sitting that raised concern among the civil society groups, including the bill that gives the president the power to decide when to hold local elections and the bill that gives him the power to fire the vice-president.

As one of the Least Developed Countries in the world, poverty remains a key challenge in Malawi. Real per capita GDP at 2000 prices stood at 189 US dollars (USD) in 2009. Progress has been made in tackling poverty and other social challenges, however, in line with the Millennium Development Goals (MDGs), and within the framework of the Malawi Growth and Development Strategy (MGDS). Increased household food security and falling poverty have complimented strong macroeconomic performance. The government of Malawi estimates that the poverty headcount has fallen from 52.4% in 2005 to 40% in 2009. Overall well-being remains low, but is improving, as measured by the United Nations (UN) Human Development Index (HDI) score of 0.493 that ranks Malawi at 160 out of 182 countries in 2009, up from 164 out of 177 countries in 2007/08. The authorities acknowledge that, while progress has been made, MDGs on achieving universal primary education, gender equality and women's empowerment, and improving maternal health remain elusive.

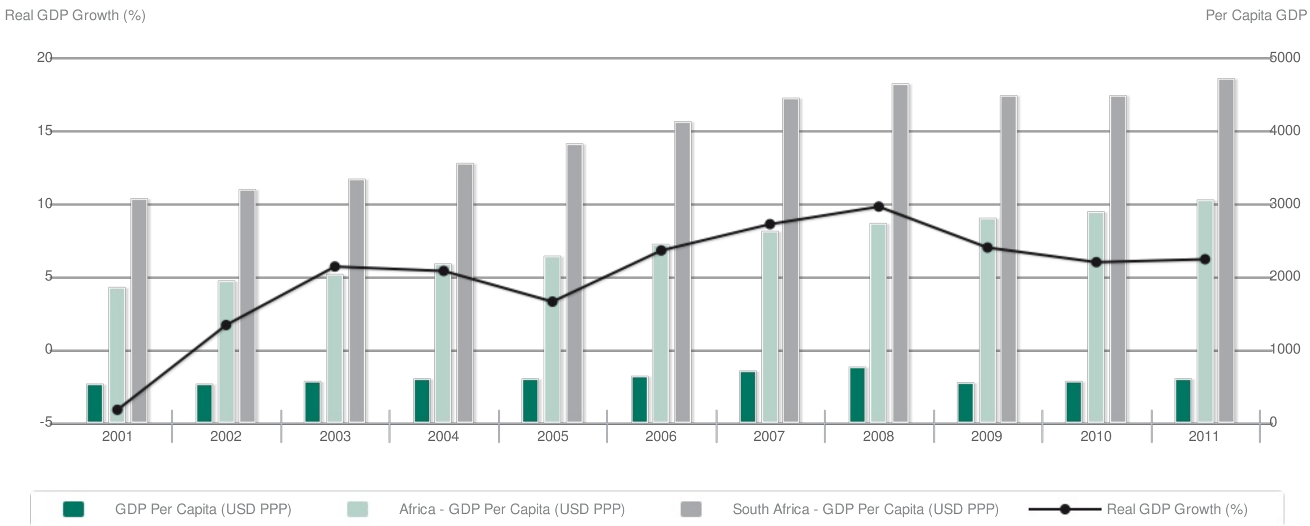
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	9.8	7.0	6.0	6.2
CPI inflation	8.7	8.5	8.8	7.9
Budget balance % GDP	-2.7	-5.4	-1.8	-2.5
Current account % GDP	-6.8	-8.1	-5.9	-7.7

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/860788633514

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Statistical Office (NSO).

Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853005115813

Mali

The economy grew 4.3% in 2009 after a satisfactory harvest due to good rainfall.

The chances of achieving the Millennium Development Goals by 2015 are slim.

Generation of domestic revenue improved with modernisation of the tax department, enlargement of the tax-base and ongoing computerisation of regional tax offices.

The government continued to implement its 2007-11 Strategic Framework for Growth and Poverty Reduction (SFGPR) in 2009 amid world financial and economic crisis. With a 7% annual average growth target, it aims to speed up progress towards the Millennium Development Goals (MDGs). Despite the international crisis, which complicated economic management, the economy performed satisfactorily. Real gross domestic product (GDP) grew 4.3%, mainly due to satisfactory agricultural results and good rainfall. Continued cautious budget and monetary policies, as part of formalising public finance management, curbed inflation and growing budget and current account deficits.

In spite of overall growth and limited deterioration of macroeconomic aggregates, due to ongoing budget reforms and support for agriculture, budget cuts and arbitrage imposed by reduced funding prevented further structural reform. As the world economy recovers in 2010, and based on 5% real GDP growth, the government plans to continue budget reform and speed up structural changes. It will also, with help from development partners, support the productive sector so as not to hinder investment with the kind of systematic government investment cuts made in 2008 and 2009. Inflation was brought down to 2.2% in 2009 (from 9.2% in 2008) as world food prices eased, helped by the government's cautious monetary policy.

The government continued its conservative management of public finances, bringing the basic budget deficit down to 1.5% of GDP in 2009 (from 2.6% in 2008). Total revenue increased to 14.4% of GDP due to better monitoring of collection and the taxation department. Tax revenue averages more than 85% of the total and was about 603 billion CFA Franc BCEAO (XOF), up 16% on 2008, after better results from VAT (+ 17%), which accounts for 40% of tax revenue.

The current account showed a 9.2% of GDP deficit in 2009, a slight improvement over 2008 (9.7%) because of a smaller trade deficit in spite of difficult world conditions. The trade deficit itself shrank to 3.2% (from 5.5% in 2008) mainly because of higher gold exports (more than 70% of total exports by value), which offset a 24% fall in exports of cotton.

Increasing domestic revenue is part of the government's action programme to improve and modernise public finance management (Pagam/GFP), which also aims to control spending.

Despite government efforts, obtaining budgetary support was slightly affected by tighter world economic conditions and only XOF 146.6 billion (90%) of a projected XOF 163.4 billion was raised. General and sectoral budget support (together 65% of the total) produced 82% and 95% of the targeted amounts.

Progress has been made in budget drafting, connecting up the spending chain, reforming public procurement procedure, decentralising budget credits, internal monitoring and overall revenue generation.

Peace and security were consolidated in 2009 with northern Tuareg tribes, including supporters of the *Alliance du 23 mai pour la démocratie et le changement* grouping. Civil peace is a government priority as President Amadou Toumani is constitutionally barred from re-election in 2011, so the political climate could be difficult then.

Mali has made progress towards meeting the MDG by 2015 but most of them will not be achieved. Healthcare is a national priority and the government is implementing a 10-year social and healthcare programme that will end in 2011. Substantial progress has been made in education, especially gross enrolment, which was an estimated 84% in 2009. Monetary poverty, measured by the cost of basic necessities, fell by 8 percentage points between 2001 (55.6%) and 2006 (47.4%), though with notable regional disparities and rising urban poverty due to unemployment and rural exodus. Inequality was a still-high 36% (down from 38% in 2001).

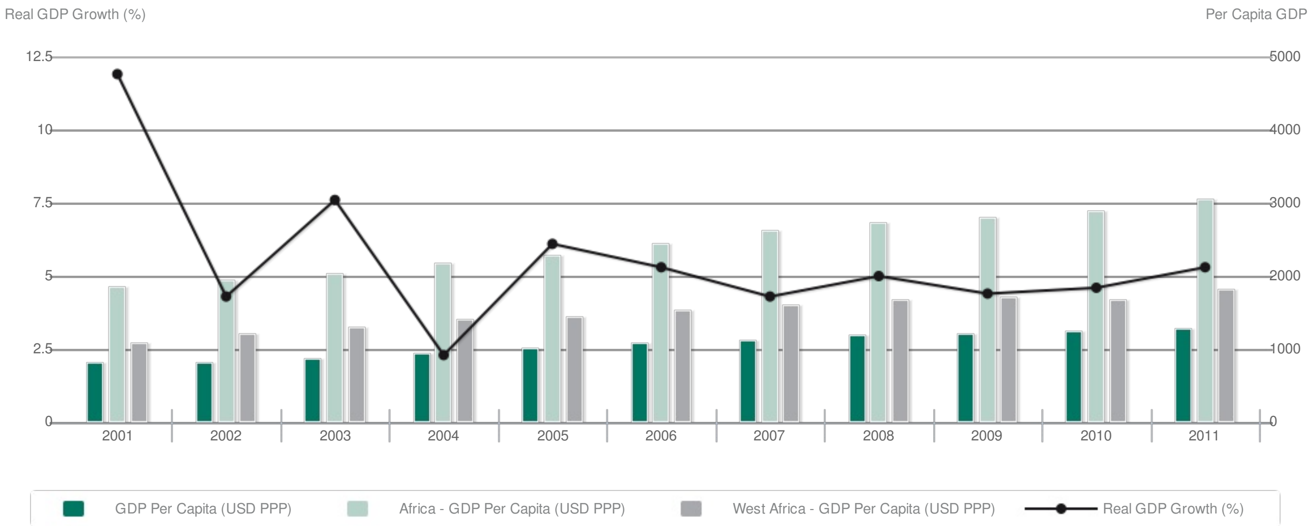
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.0	4.4	4.6	5.3
CPI inflation	9.2	2.2	1.9	1.8
Budget balance % GDP	-2.2	-0.9	-1.9	-1.9
Current account % GDP	-9.7	-9.1	-11.1	-12.5

Sources: Data from Ministry of Economy and Finance; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861206243380

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853076643212

Mauritania

The budget balance will continue to worsen in 2009 and 2010 in the absence of stricter fiscal procedures and a curb on imports.

The country's complex and costly tax system penalises the formal sector while informal economic activity continues to escape taxation.

Mauritania ranked 154th out of 182 countries in the 2009 UN Human Development Index and is unlikely to achieve all the Millennium Development Goals (MDGs) by the 2015 target date.

Mauritania had a tough time in 2009 after several years of growth. Gross domestic product (GDP) shrank 1.2% (compared with a 3.7% rise in 2008) due to a national political crisis and the world economic recession, which hit demand for the country's raw materials, chiefly minerals, which generate most of its income. The world price of iron fell 36% and that of copper by 28% between 2008 and 2009. Food shortages in 2008 left deep economic scars and the government set up a 42 billion Mauritanian ougiya (MRO) special intervention programme (SIP) to help the poor cope with high food prices.

The government expects 3.7% growth in 2010 and 5.5% in 2011 if iron and copper prices hold up, tax collection improves and foreign aid increases. This optimistic forecast is also strenghtened by the gradual return to constitutional rule after the July 2009 presidential election and on good performances by the construction, fisheries and the tertiary sectors.

Mining (iron, gold and copper) showed satisfactory results in 2009 despite fluctuating world prices and accounted for 36.5% of GDP. Expansion prospects are very good but offset by volatile world prices.

The state-owned mining firm SNIM, which dominates the sector, achieved some of its iron production targets in 2009, with an output of 10 million tonnes. Substantial investment by the MCM (*Mines de cuivre de Mauritanie*) consortium, mainly in Akjoujt, led to annual targets of 120 000 tonnes of 25% copper concentrate and gold at 12 grammes/tonne. An 80 million US dollar (USD) investment in gold mining is expected to produce 120 000 ounces a year, and another USD 50 million plus will be invested in gold output around El Ghaicha.

Fisheries have a bright future despite poor infrastructure, old boats, the industry's informal nature and a non-transparent system of licence-issuing. The sector contributes nearly 6% of GDP but this could be greater as Mauritania has some of the world's richest fishing grounds. The aim is to modernise the fleet and improve sector organisation by 2012.

The current account deficit remains stubborn and worsened to 14.9% of GDP in 2009 due to increased imports, a worse performance by the service sector and a bigger trade deficit. The current account deficit is expected to increase over the next few years, to 16.7% of GDP in 2010 and 17.4% in 2011. The budget deficit is 6.9% of GDP due to shrinking foreign aid and higher government spending. The deficit will persist without stricter budget procedures and reduced imports and is expected to be 6.5% of GDP in 2010 and 5.5% in 2011. A conservative monetary policy and better control of public spending would help to halt the worsening of the current account and balance of payments deficits.

The legal and regulatory framework of the development of the financial sector was changed in 2009 to modernise and stabilise it, with a new deposit guarantee fund to protect customers better, boost public confidence in the banking system, attract more users and encourage savings.

Inflation was brought under control in 2009 at 2.2% (according to the central bank), down from 7.4% in 2008, thanks to lower world food prices and the bank's cautious monetary policy. But it is expected to rise once more, to 4.8% in 2010 and 5.3% in 2011, if food prices go up again with the gradual ending of subsidies for staple items.

The government began improving the tax system through identifying taxpayers, streamlining VAT collection and reforming income tax. This involved setting up a database of single-identity taxpayers in Nouakchott and Nouadhibou; establishing a system to refund Value Addded Tax (VAT); lowering the minimum corporate tax rate to 3%; reducing VAT exemptions; and harmonising taxation of goods by using West African Economic and Monetary Union (WAEMU) classifications.

Constitutional rule was restored in August 2009 after the leader of the 2008 military coup, Mohamed Ould Abdelaziz, was elected president in July. Extremist threats to foreign nationals made the government a strategic partner in the fight against terrorism and boosted Western support for it, especially after attacks in the summer of 2009.

Mauritania ranks only 154th out of 182 countries in the UN Human Development Index. Out of the 11 targets associated with the MDGs analysed by the UNDP in 2008, only six seem to be achievable by 2015, i.e. those related to poverty, hunger, universal primary education, gender equality, access to safe drinking water and living conditions. The other five (concerning child mortality, maternal health, HIV/AIDS, malaria and other diseases and sustainable development), seem to be out of the running for the time being because of the dire state of the country's public health, clean water supply and sanitation.

Poverty affects 46.7% of the population who cannot meet their basic daily needs. This is worsened by increasing inequality, shown by the Gini coefficient as rising from 0.338 in 1996 to 0.396 in 2008.

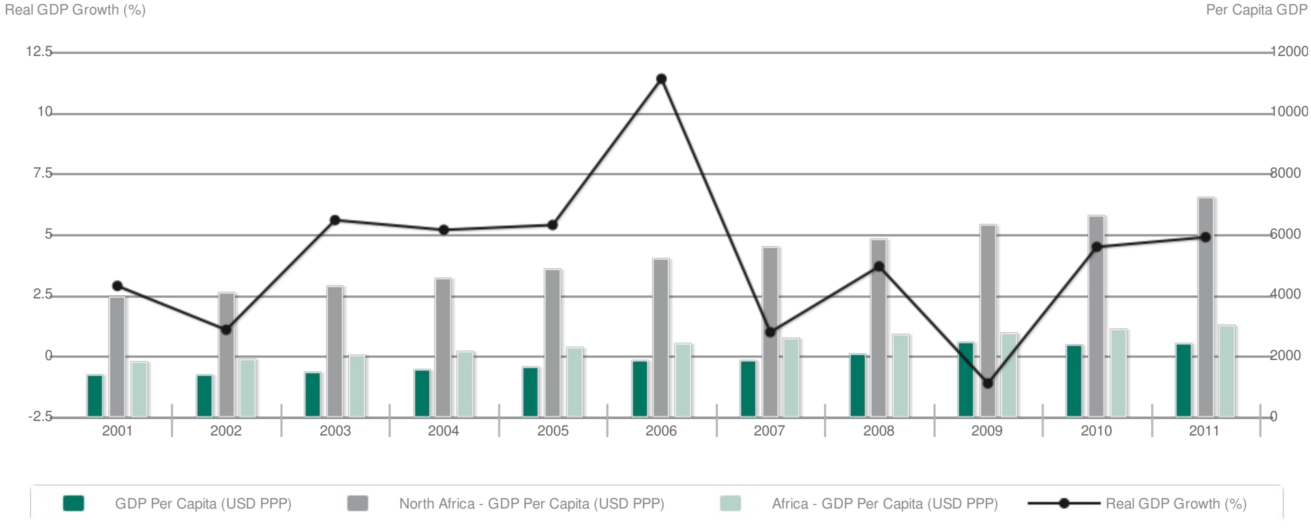
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.7	-1.1	4.5	4.9
CPI inflation	7.4	2.2	4.8	4.7
Budget balance % GDP	-7.4	-5.5	-5.1	-6.3
Current account % GDP	-15.9	-17.3	-22.8	-24.1

Sources: Data from the Central Bank of Mauritania (BCM) and the National Office of Statistics (ONS); estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861274785421

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853130842777

Mauritius

Economic growth fell sharply to 2.8% in 2009 from 5.1% in 2008 as the global financial crisis undercut external demand, reduced private capital flows and increased uncertainty about the island's economic prospects.

Mauritius should pick up to post growth of 4.2% in 2010 and 4.7% in 2011 as the world economy generally, and that of Europe in particular, recover from the recession.

The economy is traditionally dependent on sugar, textiles, tourism and financial services and while these can be further developed, a key objective is reform and to upgrade technology levels to make the island an attractive investment location.

Since the outbreak of the global financial crisis, government policy has been to press ahead with reform and diversification while preparing the economy for an eventual global recovery. The aim is to make the country more resilient to external shocks and to increase its competitiveness in global markets. A key element is a focus on higher value-added services such as information and communications technology.

Gross domestic product (GDP) growth in 2009 of 2.8 % was well below the previous year's 5.1 % despite substantial government stimulus measures, reflecting a sharp fall in external demand for textiles and tourism services following the global economic crisis, especially in European countries, Mauritius' main trading partners. Tourist arrivals in 2009 were down 6.4 % to around 870 000 but earnings fell more: 13.4 % to 1.2 billion US dollars (USD).

Growth is expected to pick up to 4.2 % in 2010 and 4.7 % in 2011 with the anticipated global economic recovery and the government's fiscal and monetary stimulus package.

The overall fiscal balance as a percentage of GDP showed a deficit of 3.3 % in 2008 and 3.6 % in 2009, with the shortfall projected to rise to 4 % in 2010 before falling back to 3.3 % in 2011. The Bank of Mauritius cut the repurchase (repo) rate – the central bank's main policy interest rate – to 5.75 % by the end of 2009 while headline inflation tumbled to 2.5 %, its lowest rate for more than 20 years, from 9.7 % for 2008. Last year, the current account deficit was 8.6 % of GDP and this is projected to widen to 9.5 % in 2010 before narrowing again to 9.1 % in 2011.

Gross foreign direct investment (FDI) in Mauritius, mainly from France and Britain, the former colonial powers, mainly goes to tourism, real estate and the financial services sector. Mauritius remains one of the few African countries whose international reserves still remain strong, despite some outflows in late 2009. Its domestic banks are profitable, well-capitalised and liquid. Government measures helped limit job losses in 2009, with unemployment increasing only marginally to 7.4 % from 7.2 % in 2008.

Major investments in infrastructure and education are necessary to support the shift towards a more services-oriented economy, especially the country's development as a regional centre for information and communications technology. Such measures will complement a reputation for good governance, a business-friendly environment and solid social indicators, helping to support growth over the medium- to long-term.

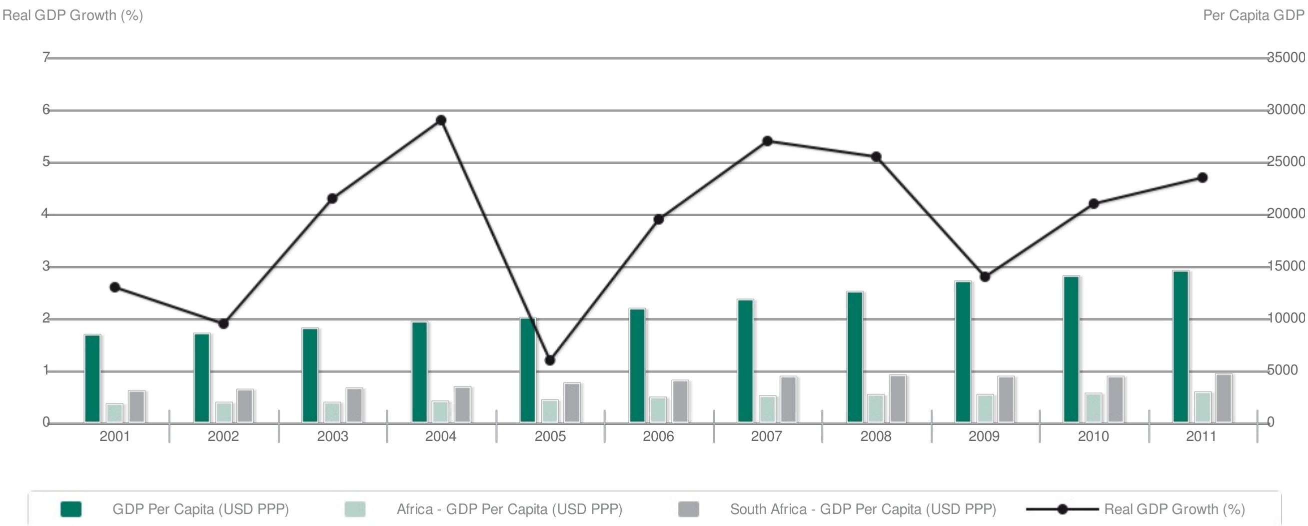
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.1	2.8	4.2	4.7
CPI inflation	9.7	2.5	4.5	4.1
Budget balance % GDP	-3.3	-3.6	-4.0	-3.3
Current account % GDP	-10.4	-8.6	-9.5	-9.1

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink Table 1 - Macroeconomic Indicators

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources:
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853183123664

Morocco

Despite having achieved good performances since the start of the decade, the Moroccan economy remains afflicted by weaknesses that the economic crisis risks exacerbating in the short term.

Thanks to the prudent fiscal management of recent years, more incentives have been introduced into the tax system and public expenditure is better controlled.

Progress has been made in promoting the private sector, but serious challenges remain to improving the business environment.

Morocco's economic performance remained strong in 2009, despite poor international conditions. Initially, the instability of financial markets, soaring oil prices, and the loss of impetus of the country's major trading partners led to fears of the worst. However, the fundamentals have remained stable, attesting to greater ability to withstand external shocks. Gross domestic product (GDP) growth reached 5% in 2009, buoyed by an exceptional agricultural campaign, vigorous domestic demand and economic support measures. These latter were introduced to counteract the effects of the crisis, perceived since the second quarter of 2008.

The Moroccan economy, however, continues to suffer from certain weaknesses that the international crisis risks exacerbating in the short term. There are persistent worries about the health of the balance of trade, and the competitiveness of exports as well as their strong concentration on European markets.

In addition, the crisis had a negative impact on tourist revenues and transfers from Moroccan residents abroad. These two principal sources of foreign currency have thus far offset the deficit in the balance of trade and have enabled the current account to remain positive. Growth should thus remain unchanged in 2010, and not exceed 4.3%.

Table 1: Macroeconomic indicators

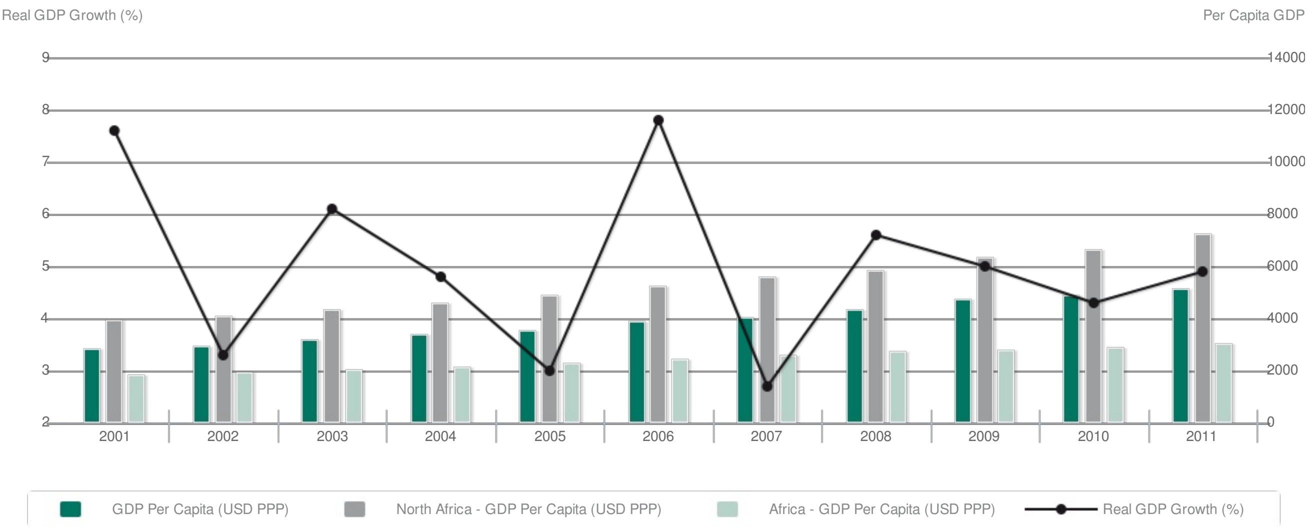
	2008	2009	2010	2011
Real GDP growth	5.6	5.0	4.3	4.9
CPI inflation	3.9	1.0	2.9	2.5
Budget balance % GDP	0.4	-2.9	-4.0	-3.4
Current account % GDP	-4.9	-6.3	-4.0	-3.7

Sources: Data from Bank Al Maghreb, Directorate of Statistics and the Ministry of Economy and Finance; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861387224638

Structural and sector reforms in recent years have contributed to establishing the foundations of a modern and open economy. The crisis prompted the authorities to redouble their efforts to modernise the public sector, launch large infrastructure projects, develop the private sector and protect the environment.

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853268058432

Mozambique

Mozambique weathered the global financial crisis relatively well, posting solid if lower economic growth in 2009 thanks to supportive government policy that helped offset weaker export commodity prices and a fall in FDI and in remittances.

Poverty rates remain high as there is little trickle down or tax benefit from the massive mining projects which largely account for economic growth.

The government budget depends heavily on donor support but ending or modifying the current favourable tax regime for the large extractive projects could bolster state finances.

Mozambique weathered the global financial crisis relatively well, maintaining strong, if lower growth than in 2008 while inflation was subdued. The limited exposure of the country's banking system to international financial markets minimised the direct impact of the global crisis. Supportive government measures, such as fuel subsidies, helped sustain growth together with an increase in agricultural output.

Gross domestic product (GDP) growth fell to 5.4% in 2009 from 6.8% in 2008, which was better than IMF estimates for around 4.5% but below the government's target of 6.7%. Growth continued to be driven mainly by large foreign investment in mineral resources and services while the agro-industry, energy and construction sectors benefited from strong donor support. Growth is expected to pick up to 5.8% in 2010 and 6.1% in 2011, strong but still below trend because of the impact of the global financial crisis on exports and commodity prices; a fall in remittances, especially from mining workers in South Africa; and weaker FDI.

The economy's structure has changed dramatically in recent years, reflecting the impact of the foreign-owned "mega-projects" in the mining sector. This has been positive for overall growth in Mozambique but raises the risk of a two-tier economy. Moreover, such foreign-owned projects have increased Mozambique's dependency on external resources and consequently increased its vulnerability while failing to deliver sufficient linkages for the rest of the private sector and poverty reduction. In addition, such foreign-owned projects still do not contribute significantly to government revenue, limiting the public finances and shifting the burden to domestic businesses. Despite these limitations, Mozambique has moved up five places in the 2010 World Bank's Doing Business report thanks to significant reforms put in place in recent years. Rigid labour laws and the land use code remain major constraints.

One of the key challenges for the government is to strengthen its fiscal position which continues to be constrained by weak revenue-raising capacity, high spending pressures and heavy reliance on foreign grants. The government has undertaken reforms to expand the fiscal base and improve the collection of customs duties. In the medium term expenditure plans will continue to be scaled up, targeting key priority sectors (namely education, health, infrastructures, agriculture and rural development; and good governance) which account for 65.% of total spending. Further improvements through the successful roll-out of the State Financial Management System (SISTAFE) and improved efficiency at the recently established revenue administration authority may increase Mozambique's revenue generating capacity.

Mozambique remains among the poorest countries on the African continent despite rapid GDP growth rates in the past five years. The poverty rate has declined from 69.4% of the population in 1997 to 54.1% in 2003 and this is expected to decline further to 45% in 2009. Overall, development indicators have improved during recent years but basic challenges remain daunting, such as improving the quality of education and health services and the fight against HIV/AIDS.

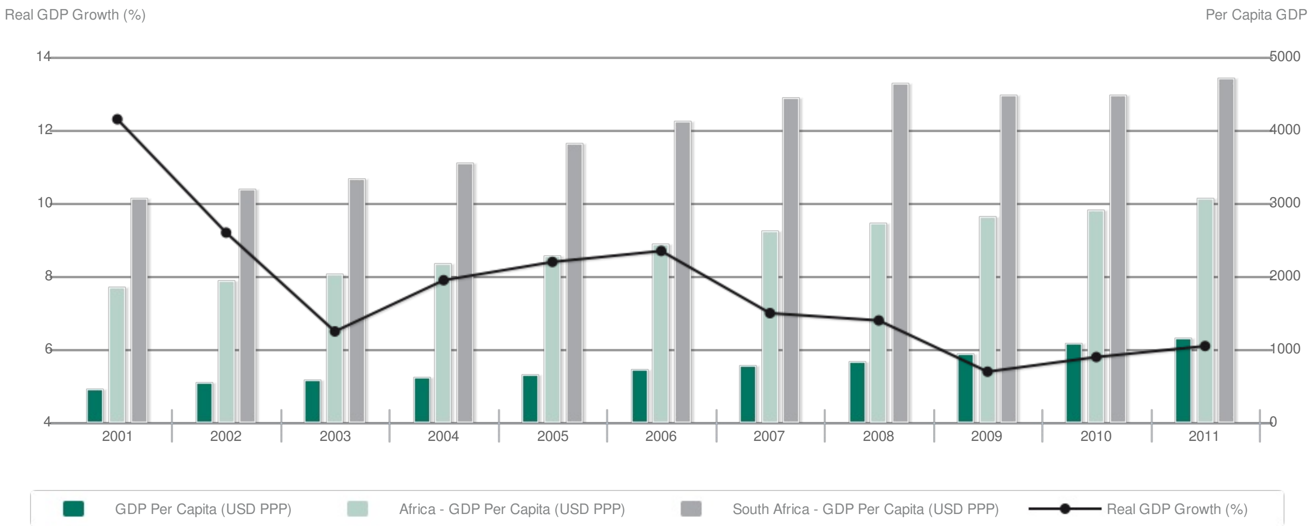
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.8	5.4	5.8	6.1
CPI inflation	10.3	3.4	9.2	4.4
Budget balance % GDP	-2.5	-5.7	-3.3	-2.2
Current account % GDP	-12.2	-14.2	-12.3	-9.5

Sources: Data based on estimations using National Institute of Statistics data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861567712706

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853333340276

Namibia

Namibia's economy, heavily dependent on mining exports, shrank in 2009 as the global economic crisis hit overseas demand.

The economy does not create enough jobs and unemployment increased significantly.

Namibia continued to try to improve tax collection

Namibia's economy, heavily dependent on mining exports, contracted 1.5% in 2009, only the second negative growth rate recorded since independence in 1990 as the global crisis undercut overseas demand. Diamond output and prices fell sharply and tourism was badly hit, forcing job losses in many areas.

Increased uranium production, a recovery in diamond prices, additional investment in infrastructure and a rebound in tourism, especially as a result of the 2010 FIFA World Cup in neighbouring South Africa, should help the economy return to growth of 2.2% in 2010 and 2.6% in 2011. Namibia's emergence as a major uranium exporter will be a key driver for the economy, providing much needed employment. Increased government infrastructure investment will also contribute to growth over the next three years.

In recent years, Namibia has continued to broaden its tax base. Total tax revenue as a percentage of gross domestic product (GDP) stands at around 30 percent and Namibia has one of the highest tax rates in the Southern African Development Community (SADC) region. The tax system faces considerable challenges in terms of human resources, technical capacity and institutional arrangements.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.3	-1.8	3.0	3.9
CPI inflation	10.3	8.8	6.2	6.1
Budget balance % GDP	0.9	-2.2	-3.6	-3.9
Current account % GDP	22.4	5.7	2.9	0.6

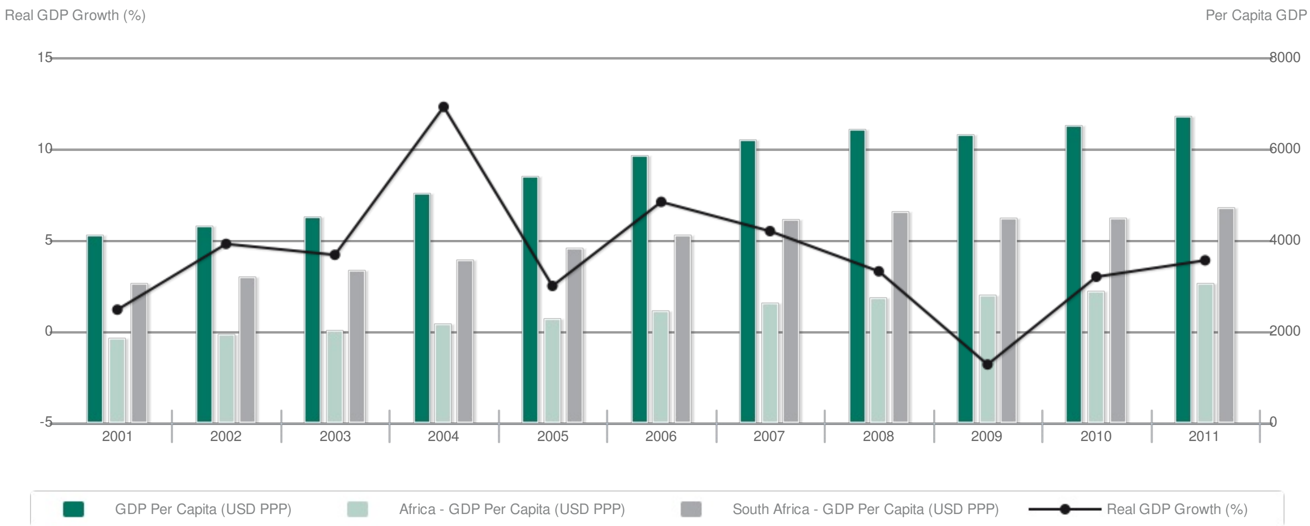
Sources: Central Statistics Office data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861672335381

Unemployment soared to an all time high of 51% in 2009 from 37% in 2003/04. This high rate of unemployment reflects a general lack of job creation in recent years and job losses in the mining and other sectors as a result of the global financial crisis. Additionally, the recent influx of imported labour, especially from Asia, in the construction industry has not helped. Namibia has the world's highest income inequality rating.

Namibia held its fifth presidential and national assembly elections in November 2009 when the ruling South West Africa People's Organisation (SWAPO) maintained its strong hold on power. The recently formed Rally for Democracy and Progress came second. Opposition parties have disputed the results and taken legal steps against the electoral commission. The new government, inaugurated on 21 March 2010, will continue to face the major challenges of reducing unemployment, poverty and HIV/AIDS.

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853418561213

Niger

GDP growth fell to -0.9% in 2009 but should recover depending on harvests and a chaotic political situation.

Tax revenue increased in 2009 due to an improved tax base, fiscal reform, and a reduction in tax evasion.

Niger is last in the 2009 Human Development Index and unlikely to achieve any of the Millennium Development Goals by 2015.

Niger's economy, totally dominated by an agricultural sector suffering from severe drought, shows real signs of weakness. As a result, economic growth in 2009 fell by 0.9%, after rising by 9.5% in 2008. The 2009/10 harvests look poor compared with 2008, particularly for millet and sorghum. Agricultural production plummeted in 2009 by 13.6%, after rising by 23.8% in 2008.

Growth in the mining sector, on the other hand, should experience moderate growth in 2009/10. Uranium and oil production should end the year in an upward trend due to the development of new sites by French and Chinese companies, in particular at Imouraren and Azelik. Extractive industries' production could grow by 2.2% in 2009, against 3.7% in 2008. Infrastructure projects launched in 2008, such as the building of a second bridge over the Niger River and the construction of the Kandadji dam, will continue in 2010. The public works and construction sector should grow at an exceptional 5.6% in 2009 against 4.8% in 2008.

The preparation of the national budget for 2010, within a macroeconomic framework based on three scenarios, fixed its main objectives: the control and improvement of public expenditure and the fight against corruption. The plan is to target in the budget the priority sectors in the strategy of accelerated development and poverty reduction (SDRP). In this context, education, health, the rural sector and infrastructure will benefit from significant budget allocations. Emphasis has been placed on the medium-term purging of all arrears of domestic payments, consistent with the plan to clear domestic arrears developed in late 2006 and finalised in 2007. The goal is to strengthen the administration's human resources while keeping wage costs below 35% of fiscal resources – a limit fixed by the West African Economic and Monetary Union (WAEMU).

The country expects to achieve gross domestic product (GDP) growth of 3.2% in 2010 and reach 5.1% in 2011. That is conditional on a good harvest and a return to political stability that will bring back aid donors. A general upward trend in prices, measured by the Harmonised Index of Consumer Prices (HICP), continued in 2009 despite the price stability experienced at the beginning of the year following 2008's successful harvest. This trend can be attributed to the increase in food prices, notably cereals and of condiments, whose prices increased 1.1% and 5.5% respectively, in 2009.

The inflation rate averaged 4.3% in 2009, a significant decline compared to the previous year. Nevertheless, this rate is still above the community norm, fixed at 3% by the WAEMU Commission, under its convergence criteria.

Politically, Niger has been in deep crisis since 4 August 2009 when, following the contested adoption of a new constitution, President Mamadou Tandja obtained a minimum three-year extension of his mandate that was due to expire on 22 December. Legislative elections took place October 20 following the dissolution of parliament by the head of state. They were won, to nobody's surprise, by the presidential party, the National Movement for Society of Development (MNSD). This led to the suspension of co-operation by the Economic Community of West African States (ECOWAS). The European Union (EU) and other countries and development partners then suspended development aid, except for emergency food aid, pending a return to constitutional order. The MNSD also won the municipal elections at the end of December 2009. The elections were contested by the opposition, united as the Co-ordinated Democratic Forces for the Republic (CFDR), which claimed that the elections were "another step taken by the illegitimate and illegal regime of Mamadou Tandja".

In the face of crisis, the MNSD and the opposition began direct negotiations mediated by ECOWAS. But this dialogue was suspended on 18 February 2010, the day of the military coup d'état led by Major Salou Djibou, commander of the Niamey garrison, who overthrew Mamadou Tandja. The military junta announced the creation of the Supreme Council for the Restoration of Democracy (CSRD and the suspension of the Constitution of the VIth Republic and dissolved all state institutions.

Salou Djibo has become head of state and government by military decree. According to the declarations of the junta, a body under the authority of the CSRD is expected to draft a new penal code as well as a new constitution that will be submitted to a referendum. The constitutional court and the Supreme Court will be replaced by a constitutional committee and State Court, and a National observatory of communication will be created. On February 23, Mahamadou Danda, a former minister, took over as prime minister.

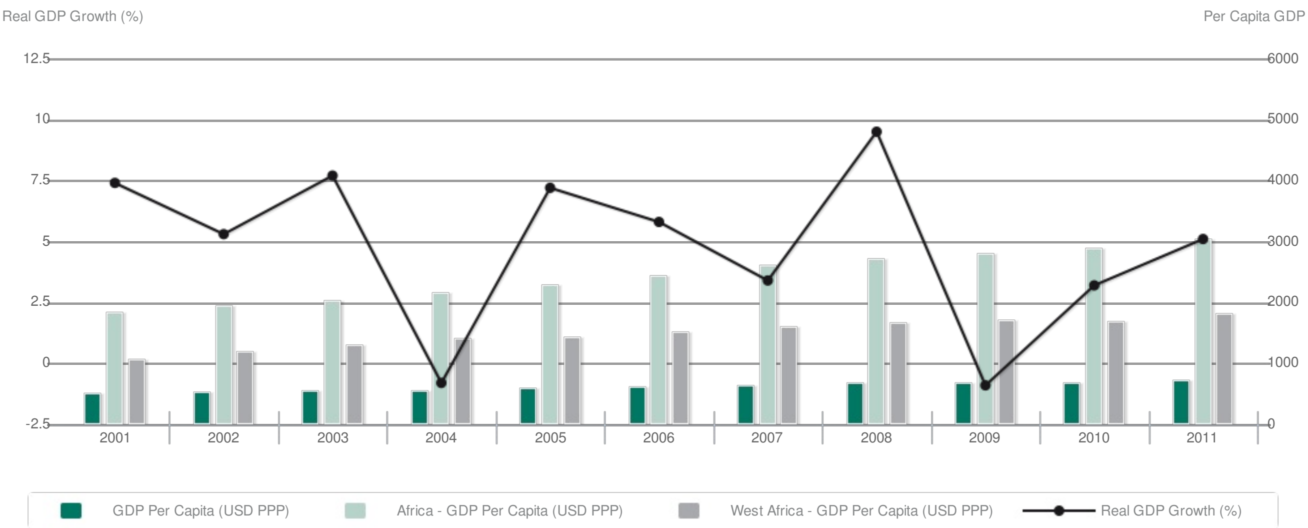
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	9.5	-0.9	3.2	5.1
CPI inflation	11.3	4.3	3.3	3.1
Budget balance % GDP	6.0	-1.2	-0.4	-0.6
Current account % GDP	-13.6	-15.2	-18.3	-18.5

Sources: National authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/861873428144

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Statistics Institute data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853535148072

Nigeria

Economic growth will rise from 3% in 2009 to 4.4% in 2010, driven by a recovery in oil prices.

Growth prospects hinge on peace in the Niger Delta where a ceasefire has led to a halt in the conflict.

Diversifying revenue sources away from oil will enhance revenue mobilisation and help protect the economy.

Nigeria, the eighth largest oil exporter in the world and Africa's second largest economy, continued to be buffered by the global recession in 2009. Reforms initiated earlier in the decade have strengthened the country's capacity to manage the crisis and avert the boom-bust pattern characteristic of past oil cycles. Gross domestic product (GDP) growth fell to 3% in 2009, compared with 6% in 2008. It is projected to rise to 4.4% in 2010 and 5.5% in 2011, driven by a recovery in oil prices. Oil accounts for about 80% of fiscal revenues and 95% of exports. Oil revenues fell by 7.8 percentage points of GDP in 2009, moving the fiscal accounts from a surplus of 3.8% of GDP in 2008 to a deficit of 5.2% in 2009. A planned sovereign bond issue of 500 million US dollars (USD) (0.5% of GDP) has been shelved because of adverse market conditions. The external debt at the end of 2009 is estimated at only 2.2% of GDP. This suggests that debt sustainability is not likely to pose a major problem in the coming years. The current account surplus declined to 11% of GDP in 2009, compared to 21% in 2008.

Oil production has been affected by the conflict in the oil-rich Niger Delta region. Prospects for a lasting resolution in the conflict improved when the militant groups declared an indefinite ceasefire in October 2009, following talks with the government which, for its part, granted an amnesty to the militants. More than 12 000 militants have registered for reintegration into civil society. President Umaru Yar'Adua has asked the National Assembly to approve legislation that will give 10% of Nigeria's equity in oil joint ventures in the Niger Delta region to local communities.

The Central Bank of Nigeria injected funds into the banking system in August 2009 when five banks – accounting for about a third of banking sector assets – became financially distressed as a result of excessive lending to the energy sector and the decline of the stock market. The foreign exchange market was hit by speculative activity triggered by a fall in external reserves in the wake of the global recession. Flows of foreign exchange into the economy shrank as a result of the drop in crude oil earnings. Consequently, the exchange rate depreciated from 119 Nigerian naira (NGN) to the US dollar (USD) in 2008, to NGN 150 in 2009. The inflation rate for 2009 was 12.1%, reflecting several sources of inflationary pressure, including a loosening of monetary policy. The Nigerian stock market fell in 2009 because of the global economic meltdown and the all-share value index stood at 26 860 in June 2009, compared with 55 949 in June 2008.

Agriculture was the leading contributor to GDP in 2009, accounting for 36.5% of GDP, thanks to a good harvest. Second was the oil and gas sector with 32.3%. Other major contributors included wholesale and retail trade with 15.9% and services with 8.2%.

Public resource mobilisation faces several challenges. These include, specifically: a seemingly excessive number of institutions involved in the process; overlap of functions among the three tiers of the federation; multiplicity of taxes; obsolete tax laws; and laborious tax filing procedures. Nevertheless, the scope for public resource mobilisation is considerable, in particular by increasing oil output and assessing the relative merits of the institutional arrangements for oil production. It is important to diversify revenue sources away from oil to enhance revenue mobilisation and help protect the economy against oil price shocks.

Infrastructure, especially electricity, remains in poor shape, while problems in the distribution of petroleum products persist, leading to queues. Finally, Nigeria has relatively poor human development indicators, despite its rich natural-resource endowment. Some 50% of the population lived below the poverty line of USD 1.25 a day in 2007. Nigeria is not on course to meet several of the Millennium Development Goals (MDGs), including halving poverty by 2015.

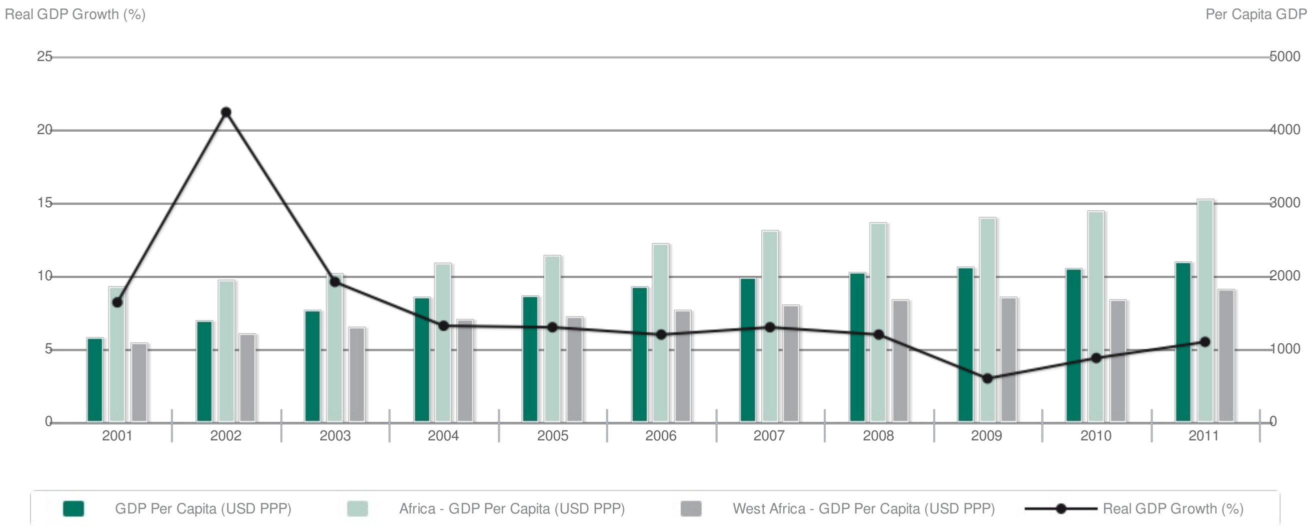
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	6.0	3.0	4.4	5.5
CPI inflation	11.6	12.0	9.3	8.5
Budget balance % GDP	3.8	-5.2	-2.8	0.2
Current account % GDP	18.5	6.8	13.6	14.6

Sources: Data from National Bureau of Statistics, domestic authorities and IMF; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862213840586

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853640823811

Rwanda

Growth over the last six years has largely been driven by the good performance in the agricultural sector.

Rwanda is continuing to improve its business environment.

The Rwanda Revenue Authority is taking a long-term view in developing a culture of tax compliance.

In 2009 Rwanda's gross domestic product (GDP) grew by 4.5% and is projected to recover moderately in 2010 to 5.1% (Figure 1). The impressive growth that the country has experienced over the last six years has largely been driven by the good performance of the agricultural sector. However, the government is making efforts to diversify the economy as a long-term strategy for sustaining long-term growth. In particular, Rwanda is the second most densely populated country in sub-Saharan Africa after Mauritius with a population density of 384 inhabitants per square kilometer in 2008. While practical steps have been taken to address environmental challenges stemming from population pressures, which threatened agricultural productivity, further productivity growth in agriculture is likely to require higher investment levels than has been the case before. In addition, 28% of Rwandans are food-insecure in spite of improvements in this field. The country also remains highly dependent on foreign aid, which accounted for more than 45% of the government budget in 2009.

In view of the country's land-locked location and its limited natural resources, the services sector is considered a strategic one, with a potential to spur long-term growth and transform the economy. This process should be driven by technology and knowledge-based activities, yet currently the country has a shortage of skilled labour.

Rwanda is taking steps to address the developmental challenges. In this context, its medium-term development strategy, the Economic Development and Poverty Reduction Strategy (EDPRS) and the long-term strategy Vision 2020 Umurenge provide the policy framework and government priorities for economic and social development. Vision 2020 prioritises expansion of non-farm activities that increase efficiency in service delivery and better targeting of social safety nets.

Building on its previous policies, Rwanda has scored major successes. The country has been identified as the top reforming economy in Africa. The business environment and governance indicators have also improved and Rwanda has a lean and efficient public administration structure. Policy reforms are expected to continue following the success of the coalition under the ruling Rwandan Patriotic Front (FPR) in the parliamentary elections in 2008. Furthermore, the current government has pursued macroeconomic stability as one of its major objectives. The spike in year-on-year inflation above 22% at the end of 2008, caused by fuel and food price increases, had fallen to below 6% by the end of 2009. This sharp drop in inflation in 2009 was a result of many factors, including, among others, falling international fuel and food prices, the domestic credit crunch and prudent monetary policy.

The policy reforms, however, have not yet brought about the structural changes that are necessary to achieve significant poverty reduction and lower levels of unemployment, with agriculture still dominating the overall growth outcomes. In addition, the slow pace in job creation in the formal sector has resulted in a large informal sector estimated to have contributed 48% to GDP in 2008. This large informal sector has posed serious challenges to tax revenue mobilisation in spite of the increase in tax collection and tax efficiency over the past three years. As a result, Rwanda still faces a challenge in widening its tax base. Continuing efforts to improve the business environment and intensification of tax education should help increase tax compliance and a widening of the tax base. More importantly, economic diversification supported by a vibrant private sector, attracting formal business investors in labour-intensive activities, should be part of the strategy aimed at reducing poverty and unemployment.

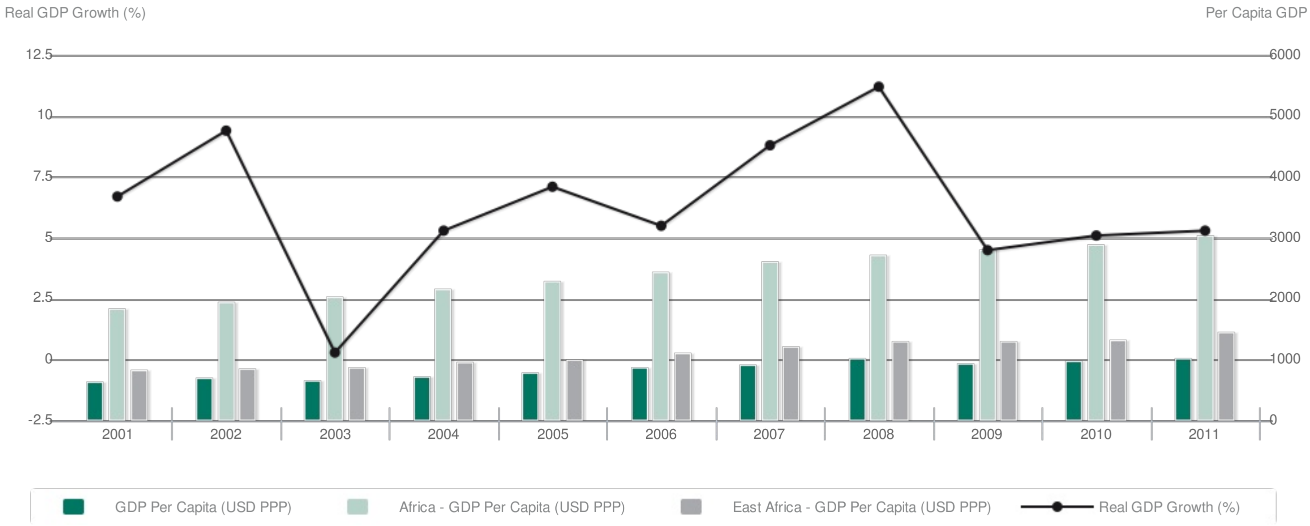
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	11.2	4.5	5.1	5.3
CPI inflation	15.5	10.3	6.3	5.6
Budget balance % GDP	0.5	-1.9	-1.7	-1.2
Current account % GDP	-6.4	-6.7	-6.2	-5.3

Sources: Data from National Bank of Rwanda (NBR) ; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862427680841

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: National Statistics Institute data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853804642104

São Tomé & Príncipe

In 2009 the pace of the growth of the economy slackened, with real GDP growth estimated at 4.1%.

A strategic development plan will rely on ecotourism and the transport sector and oil exploration and extraction.

Throughout the past decade fiscal revenue has increased steadily thanks to slow fiscal reforms.

The Democratic Republic of São Tomé and Príncipe (STP) is Africa's smallest economy. Its gross domestic product (GDP) for 2009 is estimated at around 190 million US dollars (USD), with a GDP per capita of USD 1 160. GDP growth slowed to an estimated 4.1% in 2009, from 5.8% in 2008. For 2010 and 2011 GDP growth is forecast to increase by 4.6% and 5.1%. Construction and commerce drove economic activity in 2009, compensating for the drop in foreign direct investment (FDI) and tourism caused by the international crisis. Inflation is largely determined by imported food and oil prices, coupled with the strong inflow of foreign currency related to aid and oil-exploration activities. The inflation rate declined to around 17.3% in 2009, down from 26.1% in 2008, and the aim is to reduce it further in the mid term.

The global financial crisis affected the archipelago indirectly, since links with the international financial sector are few. Yet the impact was felt through the slackening of tourism, the decrease in FDI inflows (an important driver of growth in the recent past) and the slowing down of grants disbursements. The latter, in turn, contributed to the drop in total government revenue, already weakened by the lowering of tax rates. As a consequence the execution of government investment projects was limited.

Lower global oil prices and a steep decline in FDI resulted in a stronger drop in imports than in exports, improving the trade balance and consequently the external position of the country in 2009.

In 2010 fiscal consolidation efforts will have to be pursued to enhance the capacity of revenue and tax administration, while monetary policy will hinge on the necessity of maintaining the currency peg with the euro (EUR) from 1 January 2010. Excessive liquidity entering the country through oil royalties and financial support for national elections in 2010 combined with a renewed influx of FDI will put strong pressure on maintaining the peg and containing inflation.

In May 2009, Prime Minister Rafael Branco launched a "New Strategic Plan for National Development". It foresees an evolution towards a service-based economy depending on two pillars of growth: the promotion of high-end ecotourism; and the servicing of the transport sector and oil exploration and extraction activities in the Gulf of Guinea. This vision includes the future establishment of a free-trade zone, port transhipment activities, promotion of fisheries and the building of a new deepwater port facility in Fernão Dias in the district of Lobata.

Strong political commitment and stability will be needed if this complex and ambitious set of objectives, whose achievement is still hampered by pervasive institutional and human limitations and by deteriorating infrastructure, is to be carried out successfully. The new three-year arrangement with the International Monetary Fund (IMF) under the Poverty Reduction and Growth Facility (PRGF) for the period March 2009 to December 2011 could contribute to this end.

The medium-term programme of action will focus on improving basic infrastructure and utilities, promoting tourism as the engine of growth and stimulating domestic food production to lower import dependency, while the continuing efforts to widen the productive base and diversify revenue sources should trigger non-oil sector growth. Moreover, it may be necessary to continue the macroeconomic stabilisation efforts for the country to secure future support from the international community.

According to the government's Poverty Profile Survey from 2001, approximately 54% of the 150 000 São Tomeans are poor and 15% live in extreme poverty. Social indicators are weak and improving only slowly, especially in rural areas. Incomes are low and the country ranks 131st out of 177 countries on the United Nations Human Development Index.

The government remained stable throughout 2009, marking an end to a period of major political instability. Regional elections set for 2009 suffered from insufficient funding and are expected to be held at the same time as legislative elections, on 25 July 2010.

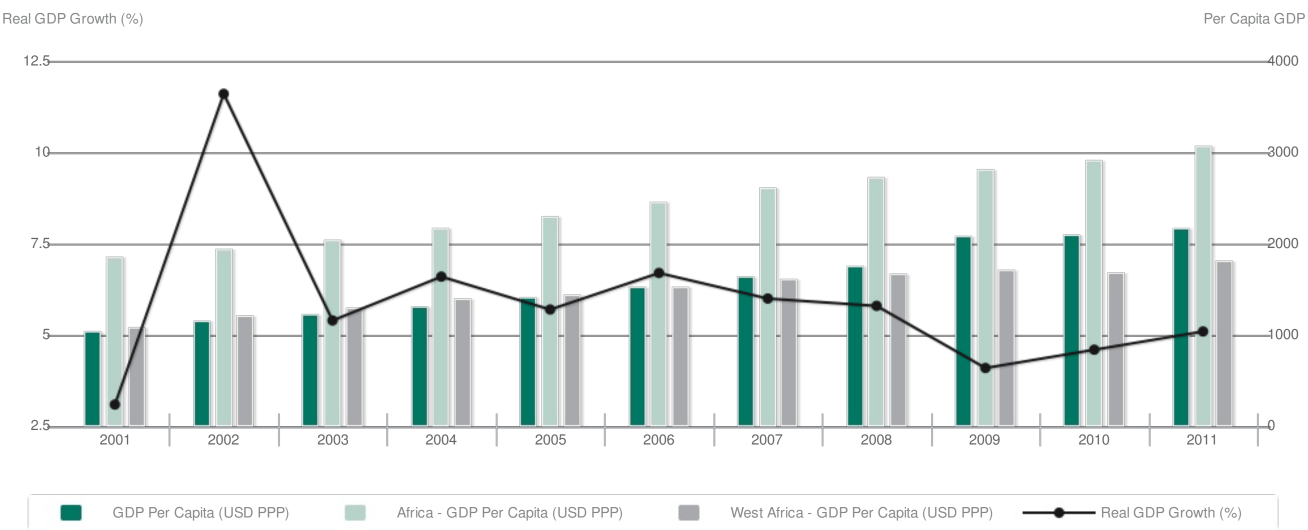
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.8	4.1	4.6	5.1
CPI inflation	26.1	17.3	10.3	9.4
Budget balance % GDP	17.5	36.2	5.5	1.6
Current account % GDP	-29.0	-24.4	-26.0	-26.6

Sources: Data from IMF, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/862730432172

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and national authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/853856723200

Senegal

The international financial crisis has put Senegal to the test.

The country faces two main challenges: improving tax collection and maintaining economic competitiveness.

Clouds are gathering on the horizon of the political landscape.

As with its main trading partners, Senegal was strongly affected by the global financial crisis in 2009 and this was compounded by domestic shocks. The chief consequences of the crisis on the Senegalese economy were a fall in private investment, a slowdown in tourism and a decline in remittances, leading to reduced economic activity. Tax revenues remained stable however.

In spite of efforts to reduce internal debt, the economic machinery was slow in starting up again. As a result, real gross domestic product (GDP) growth was estimated at 1.5% in 2009, compared with 2% in 2008.

Like in 2008, growth in 2009 was essentially driven by the primary sector – agriculture in particular – and the construction sector. Real GDP is projected to grow by 3.4% in 2010, provided that the global economy recovers and the Senegalese government implements economic policies to reorganise public finances and fight inflation.

Senegal's external position is characterised by a lower current-account deficit, down from 11.7% of GDP in 2008 to 10% in 2009. This is explained by imports having declined more than exports, as well as by the good performance of capital-account and financial operations.

Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.5	1.5	3.4	4.3
CPI inflation	5.4	-1.1	2.2	2.6
Budget balance % GDP	-4.8	-4.6	-5.4	-5.5
Current account % GDP	-11.7	-10.0	-10.9	-11.7

Sources: National data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

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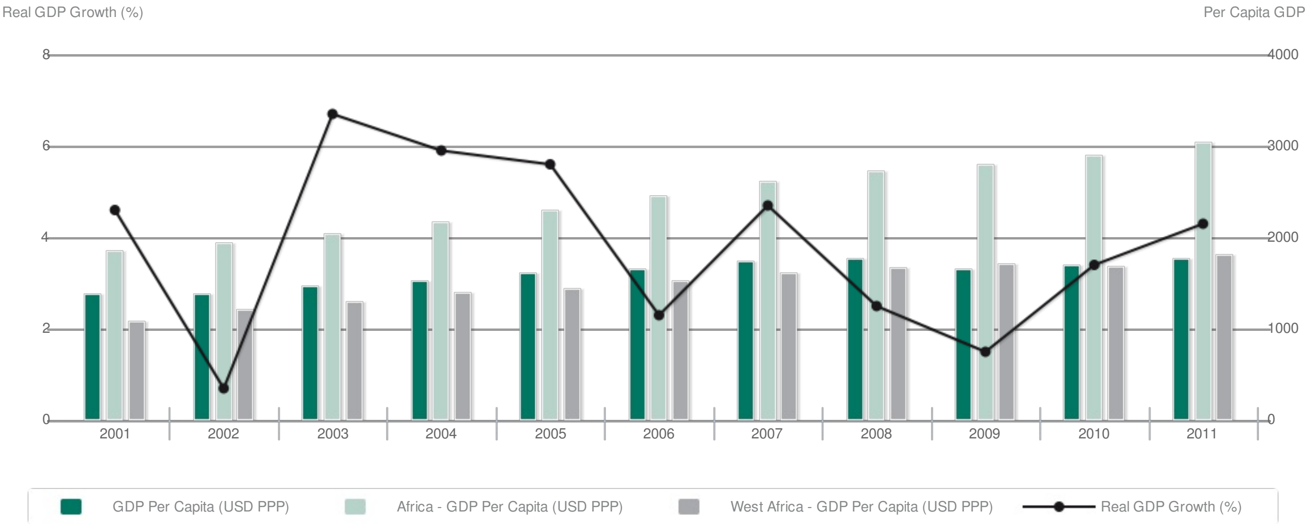
Fiscal policy was marked by the consolidation of government resources, tax revenues in particular, enabling better management of expenditure. The ratio of tax revenues to GDP has remained relatively stable: 18.2% in 2009 and 18.3% in 2008. This satisfactory level is explained by the effectiveness the tax reforms implemented in the past several years.

On the whole, the political and social context has calmed down. The Political Troubles indicator fell from 4.5 in 1997 to 0.6 in 2008, and that related to repressive measures from 1 in 1997 to 0.8 in 2007. Nonetheless, insufficient dialogue between government and opposition, high youth unemployment, the absence of a solution to the Casamance regional crisis and difficulties in achieving the United Nations Millennium Development Goals (MDGs) could slow growth if they persist.

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854010564638

Seychelles

After three years of positive growth averaging 8.4%, the economy contracted.

Facing the near-depletion of official foreign exchange reserves, Seychelles defaulted on interest payments.

In 2010 the government started implementing far-reaching reforms aimed at delivering a simple tax system.

The Seychelles economy is driven by tourism and fish exports. In 2009 it experienced an estimated negative growth rate of 6.8% as a result of a decline in tourism and tuna export earnings, which fell by about 12% and 8% respectively. Furthermore, recent changes in the climate and piracy activities in and around its territorial waters have affected the tuna industry, with the total fish catch declining by about 50% in 2009. Seychelles also imports over 90% of its total primary and secondary production inputs. As a result, any negative impact on tourism and fishing translates into a fall in gross domestic product (GDP), a decline in foreign exchange receipts and budgetary difficulties. The economy is thus extremely vulnerable to external shocks.

The country's economy regained a level of stability during 2009, after the economic shocks of 2008, following the implementation of economic reforms in November 2008. The economy is projected to attain a growth rate of 3.9% in 2010 and 4.2% in 2011. Inflation, which was estimated at 31.7% in 2009, is projected to decline to around 3 percent in 2010 and 2011.

These projections are a result of the economy's positive response to the reforms enacted since November 2008 under the International Monetary Fund (IMF) Stand-By Arrangement. In addition, tourism and related services began a gradual recovery in the second half of 2009. Employment, foreign earnings, construction, banking and commerce are all largely dependent on the tourism and fishing industries.

However, the country's mounting debt burden will remain one of the biggest challenges to macroeconomic stability in the medium term if it is not successfully addressed. In 2009 Seychelles undertook a comprehensive restructuring of its public external debt. It successfully negotiated with Paris Club creditors and other bilateral and commercial creditors (Barclays Bank, Exim Bank) for the rescheduling of debts with new repayment conditions. It proposed to creditors the provision of a partial guarantee on interest payments from the African Development Bank (AfDB), the first time a guarantee from a multilateral organisation has been offered in a sovereign restructuring.

In 2009 the government continued with reforms that should help the country to avoid the sharp negative growth that it witnessed in 2009. In December 2009 Seychelles negotiated a 3-Year Extended Fund Facility (EFF) with the IMF after cancelling the 2-year Stand-By Arrangement of November 2008. The EFF is the country's medium term strategy to assist it to undertake further reforms, which focus mainly on taxation, public administration and the public sector. In 2010 it will continue building on these reforms by further improving the efficiency of government and its service delivery; reducing and better managing government spending; and giving the private sector a bigger role in contributing to the country's economic growth and better tools to do so.

Over the last 10 years Seychelles' tax revenues increased at an average rate of 13% annually , with slight decreases of 1.8% and 2.3% in 2005 and 2006 respectively. The largest increases were realised in 2008 and 2009 and the increase is expected to average 8.5% annually during the period from 2008 to 2011. Beginning in 2010 the government started implementing far-reaching tax reforms aimed at delivering a fair and simple tax system. These reforms will be backed by a number of legislative measures that will come into effect in 2010. The reforms include reductions in tax concessions plus the broadening of the tax base and should lead to a much more level playing-field, reducing the tax burden and increasing tax revenue.

The county's commitment to the provision of free access to education and to health care to all has cushioned the population from the impact that the reforms could have had on them. The 2010 budgetary allocation to the health and education sectors represents 5% of GDP, and is also the biggest share of the budget, amounting to 43%.

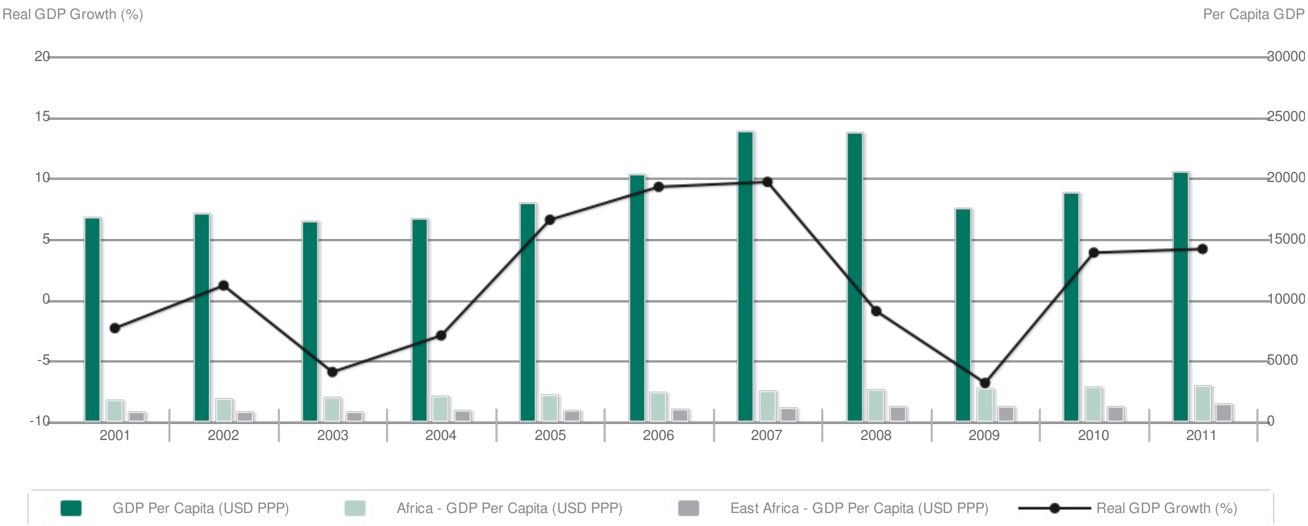
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	-0.9	-6.8	3.9	4.2
CPI inflation	37.0	31.7	3.0	3.1
Budget balance % GDP	-3.3	2.6	3.1	1.8
Current account % GDP	-44.4	-28.5	-35.2	-32.6

Sources: Data from CSO; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863203332171

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854036542667

Sierra Leone

In 2010 growth is projected to be subdued before rebounding to 5% in 2011.

The inflation rate is expected to return to high single digits in 2010.

Longer-term socio-economic challenges remain enormous; food insecurity and high child and maternal mortality rates are the priorities.

The gradual projected recovery in 2010 mostly reflects continued buoyant agricultural production and services, and exports that are slowly turning around. Nevertheless, exports of minerals, driven by the global return to growth, remain subdued because of compressed prices, reduced investment and continued production difficulties in the rutile sub-sector. Although growth is projected to increase to 5% in 2011 thanks to stronger global recovery and rising exports, returns on infrastructure investments and an improved business climate, it will remain below the pre-crisis rates. Even small differences in growth are potentially very damaging for a vulnerable country such as Sierra Leone, given the widespread poverty and the risk of policy reversal and social instability. For the future the key policy priority is thus to bring the economy quickly back on a high and broad-based growth path, as the current slowdown raises already high unemployment, hampers progress with poverty reduction and heightens risks of resurgence of fragility. In this context, stable and predictable foreign aid delivery remains crucial.

Prudent macroeconomic policies prior to the crisis increased Sierra Leone's capacity to absorb shocks resulting from the global crisis and in particular prevented large pro-cyclical fiscal cuts. At the same time, in the absence of automatic stabilisers, the country's room for discretionary fiscal manoeuvre has been hampered by one of the lowest revenue collections in sub-Saharan Africa (SSA). While both fiscal and current account deficits deteriorated markedly in 2008 and 2009, the country has maintained a comfortable level of foreign reserves as an insurance against further external shocks. With falling foreign exchange receipts and the exchange rate of the Sierra Leonean leone (SLL) depreciating throughout 2009, inflation returned to double digits at the end of the year; keeping it in single digits in 2010 and beyond will be important for maintaining macroeconomic stability and raising investors' confidence.

In spite of the impressive growth rates, with 2008 GDP per capita of about only 700 US dollars (USD) (PPP, current prices), Sierra Leone remains one of the poorest countries in the world. Continued efforts to implement structural reforms are thus crucial for a swift return to a high growth trajectory, with modernised infrastructure (upgraded roads and electricity networks, improved access to water and sanitation) and private sector development as key priorities. Enhancing transparency and maintaining efforts to rein in corruption will be also important. Achieving these objectives hinges critically on the availability of adequate resources and – especially at times of uncertain foreign aid flows – underscores the importance of strengthening domestic revenue mobilisation. Substantial progress with social indicators such as mortality and literacy rates is needed to reduce the non-income dimensions of widespread poverty and achieve sustained improvements in the living standards of all Sierra Leonean people.

Sierra Leone has come a long way since the end of its protracted civil strife in early 2002: it has re-established security and democratic governance, implemented decentralisation and launched the second poverty reduction strategy paper (PRSP II: Agenda for Change). At an average of about 7%, the country recorded impressive real GDP growth rates during 2005-07 which was among the highest not only in West Africa but also on the continent. With the post-war recovery wearing off, growth was fuelled by foreign aid and remittances as well as by private investment. Sierra Leone has also weathered the global financial and economic crisis remarkably well relative to emerging and other resource-rich countries in Africa and other regions, but it has not emerged unscathed. It was hit particularly hard through falling remittances, declining export proceeds from the mineral sector and lower foreign direct investment (FDI). In these circumstances, growth in 2008 and 2009 was driven largely by expansion in agriculture and services. While at 3.5% it remained subdued in 2009, it is projected to rise to 4% in 2010 and recover further to 5% in 2011. Agriculture and services are expected to drive growth in 2010, while the mining sector is projected to experience only subdued growth in 2010, because of continuing technical difficulties, but a stronger recovery in 2011. Annual headline inflation is projected to decline to 9.1% in 2010, as the impact of food and energy price increases fades and domestic demand remains relatively low, but pressures from depreciation of the national currency the leone (SLL) constitute an upside risk to this outlook.

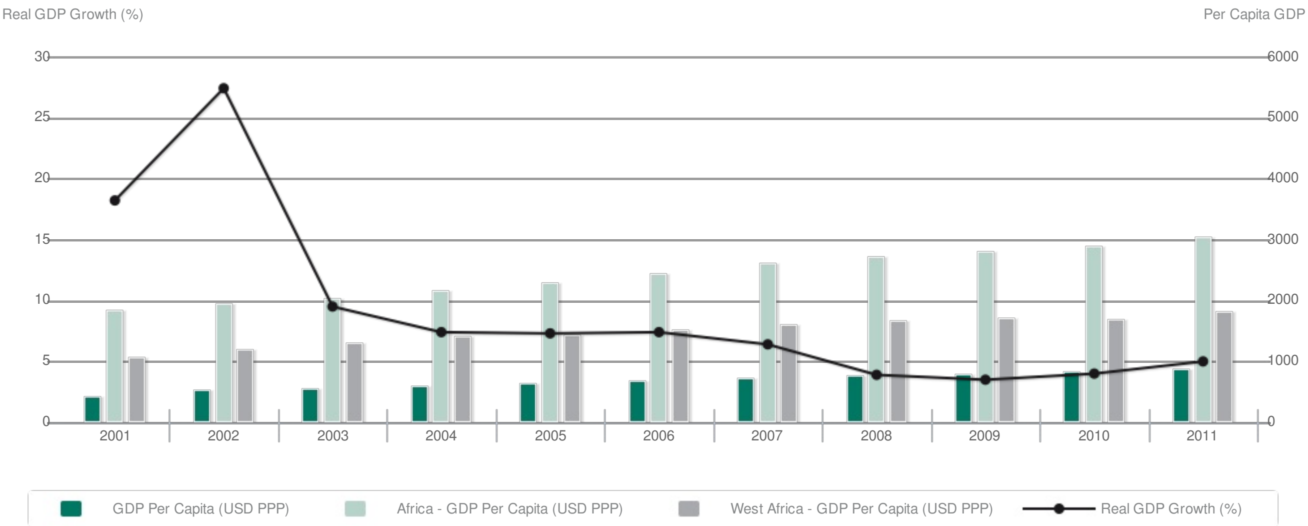
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.9	3.5	4.0	5.0
CPI inflation	10.5	10.7	9.1	7.5
Budget balance % GDP	-5.1	-4.9	-4.8	-4.3
Current account % GDP	-9.0	-9.0	-8.8	-8.7

Sources: Data from IMF, estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863381183653

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854152376771

South Africa

After several years of sustained growth, South Africa's real gross domestic product (GDP) contracted by 1.8% in 2009, due to the slowdown of domestic and external demand. In the coming years, the main policy challenge will be to strike a good balance between fostering growth, while preserving fiscal sustainability and low inflation.

South Africa's economic and social outlook is shaded by huge structural challenges, notably deficiencies in transport and energy infrastructure and management, which raise production costs and limit growth potential.

Tax administration in South Africa is outstanding on the continent. However, voter satisfaction with public service delivery must be improved if the base of direct taxes is to be broadened and stabilised in order to enable it to make a larger contribution to public financing.

After several years of sustained growth, for the first time since 1992 South Africa's economy fell into recession with GDP contracting by 1.8% in 2009. The economic slowdown had started already in 2008 with the weakening of domestic demand and was exacerbated when the global crisis led to a sharp fall in exports. Growth is expected to recover gradually to 2.4% in 2010, helped by the recovery of global demand and boosted by the FIFA World Cup, and to accelerate further in 2011 to 3.3%.

Output in manufacturing and mining declined in 2009 as a result of lower exports and agriculture contracted because of adverse climatic conditions. The only sector that showed sustained growth was construction, boosted by a public investment programme and by the forthcoming football World Cup.

Thanks to its prudent macroeconomic policies, South Africa was one of the few countries on the continent able to implement strong and coordinated countercyclical fiscal and monetary policies. Fiscal stimulus measures together with cyclical revenue shortfalls resulted in a sharp deterioration of the fiscal position by 6.2 percentage points of GDP, culminating in a deficit 7.3% of GDP in 2009/10. The Central Bank responded to the recession by cutting the repo rate by 500 base points. Weak demand and the appreciation of the currency helped reduce inflation from its peak of 11.5% in 2008 to 7.1% in 2009. A sharp increase in electricity prices and wage cost pressures prevented a further decline of inflation into the target range of 3-6%. This made the trade-off between fighting the recession and achieving low inflation more delicate, causing public debate over the mandate of the Bank. Inflation is expected to decrease in 2010, falling back into the target range.

In the coming years, the main policy challenge will be to strike a good balance between fostering growth, while preserving fiscal sustainability and low inflation.

South Africa's economic and social outlook remains shadowed by huge structural challenges, notably deficiencies in transport and energy infrastructure, which raise production costs and limit growth potential. Public service delivery, also a severe bottleneck to growth, has proven inadequate in a period of severe economic distress and has led to significant social discontent. Demonstrations took place throughout 2009 and if the government fails to improve basic service delivery social instability could continue.

President Zuma, elected in April 2009, must achieve a delicate balancing act: reassuring the international and domestic business community by upholding market friendly policies, while delivering on his promises to alleviate poverty, against a backdrop of sharply increased unemployment.

Public resource mobilisation has improved, as shown by the rising number of registered taxpayers, both individuals and corporations. However, the recession resulted in significant revenue shortfalls in 2009. Further simplification of the tax code and of filing procedures will meet business expectations and free staff within the tax administration to strengthen auditing in sectors where evasion is still widespread. Here again, voter satisfaction with public service delivery must be improved in order to broaden and strengthen the direct tax base and to increase its contribution to public financing.

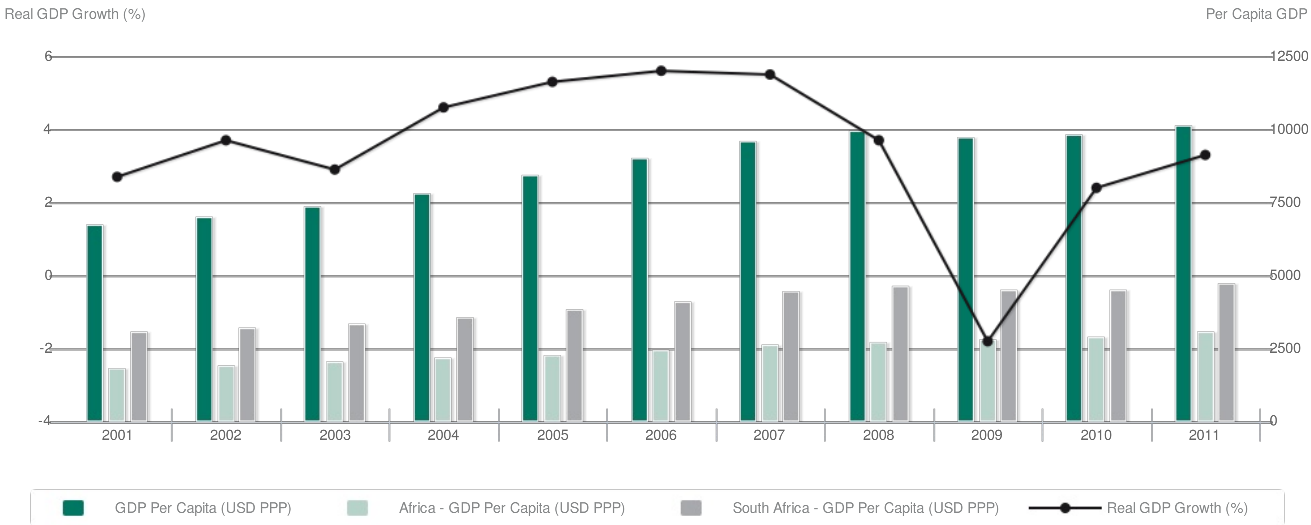
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	3.7	-1.8	2.4	3.3
CPI inflation	11.5	7.1	5.8	6.1
Budget balance % GDP	-1.2	-7.3	-6.4	-4.0
Current account % GDP	-6.6	-4.5	-5.6	-6.3

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863612827624

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854267010632

Sudan

Sudan is expected to sustain relatively strong growth in 2010 and 2011 while high inflation should ease.

Higher oil production and prices will drive growth, along with expected increases in domestic demand, especially private consumption and investment, and FDI flows.

Progress towards achieving social development goals remains mixed and slow, partly because of continued political tensions and armed conflict, coupled with very unequal income distribution.

Sudan is the third largest oil producer in sub-Saharan Africa after Nigeria and Angola. Oil remains the main driver of growth although agriculture still accounts for more than one third of GDP and nearly two-thirds of employment. Oil accounted for 22% of GDP in 2008 and oil revenue has contributed greatly to the reconstruction of the economy in the aftermath of the civil war, especially in enabling the government to develop the road and energy infrastructure. Apart from this spending, there is no other programme of large scale distribution of oil revenues across the states nor focus on the poor. Sudan has been adversely affected by the global economic slowdown and the decline in international oil prices since the last quarter of 2008. Oil revenue dropped by about 21% in 2009 from USD 11.1 billion in 2008 but it is expected to increase to USD 12.4 billion in 2010 as prices recover.

GDP growth declined to 4.9% in 2009 from 7% in 2008 and is projected to increase to 5.4 percent in 2010. Foreign exchange reserves fell to less than two weeks of import cover in the last quarter of 2009. The sharp drop in oil revenues has put significant pressure on public finance, reducing the government's overall resources. Inflation continued to ease, to 10.5% in 2009 from 14% in 2008 due to the downturn in world commodity prices, fiscal retrenchment and improved agricultural production. The inflation rate in 2009 was, however, higher than anticipated, perhaps due to the larger than expected depreciation of the local currency and its effect on domestic prices given the high import-content of domestic expenditure. The inflation rate is projected at about 9.1% in 2010 thanks mainly to low food prices and tight monetary policy.

According to the Ministry of Energy and Mining, oil reserves increased to 2.35 billion barrels by January 2008. Production in 2009 reached 490 000 barrels per day, slightly higher than the 475 000 bpd in 2008, and it is expected to reach 600 000 bpd in 2011. Sudan's oil exploration prospects are positive based on a high success rate of 58 productive wells out of 400 drilled so far.

In addition to lower oil prices, the global crisis adversely impacted Sudan through lower FDI flows. As oil production increased in 2009 in terms of volume, the non-oil sector slowed owing to the global situation and restrictive domestic demand policies aimed at reducing import demand in the face of the massive decline in foreign exchange reserves. The services and agricultural sectors are the most affected by the decline in FDI inflows. Agricultural policies in 2009 remained focused on achieving food security and self-sufficiency. As part of its demand management policies, the government aims to reduce food imports and encourage demand for local food products. With appropriate support for farmers to overcome supply constraints, this could stimulate domestic investment and production in agriculture.

The depreciation of the Sudan Pound against the US dollar and increased flexibility of the exchange rate since the last quarter of 2009 is expected to enhance the competitiveness of agriculture in domestic and foreign markets. The government continued to implement reforms to improve the investment climate and attract more FDI, especially in agriculture. These include liberalising investment and the labour market, easing structural rigidities, reducing the cost of doing business, reforming the legal system and providing adequate infrastructure. In the World Bank Doing Business 2010 report, Sudan ranked 154 out of 183 economies despite government reform efforts.

Sudan's internal and external balances deteriorated in 2009 as a result of the sharp drop in oil revenue, which was 6 percentage points of GDP lower than in 2005-08. As a result, the budget deficit increased to 3.7% of GDP in 2009 from 1.4% in 2008 but it is projected to narrow to 2.8 % in 2010. Lower oil prices and central bank intervention to defend the exchange rate and reduce import growth contributed to the deterioration in the external balance. The current account deficit increased to 9.2% of GDP in 2009. Sudan needs to ensure sustainability in its internal and external deficits in view of the depletion of its foreign reserves, heavy external debt and declining ODA receipts. Policy options may include widening the tax base and improving tax and public finance management in general, curbing current expenditure and maintaining exchange rate flexibility.

Oil production and to some extent the service sector remain the main drivers of growth in Sudan. Concentration of investment in the oil and the urban-based services sector exacerbated inequality in income distribution across the states and between rural and urban areas. In particular, the conflict and post-conflict regions of Darfur, and the marginalised areas of Southern Kordofan and

Southern Blue Nile states remain disadvantaged in terms of infrastructure and development. This has fuelled discontent and political tensions and despite rapid increases in per capita income, Sudan continues to be one of the least developed and vulnerable states. Increasing investment to directly help the poor, especially in agriculture, and reducing income inequality while maintaining sound internal and external balances are the key economic and social policy challenges facing Sudan in the medium-term. Key current political issues include settlement of the conflict in Darfur, recurrent disputes over the implementation of the Comprehensive Peace Agreement (CPA) between North and South Sudan, and the run up to general elections in April 2010.

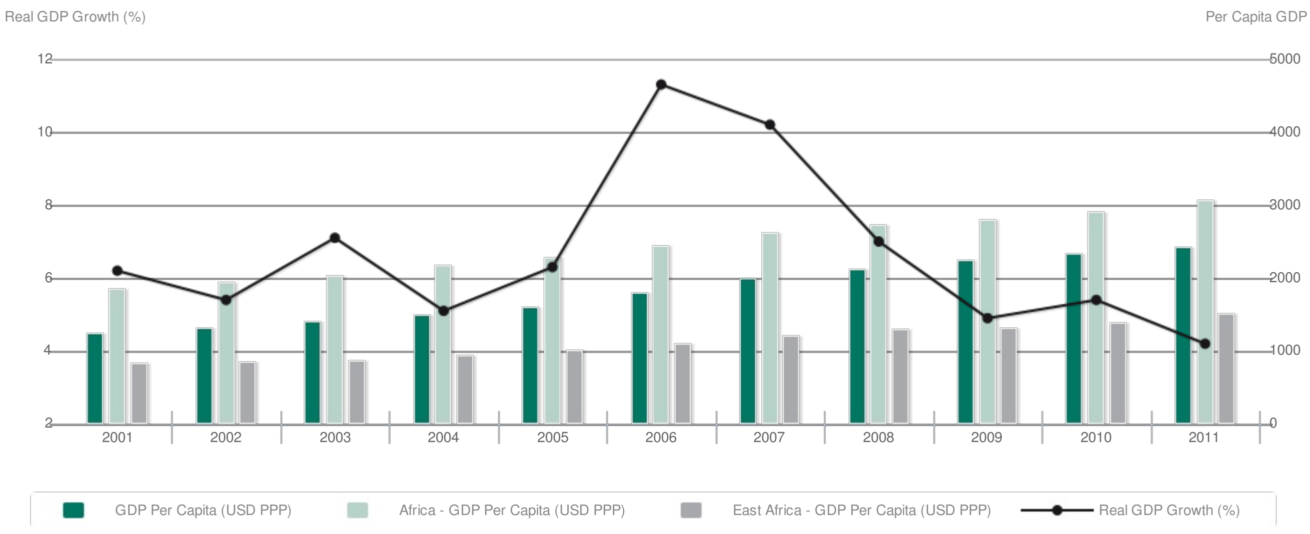
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.0	4.9	5.4	4.2
CPI inflation	14.0	10.5	9.1	7.8
Budget balance % GDP	-1.4	-3.7	-2.8	-2.6
Current account % GDP	-9.1	-9.2	-8.5	-7.5

Sources: Local authorities' data ; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863460367501

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854184850733

Swaziland

Swaziland's real economic growth declined to an estimated 0.2% in 2009 down from 2.4% in 2008, and growth is projected to remain sluggish in 2010 and 2011 at 2.2% and 2.4%, respectively. Inflation meanwhile, remains largely in check.

The nature and speed of the economy's recovery depends on developments in the regional powerhouse, South Africa, to which Swaziland has numerous direct and indirect links.

Long-term socioeconomic challenges remain, including a high incidence of poverty and of HIV/AIDS coupled with dwindling government resources and a strained public sector.

Swaziland is Southern Africa's second-smallest economy after Lesotho and it faces a host of economic challenges in the short and medium term. The combination of low investment, the end of EU preferential treatment for the country's main sugar and textile exports, low productivity, deteriorating trade receipts, low domestic resource mobilisation and the ongoing effects of the global economic crisis mean that sustained growth will remain elusive. Indeed, years of persistently sluggish growth have resulted in an expansion of poverty and unemployment. Moreover, the alarming 32.4% prevalence rate of HIV/AIDS will continue to exert undue pressure on government resources and has restricted Swaziland's annual population growth to about 0.4% since 1997.

Swaziland is a member of the Common Monetary Area (CMA) and its currency, the lilangeni (SZL) is fixed at parity with the South African rand. Swaziland has been adversely affected by the global economic slowdown as its economy is closely linked to that of South Africa. The country's manufacturing sector was hard hit, with virtually all significant manufacturing sub-sectors (cement, agricultural machinery, electronic equipment, refrigerator production, footwear, gloves, office equipment, confectionery, furniture, glass and bricks) affected by the global slowdown in trade. The wood-pulp industry was also further impacted by forest fires that destroyed timber supplies. Equally, the apparel industry was also hit as it is dependent on favourable trade arrangements with the United States through the African Growth and Opportunity Act (AGOA).

Since the European Community began removing subsidies on sugar in 2007, Swaziland's exports of raw and processed sugar have declined steadily in value. As prices are set by the Sugar Protocol with the EU, the almost 60% increase in world sugar prices in 2009 to a 28-year high (driven by the failed sugar crop in Brazil) had little effect on the sector's performance. A stronger lilangeni also offset increased sugar export receipts. More significantly, customs receipts – the government's primary revenue source – were badly affected by a substantial decline in Southern African Customs Union (SACU) trade.

On the positive side, the economy has benefitted from a medium-term decline in inflation and from an associated lower cost of borrowing. Swaziland's agricultural sector was the cornerstone of growth in 2009, largely due to the introduction of the Lower Usuthu Smallholder Irrigation Project (LUSIP) and favourable weather.

Swaziland's economy grew by 2.4% in 2008 before declining to an estimated 0.2% in 2009. Projections for 2010 and 2011 are that growth will rebound to 2.2% and 2.4%, respectively, below the 5% government target to reduce poverty to 30% by 2015. Inflation improved to a single-digit figure as commodity prices fell and the lilangeni remained relatively stable against the US dollar (USD).

Inflation is not expected to cross the 10% mark until 2011 despite increased inflationary pressure emanating from the recovery in oil prices. It is projected to increase from 4.6% in 2009 to 6.9% in 2010 and 10.2% in 2011. As inflation in South African is projected to decline, imported inflation will be low in the medium term.

Growth in 2010 and 2011 will depend upon a continued and gradual recovery in the global economy, modest rises in oil and other commodity prices, as well as an upswing in workers' remittances, foreign direct investment (FDI) inflows and official development assistance (ODA) disbursements, offset by sluggish export performance.

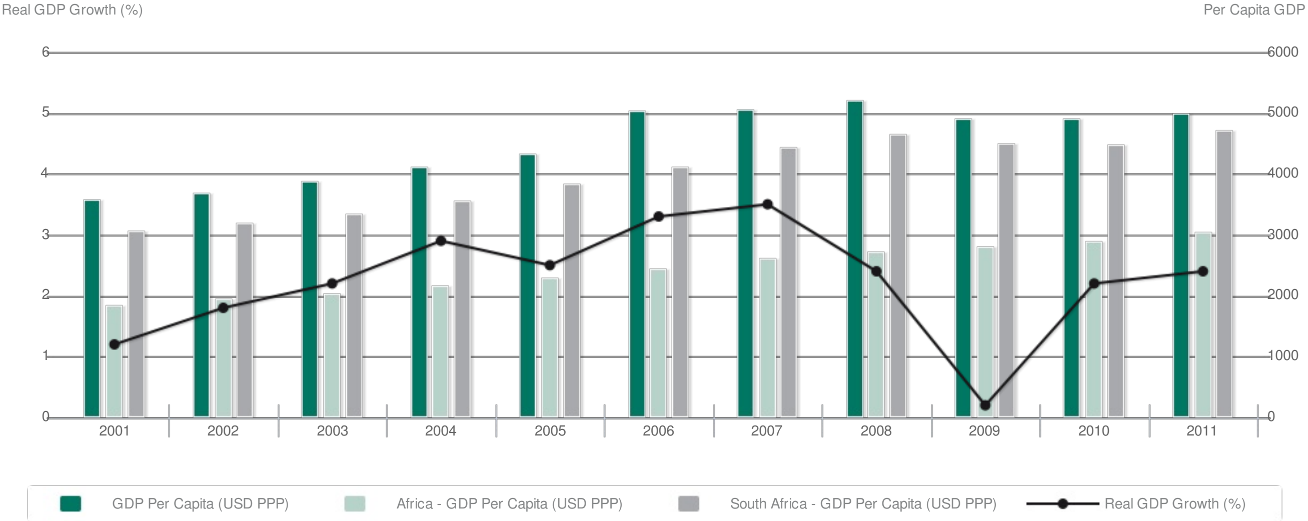
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	2.4	0.2	2.2	2.4
CPI inflation	12.7	4.1	5.5	7.2
Budget balance % GDP	2.7	-3.3	-8.3	-14.2
Current account % GDP	-4.4	-2.6	-5.4	-7.4

Sources: Data from Central Statistical Office & Ministry of Finance, Swaziland, Jan. 2010; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863683208442

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and National Statistics data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

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Tanzania

After years of strong performance, Tanzania's real economic growth declined to an estimated 5.5% in 2009, down from an average of 7% during the 2001-08 period. Inflation has also climbed from an average of 10.3% in 2008 to an estimated 12.2% in 2009.

The government's primary goal is to achieve economic recovery supported by an economic stimulus plan that also focuses on agricultural development. Although domestic resource mobilisation has improved, it has failed to meet the public revenue gap, which is being filled by foreign aid.

Critical structural reforms have improved the country's economic performance, however, challenges remain in the transport, communications, electricity and water sectors in which demand has substantially outstripped supply.

Despite the persistence of structural shortfalls, Tanzania's annual growth averaged 7% of gross domestic product (GDP) between 2001 and 2008. In 2008, GDP rose by 7.5% making Tanzania one of the fastest growing economies in sub-Saharan Africa. The onset of a series of globally-induced crises including fuel price hikes, and the second and third round effects of the global financial crisis have curtailed this record however. Economic growth in 2009 is estimated at 5.5%. Inflationary pressure has also intensified since 2008 pushing the inflation rate to a double-digit annual average of 10.3% in 2008 and 12.2% in 2009.

The 2007 household budget survey reported that agriculture remains the mainstay of more than two thirds of the country's population although it accounted for only slightly over a quarter of GDP and a little shy of 20% of exports in 2007 and 2008. Economic diversification efforts have brought other sectors to the fore, with particularly strong growth in the services sub-sectors of finance, real estate, business services, communication (in particular mobile telephony) and tourism. Industrial sectors including manufacturing, construction and mining have also grown in importance. Lifting growth to match economic potential is nonetheless hampered by an unacceptably high cost of doing business.

The aim of government policy in 2009/10 is to achieve economic recovery supported by the implementation of a counter-cyclical economic stimulus plan that was endorsed by Parliament in July 2009. The government requested a one-year extension of the IMF's Policy Support Instrument and has received financial support from its Exogenous Shocks Facility (ESF). Similar to 2008/09 one third of the 2009/10 government budget will be financed by foreign aid. Consolidation of domestic fiscal resources is being pursued as part of an exit strategy from aid dependence. Given the expected slow global recovery, however, medium term prospects for closing the growing budget gap using domestic sources alone remain slim.

Progress in reducing poverty continues to be slow despite high GDP growth. Estimates from the national survey show that over one third of Tanzania's population still lives below the poverty line and income is inequitably distributed. Access to social services is improving but at a slow pace and it is mostly skewed in favour of urban settings. Meanwhile, the government is developing its second National Strategy for Growth and Reduction of Poverty (NSGRP), which will begin to be implemented in 2010/11.

Tanzania continues to be politically stable. Local elections were conducted in September 2009 and national elections are scheduled for October 2010. The incumbent President Kikwete is expected to vie for another five-year term, and with a weak opposition, the ruling party has high prospects of winning. In the meantime, efforts to fight corruption continue albeit with limited achievements. A breakthrough has been achieved in resolving the long-standing political impasse in Zanzibar Island involving the ruling Chama Cha Mapinduzi (CCM) and the stronghold opposition Civic United Front (CUF). Consultations regarding the most appropriate form of government in Zanzibar and how to achieve it are also ongoing.

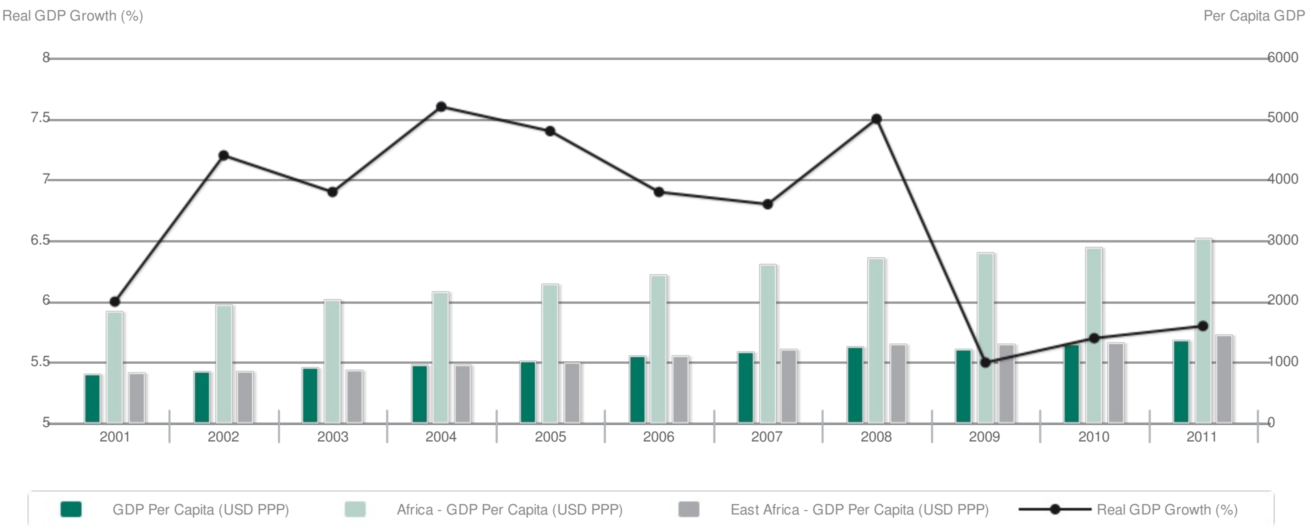
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	7.5	5.5	5.7	5.8
CPI inflation	10.3	12.1	8.5	6.2
Budget balance % GDP	0.0	-2.7	-3.8	-5.8
Current account % GDP	-12.4	-10.2	-13.6	-15.5

Sources: Data from Ministry of Finance and Economic Affairs; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863725163454

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854410240607

Togo

Despite difficulties in the cotton industry and the phosphate sector, Togo's economic growth began a slight recovery in 2009 thanks to strong performance in the agricultural sector.

The rebuilding of public finances and restructuring of the financial sector continued throughout the year.

Since 2008, fiscal policies have focused on reducing the informal sector by decreasing tax rates and broadening the tax base.

With a growth rate of 2.2%, Togo's real gross domestic product (GDP) began a slight recovery in 2009, which should continue in 2010 and 2011 with growth rates of 2.5% and 3.6% respectively. Inflation slowed considerably during 2009 with a rate of 1.9% for the year, against 8.7% in 2008 primarily due to a fall in oil prices and food, thanks to the country's abundant agricultural output. Because of this decelerated inflation, since November 2009, Togo has met the 3% convergence criterion established by the West African Economic and Monetary Union (WAEMU).

The economy's growth in 2009 reflects strong performance in the agricultural sector, which benefited from good weather and from government aid, mostly in the form of subsidies for fertilisers. While the factors that hindered growth in 2008 – major flooding, increased prices for oil products and food, and electricity supply problems – were absent, growth in 2009 was hampered by persistent problems in the phosphate sector. Output continues to decline due to obsolete production facilities at the national phosphate company SNPT, and by stagnating levels of cotton production following the financial troubles at the Togolese cotton company Sotocom. After Sotocom was dissolved, it was succeeded in January 2009 by the new cotton company of Togo, NSCT. In addition, the planned investments in infrastructure were hampered by the country's low absorptive capacity. Lastly, business and shipping via the port of Lomé were affected by the rerouting of certain imports through neighbouring countries after bridges collapsed in Togo in the July 2008 floods, compounded by the effects of the international economic and financial crisis.

In 2009, the Togolese authorities continued with structural reforms engaged under the three-year financial programme supported with resources from the Poverty Reduction and Growth Facility (PRGF) approved by the International Monetary Fund (IMF) in April 2008. Thus in June 2009, the government defined and approved the complete Poverty Reduction Strategy Paper (PRSP-C). It also formalised a priority action programme and focused on rebuilding public finances and restructuring the financial sector. To boost the economy and restore trust, the authorities adopted and launched a plan to repay some of the arrears on domestic debt. A new public procurement law was also voted on and enacted in June 2009 to improve the country's absorptive capacity and thereby accelerate the implementation of investment programmes. Lastly, the country sought to normalise its relations with the donor community, and is expecting an increase in grants.

The main challenge Togo faces in mobilising public resources lies in broadening the tax base, with agriculture not being taxed and with the informal sector, endemic throughout the economy, developing rapidly. Since 2008, the government has progressively reduced corporate and personal tax rates to encourage economic stakeholders to leave the informal sector. Existing tax exemptions have also been repealed, and measures to improve collection of taxes and customs duties have been introduced. Despite progress, the human resource gap continues to hinder administrative effectiveness.

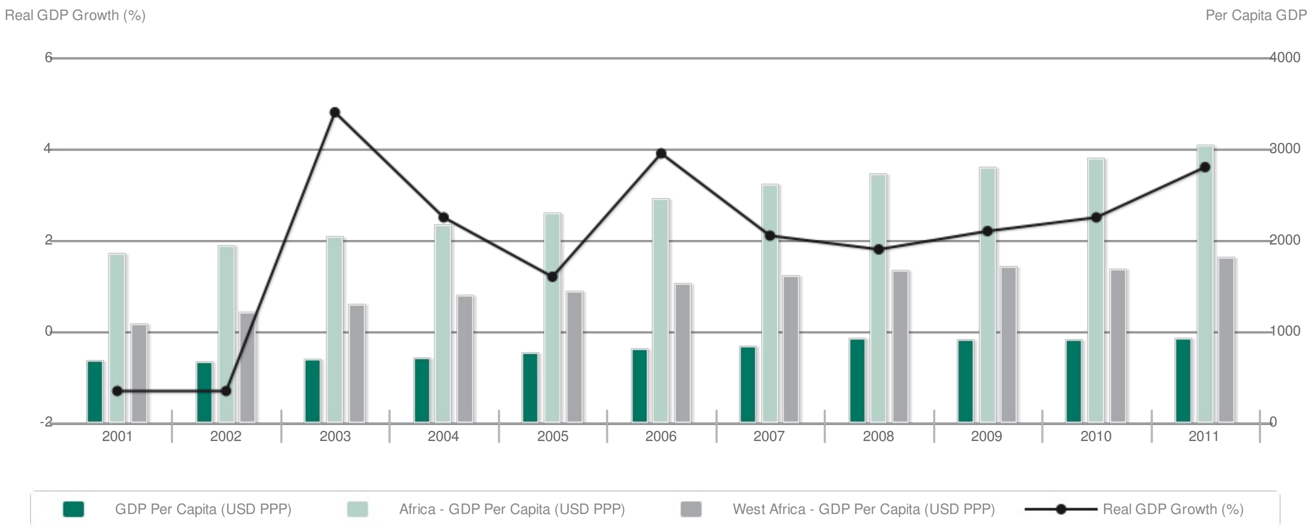
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	1.8	2.2	2.5	3.6
CPI inflation	8.7	1.9	2.4	2.3
Budget balance % GDP	-0.2	-1.4	-1.5	-0.9
Current account % GDP	-8.1	-8.0	-10.3	-9.1

Sources: Local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/863786545000

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Ministry of Finance data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854454606101

Tunisia

In 2009, the Tunisian economy grew at an estimated 3.1% (versus 4.6% in 2008) despite difficult international conditions, and growth is expected to become sustained again at around 4% in 2010 and 4.5% in 2011.

The major challenge to the Tunisian economy is to achieve sufficient growth to reduce unemployment, especially that of young university graduates.

Tunisia will have to develop new high-value-added sectors to move beyond assembly and outsourcing activities.

Thus far, Tunisia has managed the consequences of the recent global crisis relatively well. Although real gross domestic product (GDP) growth fell significantly to 3.1% in 2009 (from 6.3% in 2007 and 4.6% in 2008), this was partly offset by a good cereal harvest and strong activity in the mining-industry and energy sectors.

The 2009 slowdown in growth, essentially due to a decline in the exports of manufactured products to the European market, could have been worse. Moreover, the economy managed to absorb the shocks of the dismantling of the Multifibre Arrangement and of the customs tariffs of countries such as Turkey, Jordan, Egypt and Morocco, vis-à-vis the European Union (EU).

It was also able to resist the shocks of the rise in the world prices of fuel and cereal products. The inflation rate was limited to 3.5% in 2009 (versus 5.1% in 2008) thanks to a policy of price compensation for basic products, the fall in the world prices of the same products and the government's prudent monetary policy. Nonetheless, although the country has been relatively spared by the world crisis at the financial level, it will still have to cope for the next two years with the real effects of the decline in European demand, which may further affect the production and export of motor vehicle components and clothing items. On the other hand, the crisis might also offer foreign-investment opportunities: enterprises in industrialised countries will be looking to reduce their costs by outsourcing more, which should partly benefit Tunisia.

The sum effect could be positive. The economy is suitably diversified and measures aimed at limiting the negative effects of the crisis have been adopted. First, there were interventions in favour of the banking and financial system. These ensured the safety of the sector, preserved regular activity in the money and stock markets, and postponed liberalisation of the capital account from 2010 to 2014. Then, measures were implemented in favour of enterprises. These affected the two levers of growth: exports and domestic demand. The policy adopted in 2009 is founded on: *i)* reviving domestic demand by raising wages and energising public investment; *ii)* promoting small and medium-sized enterprises (SMEs) by acting on their production costs and competitiveness; and *iii)* backing exporters. Despite these measures, however, results in the area of employment, especially of young university graduates, are weak and growing worse. Average unemployment stood at 14.1% in 2008. It reached a high 30% for the 20-24 age segment and was estimated at 19% for university graduates. This high unemployment rate is an obstacle to long-term growth, reduces the incentive to invest in education and leads to a waste of public resources. In fact, the 2009/10 *Global Competitiveness Report* of the Davos World Economic Forum ranked Tunisia 98th out of 133 countries for Labour Market Efficiency and 108th for Rigidity of Employment.

To meet these challenges, Tunisia needs to change its existing production structure, currently dominated by sectors that have a low rate of management staff and are unskilled-labour-intensive, to the benefit of new sectors that are structurally skilled-labour-intensive, and most of all have a high added value and could lift the national growth rate to a higher level.

Otherwise, the World Bank's *Doing Business 2010* report ranked Tunisia among the 10 best-ranked countries in the Arab World thanks to its significant reforms in the tax system, in the welfare system and in trading across borders. The country has introduced electronic payment (including filing and settlement), which has reduced the frequency of payments, tax-payment compliance times, tax evasion and transaction costs. Enterprises can now fill out forms for their social security contributions on line. It also put up a one-stop e-window (Tunisian Trade Net) intended to simplify procedures for trading across borders. Tax-system reforms combined with streamlining of public expenditure have made it possible to improve public-finance indicators.

In 2009 there were also presidential and legislative elections. On 25 October, 89.62% of Tunisians who cast their votes re-elected President Zine El Abidine Ben Ali for a new five-year term.

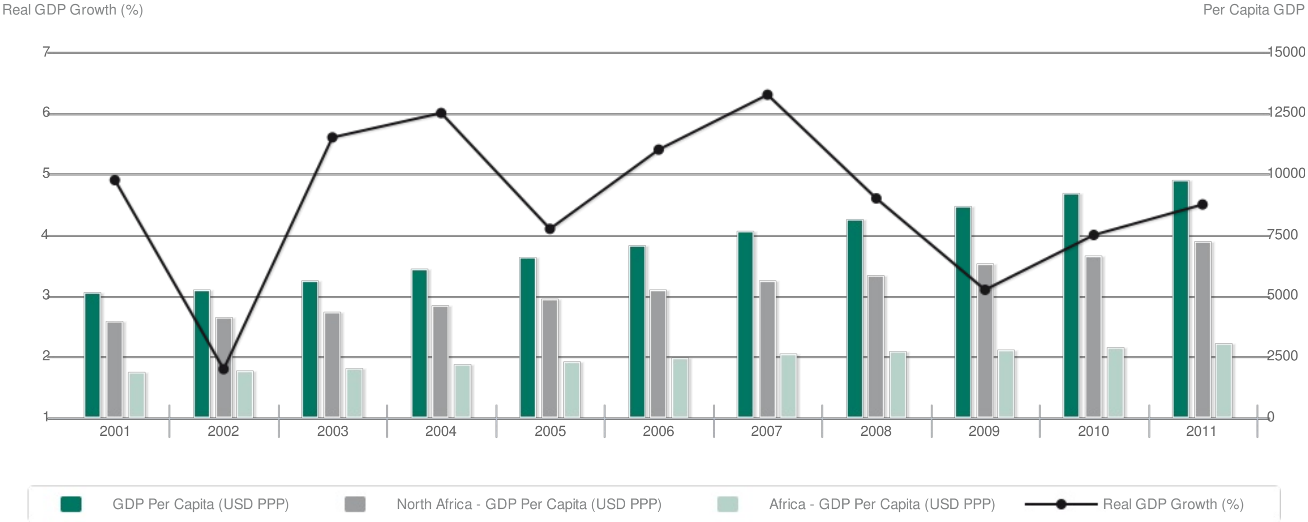
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	4.6	3.1	4.0	4.5
CPI inflation	5.1	3.5	3.1	3.4
Budget balance % GDP	-0.8	-3.9	-3.5	-2.8
Current account % GDP	-4.2	-2.7	-1.1	-1.3

Sources: Data from National Institute of Statistics; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/864031446023

Figure 1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854568701272

Uganda

Uganda's impressive economic growth is helping East Africa to defy the global economic crisis.

Major infrastructure investments will transform Uganda's private sector-led economy.

The Uganda Revenue Authority has spearheaded the country's quest for increased resource mobilisation and fiscal independence.

The Ugandan economy grew at the impressive rate of 7% in 2009, despite the continued weakness of the world economy. The effects of the disruption of the trade link between Uganda and Kenya following the post-election violence in Kenya in early 2008 eased, but domestic fuel prices remain high. Demand for Uganda's exports and remittances from abroad started to pick up as the global recession also eased. As a result, the growth rate is expected to rise to 7.4% in 2010 and further improve to 7.9% in 2011, and it may be even higher if the government lives up to its promises to start oil production in the next two or three years. Growth in 2009 was led by the services and industrial sectors, while agricultural performance remained sluggish. Services account for about half of gross domestic product (GDP), the industrial sector for 26% and the primary sector for 25%. On the demand side, growth was mainly driven by private consumption (up 6.7%), but investment also grew strongly. Investment growth will accelerate over the forecast period, with growth rates for both private and public investment projected at 17% in 2010 and 18% in 2011.

Inflation remained relatively high, at an estimated 11.1% in 2009, due to persistently high fuel and food prices. In 2009, the government continued to emphasise infrastructure development, including roads and energy, while seeking to reduce dependence on donor support and maintain macroeconomic stability. Revenue (including grants) and expenditure are projected to decrease as percentages of GDP over the next two years, and the overall fiscal deficit should increase slightly from 1.3% in 2009/10 to about 1.7% in 2010/11.

The target of monetary policy is to bring inflation down to single digits as pressure from food and fuel prices eases. Growth in base money over the next two years is therefore expected to follow the path consistent with this trend in disinflation, with inflation expected to fall to 9% by the end of 2010.

On the external front, exports as a percentage of GDP are estimated to have decreased from 16.4% in 2008 to 15.7% in 2009, while imports dropped from 24.5% of GDP in 2008 to 23.4%. The overall trade deficit decreased from 8.1% of GDP in 2008 to 7.7% in 2009, while the outlook for 2010 and 2011 is poor, due to the possibility of a surge in non-oil imports as the country speeds up investments in oil production. The stock of international reserves remains healthy, amounting to about five months' imports of goods and services at the end of 2009.

The major constraint to further growth remains the inadequacy of the country's infrastructure, particularly electricity and roads, due to lack of investment. However, the government has finalised a five-year National Development Plan that is emphasising infrastructure and agricultural development in a bid to increase exports and remove the infrastructure bottlenecks that are impeding further growth.

Uganda's tax effort (11.9% of GDP in 2008/09) remains low by the standards of many countries in sub-Saharan Africa, which on average collect about 23% of GDP in revenue. This is primarily due to the lack of a tax mobilisation strategy, which has hindered efforts to tax areas of the economy that have hitherto been hard to reach, such as agriculture and informal trade; other reasons are tax evasion and lingering inefficiencies in tax administration. The country has taken measures to improve tax collection, however, including the use of e-taxation, which has increased compliance rates.

Uganda also continues to be a leader in social progress in Africa. Although much remains to be done, it has advanced on the poverty reduction front and made improvements in health and education, including the introduction of universal primary and secondary education and the construction of health facilities at the local government level.

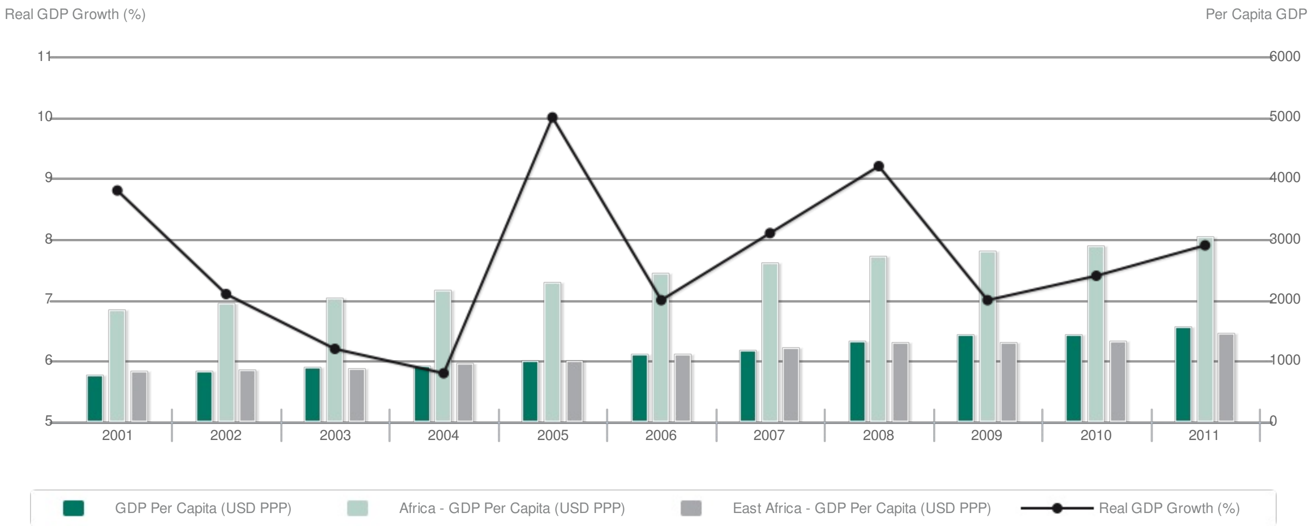
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	9.2	7.0	7.4	7.9
CPI inflation	12.0	11.1	8.9	9.9
Budget balance % GDP	-2.4	-1.7	-1.3	-1.7
Current account % GDP	-6.1	-5.9	-8.8	-10.9

Sources: Data from Uganda Bureau of Statistics and Bank of Uganda; estimates (e) and projections (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/864312768065

Figure 1 : Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and Uganda Bureau of Statistics (UBOS) data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854640725634

Zambia

In 2009, Zambia's economy performed better than projected and should improve in the short and medium term.

The government is currently implementing an economic-diversification programme aiming to reduce the country's dependence on mining.

Public-resource mobilisation remains optimistic due to higher copper prices, improved fiscal performance and a positive ODA outlook.

After 30 years of relatively dismal economic performance, Zambia's macroeconomic situation has changed in the last 10 years with gross domestic product (GDP) growth at an unprecedented average of 4.8% between 1999 and 2009. Growth continues to be driven by increased output in the construction, mining and agriculture sectors. Nonetheless, the growth process continues to be severely limited by: energy bottlenecks; public-sector constraints, mainly in the civil service; infrastructural problems; and insufficient progress towards key institutional reforms. On a positive note, GDP growth for 2009 was estimated at 6.1%, a relatively small dip from 6.3 in 2008, and the 2010 and 2011 GDP growth forecasts stand at 5.5% and 5.7%, respectively.

economic and public-sector reforms initiated in 1991. Privatisation of the mines in the late 1990s removed a major drain on the government's finances by putting and end to a long history of funding intended to offset the continued losses of the then state-owned mining companies. The liberalisation of the Zambian economy, begun in 1991, has also facilitated substantial foreign investment in mining – boosted by the copper-price boom – and in other sectors of the economy such as tourism and non-traditional agriculture.

In addition, the government has improved its fiscal discipline since 2004. The fiscal deficit (which averaged 12.3% of GDP in the 1970s, 13.8% in the 1980s and 6.0% in the 1990s) was cut from 6.0% in 2003 to 2.9% in 2004 and was kept below this level until the recent pressures of the global crisis pushed it up to 3.0%. Overall fiscal discipline enabled the government to: *i)* bring domestic debt and interest rates down substantially; and *ii)* reach the Heavily Indebted Poor Countries (HIPC) Initiative completion point, resulting in the cancellation of most foreign debt. Multilateral debt stock fell from an average of 103.8% of GDP in 1995-2004 to 16.2% in 2005-08, while bilateral debt fell from an average of 85.8% of GDP to 3.6% respectively.

Improved fiscal discipline (and a prudent monetary policy) also helped bring end-year inflation down to single figures in 2006 and 2007 for the first time in Zambia's history. The sharp appreciation of the Zambian kwacha (ZMK) in 2005/06 – mainly a result of the copper boom – further dampened inflation, at the expense, however, of non-traditional exports such as cotton. With a growing trade surplus, increasing foreign-exchange reserves and an exceptionally low level of public debt, by mid-2008 macroeconomic performance was at its best in nearly 30 years.

In structural terms, Zambia has focused since 1991 on policies aimed at reducing the dominance of the mining sector in the country's economic activity. These have resulted in economic growth being increasingly led by the private sector. More recently, policies have concentrated on implementing a relatively ambitious diversification programme. Key economic reforms in the late 1990s have delivered tangible benefits: a greater focus on fiscal discipline, better governance and the promotion of privately led economic growth. Other notable structural reforms include ongoing public-sector governance reforms implemented through specific action programmes such as the Public Expenditure Management and Financial Accountability (PEMFA) programme, the Decentralisation Implementation Plan (DIP), social-security, pay and pension reform, and rural-development programmes designed to reduce the relatively high level of rural poverty (greater than 65%) and to drive rural economic development.

Infrastructure development, most particularly in the rural areas, is one of the major needs for Zambia's development and is upheld in both the Fifth National Development Plan, about to be completed, and the Sixth National Development Plan, soon to be launched, as well as in the National Vision 2030. Most of the infrastructure is still state-owned. The country continues to suffer a huge power deficit leading to frequent load shedding. Only 28% of rural areas have access to mobile phone services, and although there were plans to extend coverage to 77% of the population by the end of 2009, reforms in this area have remained very slow. The sparse population distribution makes the installation of infrastructure very costly. Teledensity in Zambia is still low, with ratios per 100 inhabitants at 0.77 for fixed-line subscribers, 22.66 for mobile subscribers (98% of which are using prepaid tariffs) and 0.14 for Internet users at the end of 2007.

Regarding public-resource mobilisation, Zambia has introduced key policy and institutional reforms since 1994 that have helped to improve its overall capacity to mobilise domestic resources to support economic development. Since 2000, overall tax revenues have increased by 400% and non-tax revenues by 270%, for an average annual growth of 23% and 6% respectively. The tax share of all revenues has stood at a 75% average, increasing in recent years to 80%. Total revenue covers, on average, 90% of public expenditure. The major challenge to tax administration remains the large size of the informal sector.

Official development assistance (ODA) increased from 300 million US dollars (USD) to USD 553 million. This increase between 2005 and 2007 can be attributed to the cancellation of Zambia's debt by bilateral and multilateral donors after attainment of the Heavily Indebted Poor Countries (HIPC) Initiative completion point. Moreover, ODA flows have not been affected by the global financial crisis so far, and more than 90% of the initially confirmed 2009 budget-support commitments were disbursed. The slight shortfall in disbursed ODA experienced in 2009 was due the country's failure to meet governance requisites, but the situation has improved and the indicative budgetary support for the medium term remains positive.

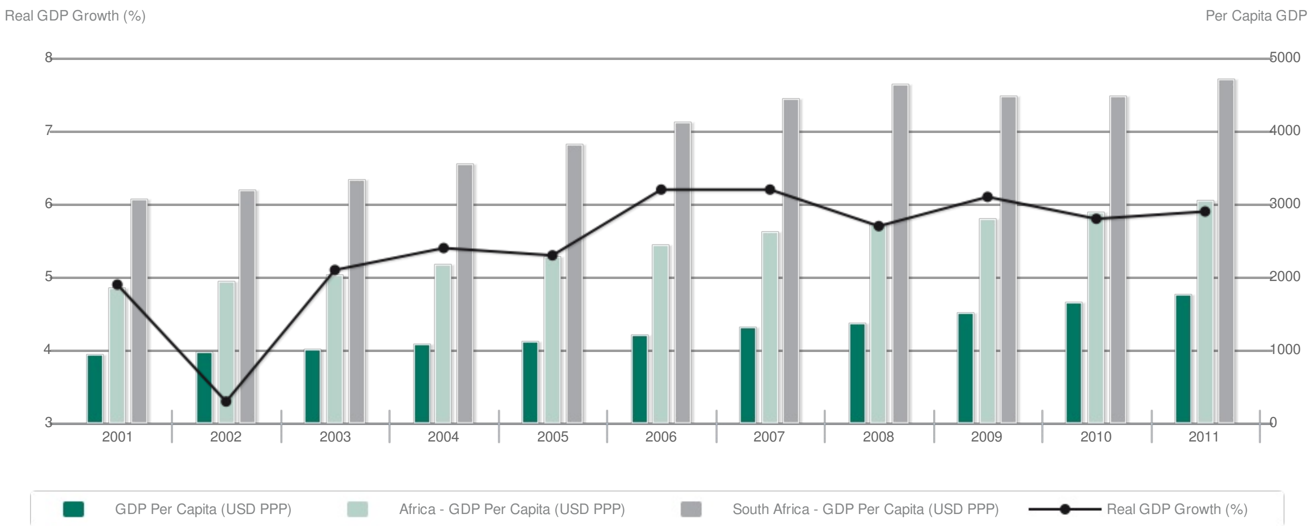
Table 1: Macroeconomic indicators

	2008	2009	2010	2011
Real GDP growth	5.7	6.1	5.8	5.9
CPI inflation	12.4	13.4	10.0	7.4
Budget balance % GDP	-2.2	-2.7	-2.7	-1.9
Current account % GDP	-7.1	-4.0	-1.9	-1.5

Sources: Data from CSO; estimates (e) and prediction (p) based on authors' calculations.
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/864551584475

Figure1: Real GDP growth and per capita GDP (USD/PPP at current prices)



Sources: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations
Figures for 2009 are estimates; for 2010 and later are projections.

StatLink http://dx.doi.org/10.1787/854775747703

Part Four

Statistical Annex

List of Tables

Methodology

The aggregate figure for Africa, when reported, does not include countries whose data are unavailable.

When used, the oil-exporting countries group refers to Algeria, Angola, Cameroon, Chad, Congo Dem. Rep., Congo Rep., Côte d'Ivoire, Egypt, Equatorial Guinea, Gabon, Libya, Nigeria and Sudan.

Tables 1 to 6.

Where indicated, the figures are reported on a fiscal-year basis. Figures for Egypt, Ethiopia, Kenya, Lesotho, Liberia, Malawi, Mauritius, Tanzania and Uganda are from July to June in the reference year. For South Africa, Namibia and Botswana, fiscal year 2009 is from April 2008 to March 2009.

Table 4. Public Finances 2008-11 - Tax Effort

Tax effort is an index measure of how well a country is doing in terms of tax collection, relative to what it could be reasonably expected given its economic potential. It is a ratio that, by construction, is always positive and either below or above 1. Tax effort is calculated by dividing collected taxes by an estimate of how much tax the country should be able to collect given the structural characteristics of its economy. Studies identify the general level of economic development of a country, its openness to trade and the relative importance of agriculture in domestic production as the key characteristics bearing on a developing country's ability to collect taxes. Empirically, these characteristics are captured respectively by per capita income, the ratio of trade to GDP, and the share of agriculture to GDP.

Table 7. Exports, 2008

The table is based on exports disaggregated at 6 digit level (following the Harmonised System, rev.1).

Table 8. Diversification and Competitiveness

The diversification indicator measures the extent to which exports are diversified. It is constructed as the inverse of a Herfindahl index, using disaggregated exports at 4 digits (following the Harmonised System, rev.1). A higher index indicates more export diversification. The competitiveness indicator has two aspects: the sectoral effect and the global competitivity effect. In order to compute both competitiveness indicators, we decompose the growth of exports into three components: the growth rate of total international trade over the reference period (2003-07) (not reported); the contribution to a country's export growth of the dynamics of the sectoral markets where the country sells its products, assuming that its sectoral market shares are constant (a weighted average of the differences between the sectoral export growth rates – measured at the world level – and total international trade growth, the weights being the shares of the corresponding products in the country's total exports); the competitiveness effect, or the balance (export growth minus world growth and sector effect), measuring the contribution of changes in sectoral market shares to a country's export growth.

Table 10. Foreign Direct Investment, 2003-08

The UNCTAD Inward Potential Index is based on 12 economic and structural variables measured by their respective scores on a range of 0-1 (raw data are available on: www.unctad.org/wir). It is the unweighted average of scores of: GDP per capita, the rate of growth of GDP, the share of exports in GDP, telecom infrastructure (the average number of telephone lines per 1 000 inhabitants, and number of mobile phones per 1 000 inhabitants), commercial energy use per capita, share of R&D expenditures in gross national income, share of tertiary students in the population, country risk, exports of natural resources as a percentage of the world total, imports of parts and components of electronics and automobiles as a percentage of the world total, and inward FDI stock as a percentage of the world total (Source: UNCTAD, *World Investment Report* 2009).

Table 11. Aid Flows, 2003-08

The DAC countries are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and the Commission of the European Communities.

Table 13. Demographic Indicators

Infant mortality rate: under one-year-old child deaths per live birth per year.

Total fertility rate: average number of children per woman.

Mortality under age 5: probability that a newborn infant would die before the age of 5.

Table 14. Poverty and Income Distribution Indicators

National poverty line: absolute poverty line corresponding to the value of consumption necessary to satisfy minimum subsistence needs. International poverty line: absolute poverty line corresponding to a level of income or consumption of USD1 or USD2 a day.

Gini index: index measuring the intensity of inequality in income or consumption expenditure distribution. Perfect equality leads to a Gini index of zero and maximum inequality to a Gini index of 100. Share of consumption: share of total consumption for a decile of the population ranked by level of consumption.

Table 15. Access to Services

The Sanitation coverage is the percentage of the population with access to improved sanitation technologies (connection to a public sewer, connection to septic system, pour-flush latrine, simple pit latrine or ventilated improved pit latrine). The water supply coverage is the percentage of the population with access to improved water supply (household connection, public standpipe, borehole, protected dug well and protected spring or rainwater collection).

Table 16. Basic Health Indicators

Life expectancy at birth is the average number of years a newborn infant would live under the hypothesis that, during its life, the conditions of mortality remain the same as observed at its birth. Life expectancy at birth with AIDS is the estimated average number of years a newborn infant would live under the hypothesis that, during its life, the conditions of mortality remain the same as observed at its birth in particular the characteristics of AIDS epidemic. Life expectancy at birth without AIDS is the estimated number of years a newborn infant would live under the hypothesis of absence of AIDS during its life. Undernourishment prevalence is the proportion of the population that is suffering insufficient food intake to meet dietary energy requirements continuously. Food availability is the available nutritious food for human consumption expressed in kilo-calories per person per day (note that the recommended daily caloric intake for an active healthy life is 2 100 calories). Public share of total health expenditure is calculated by defining public health expenditure as current and capital outlays of government, compulsory social security schemes, extra-budgetary funds dedicated to health services delivery or financing and grants and loans provided by international agencies, other national authorities and commercial banks. Private share of total health expenditure is calculated by defining private expenditure as private insurance schemes and prepaid medical care plans, services delivered or financed by enterprises, outlays by non-governmental organisations and non-profit institutions serving mainly households, out-of-pocket payments, and other privately funded schemes not elsewhere classified, including investment outlays.

Table 17. Major Diseases

Healthy life expectancy at birth is the average equivalent number of years in full health a newborn infant would live under the hypothesis that, during its life, the conditions of mortality and ill-health remain the same as observed at its birth.

People living with HIV/AIDS is estimated whether or not they have developed symptoms of AIDS. HIV/AIDS adult prevalence is the estimate of the adult population (15-49) living with HIV/AIDS. Malaria notified cases are cases of malaria reported from the different local case detection and reporting systems. These figures should be considered with caution because of the diversity of sources and probable underestimation. The Measles incidence is the number of new cases of measles reported during the reference year.

MCV: Measles Containing Vaccine.
DTP3: Third dose of Diphtheria and Tetanus toxoids and Pertussis vaccine.

Table 19. School Enrolment

Gross enrolment ratio: population enrolled in a specific level of education, regardless of age, expressed as a percentage of the official school-age pupils enrolled in that level. Net enrolment ratio: official school-age population enrolled in a specific level of education expressed as a percentage of the total population enrolled in that level.

Table 20. Employment and Remittances

Participation rate: measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work. It provides an indication of the relative size of the supply of labour available to engage in the production of goods and services.

Total unemployment: proportion of the labour force that does not have a job and is actively looking for work.

Inactivity rate: percentage of the population that is neither working nor seeking work (that is, not in the labour force).

Table 21. Corruption Perception Index, 2003-09

The Corruption Perception Index (CPI) is a composite indicator based on surveys of business people and assessments of country analysts. A background paper presenting the methodology and validity of the CPI is available on the Transparency International website: http://www.transparency.org/policy_research/surveys_indices/cpi/2009/methodology.

Table 22 to 24. Political Indicators

The political indicators were built on information taken from the weekly newspaper *Marchés Tropicaux et Méditerranéens* according to a methodology first proposed by Dessus, Lafay and Morrisson[1]. Since 2008, the source used to calculate the indicators has changed, now being Agence France Presse. This introduces a break in the series and comparison of 2008 indicator with past values must be done with caution. The qualitative information is either computed as 0-1 variables with 0 being the non-occurrence of the event and 1 its occurrence or as 4-value indicators (with 0: non-occurrence, 1: occurrence but weak intensity, 2: medium intensity and 3: strong intensity). From these indicators, three main political indexes are constructed: an index of conflicts, a measure of the softening of the political regime and one of its hardening. The annual aggregation method has been improved in 2008 and 2009, and applied to all the series. The average value across quarters is now taken and computed according to the following *formula*:

$$PI_i = (I_i - \min_i)/(\max - \min_i)$$

Where PI_i is the political indicator for country *i,* I is the average indicator across quarters, $\min_i$ is the minimum quarterly value for country *i,* and max is the theoretical maximum quarterly value, constant across countries and years.

In the 2008/09 AEO report, the name of the political troubles indicator was changed to Civil Tensions indicator.

Table 22. Civil Tensions

• Strikes

0 = non-occurrence,
1 = 1 strike or number of strikers lower than 1 000 (inclusive),
2 = 2 strikes or number of strikers between 1 000 and 5 000 (inclusive),
3 = 3 strikes or number of strikers higher than 5 000.

• Unrest and violence (number of dead and injured)

Dead
0 = none,
1 = between 1 and 10 (non inclusive),
2 = between 10 and 100 (non inclusive),
3 = higher than 100.

1 Dessus, S., D. Lafay and C. Morrisson (1994), "A Politico-economic Model for Stabilisation in Africa", *Journal of African Economies*.

Injured
0 = none,
1 = between 1 and 50 (non inclusive) or if the number of dead is between 1 and 10,
2 = between 50 and 500 (non inclusive) or if the number of dead is between 10 and 100,
3 = higher than 500 or if the number of dead exceeds 100.

• Demonstrations

0 = non-occurrence,
1 = 1 demonstration or number of strikers lower than 5 000 (non inclusive),
2 = 2 demonstrations or number of strikers between 5 000 and 10 000 (non inclusive),
3 = 3 demonstrations or number of strikers higher than 10 000.

• Coup d'état and attempted coups d'état

Table 23. Softening of the Political Regime

• Lifting of state of emergency

• Releases of political prisoners

• Measures in favour of human rights

• Improvement of political governance (fight against corruption…)

• Relinquishment of political persecution, rehabilitation, return from exile

• Political opening (measures in favour of democracy)

1 = Discussion with the opposition,
2 = Entry of the opposition to power,
3 = Opening of a regime to elections.

• Lifting of bans on strikes or demonstration

• Lifting of bans on press or public debates

Table 24. Hardening of the Political Regime

• State of emergency

• Arrests, incarcerations

0 = non-occurrence,
1 = between 1 and 10 (non inclusive),
2 = between 10 and 100 (non inclusive),
3 = higher than 100.

• Additional resources for the police, propaganda or censorship

• Toughening of the political environment (expulsions, dismissals, curfew, and dissolution of political parties)

• Violence perpetuated by the police (number of dead and injured)

Dead
0 = none,
1 = between 1 and 10 (non inclusive),
2 = between 10 and 100 (non inclusive),
3 = higher or equal to 100.

Injured
0 = none,
1 = between 1 and 50 (non inclusive),
2 = between 50 and 500 (non inclusive),
3 = higher or equal to 500.

• Prosecutions, executions

• Bans on strikes and demonstrations

• Bans on press or public debates

• Closing of schools

• Obligatory demonstrations

A principal component analysis was undertaken in order to determine a relevant weight for each qualitative variable within the synthetic indexes.

Weights

Strike 0.286
Dead 0.950
Injured 0.958
Demonstration 0.543
Coups d'état and attempts 0.059

Weights

Lifting of state of emergency 0.282
Release of political prisoners 0.709
Measures in favour of human rights 0.373
Improvement of political governance 0.089
Relinquishment of political persecution 0.502
Political opening 0.373
Lifting of bans on strikes 0.323
Lifting of bans on public debates 0.522

Weights

State of emergency 0.631
Violence perpetuated by the police: Dead 0.261
Injured 0.423
Arrests 0.402
Additional resources for the police 0.603
Toughening of the political environment 0.253
Prosecutions, executions 0.583
Bans on strikes 0.383
Bans on demonstrations 0.292
Closing of schools 0.092

Table 1: **Basic Indicators, 2009**

	Population (thousands)	Land area (thousands of km2)	Population density (pop / km2)	GDP based on PPP valuation (US $ million)	GDP per Capita (PPP valuation, $)	Annual real GDP growth (average over 2001-09)
Algeria	34 895	2 382	15	256 542	7 352	3.7
Angola	18 498	1 247	15	100 459	5 431	11.6
Benin	8 935	115	78	13 454	1 506	4.1
Botswana**	1 950	582	3	25 764	13 214	3.9
Burkina Faso	15 757	274	58	19 395	1 231	5.4
Burundi	8 303	28	298	2 853	344	3.0
Cameroon	19 522	476	41	46 347	2 374	3.3
Cape Verde	506	4	125	2 002	3 959	6.1
Central Afr. Rep.	4 422	623	7	3 471	785	1.9
Chad	11 206	1 284	9	17 067	1 523	8.4
Comoros	676	2	302	821	1 215	1.9
Congo	3 683	342	11	15 614	4 239	4.5
Congo Dem. Rep.	66 020	2 345	28	21 304	323	4.7
Côte d'Ivoire	21 075	322	65	33 766	1 602	0.9
Djibouti	864	23	37	1 955	2 262	3.8
Egypt*	82 999	1 001	83	471 509	5 681	4.9
Equatorial Guinea	676	28	24	21 188	31 331	20.5
Eritrea	5 073	118	43	3 813	752	0.8
Ethiopia*	82 825	1 104	75	72 196	872	8.0
Gabon	1 475	268	6	21 951	14 886	1.9
Gambia	1 705	11	151	2 003	1 175	5.0
Ghana	23 837	239	100	36 558	1 534	5.5
Guinea	10 069	246	41	10 473	1 040	2.8
Guinea-Bissau	1 611	36	45	817	508	1.1
Kenya*	39 802	593	67	62 423	1 568	4.1
Lesotho*	2 067	30	68	2 482	1 201	3.1
Liberia*	3 955	111	36	1 093	276	1.3
Libya	6 420	1 760	4	99 491	15 497	4.4

Table 1: **Basic Indicators, 2009** (cont.)

	Population (thousands)	Land area (thousands of km2)	Population density (pop / km2)	GDP based on PPP valuation (US $ million)	GDP per Capita (PPP valuation, $)	Annual real GDP growth (average over 2001-09)
Madagascar	**19 625**	**587**	**33**	**18 230**	**929**	**3.0**
Malawi*	**15 263**	**118**	**129**	**8 395**	**550**	**4.9**
Mali	**13 010**	**1 240**	**10**	**15 898**	**1 222**	**5.7**
Mauritania	**3 291**	**1 026**	**3**	**8 157**	**2 479**	**3.9**
Mauritius*	**1 288**	**2**	**631**	**17 489**	**13 576**	**3.7**
Morocco	**31 993**	**711**	**45**	**151 855**	**4 747**	**5.1**
Mozambique	**22 894**	**802**	**29**	**21 746**	**950**	**8.0**
Namibia**	**2 171**	**824**	**3**	**13 737**	**6 327**	**4.3**
Niger	**15 290**	**1 267**	**12**	**10 392**	**680**	**5.0**
Nigeria	**154 729**	**924**	**167**	**327 822**	**2 119**	**8.2**
Rwanda	**9 998**	**26**	**380**	**9 526**	**953**	**6.5**
São Tomé & Príncipe	**163**	**1**	**169**	**339**	**2 083**	**6.1**
Senegal	**12 534**	**197**	**64**	**20 841**	**1 663**	**3.8**
Seychelles	**84**	**0.455**	**185**	**1 480**	**17 563**	**0.9**
Sierra Leone	**5 696**	**72**	**79**	**4 509**	**792**	**10.1**
Somalia	9 133	638	14	...	...	...
South Africa**	**50 110**	**1 221**	**41**	**487 107**	**9 721**	**3.6**
Sudan	**42 272**	**2 506**	**17**	**95 466**	**2 258**	**7.1**
Swaziland	**1 185**	**17**	**68**	**5 806**	**4 900**	**2.2**
Tanzania*	**43 739**	**945**	**46**	**53 167**	**1 216**	**6.9**
Togo	**6 619**	**57**	**117**	**6 071**	**917**	**1.8**
Tunisia	**10 272**	**164**	**63**	**89 010**	**8 666**	**4.6**
Uganda*	**32 710**	**241**	**136**	**46 632**	**1 426**	**7.7**
Zambia	**12 935**	**753**	**17**	**19 606**	**1 516**	**5.4**
Zimbabwe	12 523	391	32	2 193	175	-5.4
Africa	**1008 354**	**30 323**	**33**	**2 825 691**	**2 802**	**5.3**

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/March (n+1)

Sources: United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects, The 2008 Revision.* ADB Statistics Department, Various domestic authorities and IMF *World Economic Outlook (March 2010).*

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Table 2: **Real GDP Growth Rates, 2001-11**

	2001	2002	2003	2004	2005	2006	2007	2008	2009 (e)	2010 (p)	2011 (p)	2011 (p)
Algeria	2.1	4.7	6.9	5.2	5.1	2.0	3.0	2.4	2.2	3.9	4.3	4.3
Angola	3.1	14.5	3.3	11.2	20.6	18.6	20.3	13.2	-0.6	7.4	7.9	7.9
Benin	6.2	4.4	3.9	3.1	2.9	3.8	4.6	5.0	3.0	3.5	3.8	3.8
Botswana**	3.6	8.8	6.3	6.0	1.6	5.1	4.4	2.9	-4.0	3.4	3.1	3.1
Burkina Faso	7.1	4.7	8.0	4.6	7.1	5.5	3.6	5.2	3.0	4.4	5.2	5.2
Burundi	2.1	4.5	-1.2	4.8	0.9	5.2	3.2	4.3	3.3	3.6	4.0	4.0
Cameroon	4.5	4.0	4.0	3.7	2.3	3.2	3.3	2.9	2.0	3.5	4.6	4.6
Cape Verde	6.1	5.3	4.7	4.3	6.5	10.8	7.8	5.9	3.9	5.1	6.4	6.4
Central Afr. Rep.	2.6	0.4	-4.7	2.8	2.0	5.1	3.8	2.8	2.0	3.4	4.0	4.0
Chad	11.5	8.5	14.3	33.3	7.9	0.2	0.1	0.3	-0.8	2.1	4.4	4.4
Comoros	2.3	2.3	2.1	1.9	2.8	2.6	0.8	0.6	1.4	1.9	3.3	3.3
Congo	3.8	4.6	0.8	3.6	7.6	6.2	-1.1	7.3	7.6	11.9	1.2	1.2
Congo Dem. Rep.	-2.1	3.5	5.8	6.6	7.9	5.6	6.3	6.2	2.6	6.3	8.7	8.7
Côte d'Ivoire	0.0	-1.6	-1.7	1.6	1.8	0.7	1.6	2.3	3.6	3.9	4.5	4.5
Djibouti	2.0	2.6	3.2	3.0	3.2	4.8	5.1	5.8	4.8	3.9	5.7	5.7
Egypt*	3.5	3.2	3.2	4.1	4.5	6.8	7.1	7.2	4.7	5.4	6.1	6.1
Equatorial Guinea	67.8	20.4	14.4	32.7	8.8	5.3	23.2	11.3	0.5	1.5	3.1	3.1
Eritrea	8.8	3.0	-2.7	1.5	2.6	-1.0	1.4	-9.8	3.6	1.4	2.0	2.0
Ethiopia*	7.7	1.2	-3.5	9.8	12.6	11.5	11.5	11.6	9.9	9.7	10.9	10.9
Gabon	2.1	-0.3	2.5	1.4	3.0	1.2	5.6	2.3	-1.0	3.0	3.2	3.2
Gambia	5.8	-3.2	6.9	7.0	5.1	6.5	6.3	6.1	4.8	5.4	5.7	5.7
Ghana	4.2	4.5	5.2	5.6	5.9	6.4	6.3	7.0	4.7	6.4	8.3	8.3
Guinea	3.7	5.2	1.2	2.3	3.0	2.5	1.8	4.9	0.6	4.3	4.5	4.5
Guinea Bissau	-0.6	-4.2	-0.6	2.2	3.5	0.6	2.7	3.3	2.9	3.4	4.0	4.0
Kenya*	4.5	0.5	2.9	5.1	5.9	6.3	7.1	1.7	2.5	3.6	4.2	4.2
Lesotho*	4.4	0.4	4.8	2.3	1.4	6.6	2.3	4.4	1.1	2.3	3.3	3.3
Liberia*	2.9	3.7	-31.3	2.6	5.3	7.8	9.4	7.1	4.4	7.7	8.6	8.6
Libya	-4.3	-1.3	13.0	4.4	9.9	5.9	6.0	3.8	2.1	5.2	6.1	6.1

Table 2: **Real GDP Growth Rates, 2001-11** (cont.)

	2001	2002	2003	2004	2005	2006	2007	2008	2009 (e)	2010 (p)	2011 (p)	2011 (p)
Madagascar	6.0	-12.7	9.8	5.3	4.6	5.0	6.2	7.1	-4.5	-0.4	4.3	4.3
Malawi*	-4.1	1.7	5.7	5.4	3.3	6.8	8.6	9.8	7.0	6.0	6.2	6.2
Mali	11.9	4.3	7.6	2.3	6.1	5.3	4.3	5.0	4.4	4.6	5.3	5.3
Mauritania	2.9	1.1	5.6	5.2	5.4	11.4	1.0	3.7	-1.1	4.5	4.9	4.9
Mauritius*	2.6	1.9	4.3	5.8	1.2	3.9	5.4	5.1	2.8	4.2	4.7	4.7
Morocco	7.6	3.3	6.1	4.8	3.0	7.8	2.7	5.6	5.0	4.3	4.9	4.9
Mozambique	12.3	9.2	6.5	7.9	8.4	8.7	7.0	6.8	5.4	5.8	6.1	6.1
Namibia**	1.2	4.8	4.2	12.3	2.5	7.1	5.5	3.3	-1.8	3.0	3.9	3.9
Niger	7.4	5.3	7.7	-0.8	7.2	5.8	3.4	9.5	-0.9	3.2	5.1	5.1
Nigeria	8.2	21.2	9.6	6.6	6.5	6.0	6.5	6.0	3.0	4.4	5.5	5.5
Rwanda	6.7	9.4	0.3	5.3	7.1	5.5	8.8	11.2	4.5	5.1	5.3	5.3
São Tomé & Príncipe	3.1	11.6	5.4	6.6	5.7	6.7	6.0	5.8	4.1	4.6	5.1	5.1
Senegal	4.6	0.7	6.7	5.9	5.6	2.3	4.7	2.5	1.5	3.4	4.3	4.3
Seychelles	-2.3	1.2	-5.9	-2.9	7.5	8.3	9.7	-0.9	-6.8	3.9	4.2	4.2
Sierra Leone	18.2	27.4	9.5	7.4	7.3	7.4	6.4	3.9	3.5	4.0	5.0	5.0
Somalia	...	...	...	...	...	...	...	...	...	...	...	...
South Africa**	2.7	3.7	2.9	4.6	5.3	5.6	5.5	3.7	-1.8	2.4	3.3	3.3
Sudan	6.2	5.4	7.1	5.1	6.3	11.3	10.2	7.0	4.9	5.4	4.2	4.2
Swaziland	1.2	1.8	2.2	2.9	2.5	3.3	3.5	2.4	0.2	2.2	2.4	2.4
Tanzania*	6.0	7.2	6.9	7.6	7.4	6.9	6.8	7.5	5.5	5.7	5.8	5.8
Togo	-1.3	-1.3	4.8	2.5	1.2	3.9	2.1	1.8	2.2	2.5	3.6	3.6
Tunisia	4.9	1.8	5.6	6.0	4.1	5.4	6.3	4.6	3.1	4.0	4.5	4.5
Uganda*	8.8	7.1	6.2	5.8	10.0	7.0	8.1	9.2	7.0	7.4	7.9	7.9
Zambia	4.9	3.3	5.1	5.4	5.3	6.2	6.2	5.7	6.1	5.8	5.9	5.9
Zimbabwe	-2.7	-4.4	-10.4	-3.6	-4.0	-6.3	-6.9	-14.1	3.7	6.0	6.0	6.0
Africa	4.3	5.7	5.2	5.6	5.9	6.2	6.4	5.6	2.5	4.5	5.2	5.2

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/March (n+1)

Sources: ADB Statistics Department. Various domestic authorities; IMF World Economic Outlook 2009.

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Table 3: **Demand Composition and Growth Rate, 2008-11**

	2008						2009 (e)				2010 (p)				2011 (p)			
	Final consumption		Gross capital formation		External sector		Total final con-sumption	Gross capital formation - Total	Exports	Imports	Total final con-sumption	Gross capital formation - Total	Exports	Imports	Total Final Con-sumption	Gross capital formation - Total	Exports	Imports
	Private	Public	Private	Public**	Exports	Imports												
	% of GDP						Real Percentage Growth				Real Percentage Growth				Real Percentage Growth			
Algeria	30.3	13.4	20.3	16.2	48.9	29.2	6.5	-4.2	-3.3	-2.9	2.9	4.7	3.6	2.8	3.4	5.7	5.8	5.4
Angola	33.1	26.2	1.8	14.0	75.6	50.8	6.7	-15.9	-2.1	0.2	4.5	5.2	4.6	3.1	5.2	6.0	6.6	4.7
Benin	75.3	11.8	12.3	8.2	19.8	27.4	5.7	6.2	-6.6	3.8	4.7	5.9	4.2	8.9	4.5	4.8	4.0	6.3
Botswana**	34.6	17.6	32.6	15.3	42.0	42.1	3.4	-4.2	-10.6	-2.3	2.7	5.9	2.4	4.5	0.4	4.1	4.2	2.2
Burkina Faso	73.4	20.4	17.8	5.2	9.2	26.0	3.3	-5.8	7.4	-1.7	3.2	9.2	11.5	7.1	3.2	10.8	11.2	6.3
Burundi	82.1	27.4	1.9	7.8	12.3	31.5	1.9	7.1	4.3	-0.4	3.8	9.6	-0.2	5.4	2.7	13.8	7.8	4.5
Cameroon	74.4	10.6	14.3	2.4	24.7	26.4	3.4	4.6	-4.1	3.5	3.0	13.4	-1.9	5.1	4.1	10.9	1.7	5.5
Cape Verde	72.0	18.9	40.8	7.4	16.6	55.8	7.0	5.3	-12.9	4.6	3.4	10.5	7.6	7.3	4.7	9.6	11.9	7.8
Central Afr. Rep.	90.9	7.8	7.1	4.5	11.5	21.9	3.2	14.0	-12.9	4.4	2.4	4.1	10.7	3.0	3.0	3.9	10.1	2.9
Chad	28.3	24.5	10.6	4.7	80.5	48.7	25.6	19.6	-12.8	17.2	9.5	13.6	-0.5	11.2	-0.8	16.2	5.2	3.6
Comores	101.5	14.9	7.8	6.4	15.3	45.9	2.3	-15.1	0.6	-0.7	2.8	12.0	4.2	6.1	2.9	8.7	2.9	3.6
Congo	25.1	9.0	27.2	7.7	81.2	50.2	2.8	6.0	13.5	7.0	3.0	11.8	16.0	9.0	3.1	6.4	-0.7	4.9
Congo DRC	80.8	12.3	18.2	3.7	61.3	76.4	4.8	2.3	-4.1	2.9	4.1	15.1	11.3	7.8	8.7	6.8	10.2	8.7
Côte d’Ivoire	73.6	8.6	7.1	3.0	46.5	38.8	4.7	21.8	-1.3	6.7	4.3	15.4	2.3	7.5	4.8	16.2	2.8	8.1
Djibouti	76.6	22.1	32.9	13.8	39.7	85.1	5.5	-10.5	1.7	-4.9	4.7	-9.9	5.1	-2.0	9.4	9.2	-0.6	9.8
Egypt*	72.3	10.9	15.0	7.3	33.0	38.6	5.0	-9.1	-12.8	-17.7	7.8	8.6	-0.9	9.9	5.1	12.4	5.5	7.2
Equatorial Guinea	5.5	2.5	10.1	21.2	95.4	34.6	8.5	1.6	-3.4	-3.0	7.8	2.3	2.4	4.1	8.3	3.0	2.3	2.8
Ethiopia*	88.5	10.0	6.3	15.2	11.7	31.7	...	...	...	...	7.7	10.8	12.8	7.2	7.5	12.6	13.2	5.4
Gabon	29.9	11.0	15.5	5.6	68.2	30.2	1.4	-5.4	-3.9	-3.9	1.2	2.4	3.8	0.8	3.1	2.5	2.6	1.9
Gambia	87.5	11.7	14.3	12.9	44.8	71.2	-7.3	25.9	-0.2	-8.2	4.4	12.8	2.6	6.1	7.4	-3.4	-6.5	-5.1
Ghana	76.7	20.4	21.0	14.9	42.5	75.5	8.3	-15.8	-8.5	-6.5	3.6	26.8	7.0	11.6	3.1	8.2	11.9	3.7
Guinea	74.4	6.1	19.1	2.8	33.0	35.5	3.6	-9.2	-3.7	-7.2	2.6	6.7	5.0	3.0	8.6	1.8	4.2	12.0
Guinea Bissau	73.4	21.9	12.8	12.0	29.8	49.9	-3.1	16.8	13.7	10.3	2.7	3.7	8.5	6.5	2.1	4.9	5.8	3.8
Kenya*	79.2	17.2	14.4	4.7	26.3	41.7	2.6	5.4	-1.7	1.1	2.0	3.4	3.9	1.0	2.7	3.9	4.8	2.0
Lesotho*	93.7	39.4	24.0	3.6	57.3	118.0	2.3	6.2	-2.0	2.0	1.4	6.3	2.9	2.8	1.6	5.7	3.6	2.5
Liberia*	66.9	28.9	58.8	12.8	54.1	121.5	6.2	6.1	-6.2	2.5	7.2	13.5	1.4	8.8	6.5	13.5	2.0	8.3
Libya	17.7	11.8	6.4	16.1	73.6	25.7	-1.2	4.3	4.0	-2.7	4.8	7.1	6.0	8.3	5.1	4.8	10.9	8.0

Table 3: **Demand Composition and Growth Rate, 2008-11** (cont.)

	2008						2009 (e)				2010 (p)				2011 (p)			
	Final consumption		Gross capital formation		External sector		Total final con-sumption	Gross capital formation - Total	Exports	Imports	Total final con-sumption	Gross capital formation - Total	Exports	Imports	Total final con-sumption	Gross capital formation - Total	Exports	Imports
	Private	Public	Private	Public**	Exports	Imports												
	% of GDP						Real Percentage Growth				Real Percentage Growth				Real Percentage Growth			
Madagascar	76.2	11.5	34.9	9.0	26.7	58.3	0.2	-27.4	-12.8	-18.4	-4.1	2.1	2.0	-3.9	2.9	12.8	3.8	7.4
Malawi*	85.9	13.1	15.5	8.5	26.6	49.7	13.9	2.2	0.6	18.3	11.0	4.4	4.7	16.3	10.9	4.2	5.1	15.5
Mali	73.3	17.6	12.1	8.1	28.1	39.2	7.6	3.4	-5.6	4.4	5.6	7.6	2.4	6.9	5.6	11.2	2.2	7.1
Mauritania	78.1	14.7	22.9	6.5	54.4	76.6	1.8	-8.2	-3.7	-1.0	-2.3	-5.8	2.0	-7.2	0.4	6.5	5.6	0.2
Mauritius*	74.2	13.2	23.1	4.2	52.8	67.5	3.8	5.7	-3.7	0.3	4.8	7.3	2.1	4.7	5.2	7.6	4.1	6.1
Morocco	59.7	18.5	33.0	3.3	36.9	51.3	10.2	9.1	-5.5	8.9	4.6	6.3	1.4	4.3	6.9	7.6	1.4	8.0
Mozambique	81.7	12.1	6.9	11.6	33.3	45.7	6.0	5.9	0.4	2.9	3.8	15.2	4.6	5.2	5.7	12.0	5.8	7.8
Namibia**	56.0	20.9	17.3	8.5	58.6	61.2	1.4	1.7	-4.6	0.4	1.9	6.3	2.9	3.1	6.7	7.3	2.8	7.3
Niger	71.3	15.1	22.5	6.7	18.9	34.6	-2.3	2.7	-2.6	-1.6	5.0	5.2	0.9	7.5	5.9	6.7	4.0	7.4
Nigeria	37.7	21.5	15.9	7.5	42.8	25.4	-2.0	6.4	3.6	-2.7	2.4	8.8	1.0	0.5	5.7	3.9	3.0	1.9
Rwanda	84.0	17.9	8.6	6.3	8.8	25.7	8.1	1.0	-16.9	8.3	5.4	4.8	3.4	5.4	6.1	4.0	3.1	7.1
São Tomé & Príncipe	80.7	47.4	21.1	9.0	11.2	69.5	1.8	3.0	2.2	-1.5	2.2	13.9	5.2	4.9	2.7	14.8	7.7	6.6
Senegal	76.7	15.2	21.0	5.9	27.1	45.9	2.0	2.9	-1.8	1.0	3.6	6.0	1.1	3.8	5.2	4.3	1.3	4.4
Seychelles	89.7	15.1	33.7	2.3	110.1	150.9	-9.6	-21.8	-9.4	-16.4	-0.9	4.3	2.8	-3.2	0.9	9.4	5.2	2.1
Sierra Leone	83.4	10.5	10.0	3.5	17.2	24.6	6.4	0.8	-12.6	7.5	5.2	7.5	-1.6	9.6	5.9	6.2	2.6	9.3
South Africa**	61.4	19.1	14.6	7.9	35.5	38.5	-1.0	3.4	-5.2	-0.2	1.6	5.2	2.3	2.3	2.8	7.5	3.2	4.7
Sudan	60.7	15.8	16.2	6.5	22.4	21.6	2.4	1.5	5.6	-5.3	4.7	5.4	6.0	3.8	4.5	6.4	3.7	7.0
Swasiland	88.8	13.8	5.4	6.0	60.8	74.8	0.8	6.5	-1.5	0.6	1.1	8.1	3.0	2.5	0.8	7.2	2.3	1.3
Tanzania*	66.4	17.4	22.2	7.6	25.1	38.8	7.0	4.8	-0.2	4.8	7.5	6.2	3.6	9.7	6.7	9.2	3.9	9.8
Togo	86.4	13.3	14.0	3.5	30.8	48.1	5.6	10.4	-4.0	6.3	2.0	13.0	2.5	5.2	1.8	5.0	6.1	2.8
Tunisia	62.0	13.9	22.7	4.9	60.8	64.3	3.2	-2.3	-4.9	-6.7	2.8	2.5	4.4	1.5	4.5	8.6	5.1	7.2
Uganda*	81.4	9.9	15.8	4.5	19.8	31.4	6.3	8.4	0.9	2.3	10.1	17.0	0.7	16.9	9.7	18.0	1.6	15.8
Zambia	59.2	22.0	17.7	3.2	35.2	37.2	2.1	-12.4	6.7	-8.8	5.2	12.5	5.4	7.8	9.6	8.4	3.9	11.7

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n-1)/March (n+1)

Sources: ADB Statistics Department. Various domestic authorities and IMF *World Economic Outlook 2009.*

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Table 4: **Public Finances, 2008-11 (percentage of GDP)**

	2008	2007	2007	2008			2009 (e)			2010 (p)			2011 (p)		
	Fiscal revenue per capita (USD)	Tax effort index (including resource rents)	Tax effort index (excluding resource rents)	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance
Algeria	1832.0	1.72	0.53	41.4	35.4	6.0	34.1	42.4	-8.3	35.0	41.3	-6.3	35.0	39.6	-4.6
Angola	1567.1	2.02	0.39	50.5	41.6	8.8	42.7	50.4	-7.7	44.5	48.4	-3.9	43.3	45.0	-1.7
Benin	137.9	...	...	21.3	23.0	-1.7	21.2	23.6	-2.4	21.8	23.5	-1.6	22.2	23.4	-1.3
Botswana**	1540.8	0.80	1.21	37.2	32.3	5.0	34.8	40.2	-5.4	32.6	37.5	-4.9	32.4	37.2	-4.8
Burkina Faso	71.2	0.83	1.03	17.2	21.6	-4.4	15.8	21.4	-5.6	17.3	22.0	-4.7	18.0	22.5	-4.5
Burundi	23.7	...	...	30.3	33.4	-3.1	26.8	30.9	-4.0	27.6	32.8	-5.1	27.1	34.9	-7.7
Cameroon	206.8	0.93	0.90	20.8	18.5	2.3	20.8	19.1	1.6	20.6	19.9	0.7	20.5	20.3	0.2
Cape Verde	783.5	1.04	1.41	29.9	31.1	-1.1	30.3	36.3	-6.0	28.2	37.8	-9.5	26.6	35.8	-9.3
Central Afr. Rep.	41.9	0.85	0.89	15.1	15.5	-0.4	14.9	14.8	0.1	15.3	14.8	0.5	14.6	14.6	-0.0
Chad	238.1	0.92	0.28	27.3	22.1	5.2	19.6	30.4	-10.8	20.3	29.9	-9.6	20.5	32.1	-11.6
Comoros	115.0[1]	1.44[1]	1.64[1]	24.7	27.2	-2.6	20.6	22.1	-1.5	20.6	22.2	-1.6	20.9	22.3	-1.4
Congo	1479.6	1.82	0.42	52.1	26.0	26.1	48.4	31.4	17.0	51.1	27.1	24.1	55.9	32.8	23.1
Congo Dem. Rep.	30.7	1.01	0.88	20.3	22.7	-2.4	27.3	28.9	-1.6	34.8	26.2	8.5	19.3	25.9	-6.5
Côte d'Ivoire	172.5	0.86	0.91	20.3	19.7	0.6	21.7	20.6	1.1	19.0	20.8	-1.9	20.0	21.7	-1.6
Djibouti	228.0	...	...	41.9	40.6	1.3	34.7	36.5	-1.8	36.7	36.7	-0.1	35.5	37.2	-1.7
Egypt *	330.0	0.74	1.03	24.7	31.5	-6.8	27.1	34.0	-6.9	27.0	34.5	-7.5	26.5	33.1	-6.6
Equatorial Guinea	4865.8	1.12	0.08	48.4	25.5	22.9	43.3	37.0	6.4	43.9	35.5	8.3	43.4	35.3	8.1
Eritrea	...	...	...	22.4	47.8	-25.4	22.4	37.9	-15.5	22.3	33.2	-10.9	23.1	33.3	-10.1
Ethiopia*	38.3	1.15	1.28	16.4	19.4	-3.0	16.6	17.6	-1.0	16.1	19.6	-3.5	16.0	19.0	-3.1
Gabon	2317.3	1.07[1]	0.54[1]	32.2	20.1	12.1	30.0	23.1	6.9	30.2	21.7	8.5	30.2	21.0	9.2
Gambia	86.1	1.07	1.32	22.8	26.0	-3.2	25.1	29.5	-4.4	26.2	28.8	-2.6	27.0	31.2	-4.2
Ghana	125.5[1]	1.36	1.45	28.4	42.4	-14.0	28.1	38.0	-10.0	30.2	36.7	-6.4	30.5	33.5	-3.1
Guinea	66.7	0.67	0.65	16.2	17.4	-1.2	17.6	19.1	-1.5	16.5	22.5	-6.1	15.6	22.2	-6.6
Guinea-Bissau	28.3	1.15	1.12	31.8	38.8	-7.0	40.9	39.2	1.7	39.9	40.5	-0.7	39.8	40.2	-0.4
Kenya*	194.1	1.33	1.60	24.5	30.5	-5.9	24.3	30.1	-5.8	23.6	29.7	-6.1	23.8	30.6	-6.8
Lesotho*	316.0	2.13	2.66	70.7	51.2	19.5	66.1	58.0	8.2	57.7	62.3	-4.6	50.7	63.0	-12.3
Liberia*	46.7	1.89	1.70	35.1	33.4	1.6	27.4	29.0	-1.6	34.7	35.4	-0.7	32.9	34.8	-1.8
Libya	11725.1	...	...	69.9	43.0	26.9	59.0	48.4	10.6	64.4	49.6	14.8	67.9	46.3	21.6

Table 4: **Public Finances, 2008-11 (percentage of GDP)** (cont.)

	2008	2007	2007	2008			2009 (e)			2010 (p)			2011 (p)		
	Fiscal revenue per capita (USD)	Tax effort index (including resource rents)	Tax effort index (excluding resource rents)	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance
Madagascar	51.7	0.64	0.80	16.6	18.5	-1.9	10.5	11.8	-1.3	11.6	12.2	-0.6	13.1	14.1	-1.0
Malawi*	46.4[2]	1.16	1.38	30.1	32.8	-2.7	29.8	35.2	-5.4	30.1	31.8	-1.8	28.9	31.4	-2.5
Mali	87.2	1.02	1.09	19.0	21.2	-2.2	18.2	19.2	-0.9	18.2	20.2	-1.9	18.1	20.1	-1.9
Mauritania	175.8	0.73	0.92	22.1	29.5	-7.4	21.7	27.2	-5.5	24.8	29.9	-5.1	22.7	29.0	-6.3
Mauritius*	1109.9	0.69	0.91	20.6	23.9	-3.3	22.2	25.8	-3.6	21.9	25.9	-4.0	22.1	25.4	-3.3
Morocco	686.0	1.18[1]	1.53[1]	29.5	29.1	0.4	29.0	31.9	-2.9	29.2	33.2	-4.0	28.7	32.1	-3.4
Mozambique	66.1	0.84	1.02	25.5	28.0	-2.5	26.4	32.1	-5.7	27.5	30.8	-3.3	27.9	30.0	-2.2
Namibia**	1104.8	1.17[1]	1.63[1]	28.7	27.8	0.9	26.8	29.0	-2.2	24.9	28.6	-3.6	24.2	28.2	-3.9
Niger	39.5	...	...	29.9	23.8	6.0	23.6	24.9	-1.2	23.8	24.2	-0.4	23.6	24.2	-0.6
Nigeria	439.8	1.76	0.44	33.8	30.0	3.8	28.1	33.3	-5.2	30.2	33.0	-2.8	30.6	30.4	0.2
Rwanda	57.1	0.95	1.17	27.1	26.7	0.5	21.4	23.4	-1.9	22.5	24.2	-1.7	23.1	24.3	-1.2
São Tomé & Príncipe	171.0	...	...	48.7	31.2	17.5	66.8	30.6	36.2	37.3	31.9	5.5	33.6	31.9	1.6
Senegal	219.2	1.00	1.39	21.8	26.6	-4.8	22.3	26.8	-4.6	21.7	27.1	-5.4	21.6	27.1	-5.5
Seychelles	2648.4	...	...	36.4	39.8	-3.3	33.7	31.1	2.6	33.3	30.2	3.1	33.4	31.6	1.8
Sierra Leone	35.8	0.83	0.90	15.9	21.0	-5.1	14.9	19.9	-4.9	15.5	20.4	-4.8	15.6	20.0	-4.3
Somalia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
South Africa**	1495.5	1.04	1.62	26.2	27.4	-1.2	24.1	31.4	-7.3	25.1	31.5	-6.4	25.2	29.3	-4.0
Sudan	313.9	1.17[1]	0.58[1]	21.8	23.2	-1.4	18.1	21.8	-3.7	20.2	23.0	-2.8	19.7	22.3	-2.6
Swaziland	995.2	1.69	2.16	36.4	33.7	2.7	37.8	41.1	-3.3	29.2	37.5	-8.3	23.7	37.9	-14.2
Tanzania*	70.6	0.88	0.96	22.8	22.8	-0.0	21.6	24.2	-2.7	21.5	25.3	-3.8	22.0	27.8	-5.8
Togo	83.7	...	...	17.5	17.7	-0.2	16.3	17.7	-1.4	17.1	18.7	-1.5	17.7	18.6	-0.9
Tunisia	834.7	0.90	0.90	26.5	27.3	-0.8	23.1	27.0	-3.9	23.0	26.5	-3.5	23.8	26.7	-2.8
Uganda*	66.7	0.87	1.19	15.5	17.9	-2.4	15.2	16.9	-1.7	14.5	15.8	-1.3	14.1	15.8	-1.7
Zambia	219.2	0.99	1.29	22.3	24.6	-2.2	21.6	24.3	-2.7	19.8	22.4	-2.7	19.6	21.5	-1.9
Zimbabwe	...	...	...	4.2	8.2	-4.0	27.3	31.1	-3.8	28.7	40.2	-11.5	29.0	40.3	-11.3
Africa	468.6	...	...	32.2	30.0	2.2	28.4	32.8	-4.4	29.6	33.0	-3.3	29.7	31.6	-1.9

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1). (¹) = 2006, (²) = 2007

Sources: ADB Statistics Department, Various domestic authorities and IMF World Economic Outlook.

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Table 5: **Monetary Indicators**

	Inflation (%)				Exchange rate (LCU / $)			Broad Money (LCU billion) 2009			Reserves, excluding gold, ($ million) 2009	
	2008	2009 (e)	2010 (p)	2011 (p)	2007	2008	2009	Level	% of GDP	Growth 2008/-9	Stock at year-end	Eq. Months of imports
Algeria	3.9	5.7	3.4	4.5	69.3	64.6	72.9	4 169.1	41.7	-35.8	149 041.0	48.4
Angola	13.2	14.0	15.0	9.9	76.7	75.0	79.5	1 478.6	28.4	4.3	13 349.2	9.7
Benin	7.9	4.1	3.3	3.0	479.3	447.8	489.1	735.5	23.4	-33.2	1 309.7	12.0
Botswana**	12.6	8.2	6.8	5.1	6.1	6.8	7.2	37.3	44.1	-4.5	9 239.8	25.7
Burkina Faso	10.7	2.8	2.6	2.5	479.2	448.7	471.4	531.7	13.5	-38.0	1 292.9	10.4
Burundi	24.5	8.3	8.3	7.0	1 081.9	1 185.7	1 236.6	525.5	35.1	-5.8	322.2	14.4
Cameroon	5.3	3.2	2.2	1.9	479.2	448.7	471.4	1 284.7	11.4	-41.2	3 586.3	9.7
Cape Verde	6.8	2.2	2.5	2.7	80.6	75.4	79.3	101.9	66.4	0.1	258.5	3.6
Central Afr. Rep.	9.3	3.8	2.6	2.3	479.2	448.7	471.4	116.4	11.9	-15.7	211.5	9.9
Chad	8.3	10.5	3.0	3.5	479.2	448.7	471.4	454.7	13.4	-3.4	607.5	3.5
Comoros	4.8	4.5	2.3	3.4	359.4	336.5	353.6	54.2	27.2	7.7	112.2	8.8
Congo	6.0	6.0	5.3	4.2	479.2	448.7	471.4	843.0	20.4	-14.0	3 871.8	19.7
Congo Dem. Rep.	18.0	44.2	25.0	18.4	516.0	563.2	783.9	1 082.0	12.6	8.4	77.7	0.2
Côte d'Ivoire	6.3	1.4	2.5	2.2	479.2	448.7	471.4	1 926.0	18.8	-35.7	2 478.1	5.5
Djibouti	12.0	1.7	3.8	1.9	177.7	177.7	177.7	150.7	79.9	5.9	241.8	4.8
Egypt *	11.7	16.2	13.2	11.0	5.6	5.4	5.6	808.2	77.8	2.1	32 237.8	7.7
Equatorial Guinea	6.0	5.5	2.9	2.5	479.3	447.8	489.1	625.3	11.8	6.8	3 596.6	14.2
Eritrea	19.9	34.7	14.5	14.7	15.4	15.4	15.4	30.4	116.8	1.5	88.1	4.2
Ethiopia*	25.3	36.4	7.7	10.9	8.8	9.2	10.4	...	...		1 780.9	2.8
Gabon	5.3	2.5	3.3	2.6	479.2	448.7	471.4	766.5	14.2	-32.8	2 023.7	14.2
Gambia	4.5	4.2	5.1	5.5	24.9	22.2	26.8	...	...		212.1	9.2
Ghana	18.1	18.8	12.2	10.1	9 352.5	10 578.6	14 165.0	...	...		...	...
Guinea	18.4	4.8	8.9	4.7	4 179.3	4 597.0	4 964.7	...	...		...	...
Guinea-Bissau	10.4	-1.5	2.5	2.3	479.2	448.7	471.4	80.6	40.8	-9.6	164.1	14.2
Kenya*	18.5	9.3	7.3	6.4	67.3	69.2	77.8	922.4	38.6	2.9	3 941.1	5.0
Lesotho*	10.7	4.8	5.5	5.4	7.0	8.3	8.5	5.5	50.3	12.1	...	...
Liberia*	17.5	7.8	5.0	5.3	1.0	1.0	1.0	18.7	2839.0	7.1	160.9	2.9
Libya	10.4	2.5	5.3	5.6	1.3	1.2	1.2	38.7	44.8	0.2	99 025.7	51.8

Table 5: **Monetary Indicators** (cont.)

	Inflation (%)				Exchange rate (LCU / $)			Broad Money (LCU billion) 2009			Reserves, excluding gold, ($ million) 2009	
	2008	2009 (e)	2010 (p)	2011 (p)	2007	2008	2009	Level	% of GDP	Growth 2008/-9	Stock at year-end	Eq. Months of imports
Madagascar	9.2	8.9	9.1	8.0	1 873.1	1 708.4	1 956.1	2 259.9	14.3	-35.5	982.3	4.7
Malawi*	8.7	8.5	8.8	7.9	140.0	140.5	141.7	147.0	31.1	5.3	242.8	2.4
Mali	9.2	2.2	1.9	1.8	479.2	448.7	471.4	691.3	16.6	-30.8	1 159.1	6.9
Mauritania	7.4	2.2	4.8	4.7	258.6	243.4	267.1	...	...		196.2	1.6
Mauritius*	9.7	2.5	4.5	4.1	31.3	28.5	32.0	279.0	94.2	2.2	2 178.8	6.6
Morocco	3.9	1.0	2.9	2.5	8.2	7.8	8.1	717.3	92.9	0.4	22 797.3	9.0
Mozambique	10.3	3.4	9.2	4.4	25 671.2	23 985.3	25 975.6	85.1	0.0	5.6	1 874.5	6.1
Namibia**	10.3	8.8	6.2	6.1	7.0	8.3	8.5	29.9	38.1	2.1	2 164.2	8.6
Niger	11.3	4.3	3.3	3.1	479.2	448.7	471.4	315.4	12.5	-20.8	729.8	6.2
Nigeria	11.6	12.0	9.3	8.5	125.8	118.5	150.1	4 357.7	17.6	-51.2	45 468.9	17.0
Rwanda	15.5	10.3	6.3	5.7	547.0	546.8	578.6	...	...		742.7	10.6
São Tomé & Príncipe	26.1	17.3	10.3	9.4	13 498.1	14 573.6	16 499.1	878.5	24.9	-11.0	...	...
Senegal	5.4	-1.1	2.2	2.6	479.2	448.7	471.4	1 276.3	22.7	-36.4	1 602.2	4.5
Seychelles	37.0	31.7	3.0	3.1	6.7	9.5	13.9	5.3	64.1	-9.4	190.6	3.4
Sierra Leone	10.5	10.7	9.1	7.5	2 985.2	2 981.5	3 161.6	1 360.8	20.9	3.0	220.9	6.6
Somalia	...	...	...	...	...	...	...	...	...		...	...
South Africa**	11.5	7.1	5.8	6.1	7.1	8.3	8.4	1 575.3	67.3	0.2	35 237.4	6.3
Sudan	14.0	10.5	9.1	7.8	2.0	2.1	2.3	...	...		1 282.3	2.1
Swaziland	12.7	4.1	5.5	7.2	7.0	8.3	8.5	6.5	26.3	6.6	1 006.2	7.3
Tanzania*	10.3	12.1	8.5	6.2	1 245.0	1 196.3	1 326.4	3 153.9	11.6	-57.7	3 470.4	7.0
Togo	8.7	1.9	2.4	2.3	479.2	448.7	471.4	321.6	22.1	-39.5	703.5	9.6
Tunisia	5.1	3.5	3.1	3.4	1.3	1.2	1.4	33.1	60.0	2.7	11 057.3	7.1
Uganda*	12.0	11.1	8.9	9.9	1 723.5	1 720.4	2 040.5	2 911.5	8.4	-49.7	3 004.6	9.3
Zambia	12.4	13.4	10.0	7.4	4 002.5	3 745.7	5 046.1	4 409.9	6.5	-65.6	2 561.8	8.9
Zimbabwe	156.2	9	12.0	8.0	...	...	...	...	...		...	...
Africa	10.6	9.9	7.7	7.0	...	...	...	...	...	...	458 487.1	14.1

Sources: ADB Statistics Department, Various domestic authorities; IMF World Economic Outlook & International Financial Statistics and authors' estimates and forecasts.

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Table 6: **Balance of payments Indicators**

	Trade balance ($ million)				Current account balance ($ million)				Current account balance (as % of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Algeria	38 510	14 267	17 099	18 064	29 510	-4 233	7 299	8 250	17.6	-3.1	4.9	5.2
Angola	42 932	18 336	27 675	33 097	6 408	-2 467	2 076	2 810	7.5	-3.8	2.6	3.0
Benin	- 866	- 857	- 997	-1 068	- 549	- 639	- 718	- 782	-8.3	-10.0	-9.5	-9.6
Botswana**	264	- 818	- 898	- 766	841	- 497	- 544	- 426	6.3	-4.2	-4.4	-3.2
Burkina Faso	- 894	- 589	- 634	- 603	- 962	- 658	- 707	- 698	-11.8	-7.9	-7.4	-6.7
Burundi	- 268	- 211	- 263	- 277	- 212	- 156	- 180	- 195	-19.1	-12.9	-13.4	-12.5
Cameroon	607	- 74	- 461	- 802	- 550	- 879	-1 022	-1 541	-2.3	-3.7	-3.8	-5.4
Cape Verde	- 774	- 812	- 946	-1 033	- 202	- 232	- 230	- 269	-11.7	-12.0	-10.2	-11.0
Central Afr. Rep.	- 152	- 151	- 169	- 165	- 199	- 191	- 213	- 232	-10.0	-9.2	-9.1	-9.4
Chad	2 274	133	100	104	- 875	-2 297	-2 263	-1 889	-10.3	-31.8	-26.7	-22.8
Comoros	- 166	- 160	- 182	- 192	- 60	- 48	- 58	- 68	-11.8	-8.6	-8.9	-9.8
Congo	5 101	3 125	5 736	4 941	- 266	-1 534	- 356	-1 044	-2.5	-17.5	-2.9	-8.8
Congo Dem. Rep.	- 126	-1 493	-1 616	-1 565	-1 840	-1 789	- 638	-1 236	-15.9	-16.4	-4.8	-8.0
Côte d'Ivoire	3 324	1 468	1 337	741	487	- 763	-1 750	225	2.1	-3.5	-7.0	0.9
Djibouti	- 617	- 504	- 533	- 607	- 383	- 193	- 94	- 95	-39.0	-18.2	-8.4	-7.8
Egypt *	-23 415	-25 173	-28 968	-32 727	1 392	-4 871	-4 955	-4 776	0.8	-2.6	-2.2	-1.8
Equatorial Guinea	10 493	5 206	6 596	7 188	593	792	1 951	2 251	3.7	7.3	14.9	15.8
Eritrea	- 198	- 244	- 245	- 246	- 81	- 81	- 65	- 62	-5.5	-4.8	-3.3	-2.7
Ethiopia*	-5 345	-6 279	-7 505	-7 981	-1 449	-1 675	-2 945	-2 513	-5.5	-5.3	-9.6	-7.4
Gabon	7 148	4 441	5 451	6 169	3 075	846	1 507	2 142	21.4	7.4	11.4	14.8
Gambia	- 221	- 171	- 197	- 322	- 133	- 85	- 85	- 174	-18.0	-13.6	-12.2	-20.9
Ghana	-4 999	-4 165	-4 450	-2 753	-2 544	-3 591	-3 373	-1 852	-15.8	-23.4	-19.7	-9.4
Guinea	288	193	261	195	- 314	- 411	- 407	- 550	-6.9	-9.3	-8.3	-10.2
Guinea-Bissau	- 33	- 39	- 57	- 68	8	- 9	- 11	- 14	1.8	-2.2	-2.4	-3.1
Kenya*	-5 649	-4 771	-5 443	-5 643	-1 978	-1 496	-2 051	-2 236	-6.5	-4.9	-6.7	-7.2
Lesotho*	- 733	- 655	- 619	- 639	51	- 2	47	- 2	3.2	-0.2	3.3	-0.1
Liberia*	- 370	- 407	- 495	- 557	- 329	- 348	- 461	- 474	-53.9	-52.8	-63.0	-56.4
Libya	40 033	25 455	35 350	43 715	34 001	11 780	27 683	36 183	40.7	16.8	32.6	37.3

Table 6: **Balance of payments Indicators** (cont.)

	Trade balance ($ million)				Current account balance ($ million)				Current account balance (as % of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Madagascar	-1 903	-1 152	-1 121	-1 309	-1 937	-1 309	-1 409	-1 544	-20.5	-16.2	-17.4	-17.7
Malawi*	- 433	- 295	- 502	- 688	- 289	- 270	- 215	- 314	-6.8	-8.1	-5.9	-7.7
Mali	- 482	- 360	- 740	-1 004	- 843	- 807	-1 094	-1 313	-9.7	-9.1	-11.1	-12.5
Mauritania	- 154	- 299	- 499	- 472	- 557	- 671	- 855	- 920	-15.9	-17.3	-22.8	-24.1
Mauritius*	-1 989	-1 729	-2 084	-2 303	- 972	- 798	- 959	-1 000	-10.4	-8.6	-9.5	-9.1
Morocco	-21 604	-25 546	-30 623	-35 020	-4 311	-6 021	-4 126	-4 135	-4.9	-6.3	-4.0	-3.7
Mozambique	-1 202	-2 234	-1 669	-1 312	-1 217	-1 565	-1 589	-1 396	-12.2	-14.2	-12.3	-9.5
Namibia**	1 064	- 729	- 637	- 826	1 986	520	283	62	22.4	5.7	2.9	0.6
Niger	- 431	- 344	- 456	- 502	- 727	- 813	-1 121	-1 240	-13.6	-15.2	-18.3	-18.5
Nigeria	42 190	25 742	33 787	37 301	37 290	11 142	25 387	28 612	18.5	6.8	13.6	14.6
Rwanda	- 434	- 456	- 521	- 578	- 286	- 295	- 294	- 274	-6.4	-6.7	-6.2	-5.3
São Tomé & Príncipe	- 82	- 74	- 87	- 96	- 51	- 52	- 62	- 70	-29.0	-24.4	-26.0	-26.6
Senegal	-2 751	-2 151	-2 586	-2 843	-1 543	-1 194	-1 469	-1 687	-11.7	-10.0	-10.9	-11.7
Seychelles	- 516	- 250	- 250	- 259	- 411	- 169	- 226	- 229	-44.4	-28.5	-35.2	-32.6
Sierra Leone	- 181	- 188	- 253	- 292	- 177	- 184	- 209	- 233	-9.0	-9.0	-8.8	-8.7
Somalia	…	…	…	…	…	…	…	…	…	…	…	…
South Africa**	-4 310	-6 157	-9 113	-11 438	-18 165	-12 591	-16 534	-19 720	-6.6	-4.5	-5.6	-6.3
Sudan	3 297	721	2 551	3 035	-5 301	-5 056	-5 245	-5 198	-9.1	-9.2	-8.5	-7.5
Swaziland	- 40	97	93	71	- 128	- 76	- 162	- 224	-4.4	-2.6	-5.4	-7.4
Tanzania*	-3 447	-2 899	-3 740	-4 475	-2 571	-2 084	-3 101	-3 874	-12.4	-10.2	-13.6	-15.5
Togo	- 462	- 437	- 577	- 598	- 259	- 248	- 351	- 323	-8.1	-8.0	-10.3	-9.1
Tunisia	-3 993	-3 372	-3 232	-3 900	-1 704	-1 032	- 439	- 581	-4.2	-2.7	-1.1	-1.3
Uganda*	-1 335	-1 312	-2 127	-2 940	-1 005	-1 012	-1 837	-2 696	-6.1	-5.9	-8.8	-10.9
Zambia	405	374	1 331	1 368	-1 049	- 530	- 307	- 282	-7.1	-4.0	-1.9	-1.5
Zimbabwe	- 976	- 839	- 907	- 981	- 928	- 760	- 840	- 946	-29.5	-21.4	-19.9	-19.6
Africa	106 379	1 163	20 964	26 138	58 285	-41 602	667	11 206	3.8	-2.9	0.0	0.6

Note: * Fiscal year July (n-1)/June (n) ** Fiscal year April (n)/ March (n+1).

Sources: ADB Statistics Department, IMF WEO October 2009

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Table 7: Exports, 2008

	Three main exports, with their share in total exports*			No of products accounting for more than 75 per cent of exports
	Product I	Product II	Product III	
Algeria	Petroleum oils and oils obtained from bituminous minerals, crude (61,6%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (10,0%)	Natural gas, liquefied (9,5%)	3
Angola	Petroleum oils and oils obtained from bituminous minerals, crude (97,0%)	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (0,0%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (0,0%)	1
Benin	Cotton, not carded or combed (25,7%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (23,9%)	Cashew nuts, in shell, fresh or dried (12,6%)	5
Botswana	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (38,2%)	Nickel mattes (31,3%)	Diamonds non-industrial nes excluding mounted or set diamonds (6,6%)	3
Burkina Faso	Cotton, not carded or combed (54,4%)	Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum) (15,3%)	Sesamum seeds, whether or not broken (8,1%)	3
Burundi	Coffee, not roasted, not decaffeinated (45,7%)	Gold in unwrought forms non-monetary (18,1%)	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg (7,7%)	4
Cameroon	Petroleum oils and oils obtained from bituminous minerals, crude (53,8%)	Lumber, tropical hardwood nes, sawn lengthwise >6mm (8,1%)	Bananas including plantains, fresh or dried (6,8%)	4
Cape Verde	Tunas, yellowfin, frozen excluding heading No 03.04, livers and roes (36,0%)	Skipjack or stripe-bellid bonito,frozen ex headg No 03.04,livers&roes (15,9%)	Uppers and parts thereof, other than stiffeners (8,6%)	7
Central Afr. Rep.	Logs, tropical hardwoods nes (28,3%)	Lumber, tropical hardwood nes, sawn lengthwise >6mm (17,2%)	Diamonds unsorted whether or not worked (15,1%)	5
Chad	Lumber, tropical hardwood nes, sawn lengthwise >6mm (94,0%)	Cotton, not carded or combed (0,0%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (0,0%)	1
Comoros	Essential oils, nes (26,0%)	Cloves (whole fruit, cloves and stems) (19,6%)	Vessels and other floating structures for breaking up (17,7%)	5
Congo	Cobalt ores and concentrates (85,6%)	Copper ores and concentrates (0,0%)	Cobalt,unwrought,matte&oth intermediate products,waste,scrap&powders (0,0%)	1
Congo Dem. Rep.	Petroleum oils and oils obtained from bituminous minerals, crude (25,5%)	Copper ores and concentrates (16,3%)	Copper unrefined, copper anodes for electrolytic refining (15,2%)	5
Côte d'Ivoire	Cocoa beans, whole or broken, raw or roasted (28,6%)	Petroleum oils and oils obtained from bituminous minerals, crude (15,4%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (8,1%)	9
Djibouti	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (21,1%)	Bovine, live except pure-bred breeding (12,7%)	Animals, live nes (11,1%)	11
Egypt	Natural gas, liquefied (20,4%)	Petroleum oils and oils obtained from bituminous minerals, crude (12,5%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (10,8%)	51
Equatorial Guinea	Petroleum oils and oils obtained from bituminous minerals, crude (76,5%)	Natural gas, liquefied (0,0%)	Methanol (methyl alcohol) (0,0%)	1

Table 7: **Exports, 2008** (cont.)

	Three main exports, with their share in total exports*			No of products accounting for more than 75 per cent of exports
	Product I	Product II	Product III	
Eritrea	Diesel powered trucks with a GVW exceeding twenty tonnes (22,6%)	Sesamum seeds, whether or not broken (7,8%)	Mens/boys shirts, of cotton, not knitted (7,1%)	15
Ethiopia	**Coffee, not roasted, not decaffeinated (32,9%)**	**Sesamum seeds, whether or not broken (13,3%)**	**Cut flowers & flower buds for bouquets or ornamental purposes, fresh (8,2%)**	**10**
Gabon	**Petroleum oils and oils obtained from bituminous minerals, crude (65,8%)**	**Manganese ores and concentrates etc (17,7%)**	**Logs, tropical hardwoods nes (0,0%)**	**2**
Gambia	**Cashew nuts, in shell, fresh or dried (48,5%)**	**Ferrous waste and scrap, iron or steel, nes (6,7%)**	**Titanium ores and concentrates (4,7%)**	**8**
Ghana	**Cocoa beans, whole or broken, raw or roasted (42,8%)**	**Manganese ores and concentrates etc (15,3%)**	**Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (4,3%)**	**9**
Guinea	**Aluminium ores and concentrates (50,2%)**	**Aluminium oxide nes (13,1%)**	**Petroleum oils and oils obtained from bituminous minerals, crude (11,4%)**	**4**
Guinea-Bissau	**Cashew nuts, in shell, fresh or dried (92,9%)**	**Ferrous waste and scrap, iron or steel, nes (0,0%)**	**Logs, non-coniferous nes (0,0%)**	**1**
Kenya	**Black tea (fermented) & partly fermented tea in packages exceedg 3kg (12,3%)**	**Cut flowers fresh (10,3%)**	**Aircraft propellers and rotors and parts thereof (7,7%)**	**29**
Lesotho	**Pullovers, cardigans and similar articles of cotton, knitted (40,8%)**	**Mens/boys trousers and shorts, of cotton, not knitted (12,9%)**	**Diamonds non-industrial unworked or simply sawn, cleaved or bruted (12,4%)**	**5**
Liberia	**Petroleum oils and oils obtained from bituminous minerals, crude (23,2%)**	**Cargo vessels nes&oth vessels for the transport of both persons&goods (22,9%)**	**Natural rubber latex, whether or not prevulcanised (12,8%)**	**5**
Libya	**Petroleum oils and oils obtained from bituminous minerals, crude (88,4%)**	**Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (0,0%)**	**Methanol (methyl alcohol) (0,0%)**	**1**
Madagascar	**Shrimps and prawns, frozen, in shell or not, including boiled in shell (10,3%)**	**Vanilla beans (9,9%)**	**Pullovers,cardigans&similar article of wool or fine animal hair,knittd (7,5%)**	**30**
Malawi	**Tobacco, unmanufactured, partly or wholly stemmed or stripped (50,4%)**	**Raw sugar, cane (10,7%)**	**Black tea (fermented) & partly fermented tea in packages exceedg 3 kg (6,2%)**	**5**
Mali	**Cotton, not carded or combed (66,5%)**	**Oil seeds and oleaginous fruits, nes, whether or not broken (6,1%)**	**Guavas, mangoes and mangosteens, fresh or dried (4,0%)**	**3**
Mauritania	**Iron ores&concentrates,oth than roasted iron pyrites,non-agglomerated (45,2%)**	**Petroleum oils and oils obtained from bituminous minerals, crude (17,6%)**	**Copper ores and concentrates (13,1%)**	**3**
Mauritius	**T-shirts, singlets and other vests, of cotton, knitted (15,0%)**	**Raw sugar, cane (14,2%)**	**Tunas,skipjack&Atl bonito,prepard/preservd,whole/ in pieces,ex mincd (11,8%)**	**29**
Morocco	**Phosphoric acid and polyphosphoric acids (11,2%)**	**Natural calcium phosphates, aluminum calcium phosphates etc (6,9%)**	**Natural calcium phosphates, aluminum calcium phosphates etc, ground (3,6%)**	**64**

Table 7: **Exports, 2008** (cont.)

	Three main exports, with their share in total exports*			No of products accounting for more than 75 per cent of exports
	Product I	Product II	Product III	
Mozambique	Aluminium unwrought, not alloyed (36,6%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (8,5%)	Electrical energy (6,3%)	4
Namibia	Natural uranium&its compounds;mixtures cntg natural uranium/its compds (18,5%)	Uranium ores and concentrates (12,8%)	Fish fillets frozen (11,2%)	10
Niger	Spacecraft, sattelites, sub-orbital launch vehicles (27,8%)	Natural uranium&its compounds;mixtures cntg natural uranium/its compds (22,6%)	Petroleum oils and oils obtained from bituminous minerals, crude (20,9%)	4
Nigeria	Petroleum oils and oils obtained from bituminous minerals, crude (85,2%)	Natural gas, liquefied (0,0%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (0,0%)	1
Rwanda	Coffee, not roasted, not decaffeinated (30,4%)	Niobium, tantalum and vanadium ores and concentrates (26,1%)	Tin ores and concentrates (21,6%)	3
São Tomé & Príncipe	Cocoa beans, whole or broken, raw or roasted (64,1%)	Raw sugar, cane (4,3%)	Articles, iron or steel, nes (2,3%)	6
Senegal	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (29,7%)	Phosphoric acid and polyphosphoric acids (10,7%)	Portland cement nes (6,3%)	19
Seychelles	Tunas,skipjack&Atl bonito,prepard/preservd,whole/in pieces,ex mincd (54,7%)	Tunas nes, frozen, excluding heading No 03.04, livers and roes (8,8%)	Tunas, yellowfin, frozen excluding heading No 03.04, livers and roes (8,6%)	4
Sierra Leone	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (25,1%)	Petroleum oils and oils obtained from bituminous minerals, crude (12,7%)	Aluminium ores and concentrates (11,7%)	9
Somalia	Goats, live (16,1%)	Waste&scrap of gold,incl met clad w gold exc sweepgs contg/o prec met (15,9%)	Bovine, live except pure-bred breeding (9,5%)	9
South Africa	Platinum unwrought or in powder form (9,0%)	Diamonds non-industrial unworked or simply sawn, cleaved or bruted (5,3%)	Gold in unwrought forms non-monetary (4,6%)	83
Sudan	Petroleum oils and oils obtained from bituminous minerals, crude (91,6%)	Gold in unwrought forms non-monetary (0,0%)	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (0,0%)	1
Swaziland	Raw sugar, cane (15,3%)	Mixtures of odoriferous substances for the food or drink industries (10,7%)	Food preparations nes (9,4%)	31
Tanzania	Tobacco, unmanufactured, partly or wholly stemmed or stripped (6,5%)	Fish fillets and other fish meat, minced or not, fresh or chilled (6,2%)	Cotton, not carded or combed (5,9%)	37
Togo	Plain weave cotton fabric,>/=85%, >100 g/m2 to 200 g/m2, unbleached (41,5%)	Cocoa beans, whole or broken, raw or roasted (14,5%)	Natural calcium phosphates, aluminum calcium phosphates etc, ground (6,9%)	7
Tunisia	Petroleum oils and oils obtained from bituminous minerals, crude (12,3%)	Mens/boys trousers and shorts, of cotton, not knitted (5,3%)	Diammonium phosphate, in packages weighing more than 10 kg (5,0%)	71
Uganda	Coffee, not roasted, not decaffeinated (32,5%)	Fish fillets and other fish meat, minced or not, fresh or chilled (9,5%)	Tobacco, unmanufactured, partly or wholly stemmed or stripped (6,9%)	17

Table 7: **Exports, 2008** (cont.)

	Three main exports, with their share in total exports*			No of products accounting for more than 75 per cent of exports
	Product I	Product II	Product III	
Zambia	**Copper cathodes and sections of cathodes unwrought (56,4%)**	**Copper ores and concentrates (8,2%)**	**Cobalt,unwrought,matte&oth intermediate products,waste,scrap&powders (6,0%)**	**4**
Zimbabwe	Ferro-chromium containing by weight more than 4% of carbon (13,4%)	Tobacco, unmanufactured, partly or wholly stemmed or stripped (12,3%)	Nickel mattes (11,0%)	14
Africa	**Petroleum oils and oils obtained from bituminous minerals, crude (51,6%) [19,0%]**	**Natural gas, liquefied (4,2%) [24,2%]**	**Petroleum oils&oils obtained from bituminous minerals,o/than crude etc (3,9%) [3,3%]**	**25**

Notes: * Products are reported when accounting for more than 4 per cent of total exports.
** Figures in [ ] represent the share of Africa in the World export for each product.

Sources: ADB Statistics Department ; PC-TAS 2004-2008 (Harmonized system, Rev.1) International Trade Center UNCTAD/WTO - UN Statistics Division

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Table 8: **Diversification and Competitiveness**

	Diversification index					Annual export growth (%)	Competitiveness Indicator 2004-08 (%)	
	2004	2005	2006	2007	2008	2004-2008	Sectoral effect	Global competitiveness effect
Algeria	2.3	2.3	2.3	2.4	2.5	35.5	21.6	-3.9
Angola	1.1	1.1	1.1	1.1	1.1	105.6	24.1	63.8
Benin	3.8	4.3	6.3	7.6	6.5	8.9	5.8	-14.6
Botswana	1.4	1.4	1.8	2.7	4.0	-4.2	-16.8	-13.9
Burkina Faso	2.5	1.6	1.7	1.9	3.0	2.8	-8.2	-6.7
Burundi	2.5	1.6	4.3	3.2	3.9	24.4	8.0	-1.3
Cameroon	4.0	4.1	3.0	3.4	3.2	16.4	9.4	-10.8
Cape Verde	14.1	9.1	10.9	14.5	5.8	30.4	-5.1	17.7
Central Afr. Rep.	5.5	4.7	4.7	5.5	6.7	5.6	-1.2	-10.9
Chad	1.4	1.7	1.2	1.1	1.1	45.8	20.7	7.4
Comoros	2.5	4.8	6.3	5.2	6.0	-2.5	-23.3	3.0
Congo	1.5	1.4	1.3	1.5	1.4	49.9	24.2	11.8
Congo Dem. Rep.	4.0	4.6	6.2	7.5	7.0	52.1	3.2	31.1
Côte d'Ivoire	6.9	7.4	7.5	7.8	8.0	12.7	2.9	-7.9
Djibouti	23.8	68.5	24.9	6.0	11.4	95.7	1.2	76.8
Egypt	21.9	22.6	15.0	18.2	13.7	40.1	8.0	14.3
Equatorial Guinea	1.1	1.2	1.2	1.3	1.6	68.2	21.9	28.5
Eritrea	29.4	9.6	23.5	2.1	13.0	31.1	-6.1	19.4
Ethiopia	4.1	4.3	4.7	6.0	7.0	38.2	8.1	12.4
Gabon	1.8	1.7	1.9	1.9	2.1	22.9	22.3	-17.2
Gambia	10.9	7.3	5.5	8.5	4.0	10.0	-2.6	-5.2
Ghana	5.0	5.4	4.9	4.8	4.7	21.9	6.2	-2.0
Guinea	3.6	3.5	4.3	3.7	3.5	18.9	17.3	-16.2
Guinea-Bissau	2.1	1.3	1.5	1.3	1.2	5.7	8.8	-20.9
Kenya	22.0	20.9	21.8	23.3	21.8	16.3	0.4	-1.8
Lesotho	7.2	7.2	7.9	6.5	4.8	5.9	-7.0	-9.7
Liberia	3.4	3.4	4.8	3.6	6.8	0.9	19.3	-36.2
Libya	1.3	1.3	1.3	1.3	1.3	50.7	21.7	11.2

Table 8: **Diversification and Competitiveness** (cont.)

	Diversification index					Annual export growth (%)	Competitiveness Indicator 2004-08 (%)	
	2004	2005	2006	2007	2008	2004-2008	Sectoral effect	Global competitiveness effect
Madagascar	**15.6**	**19.7**	**19.5**	**21.9**	**25.2**	**0.5**	**-8.2**	**-9.0**
Malawi	**3.8**	**2.9**	**3.0**	**3.8**	**3.6**	**12.8**	**-3.9**	**-1.1**
Mali	**1.3**	**1.6**	**3.2**	**1.9**	**2.2**	**-8.0**	**-13.7**	**-12.1**
Mauritania	**4.0**	**4.1**	**4.5**	**4.0**	**3.8**	**52.0**	**23.9**	**10.4**
Mauritius	**11.8**	**12.3**	**12.8**	**13.7**	**15.2**	**4.8**	**-5.0**	**-8.0**
Morocco	**71.5**	**64.6**	**70.9**	**67.8**	**37.2**	**20.6**	**2.4**	**0.4**
Mozambique	**2.6**	**3.2**	**2.7**	**3.5**	**6.3**	**19.2**	**-5.8**	**7.2**
Namibia	**7.8**	**5.8**	**5.2**	**9.0**	**11.7**	**8.2**	**-4.4**	**-9.0**
Niger	**3.8**	**2.6**	**2.5**	**1.4**	**5.6**	**-8.5**	**4.3**	**-30.6**
Nigeria	**1.2**	**1.2**	**1.3**	**1.3**	**1.4**	**39.8**	**23.5**	**-1.5**
Rwanda	**1.9**	**3.6**	**3.4**	**5.1**	**4.7**	**-11.6**	**20.2**	**-49.5**
São Tomé & Príncipe	**6.0**	**4.1**	**5.4**	**5.1**	**2.4**	**-7.3**	**1.7**	**-26.7**
Senegal	**21.5**	**12.5**	**23.3**	**25.2**	**9.0**	**16.2**	**5.9**	**-7.5**
Seychelles	**3.8**	**4.7**	**3.3**	**3.9**	**3.1**	**0.9**	**2.9**	**-19.7**
Sierra Leone	**3.4**	**2.8**	**5.3**	**7.4**	**8.8**	**11.8**	**-6.9**	**1.0**
Somalia	8.9	7.7	9.5	13.4	12.0	12.8	-4.3	-0.7
South Africa	**52.1**	**49.4**	**46.8**	**45.5**	**40.7**	**21.3**	**9.3**	**-5.8**
Sudan	**1.5**	**1.4**	**1.3**	**1.2**	**1.2**	**60.6**	**19.1**	**23.8**
Swaziland	**16.9**	**17.5**	**20.3**	**22.3**	**18.7**	**2.8**	**-4.3**	**-10.7**
Tanzania	**25.5**	**20.2**	**31.0**	**31.9**	**34.9**	**21.8**	**1.5**	**2.5**
Togo	**8.9**	**13.5**	**14.2**	**8.3**	**4.9**	**50.0**	**12.4**	**19.9**
Tunisia	**44.8**	**43.2**	**44.4**	**36.0**	**33.7**	**21.1**	**0.4**	**2.9**
Uganda	**6.7**	**7.8**	**8.1**	**11.2**	**7.9**	**27.9**	**-0.7**	**10.8**
Zambia	**4.1**	**3.5**	**2.2**	**2.5**	**3.0**	**32.3**	**12.4**	**2.1**
Zimbabwe	13.7	15.9	16.1	11.0	13.7	4.0	2.4	-16.2
Africa	**5.7**	**4.7**	**4.0**	**4.3**	**3.7**	**34.5**	**14.3**	**2.4**

Sources: ADB Statistics Department ; COMTRADE Database (Harmonized system, Rev.1) - UN Statistics Division.

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Table 9: **International Prices of Exports, 2002-09**

	Unit	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Aluminum	($/mt)	1,353.2	1,544.7	1 367.22	1 549.14	1 444.00	1 349.91	1 431.29	1 715.54	1 898.31	2 569.90	2 638.18	2 572.79	1 664.83
Banana (US)	($/mt)	422.0	499.4	374.89	424.00	583.30	528.58	374.79	524.58	602.84	677.24	675.81	844.21	847.14
Coal (Australia)	($/mt)	...	...	...	...	...	...	...	...	...	49.09	65.73	127.10	71.75
Cocoa	(cents/kg)	145.6	161.9	113.53	90.58	106.90	177.79	175.09	154.98	153.81	159.19	195.23	257.71	288.87
Coffee (Arabica)	(cents/kg)	242.1	402.6	230.09	191.97	137.30	135.66	141.54	177.40	253.22	252.21	272.37	308.16	317.11
Coffee (Robusta)	(cents/kg)	162.3	167.7	149.55	91.30	60.70	66.18	81.45	79.30	111.45	148.93	190.92	232.09	164.42
Copper	($/mt)	2,062.4	2,199.0	1 579.94	1 813.47	1 578.00	1 559.48	1 779.14	2 865.88	3 678.88	6 722.13	7 118.23	6 955.88	5 149.74
Cotton	(c/kg)	159.4	168.8	117.63	130.22	105.80	101.92	139.91	136.57	121.70	126.66	139.52	157.39	138.20
Fish Meal	($/mt)	526.6	585.6	394.27	429.48	486.70	605.92	610.71	648.58	730.96	1 166.33	1 177.25	1 133.08	1 230.25
Gold	($/toz)	348.4	319.8	280.02	279.03	271.00	309.97	363.51	409.21	444.84	604.34	696.72	871.71	972.97
Groundnut oil	($/mt)	1,179.1	975.9	791.21	713.67	680.30	687.08	1 243.17	1 161.00	1 060.44	970.23	1 352.08	2 131.12	1 183.67
Iron ore	(c/dmtu)	27.0	29.1	27.71	28.79	30.03	29.31	31.95	37.90	65.00	77.35	84.70	140.60	100.95
Lead	(c/kg)	69.6	60.3	50.49	45.39	47.60	45.27	51.50	88.65	97.64	128.97	258.00	209.07	171.93
Logs Cameroon	($/CM)	284.3	284.8	269.27	275.43	266.10	...	...	...	...	318.48	381.32	526.89	421.47
Maize	($/mt)	165.8	117.1	90.22	88.53	89.60	99.27	105.37	111.80	98.67	121.85	163.66	223.12	165.51
Oil (crude)	($/bbl)	20.4	19.2	18.07	28.23	24.35	24.97	28.85	38.30	54.43	65.39	72.70	97.64	61.86
Palm oil	($/mt)	530.9	545.9	436.00	310.25	285.70	390.25	443.25	471.33	422.08	478.35	780.25	948.54	682.83
Phosphate (rock)	($/mt)	39.0	41.0	44.00	43.75	41.80	40.38	38.00	40.98	42.00	44.21	70.93	345.59	121.66
Rubber (US)	(cents/kg)	...	...	...	...	...	...	...	...	...	231.28	248.03	284.08	214.64

Table 9: **International Prices of Exports, 2002-09** (cont.)

	Unit	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sugar (EU)	(cents/kg)	61.4	60.6	59.44	57.71	52.86	54.92	59.72	66.97	66.54	64.56	68.09	69.69	52.44
Sugar (World)	(c/kg)	26.4	25.1	13.81	18.04	19.04	15.18	15.63	15.80	21.79	32.59	22.22	28.21	40.00
Sugar (US)	(cents/kg)	44.3	46.7	46.81	44.45	47.04	46.14	47.37	45.47	46.93	48.76	45.77	46.86	54.88
Tea (Avg. 3 auctions)	(c/kg)	166.1	206.0	183.89	187.62	159.80	150.60	151.66	168.56	164.71	187.21	203.61	242.05	272.40
Tea (Mombasa)	(c/kg)	142.3	201.5	179.83	202.86	151.70	149.21	154.36	155.42	147.75	195.23	166.49	221.76	251.96
Tobacco	($/mt)	3,055.4	3,531.6	3 041.58	2 988.17	2 989.02	2 743.17	2 646.25	2 740.50	2 789.83	2 969.33	3 315.06	3 569.72	4 236.55

Sources: World Bank, Global Commodity Price Prospects, March 2010.

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Table 10: **Foreign Direct Investment, 2003-08 (USD million)**

	FDI inflows								FDI outflows						FDI inflows/GFCF (%)			Inward FDI* Potential Index
	1997	1998	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008	2006	2007	2008	2006
Algeria	260	607	634	882	1081	1795	1662	2646	14	258	57	35	295	318	6.7	5.0	6.8	68
Angola	412	1114	5685	5606	6794	9064	9796	15548	24	35	221	194	912	2570	161.3	156.4	176.4	76
Benin	14	33	45	64	53	53	255	120	0	-1	-0	-2	-6	-3	5.8	23.1	8.7	138
Botswana	100	95	418	391	279	486	495	-4	206	-39	56	50	51	3	20.7	16.4	-0.1	78
Burkina Faso	10	4	29	14	34	34	344	137	2	-9	-0	1	0	0	2.9	23.5	7.8	127
Burundi	0	2	-0	0	1	0	1	1	0	...	...	...	0	...	...	0.2	0.2	...
Cameroon	78	215	383	319	225	309	284	260	4	2	-9	-1	-2	2	10.3	8.2	6.7	112
Cape Verde	12	9	34	68	82	131	190	209	1	...	...	...	0	2	29.2	30.8	28.6	...
Central Afr. Rep.	1	8	22	29	32	35	57	121	...	...	...	...	...	...	26.2	34.0	61.7	...
Chad	44	22	713	467	-99	656	718	834	...	...	...	...	...	...	42.6	45.0	43.7	...
Comoros	0	0	1	1	1	1	8	8	...	...	...	...	...	...	1.4	11.9	11.2	...
Congo	79	33	321	-13	514	1919	1816	2622	2	5	...	...	...	...	66.5	46.4	60.6	97
Congo Dem. Rep.	-44	61	158	10	-76	-108	720	1000	0	-0	...	...	...	...	-9.4	54.5	65.1	139
Côte d'Ivoire	415	380	165	283	312	319	427	353	23	-26	52	-27	-0	8	21.3	25.3	18.2	128
Djibouti	2	3	14	39	59	164	195	234	...	...	...	...	...	...	72.4	63.2	65.4	...
Egypt	887	1076	237	2157	5376	10043	11578	9495	21	159	92	148	665	1920	47.9	44.3	29.2	83
Equatorial Guinea	53	291	1444	1651	1873	1656	1726	1290	...	...	...	...	...	...	51.4	40.4	20.5	...
Eritrea	41	149	22	-8	-1	0	-0	-0	...	...	...	...	...	...	0.2	...	-0.1	...
Ethiopia	288	261	465	545	265	545	222	93	...	...	...	...	...	...	20.8	7.2	2.3	134
Gabon	-318	99	206	320	242	268	269	20	-57	-25	65	106	59	96	12.2	10.2	0.6	99
Gambia	21	24	15	49	45	71	76	63	...	...	...	...	...	...	50.2	50.3	33.2	115
Ghana	82	167	105	139	145	636	855	2120	11	-1	...	...	...	4	15.2	16.1	37.3	113
Guinea	17	18	83	98	105	125	386	1350	...	-1	-5	...	...	694	27.7	61.9	198.3	132
Guinea-Bissau	11	4	4	2	9	18	19	15	1	-8	1	0	-0	0	34.1	34.3	23.0	...
Kenya	53	11	82	46	21	51	728	96	2	4	10	24	36	44	1.2	13.1	1.5	126
Lesotho	32	27	42	53	57	92	106	199	0	0	...	...	...	...	18.5	25.2	49.0	...
Liberia	214	190	372	75	83	108	132	144	173	304	437	346	363	382	141.9	133.1	127.7	...
Libya	-68	-148	143	357	1038	2013	4689	4111	63	-286	128	-534	3933	5888	45.1	91.8	56.2	35

Table 10: **Foreign Direct Investment, 2003-08 (USD million)** (cont.)

	FDI inflows								FDI outflows						FDI inflows/GFCF (%)			Inward FDI* Potential Index
	1997	1998	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008	2006	2007	2008	2006
Madagascar	14	16	95	95	86	294	777	1477	-5	...	...	...	...	...	21.1	38.3	57.8	131
Malawi	15	12	66	108	27	30	55	37	1	2	1	1	1	1	15.9	26.1	15.3	137
Mali	70	9	132	101	224	83	73	127	1	1	-1	1	7	3	8.2	5.2	7.4	123
Mauritania	-3	-0	102	392	814	155	153	103	-1	4	2	5	4	4	25.5	26.4	15.9	...
Mauritius	55	12	62	11	42	105	339	383	5	32	48	10	58	52	6.7	17.9	16.8	...
Morocco	1207	400	2314	895	1653	2450	2803	2388	12	31	75	445	621	369	13.0	12.2	9.1	91
Mozambique	64	235	337	245	108	154	427	587	-0	-0	0	0	0	0	11.6	23.1	26.5	104
Namibia	84	77	149	226	348	387	733	746	-10	-22	-13	-12	3	5	22.4	35.3	36.2	95
Niger	17	-1	11	20	30	51	129	147	0	7	-4	-1	8	1	6.8	13.7	12.4	133
Nigeria	1642	1210	2171	2127	4978	13956	12454	20279	167	261	200	228	468	299	116.1	81.1	103.1	88
Rwanda	3	7	3	11	14	16	67	103	...	...	...	14	13	14	3.4	10.8	12.7	135
São Tomé & Príncipe	0	4	3	4	16	38	35	33	...	...	15	3	3	7	48.1	38.0	28.8	...
Senegal	177	60	52	77	45	220	297	706	3	13	-8	10	25	9	9.0	9.2	18.4	122
Seychelles	53	53	58	38	86	146	238	364	8	8	7	8	9	10	57.6	76.0	127.3	...
Sierra Leone	2	0	9	61	83	59	94	30	1	...	-8	...	...	...	69.8	111.2	29.7	114
Somalia	1	0	-1	-5	24	96	141	87	...	...	...	...	...	...	18.7	27.5	16.1	...
South Africa	3817	561	734	799	6644	-527	5687	9009	565	1352	930	6067	2962	-3533	-1.1	9.5	14.0	74
Sudan	98	371	1349	1511	2305	3541	2436	2601	...	...	...	7	11	98	39.6	23.1	19.8	121
Swaziland	-15	153	-61	71	-50	36	37	10	16	-1	-24	2	3	-5	6.1	5.1	1.4	...
Tanzania	158	172	308	331	494	597	647	744	2	...	-6	20	5	8	19.3	17.7	16.4	120
Togo	19	19	34	59	77	77	49	68	-6	-13	-15	-14	-1	-10	19.0	11.0	13.1	130
Tunisia	365	668	584	639	782	3312	1618	2761	5	4	13	33	20	42	45.5	19.0	27.0	66
Uganda	142	133	202	295	380	644	733	787	...	...	...	...	...	...	26.2	23.2	20.4	117
Zambia	217	238	347	364	357	616	1324	939	...	...	...	...	86	...	23.5	43.2	24.4	129
Zimbabwe	135	444	4	9	103	40	69	52	0	0	1	0	3	8	25.5	26.4	19.2	141
Africa	11033	9610	20908	22126	38222	57058	69170	87647	1255	2050	2316	7171	10614	9309	27.3	27.0	29.0	...

Note: * The potential Index is based on 12 economic and policy variables. See note on methodology for further details.

Sources: UNCTAD, FDI Online Database (March 2010) and World investment Report 2009.

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Table 11: **Aid Flows*, 2003-08 (USD million)**

	ODA net total, All donors						ODA net total, DAC countries						ODA net total, Multilateral					
	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008
Algeria	238	315	346	209	390	316	169	235	266	205	289	241	68	80	69	-3	93	98
Angola	494	1144	415	164	246	369	372	1016	248	-55	86	184	123	131	167	117	142	151
Benin	300	394	347	374	474	641	196	210	208	228	238	303	105	184	140	146	233	331
Botswana	28	50	48	69	108	716	27	32	30	36	64	683	2	20	20	34	45	35
Burkina Faso	526	641	694	869	951	998	266	331	338	386	412	475	256	305	347	473	524	515
Burundi	228	364	363	410	473	508	121	186	180	222	200	255	107	178	183	188	273	253
Cameroon	896	791	413	1691	1908	525	752	572	331	1505	1697	298	143	218	79	180	203	216
Cape Verde	147	143	162	138	165	219	90	91	104	99	114	163	57	51	56	38	50	55
Central Afr. Rep.	51	110	89	134	177	256	32	55	60	65	118	129	19	55	28	68	59	128
Chad	252	337	380	282	354	416	96	163	162	153	223	277	157	171	214	126	130	138
Comoros	24	26	23	31	44	37	11	14	15	20	20	21	13	12	8	10	25	15
Congo	69	115	1425	256	119	505	34	48	1344	169	48	421	35	68	81	86	70	84
Congo Dem. Rep.	5417	1826	1774	2043	1241	1610	5009	1165	990	1500	788	944	407	661	786	544	452	657
Côte d'Ivoire	254	161	92	247	171	617	281	197	129	199	112	193	-28	-37	-37	48	59	419
Djibouti	79	64	74	115	112	121	37	39	54	89	75	66	40	27	21	24	37	45
Egypt	982	1506	994	873	1107	1348	775	1176	663	537	787	960	85	311	240	287	238	274
Equatorial Guinea	21	29	38	26	31	38	18	23	30	19	26	24	3	6	9	7	6	13
Eritrea	317	265	349	126	157	143	185	177	226	63	45	53	131	92	127	64	109	84
Ethiopia	1605	1809	1910	1941	2563	3327	1033	1025	1184	1024	1242	1839	540	747	696	892	1287	1453
Gabon	-11	40	60	29	51	55	-41	24	29	32	34	38	31	16	31	-3	16	16
Gambia	63	55	60	73	73	94	20	12	15	25	33	28	40	43	45	43	37	62
Ghana	967	1403	1136	1175	1154	1293	471	913	602	595	708	723	483	470	516	579	443	564
Guinea	246	278	198	155	228	319	135	178	126	103	122	209	111	100	61	49	96	109
Guinea-Bissau	150	76	66	81	122	132	98	29	27	39	44	53	53	48	39	41	78	78
Kenya	522	658	753	943	1323	1360	320	471	510	760	824	951	199	188	230	167	496	405
Lesotho	79	98	67	71	129	143	33	35	40	38	62	66	47	64	29	33	67	78
Liberia	107	213	222	260	698	1250	70	163	144	187	226	809	37	50	78	73	471	404
Libya**	...	...	24	38	19	60	...	...	17	33	15	52	0	0	3	3	3	6

Table 11: Aid Flows*, 2003-08 (USD million) (cont.)

	ODA net total, All donors						ODA net total, DAC countries						ODA net total, Multilateral					
	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008
Madagascar	542	1263	913	748	895	841	225	685	498	261	387	274	318	579	416	483	502	563
Malawi	515	503	573	682	742	913	309	308	325	398	401	432	204	194	247	272	330	471
Mali	559	588	704	824	1020	964	272	328	371	398	558	531	289	261	326	417	458	432
Mauritania	249	189	182	199	342	311	136	83	105	94	133	139	116	105	76	105	208	147
Mauritius	-14	33	34	19	69	110	-18	15	22	9	44	16	3	21	10	13	28	95
Morocco	548	705	691	1044	1073	1217	336	394	287	567	628	612	158	241	313	361	327	524
Mozambique	1048	1243	1297	1601	1778	1994	697	731	760	938	1073	1340	348	508	535	659	682	650
Namibia	146	173	125	152	217	207	110	124	88	106	144	150	34	33	33	44	73	54
Niger	461	547	520	518	542	605	245	306	254	235	233	269	217	241	265	283	307	335
Nigeria	308	577	6409	11428	1956	1290	200	315	5932	10820	1385	636	109	263	477	607	570	651
Rwanda	335	490	577	581	722	931	213	217	281	321	374	450	122	273	296	259	347	477
São Tomé & Príncipe	38	34	32	22	36	47	25	22	18	18	31	26	12	12	14	3	5	21
Senegal	454	1057	684	823	872	1058	314	755	444	509	451	544	143	303	240	303	390	465
Seychelles	10	10	15	14	9	12	5	6	8	7	1	5	4	3	7	7	8	7
Sierra Leone	337	376	340	338	545	367	208	163	129	180	381	175	125	213	211	158	164	193
Somalia	174	199	237	391	384	758	114	140	145	263	257	565	60	58	92	124	124	185
South Africa	656	629	690	715	810	1125	477	459	466	561	597	881	178	169	224	154	213	242
Sudan	613	992	1823	2044	2112	2384	332	848	1455	1517	1664	1818	278	119	319	440	334	459
Swaziland	40	25	47	35	51	67	13	7	21	12	12	18	26	17	26	23	39	50
Tanzania	1724	1767	1498	1814	2820	2331	966	1029	858	992	1831	1366	758	736	628	821	981	960
Togo	50	64	82	79	121	330	46	52	59	55	65	176	2	12	23	24	58	154
Tunisia	300	352	362	431	321	479	208	231	269	287	194	248	95	120	101	154	137	237
Uganda	997	1215	1191	1539	1737	1657	587	684	691	938	1002	1005	408	529	498	598	731	647
Zambia	759	1130	1166	1419	998	1086	592	746	823	1115	713	703	161	382	342	302	284	382
Zimbabwe	187	187	373	278	479	611	161	166	187	200	371	530	26	20	186	78	106	79
Africa Unspecified	2169	2450	2419	2943	3879	4896	1758	1944	2024	2412	2945	3843	408	505	395	489	858	1023
Africa Total	27256	29710	35507	43502	39122	44005	19142	19334	24589	31490	24525	27209	7864	10177	10568	11493	14005	16192

Note: ODA : Official Development Assistance.
DAC : Development Assistance Committee of OECD.
* Net disbursements.
** Libya has belonged to the recipient countries of Official Aid (OA) from 2000 to 2004 and has been re-included in the new list of ODA recipients in 2005.

Source: OECD Development Assistance Committee 2010.

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Table 12: **External Debt Indicators**

	Debt outstanding, at year end				Total debt outstanding (as % of GDP)				Debt Service (as % of Exports of goods and services)			
	Total (Million USD)	Multilateral	Of Which : Bilateral (as % of total)	Private								
Country	2008	2008	2008	2008	2008	2009	2010	2011	2008	2009	2010	2011
Algeria	4 363	0.4	99.6	0.0	2.7	2.7	2.1	1.7	1.8	2.5	1.6	1.3
Angola	16 603	2.8	97.2	0.0	19.5	26.6	20.8	17.2	4.3	13.3	12.7	11.0
Benin	813	63.0	37.0	0.0	12.1	15.2	16.7	17.6	2.9	3.7	3.5	3.7
Botswana	1 248	56.6	0.0	43.4	9.3	22.5	35.6	46.6	7.2	12.0	14.1	18.0
Burkina Faso	1 592	71.7	28.3	0.0	19.6	24.1	26.7	28.2	6.1	6.0	4.7	5.5
Burundi	1 473	80.6	19.4	0.0	134.3	24.8	28.3	31.2	3.6	1.9	2.9	3.6
Cameroon	1 427	21.8	78.2	0.0	6.0	7.9	8.5	9.7	6.8	10.2	8.8	7.3
Cape Verde	966	77.3	0.0	22.7	55.4	61.3	63.0	61.3	16.5	20.8	20.9	19.7
Central Afr.Rep.	991	60.9	35.4	3.8	43.0	8.3	8.3	8.3	19.9	4.9	3.7	3.4
Chad	1 535	84.0	16.0	0.0	18.3	22.0	17.8	16.0	3.2	2.8	2.1	2.0
Comoros	265	77.7	22.3	0.0	49.7	48.4	43.3	40.4	12.3	10.2	10.3	10.3
Congo	5 654	8.2	91.8	0.0	52.5	24.6	19.9	19.7	2.6	15.9	1.4	1.8
Congo Dem. Rep.	13 481	34.0	66.0	0.0	115.9	124.5	118.4	114.3	8.4	16.1	7.8	5.9
Côte d'Ivoire	18 587	23.0	48.3	28.6	79.1	82.1	78.8	77.5	9.3	10.1	8.7	9.0
Djibouti	582	53.0	47.0	0.0	59.2	60.5	63.7	64.6	6.8	8.0	6.8	6.7
Egypt	33 893	21.5	74.2	4.3	20.8	16.8	14.6	13.3	8.4	12.2	10.4	10.8
Equatorial Guinea	120	…	…	0.0	0.6	1.0	0.9	0.7	0.1	0.1	0.1	0.1
Eritrea	878	66.9	33.1	0.0	59.3	53.7	47.6	41.5	36.4	51.1	33.7	35.1
Ethiopia	2 907	55.6	44.4	0.0	11.0	12.9	20.4	25.0	2.4	2.8	8.6	9.7
Gabon	2 128	16.1	83.9	0.0	14.6	18.9	15.6	13.7	26.1	7.1	5.6	5.9
Gambia	301	63.4	36.6	0.0	37.1	43.6	44.6	45.4	31.0	32.8	33.8	33.9
Ghana	6 227	37.5	27.3	35.2	37.4	49.4	54.1	48.1	4.7	7.7	5.6	3.4
Guinea	2 997	59.8	40.2	0.0	66.3	64.8	19.9	19.3	9.5	7.9	147.6	1.8
Guinea-Bissau	1 040	43.9	56.1	0.0	225.5	238.1	91.2	84.6	3.0	2.6	561.0	8.7
Kenya	6 312	49.6	49.0	1.4	21.4	24.2	24.7	23.3	4.7	5.5	6.3	6.0
Lesotho	627	87.9	12.1	0.0	38.8	39.5	38.5	37.2	2.8	5.3	5.7	6.1
Liberia	3 675	4.6	95.4	0.0	432.6	290.1	14.7	14.0	0.0	0.0	0.0	0.0
Libya	5 574	0.0	0.0	100.0	6.2	9.2	7.5	6.8	0.0	0.0	0.0	0.0

Table 12: **External Debt Indicators** (cont.)

	Debt outstanding, at year end				Total debt outstanding (as % of GDP)				Debt Service (as % of Exports of goods and services)			
	Total (Million USD)	Of Which : Multilateral	Bilateral (as % of total)	Private								
Country	2008	2008	2008	2008	2008	2009	2010	2011	2008	2009	2010	2011
Madagascar	2 368	66.0	34.0	0.0	25.0	28.0	30.5	32.3	1.6	4.7	4.6	4.3
Malawi	683	50.3	49.7	0.0	16.0	17.7	19.0	19.9	1.3	2.0	1.6	3.2
Mali	1 863	53.0	47.0	0.0	21.2	24.5	25.2	26.5	3.0	3.4	2.8	4.2
Mauritania	1 892	47.1	45.9	7.0	59.9	59.6	64.2	65.2	8.8	3.5	3.6	2.5
Mauritius	821	42.1	51.2	6.7	9.4	10.1	13.4	15.9	4.3	4.5	3.7	3.5
Morocco	18 341	41.2	49.0	9.8	20.6	21.9	21.8	21.7	7.9	8.1	7.4	6.7
Mozambique	5 127	48.4	51.6	0.0	51.8	53.9	54.0	49.4	20.0	30.4	27.4	27.0
Namibia	1 999	...	...	80.1	22.6	23.9	25.7	27.7	27.3	21.2	17.4	17.8
Niger	752	69.0	31.0	-0.0	14.0	16.4	16.9	18.9	1.9	2.0	2.0	2.8
Nigeria	4 460	26.6	73.4	0.0	2.2	3.0	3.0	3.1	0.7	1.2	0.8	0.7
Rwanda	678	81.8	18.2	0.0	15.2	16.7	19.1	20.6	1.1	3.0	2.8	3.5
São Tomé & Príncipe	123	23.0	77.0	0.0	70.0	40.3	41.6	41.6	182.2	275.9	6.2	7.1
Senegal	5 546	54.9	0.0	45.1	41.5	50.9	51.8	52.3	5.1	7.2	6.7	8.7
Seychelles	845	3.5	96.5	0.0	102.8	118.8	92.1	59.1	6.6	12.8	9.6	28.1
Sierra Leone	647	67.7	32.3	0.0	33.1	36.0	36.9	36.2	2.3	3.5	5.4	7.2
Somalia	2 949	27.2	...	...	...	...	...	...	...	...	...	...
South Africa	71 811	0.6	28.9	70.4	25.9	27.3	30.6	32.5	9.6	11.4	10.2	10.9
Sudan	33 660	15.9	84.1	0.0	58.0	67.6	61.1	58.3	2.5	6.5	5.8	6.0
Swaziland	451	64.2	22.9	12.9	15.9	17.3	18.3	19.6	25.1	32.9	33.5	37.7
Tanzania	6 834	45.1	54.9	0.0	33.1	31.6	30.3	29.3	1.6	2.2	1.5	1.9
Togo	1 501	54.6	45.4	0.0	51.9	53.2	29.9	4.9	2.8	6.2	5.6	0.6
Tunisia	20 627	28.5	44.8	26.7	53.7	52.5	52.3	50.5	8.8	11.2	9.5	10.7
Uganda	1 881	69.5	30.5	0.0	12.9	15.5	17.0	17.7	2.5	2.1	3.1	3.2
Zambia	1 072	27.7	72.3	0.0	7.3	9.4	8.4	8.1	1.9	2.8	2.8	3.6
Zimbabwe	6 046	27.7	0.0	72.3	192.2	186.9	173.3	164.5	22.7	19.3	22.2	12.2
Africa	326 287	22.8	52.2	24.9	21.3	23.6	22.7	22.5	10.6	14.1	12.6	12.4

Sources: ADB Statistics Department; IMF, World Economic Outlook Database, October 2009; GDF Online Database, Worldbank.

StatLink http://dx.doi.org/10.1787/855148511156

Table 13: Demographic Indicators

	Total population (thousands)	Urban population (% of total)	Sex ratio (males per 100 females)	Population growth rate (%)		Infant mortality rate (per 1000)	Total fertility rate (per woman)	Mortality under age 5 (per 1000)	Distribution by age (%)		
									0-14	15-64	65+
	2009	2009	2009	2000-2005	2005-2010	2009	2009	2009	2009		
Algeria	**34 895**	**65.9**	**101.9**	**1.5**	**1.5**	**29.3**	**2.3**	**31**	**27.3**	**68.1**	**4.6**
Angola	**18 498**	**57.6**	**97.2**	**3.0**	**2.7**	**113.5**	**5.6**	**198**	**45.0**	**52.6**	**2.5**
Benin	**8 935**	**41.6**	**101.9**	**3.3**	**3.2**	**82.4**	**5.4**	**116**	**43.1**	**53.7**	**3.2**
Botswana	**1 950**	**60.4**	**99.9**	**1.3**	**1.5**	**33.9**	**2.8**	**48**	**33.3**	**62.9**	**3.8**
Burkina Faso	**15 757**	**20.0**	**99.8**	**3.3**	**3.4**	**78.7**	**5.8**	**153**	**46.3**	**51.7**	**2.0**
Burundi	**8 303**	**10.7**	**96.1**	**2.6**	**2.9**	**96.0**	**4.5**	**162**	**38.4**	**58.8**	**2.8**
Cameroon	**19 522**	**57.6**	**100.0**	**2.3**	**2.3**	**85.0**	**4.5**	**141**	**40.9**	**55.5**	**3.6**
Cape Verde	**506**	**60.4**	**91.6**	**1.7**	**1.4**	**24.3**	**2.7**	**29**	**36.2**	**59.6**	**4.2**
Central Afr. Rep.	**4 422**	**38.7**	**96.6**	**1.8**	**1.9**	**103.1**	**4.7**	**175**	**40.6**	**55.5**	**3.9**
Chad	**11 206**	**27.1**	**98.8**	**3.5**	**2.8**	**128.3**	**6.1**	**208**	**45.7**	**51.4**	**2.8**
Comoros	676	28.1	100.7	2.2	2.3	45.8	3.9	59	38.1	58.8	3.1
Congo	**3 683**	**61.7**	**99.7**	**2.4**	**1.9**	**79.3**	**4.3**	**129**	**40.5**	**55.7**	**3.8**
Congo Dem. Rep.	**66 020**	**34.6**	**98.2**	**3.0**	**2.8**	**114.9**	**5.9**	**195**	**46.7**	**50.7**	**2.6**
Côte d'Ivoire	**21 075**	**49.5**	**103.8**	**2.2**	**2.3**	**84.7**	**4.5**	**119**	**40.6**	**55.5**	**3.9**
Djibouti	**864**	**87.8**	**99.9**	**2.0**	**1.8**	**82.1**	**3.8**	**121**	**36.1**	**60.7**	**3.2**
Egypt	**82 999**	**42.7**	**101.2**	**1.9**	**1.8**	**33.3**	**2.8**	**39**	**32.3**	**63.1**	**4.6**
Equatorial Guinea	**676**	**39.5**	**98.4**	**2.8**	**2.6**	**97.1**	**5.3**	**164**	**41.0**	**56.1**	**2.9**
Eritrea	5 073	21.1	96.8	4.0	3.1	52.3	4.5	72	41.5	56.0	2.5
Ethiopia	**82 825**	**17.2**	**99.0**	**2.6**	**2.6**	**76.5**	**5.2**	**126**	**43.5**	**53.3**	**3.2**
Gabon	**1 475**	**85.6**	**99.8**	**2.1**	**1.8**	**48.8**	**3.2**	**76**	**36.1**	**59.5**	**4.3**
Gambia	**1 705**	**57.3**	**98.4**	**3.2**	**2.8**	**74.9**	**5.0**	**113**	**42.3**	**54.9**	**2.8**
Ghana	**23 837**	**50.7**	**102.8**	**2.3**	**2.1**	**72.0**	**4.2**	**115**	**38.4**	**58.0**	**3.6**
Guinea	**10 069**	**34.9**	**102.0**	**1.9**	**2.3**	**95.1**	**5.3**	**141**	**42.8**	**54.0**	**3.3**
Guinea Bissau	1 611	29.9	98.2	2.4	2.2	111.2	5.7	191	42.6	53.9	3.5
Kenya	**39 802**	**21.9**	**99.9**	**2.6**	**2.6**	**61.8**	**4.9**	**100**	**42.8**	**54.6**	**2.6**
Lesotho	**2 067**	**26.1**	**89.4**	**1.1**	**0.9**	**67.0**	**3.3**	**99**	**38.8**	**56.4**	**4.7**
Liberia	**3 955**	**60.8**	**98.8**	**3.3**	**4.1**	**92.7**	**5.0**	**135**	**42.7**	**54.2**	**3.1**
Libya	**6 420**	**77.7**	**107.0**	**2.1**	**2.0**	**17.3**	**2.6**	**19**	**30.1**	**65.6**	**4.2**

Table 13: **Demographic Indicators** (cont.)

	Total Population (thousands)	Urban Population (% of total)	Sex ratio (males per 100 females)	Population Growth rate (%)		Infant mortality rate (per 1000)	Total fertility rate (per woman)	Mortality under age 5 (per 1000)	Distribution by age (%)		
									0-14	15-64	65+
	2009	2009	2009	2000-2005	2005-2010	2009	2009	2009	2009		
Madagascar	**19 625**	**29.8**	**99.2**	**2.9**	**2.7**	**62.6**	**4.6**	**96**	**42.9**	**54.0**	**3.0**
Malawi	**15 263**	**19.3**	**98.8**	**2.9**	**2.8**	**80.4**	**5.5**	**115**	**46.2**	**50.7**	**3.1**
Mali	**13 010**	**32.7**	**97.6**	**2.4**	**2.4**	**104.3**	**5.4**	**185**	**44.2**	**53.5**	**2.3**
Mauritania	**3 291**	**41.2**	**102.9**	**2.7**	**2.4**	**71.7**	**4.4**	**118**	**39.5**	**57.9**	**2.7**
Mauritius*	**1 288**	**42.5**	**98.2**	**0.9**	**0.7**	**14.2**	**1.8**	**17**	**22.6**	**70.1**	**7.3**
Morocco	**31 993**	**56.4**	**96.5**	**1.1**	**1.2**	**28.8**	**2.3**	**34**	**28.4**	**66.3**	**5.4**
Mozambique	**22 894**	**37.6**	**94.7**	**2.7**	**2.3**	**85.9**	**5.0**	**145**	**44.0**	**52.8**	**3.3**
Namibia	**2 171**	**37.4**	**97.2**	**1.9**	**1.9**	**32.3**	**3.3**	**46**	**36.9**	**59.5**	**3.6**
Niger	**15 290**	**16.6**	**100.3**	**3.4**	**3.9**	**85.3**	**7.1**	**165**	**49.9**	**48.1**	**2.0**
Nigeria	**154 729**	**49.1**	**100.5**	**2.4**	**2.3**	**107.7**	**5.2**	**184**	**42.5**	**54.3**	**3.1**
Rwanda	**9 998**	**18.6**	**93.9**	**2.4**	**2.7**	**97.4**	**5.3**	**151**	**42.3**	**55.2**	**2.5**
São Tomé & Príncipe	**163**	**61.4**	**98.1**	**1.7**	**1.6**	**71.0**	**3.7**	**93**	**40.7**	**55.4**	**4.0**
Senegal	**12 534**	**42.6**	**98.3**	**2.6**	**2.6**	**57.5**	**4.9**	**117**	**43.6**	**54.0**	**2.4**
Seychelles	**84**	**54.8**	**101.3**	**1.1**	**0.5**	**9.5**	**...**	**...**	**...**	**...**	**...**
Sierra Leone	**5 696**	**38.0**	**94.9**	**3.8**	**2.7**	**102.2**	**5.2**	**144**	**43.4**	**54.8**	**1.8**
Somalia	9 133	37.0	98.4	2.4	2.3	107.3	6.4	176	44.9	52.4	2.7
South Africa	**50 110**	**61.2**	**97.2**	**1.4**	**1.0**	**45.3**	**2.5**	**65**	**30.5**	**65.0**	**4.5**
Sudan	**42 272**	**44.4**	**101.4**	**2.1**	**2.2**	**67.0**	**4.1**	**107**	**39.1**	**57.3**	**3.6**
Swaziland	**1 185**	**25.2**	**95.7**	**0.8**	**1.3**	**61.8**	**3.5**	**94**	**39.3**	**57.3**	**3.3**
Tanzania	**43 739**	**25.9**	**99.4**	**2.7**	**2.9**	**61.6**	**5.5**	**100**	**44.7**	**52.2**	**3.1**
Togo	**6 619**	**42.7**	**98.0**	**2.7**	**2.5**	**69.5**	**4.2**	**94**	**39.9**	**56.6**	**3.5**
Tunisia	**10 272**	**66.9**	**101.2**	**0.9**	**1.0**	**19.0**	**1.8**	**21**	**23.2**	**70.0**	**6.7**
Uganda	**32 710**	**13.1**	**100.3**	**3.2**	**3.3**	**71.7**	**6.3**	**118**	**48.9**	**48.6**	**2.5**
Zambia	**12 935**	**35.5**	**99.5**	**2.3**	**2.4**	**89.7**	**5.7**	**152**	**46.2**	**50.7**	**3.0**
Zimbabwe	12 523	37.8	93.6	0.0	0.3	53.9	3.4	88	39.9	56.0	4.1
Africa	**1 008 354**	**39.2**	**99.5**	**2.3**	**2.3**	**80.0**	**4.4**	**129.8**	**40.9**	**56.5**	**2.6**

Note: * Including Agalega, Rodrigues and Saint Brandon.

Source: ADB Statistics Department ; United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, The 2008 Revision.

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Table 14: Poverty and Income Distribution Indicators

	National poverty line* Population below the poverty line (%)				International poverty line Population below the poverty line (%)			Gini coefficient**		Share of consumption (%)	
	Survey year	Rural	Urban	National	Survey year	Below $1	Below $2	Survey year	Index	Lowest 10%	Highest 10%
Algeria	2000	...	...	15.0	2000	0.9	...	2000	35.3	2.8	26.9
Angola	2001	94.3	57.0	68.0	2000	54.3	...	2000	58.6	0.6	44.7
Benin	1999	33.0	23.3	29.0	2003[a]	47.3	73.7	2003[a]	38.6	2.9	31.0
Botswana	2003	...	...	30.3	1994	31.2	...	2003	61.0	1.3	51.2
Burkina Faso	2003	52.3	19.9	46.4	2003	56.5	81.0	2003	39.6	3.0	32.4
Burundi	2006	37.0	...	36.2	2006	81.3	87.6	2006	33.3	4.1	28.0
Cameroon	2001	49.9	22.1	40.2	2001[a]	32.8	50.6	2001	44.6	2.4	35.5
Cape Verde	2002	55.1	25.0	36.7	2001	20.6	...	2001	50.5	1.9	40.6
Central Afr. Rep.	2003	...	...	50.2	2003	62.4	...	2003	43.6	2.1	33.0
Chad	1996	67.0	63.0	64.0	2003	61.9	...	2003	39.8	2.6	30.8
Comoros	...	...	...	...	2004	46.1	...	2004	64.3	0.9	55.2
Congo	2005	57.7	55.4	50.1	2005	54.1	...	2005	47.3	2.1	37.1
Congo Dem. Rep.	2005	...	...	71.3	2006	59.2	...	2006	44.4	2.3	34.7
Côte d'Ivoire	2002	49.0	24.0	38.4	2002[a]	23.3	48.8	2002	48.4	2.0	39.6
Djibouti	2002	...	...	42.1	2002	18.8	...	2002	40.0	2.4	30.9
Egypt	1999-2000	...	...	16.7	2005[a]	2.0	43.9	2005	32.1	3.9	27.6
Equatorial Guinea	2003	...	...	38.1	...	...	...	...	...	...	...
Eritrea	1993-1994	...	...	53.0	...	...	...	...	...	...	...
Ethiopia	1999-2000	45.0	37.0	44.2	2005[a]	39.0	77.8	2005	29.8	4.1	25.6
Gabon	2005	45.0	30.0	33.0	2005	4.8	...	2005	41.5	2.5	32.7
Gambia	2003	63.0	...	61.3	2003[a]	34.3	82.9	2003	47.3	2.0	36.9
Ghana	2006	39.2	10.8	28.5	2006[a]	30.0	78.5	2006	42.8	2.0	32.8
Guinea	1994	...	...	40.0	2003	70.1	50.2	2003	43.3	2.4	34.4
Guinea-Bissau	2002	...	...	65.7	2002	48.8	96.7	2002	35.5	2.9	28.0
Kenya	2005-06	49.1	33.7	45.9	2005[a]	19.7	58.3	2005	47.7	1.8	37.8
Lesotho	2002-03	...	...	56.6	2003[a]	43.4	56.1	2003	52.5	1.0	39.4
Liberia	2002	...	...	76.2	2007	83.7	...	2007	52.6	2.4	30.1
Libya	2000-05	...	...	14.0	...	...	...	...	...	...	

Table 14: **Poverty and Income Distribution Indicators** (cont.)

	National poverty line* Population below the poverty line (%)				International poverty line Population below the poverty line (%)			Gini coefficient**		Share of consumption (%)	
	Survey year	Rural	Urban	National	Survey year	Below $1	Below $2	Survey year	Index	Lowest 10%	Highest 10%
Madagascar	2005	73.5	52.0	68.7	2005	67.8	85.1	2005	47.2	2.6	41.5
Malawi	2006	47.0	25.0	45.0	2004	73.9	76.1	2004	39.0	3.0	31.9
Mali	2005	...	...	47.5	2006	51.4	90.6	2006	39.0	2.7	30.5
Mauritania	2000	61.2	25.4	46.3	2000[a]	21.2	63.1	2000	39.0	2.5	29.6
Mauritius*	...	...	...	...	...	...	...	2006	38.9	...	...
Morocco	1999	27.2	12.0	19.0	2007[a]	2.5	14.3	2007	40.9	2.7	33.2
Mozambique	2002/03	55.3	51.5	54.1	2003[a]	74.7	78.4	2003	47.1	2.1	39.2
Namibia	...	...	...	...	2004	32.8	55.8	2004	60.0	0.6	65.0
Niger	1993	66.0	52.0	63.0	2005	65.9	85.3	2005	43.9	2.3	35.7
Nigeria	1996	...	...	65.6	2004	64.4	90.8	2004[a]	42.9	2.0	32.4
Rwanda	2005-06	62.5	41.5	56.9	2006	57.0	83.7	2006	46.7	2.1	37.8
São Tomé & Príncipe	2001	...	...	53.8	...	...	...	...	...	...	...
Senegal	2001	...	...	53.9	2005	33.5	63.0	2005	39.2	2.5	30.1
Seychelles	...	...	...	...	...	...	...	...	...	...	...
Sierra Leone	2004	79.0	56.4	70.2	2003	53.4	74.5	2003	42.5	2.6	33.6
Somalia	...	...	...	...	...	...	...	...	...	...	...
South Africa	2000	...	...	45.0	2000[a]	26.2	34.1	2000	57.8	1.3	44.9
Sudan	...	...	...	...	...	...	...	...	...	...	...
Swaziland	2001	75.0	...	69.2	2001[a]	62.9	22.5	2001	50.7	1.8	40.8
Tanzania	2000-2001	38.7	29.5	35.7	2000	88.5	89.9	2000[a]	34.6	3.1	27.0
Togo	1995	...	...	72.2	2006	38.7	...	2006[a]	34.4	3.3	27.1
Tunisia	2005	...	...	3.8	2000[a]	2.6	6.6	2000	40.8	2.4	31.6
Uganda	2003	41.7	12.2	37.7	2005	51.5	...	2005	42.6	2.6	34.1
Zambia	2003	74.0	52.0	68.0	2004	64.3	94.1	2004	50.7	1.3	38.9
Zimbabwe	1995-96	48.0	7.9	34.9	2004	61.9	...	2004	50.1	1.8	40.3

Notes: * The national poverty line is defined as two-thirds of the average consumption.
** The Gini coefficient is defined on income distribution.
a Expenditure base.

Sources: Domestic authorities and World Bank (Povcal 2009), World Development Indicators, online Database, Country DHS,

StatLink http://dx.doi.org/10.1787/855183185728

Table 15: Access to Services

	Telecommunications						Access to electricity		Water supply coverage			Sanitation coverage		
	Main telephone line per 100 inhabitants		Mobile line per 100 inhabitants		Internet users per 100 inhabitants		Electricity consumption (KWh - millions)		Total	Urban	Rural	Total	Urban	Rural
	2001	2008	2001	2008	2001	2008	2001	2007	2006			2006		
Algeria	6.07	9.64	0.32	92.72	0.65	...	40 248	57 378	85	87	81	94	98	87
Angola	0.52	0.63	0.51	37.59	0.14	3.05	2 626	6 074	51	62	39	50	79	16
Benin	0.86	1.84	1.82	39.66	0.36	1.85	870	1 210	65	78	57	30	59	11
Botswana	8.47	7.41	19.00	77.34	3.43	4.16	3 862	5 230	96	100	90	47	60	30
Burkina Faso	0.48	0.95	0.63	16.76	0.16	0.92	714	1 214	72	97	66	13	41	6
Burundi	0.31	0.38	0.51	5.95	0.11	0.81	248	318	71	84	70	41	44	41
Cameroon	0.65	1.04	2.57	32.28	0.28	...	5 264	8 906	70	88	47	51	58	42
Cape Verde	14.34	14.42	7.05	55.69	2.69	20.61	249	385	...	...	...	...	...	...
Central Afr. Rep.	0.23	0.28	0.29	3.55	0.08	0.44	210	222	66	90	51	31	40	25
Chad	0.12	0.12	0.25	16.58	0.05	1.19	168	176	48	71	40	9	23	4
Comoros	1.58	3.53	0.00	6.36	0.44	...	58	100	85	91	81	35	49	26
Congo	0.71	0.61	4.83	49.98	0.03	4.29	534	840	71	95	35	20	19	21
Congo Dem. Rep.	0.02	0.06	0.29	14.42	0.01	0.45	9 486	12 922	46	82	29	31	42	25
Côte d'Ivoire	1.66	1.73	4.12	50.74	0.40	3.21	6 218	6 946	81	98	66	24	38	12
Djibouti	1.32	1.27	0.40	5.19	0.44	...	360	560	92	98	54	67	76	11
Egypt	9.36	14.64	3.91	50.62	0.84	15.42	133 502	219 190	98	99	98	66	85	52
Equatorial Guinea	1.27	1.52	2.75	52.49	0.17	1.82	46	192	43	45	42	51	60	46
Eritrea	0.82	0.82	0.00	2.20	0.16	3.04	398	472	60	74	57	5	14	3
Ethiopia	0.42	1.11	0.04	2.42	0.04	0.45	2 898	6 296	42	96	31	11	27	8
Gabon	2.95	1.83	11.89	89.77	1.35	6.21	2 126	2 832	87	95	47	36	37	30
Gambia	2.60	2.95	4.09	70.24	1.34	6.88	250	412	86	91	81	52	50	55
Ghana	1.22	0.62	1.22	49.55	0.20	4.27	13 604	11 178	80	90	71	10	15	6
Guinea	0.30	0.21	0.65	39.06	0.18	0.92	1 368	1 416	70	91	59	19	33	12
Guinea-Bissau	0.74	0.29	0.00	31.75	0.30	2.35	120	140	57	82	47	33	48	26
Kenya	0.96	0.63	1.86	42.06	0.62	8.67	7 618	9 161	57	85	49	42	19	48
Lesotho	1.12	3.18	2.98	28.35	0.26	3.58	620	460	78	93	74	36	43	34
Liberia	0.23	0.05	0.07	19.30	0.03	...	600	616	64	72	52	32	49	7
Libya	12.10	16.41	0.92	76.71	0.37	...	20 872	43 766	...	...	...	97	97	96

Table 15: **Access to Services** (cont.)

	Telecommunications						Access to electricity		Water supply coverage			Sanitation coverage		
	Main telephone line per 100 inhabitants		Mobile line per 100 inhabitants		Internet users per 100 inhabitants		Electricity consumption (KWh - millions)		Total	Urban	Rural	Total	Urban	Rural
	2001	2008	2001	2008	2001	2008	2001	2007	2006			2006		
Madagascar	0.37	0.86	0.94	25.30	0.22	1.65	1 460	2 000	47	76	36	12	18	10
Malawi	0.45	1.18	0.46	12.00	0.16	2.13	1 529	2 167	76	96	72	60	51	62
Mali	0.47	0.64	0.22	27.07	0.19	0.98	768	908	60	86	48	45	59	39
Mauritania	0.93	2.38	4.13	65.07	0.26	...	476	1 140	60	70	54	24	44	10
Mauritius	25.41	28.48	22.57	80.74	8.78	29.69	3 400	4 418	100	100	100	94	95	94
Morocco	4.08	9.46	16.36	72.19	1.37	32.59	27 716	42 244	83	100	58	72	85	54
Mozambique	0.48	0.35	0.81	19.68	0.16	1.56	9 728	18 452	42	71	26	31	53	19
Namibia	6.31	6.57	5.73	49.39	2.42	5.33	4 704	6 438	93	99	90	35	66	18
Niger	0.19	0.44	0.02	12.91	0.11	0.54	764	1 134	42	91	32	7	27	3
Nigeria	0.47	0.86	0.21	41.66	0.09	7.27	18 068	39 342	47	65	30	30	35	25
Rwanda	0.26	0.17	0.78	13.61	0.24	3.09	308	344	65	82	61	23	34	20
São Tomé & Príncipe	3.79	4.81	0.00	30.59	6.31	15.48	53	78	86	88	83	24	29	18
Senegal	2.33	1.95	2.97	44.13	0.98	8.35	3 070	3 638	77	93	65	28	54	9
Seychelles	25.95	26.60	44.92	111.54	11.02	38.17	298	446	...	100	...	...	...	100
Sierra Leone	0.52	0.57	0.62	18.14	0.16	0.25	125	44	53	83	32	11	20	5
Somalia	0.46	1.12	1.12	7.02	0.08	...	500	560	29	63	10	23	51	7
South Africa	10.81	8.91	23.69	90.60	6.35	8.43	366 930	447 270	93	100	82	59	66	49
Sudan	1.26	0.89	0.29	29.00	0.14	9.19	4 300	7 240	70	78	64	35	50	24
Swaziland	3.08	3.77	5.03	39.13	1.28	4.13	2 032	1 887	60	87	51	50	64	46
Tanzania	0.51	0.29	0.79	30.62	0.17	1.22	4 210	6 446	55	81	46	33	31	34
Togo	0.90	2.18	1.76	23.95	2.78	5.42	998	1 212	59	86	40	12	24	3
Tunisia	11.07	12.18	4.08	84.59	4.30	27.53	15 316	25 306	94	99	84	85	96	64
Uganda	0.22	0.53	1.12	27.02	0.24	7.90	900	2 232	64	90	60	33	29	34
Zambia	0.80	0.72	1.13	28.04	0.23	5.55	12 852	17 276	58	90	41	52	55	51
Zimbabwe	2.03	2.79	2.51	13.28	0.80	11.40	20 452	21 706	81	98	72	46	63	37
Africa	2.52	3.24	3.00	37.57	0.73	6.18	756 093	1 052 540	59	82	46	33	46	26

Sources: Telecommunications : International telecommunication Union - onlibne database
Electricity : United Nations Statistics Division, Energy Statistics Database - online database
Water supply coverage and sanitation coverage: WHO, 2009, Joint Reporting Form and WHO regional offices reports; March 2009
Domestic authorities

StatLink http://dx.doi.org/10.1787/855187633302

Table 16: **Basic Health Indicators**

	Life expectancy at birth (years)			Proportion of people Undernourished in tot. population)	Food availability (Kcal/ person/day)	Total health expenditure				Health personnel (per 100 000)		
		With AIDS	Without AIDS			as % of GDP	Per capita** (US $)	Distribution Public (%)	Private (%)	Survey	Physicians	Nurses
	2009	2007		2004-06	2003-05	2006				year		
Algeria	72.7	72	…	…	3 100	4.2	148.0	81.1	18.9	2005	92.9	238.2
Angola	47.6	42	45	44	1 880	2.6	71.0	86.8	13.2	2005	16.5	245.4
Benin	61.9	56	59	19	2 290	4.7	26.0	50.2	49.8	2005	11.4	39.3
Botswana	55.1	50	68	26	2 200	7.1	379.0	76.5	23.5	2005	36.2	231.0
Burkina Faso	53.4	52	54	9	2 620	6.3	27.0	56.9	43.1	2006	2.1	25.9
Burundi	50.9	49	52	63	1 630	8.7	10.0	8.6	91.4	2005	6.5	75.9
Cameroon	51.4	50	56	23	2 230	4.6	45.0	21.2	78.8	2005	18.4	43.9
Cape Verde	71.7	72	…	14	2 380	4.9	112.0	78.3	21.7	2006	41.8	90.8
Central Afr. Rep.	47.4	44	54	41	1 900	4.0	14.0	38.3	61.7	2005	4.5	28.8
Chad	49.0	51	54	38	1 980	4.9	29.0	53.9	46.1	2005	3.4	23.8
Comoros	65.8	65	…	51	1 800	3.2	16.0	55.1	44.9	2005	14.8	75.9
Congo	53.7	55	61	21	2 330	2.1	44.0	71.7	28.3	2005	21.6	118.9
Congo Dem. Rep.	47.8	46	49	75	1 500	6.8	10.0	18.7	81.3	2004	10.2	50.6
Côte d'Ivoire	57.9	48	55	14	2 520	3.8	35.0	23.6	76.4	2004	11.4	55.7
Djibouti	55.8	55	57	31	2 170	6.8	63.0	74.1	25.9	2004	16.3	32.5
Egypt	70.3	71	…	…	3 320	6.3	92.0	41.4	58.6	2007	227.3	283.3
Equatorial Guinea	50.6	51	54	…	...	2.1	440.0	80.4	19.6	2004	32.4	48.2
Eritrea	60.0	58	61	66	1 530	3.6	8.0	45.9	54.1	2004	4.9	57.5
Ethiopia	55.7	53	55	44	1 810	3.9	7.0	59.3	40.7	2004	1.5	13.7
Gabon	60.9	57	65		2 760	4.5	351.0	73.0	27.0	2004	31.1	549.1
Gambia	56.3	59	62	29	2 140	5.0	15.0	56.8	43.2	2003	10.2	112.8
Ghana	56.8	60	63	8	2 690	5.1	33.0	34.2	65.8	2004	14.7	89.3
Guinea	58.4	56	58	16	2 540	5.8	20.0	14.1	85.9	2005	5.5	53.9
Guinea-Bissau	48.2	46	49	31	2 050	5.8	12.0	26.3	73.7	2004	12.1	66.9
Kenya	54.9	53	61	30	2 040	4.6	29.0	47.8	52.2	2007	27.6	121.9
Lesotho	45.6	42	65	15	2 430	6.8	51.0	58.9	41.1	2003	4.6	...
Liberia	58.7	45	48	38	2 010	4.8	7.0	25.8	74.2	2004	3.1	18.3
Libya	74.3	74	…	…	3 020	2.4	219.0	66.3	33.7	2002	120.0	353.4

Table 16: **Basic Health Indicators** (cont.)

	Life expectancy at birth (years)			Proportion of people Undernourished in tot. population)	Food availability (Kcal/ person/day)	Total health expenditure				Health personnel (per 100 000)		
		With AIDS	Without AIDS			as % of GDP	Per capita** (US $)	Distribution Public (%)	Private (%)	Survey	Physicians	Nurses
	2009	2007		2004-06	2003-05	2006				year		
Madagascar	60.8	59	60	35	2 010	3.2	9.0	62.8	37.2	2004	28.7	31.2
Malawi	53.9	48	64	29	2 130	12.9	21.0	69.0	31.0	2004	2.1	56.3
Mali	48.8	54	56	10	2 570	5.8	31.0	49.6	50.4	2004	9.3	58.0
Mauritania	57.0	64	...	8	2 790	2.2	19.0	69.5	30.5	2004	10.9	65.7
Mauritius*	72.1	73	...	6	2 880	3.9	230.0	51.1	48.9	2006	111.9	245.3
Morocco	71.6	71	...	...	3 190	5.3	113.0	26.2	73.8	2004	55.6	88.9
Mozambique	48.1	42	55	37	2 070	5.0	16.0	70.8	29.2	2004	2.6	19.7
Namibia	61.7	52	70	19	2 290	8.7	281.0	66.7	33.3	2004	30.0	308.2
Niger	51.9	57	58	28	2 140	5.9	16.0	54.7	45.3	2004	2.9	21.2
Nigeria	48.2	47	50	8	2 600	3.8	33.0	29.7	70.3	2003	25.9	156.2
Rwanda	50.7	46	49	40	1 940	10.9	33.0	42.5	57.5	2007	2.7	31.9
São Tomé & Príncipe	65.9	65	...	5	2 600	6.3	49.0	85.0	15.0	2004	54.0	170.5
Senegal	55.9	63	...	25	2 150	5.8	44.0	56.9	43.1	2004	5.2	28.7
Seychelles	72.2	72	...	8	2 380	6.3	565.0	75.1	24.9	2007	142.6	478.0
Sierra Leone	47.9	42	44	46	1 910	4.0	12.0	36.4	63.6	2004	3.1	34.2
Somalia	50.1	48	...	...	...	...	...	...	...	1997	4.8	23.1
South Africa	51.7	50	67	...	2 900	8.0	425.0	37.7	62.3	2007	75.3	329.3
Sudan	58.5	58	60	20	2 290	3.8	37.0	36.8	63.2	2005	21.7	48.6
Swaziland	46.4	40	65	18	2 320	6.3	155.0	65.8	34.2	2004	15.3	612.9
Tanzania	56.3	52	60	35	2 010	6.4	23.0	57.8	42.2	2007	4.8	102.4
Togo	62.9	58	62	37	2 020	6.0	21.0	21.2	78.8	2004	3.7	35.3
Tunisia	74.2	74	...	...	3 280	5.1	156.0	44.2	55.8	2006	99.7	301.6
Uganda	53.5	51	58	15	2 380	7.0	24.0	25.4	74.6	2004	7.9	57.9
Zambia	46.4	42	56	45	1 890	6.2	58.0	60.7	39.3	2004	11.2	168.7
Zimbabwe	45.7	43	66	39	2 040	9.3	38.0	48.7	51.3	2004	16.0	71.8
Africa	54.5	53	...	29	2 307	5.7	57.7	47.1	52.9	...	...	...

Note: * Including Agalega, Rodrigues and Saint Brandon
** at average exchange rate

Sources: Life expectancy at birth (2009: from UN Revision 2008) : United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, Population and HIV/AIDS 2007 (March 2008) , ADB Statistics Department.
Undernourishment prevalence and food availability: FAO, The State of Food Insecurity in the World 2010
Total health expenditure and public health expenditure: WHO, The World Health Report 2009

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Table 17: **Major Diseases**

	Healthy life expectancy at birth (years)			HIV / AIDS			Malaria reported cases		Tuberculosis (reported cases)	Measles Incidence (reported cases)	Vaccination (%)	
	Total	Male	Female	People living with HIV / AIDS (000)	Adult prevalence (%)	AIDS deaths in adults & children (000)					MCV	DTP3
	2007			2007			Survey year	Reported cases	2007	2007	2008	
Algeria	62.0	62.0	63.0	21	0.1	<1	2008	196	8 439	0	88	93
Angola	45.0	44.0	47.0	190	2.1	11.0	2008	1377 992	21 422	1 014	79	81
Benin	50.0	50.0	50.0	64	1.2	3.3	2006	861 847	...	341	61	67
Botswana	49.0	49.0	48.0	300	23.9	11.0	2008	1 201	3 002	1	94	96
Burkina Faso	43.0	42.0	43.0	130	1.6	9.2	2008	36 514	2 614	12	75	79
Burundi	43.0	42.0	43.0	110	2.0	11.0	2008	876 741	3 595	43	84	92
Cameroon	45.0	45.0	45.0	540	5.1	39.0	2008	1 650 749	13 220	100	80	84
Cape Verde	61.0	59.0	64.0	...	...	...	2008	35	158	0	96	98
Central Afr. Rep.	42.0	43.0	42.0	160	6.3	11.0	2008	152 260	...	49	62	54
Chad	40.0	40.0	40.0	200	3.5	14.0	2008	57 644	2 513	441	23	20
Comoros	56.0	55.0	58.0	<0.2	<0.1	...	2006	20 559	...	0	76	81
Congo	48.0	48.0	49.0	79	3.5	6.4	2006	157 757	3 552	84	79	89
Congo Dem. Rep.	47.0	45.0	48.0	...	...	...	2008	1462 300	66 099	55 577	67	69
Côte d'Ivoire	45.0	44.0	46.0	480	3.9	38.0	2008	1343 654	14 071	5	63	74
Djibouti	48.0	47.0	50.0	16	3.1	1.1	2008	119	1 208	24	73	89
Egypt	60.0	59.0	62.0	9	...	<0,5	2008	80	4 887	1 684	92	97
Equatorial Guinea	46.0	45.0	46.0	11	3.4	...	2008	50 758	...	5	51	33
Eritrea	55.0	54.0	56.0	38	1.3	2.6	2008	4 702	694	55	95	97
Ethiopia	50.0	49.0	51.0	980	2.1	67.0	2008	458 561	38 040	1 446	74	81
Gabon	52.0	50.0	53.0	49	5.9	2.3	2008	40 701	1 462	0	55	38
Gambia	51.0	50.0	53.0	8	0.9	...	2008	10 910	1 238	0	91	96
Ghana	50.0	49.0	50.0	260	1.9	21.0	2008	827 438	7 429	6	86	87
Guinea	47.0	46.0	48.0	87	1.6	4.5	2008	33 405	6 199	3	64	66
Guinea-Bissau	42.0	40.0	43.0	16	1.8	1.1	2008	11 299	...	1	76	63
Kenya	48.0	47.0	48.0	...	...	...	2008	839 904	38 360	1 516	90	85
Lesotho	40.0	38.0	41.0	270	23.2	18.0	...	...	788	2	85	83
Liberia	48.0	47.0	49.0	35	1.7	2.3	2008	606 952	...	1	64	64
Libya	64.0	63.0	66.0	...	...	...	...	...	772	59	98	98

Table 17: **Major Diseases** (cont.)

	Healthy life expectancy at birth (years)			HIV / AIDS			Malaria reported cases		Tuberculosis (reported cases)	Measles Incidence (reported cases)	Vaccination (%)	
	Total	Male	Female	People living with HIV / AIDS (000)	Adult prevalence (%)	AIDS deaths in adults & children (000)					MCV	DTP3
	2007			2007			Survey year	Reported cases	2007	2007	2008	
Madagascar	**52.0**	**51.0**	**53.0**	**14**	**0.1**	**<1**	**2008**	**89 138**	**15 344**	**0**	**81**	**82**
Malawi	**44.0**	**43.0**	**44.0**	**930**	**11.9**	**68.0**	**2008**	**4986 779**	**7 608**	**143**	**88**	**91**
Mali	**42.0**	**41.0**	**43.0**	**100**	**1.5**	**5.8**	**2007**	**1291 853**	**3 894**	**2**	**68**	**68**
Mauritania	**51.0**	**49.0**	**52.0**	**14**	**0.8**	**1.0**	**2008**	**302**	**1 714**	**11**	**65**	**74**
Mauritius*	**63.0**	**61.0**	**65.0**	**13**	**1.7**	**...**	**1999**	**73**	**86**	**13**	**98**	**99**
Morocco	**62.0**	**61.0**	**63.0**	**21**	**0.1**	**1.0**	**2008**	**142**	**11 937**	**2 248**	**96**	**99**
Mozambique	**42.0**	**42.0**	**42.0**	**1 500**	**12.5**	**81.0**	**2008**	**4831 491**	**18 214**	**267**	**77**	**72**
Namibia	**52.0**	**52.0**	**53.0**	**200**	**15.3**	**5.1**	**2008**	**4 907**	**5 091**	**21**	**73**	**83**
Niger	**44.0**	**44.0**	**45.0**	**60**	**0.8**	**4.0**	**2008**	**413 252**	**5 773**	**282**	**80**	**66**
Nigeria	**42.0**	**42.0**	**42.0**	**2 600**	**3.1**	**170.0**	**2008**	**143 079**	**44 016**	**2 613**	**62**	**54**
Rwanda	**43.0**	**43.0**	**44.0**	**150**	**2.8**	**7.8**	**2008**	**228 015**	**4 053**	**26**	**92**	**97**
São Tomé & Príncipe	**53.0**	**52.0**	**54.0**	**...**	**...**	**...**	**2008**	**1 572**	**58**	**0**	**93**	**99**
Senegal	**51.0**	**50.0**	**52.0**	**67**	**1.0**	**1.8**	**2008**	**202 466**	**7 108**	**9**	**77**	**88**
Seychelles	**63.0**	**60.0**	**65.0**	**...**	**...**	**...**	**...**	**...**	**...**	**1**	**99**	**99**
Sierra Leone	**35.0**	**34.0**	**37.0**	**55**	**1.7**	**3.3**	**2008**	**154 459**	**5 347**	**0**	**60**	**60**
Somalia	45.0	44.0	46.0	24	0.5	1.6	2008	23 905	6 130	1 149	24	31
South Africa	**48.0**	**47.0**	**48.0**	**5 700**	**18.1**	**350.0**	**2008**	**7 796**	**135 604**	**31**	**62**	**67**
Sudan	**50.0**	**50.0**	**50.0**	**320**	**1.4**	**25.0**	**2008**	**457 362**	**12 627**	**327**	**79**	**86**
Swaziland	**42.0**	**42.0**	**42.0**	**190**	**26.1**	**10.0**	**2008**	**58**	**2 764**	**0**	**95**	**95**
Tanzania	**51.0**	**49.0**	**52.0**	**1 400**	**6.2**	**96.0**	**2008**	**0 067**	**24 520**	**7 726**	**88**	**84**
Togo	**66.0**	**65.0**	**67.0**	**130**	**3.3**	**9.1**	**2008**	**273 471**	**1 796**	**8**	**77**	**89**
Tunisia	**42.0**	**41.0**	**44.0**	**4**	**0.1**	**<0,2**	**...**	**...**	**941**	**4**	**98**	**99**
Uganda	**45.0**	**45.0**	**45.0**	**940**	**5.4**	**77.0**	**2008**	**894 505**	**21 303**	**3 776**	**68**	**64**
Zambia	**40.0**	**39.0**	**40.0**	**1 100**	**15.2**	**56.0**	**2008**	**3 080 301**	**13 378**	**535**	**85**	**80**
Zimbabwe	39.0	40.0	38.0	1 300	15.3	140.0	2008	92 900	10 583	242	66	62
Africa	**44.6**	**43.8**	**45.3**	**21 085**	**4.5**	**1 390.0**	**...**	**...**	**561 149**	**81 903**	**74**	**74**

Notes: DTP: Diphtheria, tetanus toxoids and pertussis antigen. MCV: Measles Contaning Vaccine.

Sources: UNAIDS and WHO, Country epidemic updates December 2008; Malaria notified cases: WHO, Roll Back Malaria (RBM) December 2008 online Database; World Malaria Report 2009; Tuberculosis reported cases: WHO, 2009, Global Tuberculosis Database; Vaccination coverage and Measles incidence: WHO, December 2009
* : includes data from the 2006 MICs, DHS and HIV surveys and Department of Health Reports: Benin, Cape Verde, Central african republic, Niger, South Africa, Zimbabwe

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Table 18: Basic Education Indicators

	Estimated adult illiteracy rate, 2005-08 (%) (people over 15)			Estimated youth illiteracy rate, 2005-08 (%) (people between 15 and 24)			Public expenditure on education 1999-2008
	Total	Male	Female	Total	Male	Female	(% of GDP)
Algeria	24.6	15.7	33.6	8.0	4.8	9.4	...
Angola	...	...	...	...	...	...	2.6
Benin	59.5	46.9	72.1	41.0	23.9	57.9	3.6
Botswana	17.1	17.2	17.1	9.6	13.1	6.1	8.1
Burkina Faso	71.3	63.3	78.4	59.7	49.0	70.7	3.7
Burundi	...	...	...	30.6	30.8	30.3	5.1
Cameroon	...	...	...	7.2	6.2	8.3	3.9
Cape Verde	16.2	10.6	21.2	9.3	7.0	11.6	5.7
Central Afr. Rep.		...	...	26.0	19.8	32.0	1.3
Chad	68.2	57.0	79.2	25.6	20.8	30.3	1.9
Comoros	24.9	19.7	30.2	40.5	33.9	47.2	3.8
Congo	...	...	...	1.5	1.1	2.0	1.8
Congo Dem. Rep.	...	...	...	13.6	8.7	18.5	...
Côte d'Ivoire	...	...	...	33.7	26.0	41.3	4.6
Djibouti	...	...	...	12.1	9.0	15.1	8.7
Egypt	33.6	25.4	42.2	26.5	21.2	32.1	3.7
Equatorial Guinea	...	...	...	1.9	1.0	2.9	0.6
Eritrea	35.8	23.8	47.0	25.5	16.7	34.4	2.0
Ethiopia	64.1	50.0	77.2	39.0	34.2	43.7	5.5
Gabon	13.8	9.8	17.8	...	...	...	3.8
Gambia	...	...	...	35.6	28.2	42.9	2.0
Ghana	35.0	28.3	41.7	6.2	4.8	7.6	5.4
Guinea	...	...	...	...	...	...	1.7
Guinea-Bissau	...	...	...	35.0	22.9	47.1	5.2
Kenya	...	...	...	3.3	3.0	3.6	7.0
Lesotho	...	...	...	8.0	14.9	1.0	12.4
Liberia	44.5	39.8	49.1	26.0	11.6	40.3	...
Libya	13.2	5.5	21.6	2.3	0.2	4.5	2.7

Table 18: **Basic Education Indicators** (cont.)

	Estimated adult illiteracy rate, 2005-08 (%) (people over 15)			Estimated youth illiteracy rate, 2005-08 (%) (people between 15 and 24)			Public expenditure on education 1999-2008
	Total	Male	Female	Total	Male	Female	(% of GDP)
Madagascar	...	...	...	16.6	14.0	19.3	2.9
Malawi	28.2	20.8	35.4	25.5	16.8	34.3	4.2
Mali	73.8	65.1	81.8	59.2	48.2	70.2	4.6
Mauritania	44.2	36.7	51.7	49.3	42.1	56.5	2.9
Mauritius	12.6	9.8	15.3	5.1	5.8	4.3	3.9
Morocco	44.4	31.3	56.8	27.2	20.5	34.0	5.5
Mozambique	55.6	42.8	67.0	33.7	21.2	46.2	5.0
Namibia	12.0	11.4	12.6	6.8	8.4	5.1	6.4
Niger	71.3	57.1	84.9	73.3	63.5	83.1	3.3
Nigeria	28.0	19.9	35.9	8.9	7.6	10.3	...
Rwanda	...	...	...	12.8	12.1	13.4	4.1
São Tomé & Príncipe	12.1	6.6	17.3	...	...	...	...
Senegal	58.1	47.7	67.0	43.8	35.9	51.7	4.8
Seychelles	...	...	...	...	...	...	5.0
Sierra Leone	61.9	50.0	73.2	...	...	...	3.8
Somalia	...	...	...	...	...	...	...
South Africa	12.0	11.1	12.8	7.5	7.5	7.5	5.1
Sudan	...	...	...	18.1	14.5	21.8	...
Swaziland	16.2	16.0	16.3	7.5	8.4	6.7	8.3
Tanzania	27.7	21.0	34.1	6.9	5.4	8.4	...
Togo	...	...	...	19.6	10.0	29.1	3.8
Tunisia	22.3	13.6	31.0	4.3	1.4	7.3	7.1
Uganda	26.4	18.2	34.5	17.7	12.3	23.0	3.8
Zambia	29.4	19.2	39.3	9.4	7.6	11.2	1.4
Zimbabwe	8.8	5.9	11.7	1.8	0.7	2.9	4.6
Africa	...	...	...	20.2	16.1	24.2	4.5

Sources: ADB Statistics Department ; UNESCO Institute for Statistics (UIS) Database ; Domestic Authorities.

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Table 19: School Enrolment

	Primary School, 2006-09							Secondary School, 2006-09				Enrolment ratio in technical and vocational programmes (%) vocational programmes 2006-08*		
	Gross enrolment ratio			Net enrolment ratio			Pupil / teacher	Gross enrolment ratio			Pupil / teacher			
	Total	Male	Female	Total	Male	Female	ratio	Total	Male	Female	ratio	Total secondary	Lower secondary	Upper secondary
Algeria	107.5	110.8	104.1	94.9	95.5	94.2	23.2	83.2	80.3	86.3	20.8	...	...	...
Angola	193.8	200.9	186.8	36.9	60.0	25.4	...	...	...	...	...	...	...	...
Benin	116.6	124.8	108.1	92.8	98.9	86.5	44.6	36.3	41.3	26.1	23.9	...	...	...
Botswana	109.7	110.9	108.5	86.2	85.4	87.1	25.4	80.2	78.0	82.4	14.0	6.1	...	19.1
Burkina Faso	73.4	78.6	68.1	60.1	64.4	55.7	48.9	18.4	21.1	15.7	30.3	6.0	1.9	23.8
Burundi	135.6	139.1	132.1	99.4	99.9	98.8	53.7	17.7	20.9	14.4	32.2	5.2	1.8	19.0
Cameroon	110.9	119.3	102.4	88.0	94.0	82.0	46.0	37.3	41.5	33.0	16.2	19.1	19.7	17.7
Cape Verde	101.3	104.5	98.1	84.4	85.2	83.7	24.4	82.8	78.8	86.8	18.2	...	...	...
Central Afr. Rep.	77.4	90.6	64.4	59.1	68.0	50.4	89.6	...	...	...	...	...	...	...
Chad	75.5	89.0	61.9	60.0	70.9	49.5	60.4	19.0	26.3	11.7	32.9	1.1	0.1	4.2
Comoros	122.0	129.0	114.0	56.0	59.5	50.0	35.0	45.8	52.1	30.2	13.8	...	...	...
Congo	114.0	117.7	110.1	77.3	79.2	75.3	51.8	42.9	46.7	39.1	34.3	...	...	...
Congo Dem. Rep.	90.4	98.6	82.2	61.0	62.5	59.4	39.0	34.8	44.8	24.7	16.6	19.2	1.9	34.1
Côte d'Ivoire	74.5	83.0	65.9	55.1	58.6	51.3	41.9	...	...	...	29.4	...	...	...
Djibouti	55.5	58.9	52.0	45.3	47.8	42.7	34.0	29.5	34.7	24.2	34.3	5.4	1.4	15.9
Egypt	99.7	102.1	97.1	93.6	95.5	91.7	27.1	86.2	89.5	82.6	16.6	...	...	...
Equatorial Guinea	98.7	101.2	96.2	53.3	54.0	52.7	27.6	...	...	...	...	...	...	...
Eritrea	56.9	62.1	51.7	42.7	45.4	39.9	47.9	34.1	40.0	28.2	49.3	0.7	...	1.9
Ethiopia	97.8	103.2	92.3	78.2	81.0	75.4	59.3	33.4	38.8	28.1	46.2	6.2	...	54.2
Gabon	139.8	139.1	140.6	92.4	91.9	93.0	...	...	...	...	...	...	...	...
Gambia	86.2	83.9	88.6	68.7	66.5	71.0	34.4	51.2	52.7	49.6	24.1	...	...	...
Ghana	101.8	102.3	101.3	73.9	73.4	74.4	31.1	54.1	57.2	50.9	17.1	4.0	...	13.5
Guinea	89.9	96.9	82.6	71.3	76.3	66.2	44.1	35.8	44.9	26.4	33.3	2.1	0.2	6.9
Guinea-Bissau	69.7	83.5	55.9	45.0	53.0	37.0	...	...	...	...	...	1.8	...	...
Kenya	111.5	112.7	110.3	81.5	81.0	82.0	46.5	58.3	60.9	55.8	29.9	1.0	...	2.1
Lesotho	107.7	108.2	107.1	72.7	71.2	74.3	37.0	39.9	34.4	45.4	16.9	1.6	3.8	3.3
Liberia	90.6	95.6	85.6	31.0	32.0	30.0	23.9	31.6	36.1	27.2	12.4	...	...	...
Libya	110.3	113.0	107.5	...	...	...	...	93.5	86.3	101.0	4.8	...	...	...

Table 19: **School Enrolment** (cont.)

	Primary School, 2006-09							Secondary School, 2006-09				Enrolment ratio in technical and vocational programmes (%) vocational programmes 2006-08*		
	Gross enrolment ratio			Net enrolment ratio			Pupil / teacher	Gross enrolment ratio			Pupil / teacher			
	Total	Male	Female	Total	Male	Female	ratio	Total	Male	Female	ratio	Total secondary	Lower secondary	Upper secondary
Madagascar	151.7	154.0	149.5	98.5	98.1	98.9	47.2	30.1	30.9	29.2	26.7	3.5	0.9	14.5
Malawi	120.2	118.5	121.8	90.6	87.9	93.4	92.8	29.4	31.8	27.0	27.8	...	...	...
Mali	91.3	99.8	82.7	72.0	78.0	65.0	51.4	34.8	42.4	27.1	23.5	12.3	...	39.6
Mauritania	102.3	99.4	105.3	79.7	77.4	82.1	42.5	24.5	25.9	22.9	26.6	3.2	1.6	5.4
Mauritius	99.4	99.7	99.1	93.1	92.8	93.5	21.7	87.6	87.0	88.2	16.4	...	13.6	...
Morocco	106.9	112.2	101.5	89.5	91.5	87.3	26.5	55.8	60.1	51.4	18.7	5.6	2.1	5.2
Mozambique	114.2	121.5	106.9	79.9	82.4	77.3	64.1	20.6	23.5	17.6	32.8	5.8	5.5	7.4
Namibia	112.4	113.0	111.7	89.0	86.9	91.1	29.4	65.8	60.7	70.9	24.5	...	...	...
Niger	57.8	64.7	50.6	49.5	55.4	43.2	40.7	11.0	13.7	8.2	27.9	1.0	0.7	3.5
Nigeria	93.1	99.2	86.8	61.4	64.4	58.3	46.3	30.5	34.3	26.5	28.4	4.3	4.1	4.5
Rwanda	150.9	149.8	152.0	95.9	94.7	97.0	67.7	21.9	23.1	20.8	26.9	16.2	...	44.8
São Tomé & Príncipe	130.2	131.4	129.0	97.1	97.8	96.5	30.8	46.3	44.7	47.9	21.7	1.6	...	10.9
Senegal	83.5	82.5	84.5	72.9	72.1	73.8	36.4	30.6	33.9	27.3	26.4	5.9	6.1	4.9
Seychelles	125.3	126.1	124.6	98.4	98.9	100.0	12.5	111.8	105.3	119.1	13.3	...	...	...
Sierra Leone	157.7	167.8	148.0	65.2	54.9	62.7	43.7	34.6	41.8	27.7	23.9	4.9	1.2	16.0
Somalia	20.7	26.0	15.4	9.8	12.7	6.9	30.8	...	...	...	...	...	...	...
South Africa	104.5	106.5	102.6	87.5	87.4	87.6	31.0	95.1	92.9	97.2	29.0	...	...	...
Sudan	74.0	77.8	70.0	41.2	44.9	37.0	38.4	38.0	40.3	35.5	22.2	1.9	...	4.5
Swaziland	107.9	111.9	103.8	82.8	81.9	83.7	32.4	53.3	56.0	50.5	19.1	...	...	...
Tanzania	110.2	111.0	109.3	99.3	99.6	99.1	52.2	...	...	...	...	...	...	...
Togo	105.0	112.6	97.4	83.5	88.9	78.1	39.1	41.3	54.1	28.5	35.5	7.8	1.4	25.0
Tunisia	107.6	109.0	106.1	97.7	97.3	98.2	18.2	90.2	83.1	91.1	15.9	9.5	1.0	8.5
Uganda	117.2	116.7	117.7	95.5	94.0	96.9	57.0	22.9	25.1	20.8	18.6	5.0	1.8	20.9
Zambia	119.1	120.4	117.9	95.2	94.6	95.8	60.5	51.8	56.4	47.2	25.2	7.9	...	19.6
Zimbabwe	103.6	104.1	103.1	89.9	89.3	90.5	38.2	41.0	42.6	39.4	...	...	...	...
Africa	100.9	105.0	96.3	75.1	77.2	73.0	40.5	40.7	48.2	40.8	22.0	...	...	...

Notes: * Latest available data.

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Table 20: **Employment and Remittances***

	Year	Unemployment rate			Participation rate (>15)	Inactivity rate (15-64)			Worker remittances ($ million)				
					2008	2008			2004	2005	2006	2007	2008
		Total	Male	Female	Total	Total	Male	Female					
Algeria	2007	13.80	12.90	18.40	57.1	56.7	43.9	69.9	2 460	2 060	1 610	2 120	2 202
Angola	2006	25.20	…	…	81.7	24.0	18.1	29.8	…	…	…	…	82
Benin	…	…	…	…	72.1	40.6	30.4	51.2	63	173	224	224	271
Botswana	2006	17.60	15.30	19.90	55.8	65.1	64.1	66.2	93	125	117	141	148
Burkina Faso	1998	2.4	2.3	2.6	83.9	23.4	19.3	27.7	50	50	50	50	50
Burundi	1990	0.47	0.71	0.25	89.9	18.9	19.5	18.2	0	0	0	0	4
Cameroon	2001	7.5	8.2	6.7	63.7	58.6	50.0	67.3	103	77	130	167	167
Cape Verde	2008	17.80	15.00	28.00	59.2	57.7	48.9	66.4	113	137	137	139	155
Central Afr. Rep.	…	…	…	…	77.3	35.6	27.2	43.7	…	…	…	…	…
Chad	1993	0.69	1.1	0.3	74.1	44.4	48.6	40.3	…	…	…	…	…
Comoros	1991	19.95	21.27	16.93	73.7	46.3	40.4	52.3	12	12	12	12	12
Congo	…	…	…	…	68.7	49.3	38.0	60.8	15	11	13	15	15
Congo Dem. Rep.	…	…	…	…	71.4	31.3	18.8	43.9	…	…	…	…	…
Côte d'Ivoire	1998	4.1	…	…	62.9	52.4	33.0	71.8	159	163	167	185	195
Djibouti	1991	43.5	41.9	46.7	67.0	52.5	46.4	58.7	25	26	28	29	30
Egypt	2008	8.71	5.88	19.31	47.3	68.4	60.3	76.7	3 341	5 017	5 330	7 656	8 694
Equatorial Guinea	1983	24.19	27.37	18.53	67.0	31.8	11.3	52.1	…	…	…	…	…
Eritrea	…	…	…	…	70.0	40.5	28.6	52.2	…	…	…	…	…
Ethiopia	2006	16.70	11.50	22.10	85.2	20.4	17.6	23.2	134	174	172	358	387
Gabon	1993	18.00	19.3	16.4	70.2	48.4	43.2	53.7	7	11	11	11	11
Gambia	…	…	…	…	76.7	39.6	39.0	40.2	62	57	64	47	64
Ghana	1999	10.1	9.4	10.1	72.5	52.3	54.3	50.2	82	99	105	117	128
Guinea	1994	3.09	4.6	1.7	83.8	24.3	21.8	26.9	42	42	42	151	72
Guinea-Bissau	…	…	…	…	71.5	30.0	17.1	42.8	28	28	28	29	30
Kenya	1999	9.8			80.6	29.9	24.9	34.9	620	805	1 128	1 588	1 692
Lesotho	1999	27.26	21.47	33.09	70.8	41.8	38.3	45.1	355	327	361	443	443
Liberia	2007	5.55	6.83	4.18	69.8	40.6	33.9	47.2	60	32	79	62	61
Libya	2007	13.50	…	…	52.6	65.8	49.4	82.9	10	15	16	16	16

Table 20: **Employment and Remittances*** (cont.)

	Year	Unemployment rate			Participation rate (>15)	Inactivity rate (15-64)			Worker remittances ($ million)				
					2008	2008			2004	2005	2006	2007	2008
		Total	Male	Female	Total	Total	Male	Female					
Madagascar	2005	2.80	2.00	3.60	85.5	27.7	26.8	28.6	12	11	11	11	11
Malawi	2004	7.80	5.40	10.00	78.3	43.9	48.2	39.6	1	1	1	1	1
Mali	2004	8.8	7.2	10.9	51.5	61.7	54.4	68.9	156	177	212	344	344
Mauritania	2004	33.00	25.20	...	70.3	48.8	43.5	54.5	2	2	2	2	2
Mauritius	2008	7.25	4.05	12.83	58.0	52.9	47.1	58.7	215	215	215	215	215
Morocco	2008	9.64	9.62	9.75	51.1	58.9	39.1	78.6	4 221	4 590	5 451	6 730	6 891
Mozambique	1997	2.24	3.39	1.32	83.0	27.3	37.7	17.0	58	57	80	99	116
Namibia	2004	21.90	19.30	25.04	54.9	75.5	75.2	75.8	15	18	17	16	16
Niger	2001	1.46	1.72	0.93	63.0	45.2	23.8	64.8	60	66	78	79	79
Nigeria	1986	3.94	3.71	4.39	54.9	73.1	65.3	81.1	2 273	3 329	5 435	9 221	9 980
Rwanda	1996	0.6	0.9	0.4	80.8	35.4	37.3	33.5	10	21	21	51	51
São Tomé & Príncipe	2006	16.65	11.04	24.51	56.4	66.6	56.2	77.2	1	2	2	2	2
Senegal	2006	11.10	7.90	13.60	74.2	37.6	23.8	51.4	633	789	925	1 192	1 288
Seychelles	2005	5.45	6.12	4.85	...	...	...	...	7	12	14	11	12
Sierra Leone	2004	2.80	3.10	2.50	67.1	55.7	61.4	50.3	25	2	50	148	150
Somalia	...	...	...	...	70.9	35.8	23.5	48.1	...	...	...	...	...
South Africa	2008	22.93	20.00	26.33	53.4	72.5	71.3	73.6	523	658	734	834	823
Sudan	...	...			51.5	70.5	65.0	76.2	1 403	1 016	1 179	1 769	3 100
Swaziland	1997	22.54	19.97	25.97	64.4	56.2	57.0	55.4	83	95	99	100	100
Tanzania	2006	4.30	2.80	5.80	88.3	18.0	18.2	17.8	11	18	15	14	19
Togo	...	...	...	...	68.9	41.5	28.4	54.4	179	193	232	284	284
Tunisia	2005	14.2	13.1	17.3	47.6	67.7	57.8	78.1	1 432	1 393	1 510	1 716	1 870
Uganda	2003	3.2	2.5	3.9	85.7	19.7	16.8	22.6	311	322	411	452	489
Zambia	2000	12.90	14.10	11.30	70.4	40.3	31.2	49.5	48	53	58	59	68
Zimbabwe	2004	4.16	4.19	4.14	67.8	44.9	37.9	51.7	...	...	...	...	...
Africa	...	...	...	...	...	...	...	...	19 509	22 479	26 575	36 913	40 842

Sources: Employment: ILO. KILM database, sixth edition.
World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.
* See note on methodology for definitions.

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Table 21: Corruption Perception Index (CPI)*

	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	Index	Country Rank / 99	Index	Country Rank / 90	Index	Country Rank / 91	Index	Country Rank / 102	Index	Country Rank / 133	Index	Country Rank / 145	Index	Country Rank / 158	Index	Country Rank / 163	Index	Country Rank / 179	Index	Country Rank / 180	Index	Country Rank / 180
Algeria	...	...	...	...	...	...	...	...	2.6	88	2.7	97	2.8	97	3.1	84	3	99	3.2	92	2.8	111
Angola	...	...	1.7	85	...	...	1.7	98	1.8	124	2	133	2	151	2.2	142	2.2	147	1.9	158	1.9	162
Benin	...	...	...	...	...	...	...	...	...	...	3.2	77	2.9	88	2.5	121	2.7	118	3.1	96	2.9	106
Botswana	6.1	24	6	26	6	26	6.4	24	5.7	30	6	31	5.9	32	5.6	37	5.4	38	5.8	36	5.6	37
Burkina Faso	...	...	3	65	...	...	...	...	...	...	...	...	3.4	70	3.2	79	2.9	105	3.5	80	3.6	79
Burundi	...	...	...	...	...	...	...	...	...	...	...	...	2.3	130	2.4	130	2.5	131	1.9	158	1.8	168
Cameroon	1.5	99	2	84	2	84	2.2	89	1.8	124	2.1	129	2.2	137	2.3	138	2.4	138	2.3	141	2.2	146
Cape Verde	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	4.9	49	5.1	47	5.1	46
Central Afr. Rep.	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.4	130	2	162	2	151	2	158
Chad	...	...	...	...	...	...	...	...	...	...	1.7	142	1.7	158	2	156	1.8	172	1.6	173	1.6	175
Comoros	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.6	123	2.5	134	2.3	143
Congo	...	...	...	...	...	...	...	...	2.2	113	2.3	114	2.3	130	2.2	142	2.1	150	1.9	158	1.9	162
Congo Dem. Rep.	...	...	...	...	...	...	...	...	...	...	2	133	2.1	144	2	156	1.9	168	1.7	171	1.9	162
Côte d'Ivoire	2.6	75	2.7	71	2.4	77	2.7	71	2.1	118	2	133	1.9	152	2.1	151	2.1	150	...	...	2.1	154
Djibouti	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.9	105	3	102	2.8	111
Egypt	3.3	63	3.1	63	3.6	54	3.4	62	3.3	70	3.2	77	3.4	70	3.3	70	2.9	105	2.6	115	2.8	111
Equatorial Guinea	...	...	...	...	...	...	...	...	...	...	...	...	1.9	152	2.1	151	1.9	168	1.7	171	1.8	168
Eritrea	...	...	...	...	...	...	...	...	...	...	2.6	102	2.6	107	2.9	93	2.8	111	2.6	126	2.6	126
Ethiopia	...	...	3.2	60	...	...	3.5	59	2.5	92	2.3	114	2.2	137	2.4	130	2.4	138	2.6	126	2.7	120
Gabon	...	...	...	...	...	...	...	...	...	...	3.3	74	2.9	88	3	90	3.3	84	3.1	96	2.9	106
Gambia	...	...	...	...	...	...	...	...	2.5	92	2.8	90	2.7	103	2.5	121	2.3	143	1.9	158	2.9	106
Ghana	3.3	63	3.5	52	3.4	59	3.9	50	3.3	70	3.6	64	3.5	65	3.3	70	3.7	69	3.9	67	3.9	69
Guinea	...	...	...	...	...	...	...	...	...	...	...	...	...	...	1.9	160	1.9	168	1.6	173	1.8	168
Guinea-Bissau	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.2	147	1.9	158	1.9	162
Kenya	2	90	2.1	82	2	84	1.9	96	1.9	122	2.1	129	2.1	144	2.2	142	2.1	150	2.1	147	2.2	146
Lesotho	...	...	...	...	...	...	...	...	...	...	...	...	3.4	70	3.2	79	3.3	84	3.2	92	3.3	89
Liberia	...	...	...	...	...	...	...	...	...	...	...	...	2.2	137	...	...	2.1	150	2.4	138	3.1	97
Libya	...	...	...	...	...	...	...	...	2.1	118	2.5	108	2.5	117	2.7	105	2.5	131	2.6	126	2.5	130

Table 21: **Corruption Perception Index (CPI)*** (cont.)

	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	Index	Country Rank / 99	Index	Country Rank / 90	Index	Country Rank / 91	Index	Country Rank / 102	Index	Country Rank / 133	Index	Country Rank / 145	Index	Country Rank / 158	Index	Country Rank / 163	Index	Country Rank / 179	Index	Country Rank / 180	Index	Country Rank / 180
Madagascar	...	...	...	...	...	...	1.7	98	2.6	88	3.1	82	2.8	97	3.1	84	3.2	94	3.4	85	3	99
Malawi	4.1	45	4.1	43	3.2	61	2.9	68	2.8	83	2.8	90	2.8	97	2.7	105	2.7	118	2.8	115	3.3	89
Mali	...	...	...	...	...	...	...	...	3	78	3.2	77	2.9	88	2.8	99	2.7	118	3.1	96	2.8	111
Mauritania	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3.1	84	2.6	123	2.8	115	2.5	130
Mauritius	4.9	36	4.7	37	4.5	40	4.5	40	4.4	48	4.1	54	4.2	51	5.1	42	4.7	53	5.5	41	5.4	42
Morocco	4.1	45	4.7	37	...	...	3.7	52	3.3	70	3.2	77	3.2	78	3.2	79	3.5	72	3.5	80	3.3	89
Mozambique	3.5	56	2.2	81	...	...	...	...	2.7	86	2.8	90	2.8	97	2.8	99	2.8	111	2.6	126	2.5	130
Namibia	5.3	29	5.4	30	5.4	30	5.7	28	4.7	41	4.1	54	4.3	47	4.1	55	4.5	57	4.5	61	4.5	56
Niger	...	...	...	...	...	...	...	...	...	...	2.2	122	2.4	126	2.3	138	2.6	123	2.8	115	2.9	106
Nigeria	1.6	98	1.2	90	1	90	1.6	101	1.4	132	1.6	144	1.9	152	2.2	142	2.2	147	2.7	121	2.5	130
Rwanda	...	...	...	...	...	...	...	...	...	...	...	...	3.1	83	2.5	121	2.8	111	3	102	3.3	89
São Tomé & Príncipe	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.7	118	2.7	121	2.8	111
Senegal	3.4	58	3.5	52	2.9	65	3.1	66	3.2	76	3	85	3.2	78	3.3	70	3.6	71	3.4	85	3	99
Seychelles	...	...	...	...	...	...	...	...	...	...	4.4	48	4	55	3.6	63	4.5	57	4.8	55	4.8	54
Sierra Leone	...	...	...	...	...	...	...	...	2.2	113	2.3	114	2.4	126	2.2	142	2.1	150	1.9	158	2.2	146
Somalia	...	...	...	...	...	...	...	...	...	...	...	...	2.1	144	...	...	1.4	179	1	180	1.1	180
South Africa	5	34	5	34	4.8	38	4.8	36	4.4	48	4.6	44	4.5	46	4.6	51	5.1	43	4.9	54	4.7	55
Sudan	...	...	...	...	...	...	...	...	2.3	106	2.2	122	2.1	144	2	156	1.8	172	1.6	173	1.5	176
Swaziland	...	...	...	...	...	...	...	...	...	...	...	...	2.7	103	2.5	121	3.3	84	3.6	72	3.6	79
Tanzania	1.9	93	2.5	76	2.2	82	2.7	71	2.5	92	2.8	90	2.9	88	2.9	93	3.2	94	3	102	2.6	126
Togo	...	...	...	...	...	...	...	...	...	...	...	...	...	...	2.4	130	2.3	143	2.7	121	2.8	111
Tunisia	5	34	5.2	32	5.3	31	4.8	36	4.9	39	5	39	4.9	43	4.6	51	4.2	61	4.4	62	4.2	65
Uganda	2.2	87	2.3	80	1.9	88	2.1	93	2.2	113	2.6	102	2.5	117	2.7	105	2.8	111	2.6	126	2.5	130
Zambia	3.5	56	3.4	57	2.6	75	2.6	77	2.5	92	2.6	102	2.6	107	2.6	111	2.6	123	2.8	115	3	99
Zimbabwe	4.1	45	3	65	2.9	65	2.7	71	2.3	106	2.3	114	2.6	107	2.4	130	2.1	150	1.8	166	2.2	146

Note: * Index (CPI) Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).

Source: Transparency International 2010.

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Table 22: Civil tensions

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Algeria	0.6	1.8	0.4	0.9	0.3	0.0	1.5	1.1	1.9	0.9	0.5	0.2	0.3	0.3
Angola	-	-	-	-	-	-	-	-	0.6	0.4	0.9	1.0	1.1	0.4
Benin	-	-	-	-	-	-	-	-	0.3	0.1	0.3	0.2	0.0	0.1
Botswana	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Burkina Faso	0.2	0.2	0.0	0.0	0.5	0.0	0.3	0.0	0.5	0.0	0.0	0.1	0.2	0.3
Burundi	-	-	-	-	-	-	-	-	-	-	-	-	0.2	2.6
Cameroon	0.3	1.0	0.4	0.0	0.0	0.4	0.0	0.4	1.2	0.5	0.1	0.1	0.1	0.6
Cape Verde	-	-	-	-	-	-	-	-	-	-	-	0.0	0.4	0.0
Central Afr. Rep.	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.8
Chad	2.1	2.0	0.0	0.9	0.2	0.5	1.3	0.0	0.1	0.2	0.2	0.0	0.7	0.4
Comoros	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2
Congo	-	-	-	-	-	-	-	-	0.2	0.5	0.0	0.8	0.0	0.5
Congo Dem. Rep.	-	-	-	-	-	-	-	-	0.2	0.6	0.6	0.3	0.5	0.3
Côte d'Ivoire	0.7	1.0	0.5	0.3	1.1	0.5	0.9	3.4	0.8	1.8	0.6	2.4	1.3	1.2
Djibouti	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Egypt	0.0	0.0	0.0	0.7	0.9	0.1	0.1	0.8	1.2	0.3	1.0	0.0	0.6	0.6
Equatorial Guinea	0.0	1.3	0.0	0.4	0.3	0.2	0.9	0.7	0.2	0.0	0.8	0.0	0.3	0.5
Ethiopia	0.0	0.0	0.4	0.0	0.0	0.8	0.0	0.0	0.2	0.9	0.9	1.2	0.5	0.2
Gabon	0.0	0.2	0.3	0.0	0.0	0.0	0.5	0.2	0.4	0.4	0.4	0.6	0.1	0.0
Gambia	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.0
Ghana	0.4	0.0	0.0	0.0	0.5	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.2
Guinea	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.6
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-	-	-	0.7
Kenya	0.4	0.4	0.3	0.0	0.0	0.5	0.0	1.1	0.3	0.0	0.1	0.6	3.9	0.4
Lesotho	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Liberia	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.5
Libya	-	-	-	-	-	-	-	-	-	-	-	0.8	0.7	0.5

Table 22: **Civil tensions** (cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Madagascar	-	-	-	-	-	-	-	-	1.4	0.1	0.2	0.2	0.0	0.4
Malawi	-	-	-	-	-	-	-	-	-	0.0	0.7	0.2	0.2	0.1
Mali	0.7	0.4	0.4	0.8	0.7	0.0	0.6	0.0	0.1	0.0	0.0	0.4	0.9	1.3
Mauritania	-	-	-	-	-	-	-	-	-	-	-	-	0.7	3.2
Mauritius	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Morocco	0.4	0.3	0.3	0.0	0.8	0.0	0.5	0.5	1.5	0.6	0.9	0.4	0.5	1.0
Mozambique	0.0	0.0	0.0	0.0	0.4	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Namibia	0.0	0.2	0.0	0.0	0.0	0.5	0.0	0.2	0.0	0.1	0.0	0.0	0.2	0.0
Niger	-	-	-	-	-	-	-	-	0.0	0.6	0.7	0.0	0.4	1.2
Nigeria	0.5	0.9	3.2	1.7	0.1	0.0	0.5	0.3	0.6	0.1	0.1	0.2	0.8	0.9
Rwanda	-	-	-	-	-	-	-	-	0.3	0.7	0.0	0.5	0.4	0.3
São Tomé & Príncipe	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
Senegal	0.2	0.4	0.0	1.2	0.5	0.8	0.0	0.0	0.6	0.6	0.3	0.4	0.4	0.6
Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Sierra Leone	-	-	-	-	-	-	-	-	-	-	-	-	0.4	0.3
South Africa	0.6	1.1	0.4	1.0	0.4	1.1	0.4	0.2	0.3	0.4	0.1	0.3	0.9	0.4
Sudan	-	-	-	-	-	-	-	-	-	-	-	-	1.0	1.0
Swaziland	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Tanzania	0.1	0.0	0.0	0.8	0.0	0.8	0.4	0.0	0.2	0.0	0.0	0.0	0.2	0.2
Togo	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.4
Tunisia	0.7	0.3	0.0	0.0	0.3	0.9	1.5	0.4	0.0	0.5	0.2	0.0	0.7	0.3
Uganda	0.0	0.2	0.2	0.3	0.3	0.0	0.2	0.5	0.3	0.3	1.1	0.8	0.9	0.0
Zambia	0.7	0.0	0.8	0.3	0.0	0.6	0.6	0.8	0.2	0.1	0.2	0.4	0.3	0.3
Zimbabwe	0.0	0.0	0.0	0.1	0.6	0.3	0.7	1.2	0.2	0.0	0.4	0.2	1.6	1.1

Note: Aggregation methodology changed for all the series with respect to AEO 2007/08. For more details, see note on methodology.

Sources: Authors' calculations based on Marchés Tropicaux et Méditerranéens, between 1996 and 2007, and Agence France Presse for 2008 and 2009. The change in the source might affect the comparability of 2008 indicator to its historical values.

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Table 23: **Softening of the Political Regime**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Algeria	0.6	1.8	0.4	0.9	0.3	0.0	1.5	1.1	1.9	0.9	0.5	0.2	0.3	0.3
Angola	-	-	-	-	-	-	-	-	0.6	0.4	0.9	1.0	1.1	0.4
Benin	-	-	-	-	-	-	-	-	0.3	0.1	0.3	0.2	0.0	0.1
Botswana	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Burkina Faso	0.2	0.2	0.0	0.0	0.5	0.0	0.3	0.0	0.5	0.0	0.0	0.1	0.2	0.3
Burundi	-	-	-	-	-	-	-	-	-	-	-	-	0.2	2.6
Cameroon	0.3	1.0	0.4	0.0	0.0	0.4	0.0	0.4	1.2	0.5	0.1	0.1	0.1	0.6
Cape Verde	-	-	-	-	-	-	-	-	-	-	-	0.0	0.4	0.0
Central Afr. Rep.	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.8
Chad	2.1	2.0	0.0	0.9	0.2	0.5	1.3	0.0	0.1	0.2	0.2	0.0	0.7	0.4
Comoros	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2
Congo	-	-	-	-	-	-	-	-	0.2	0.5	0.0	0.8	0.0	0.5
Congo Dem. Rep.	-	-	-	-	-	-	-	-	0.2	0.6	0.6	0.3	0.5	0.3
Côte d'Ivoire	0.7	1.0	0.5	0.3	1.1	0.5	0.9	3.4	0.8	1.8	0.6	2.4	1.3	1.2
Djibouti	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Egypt	0.0	0.0	0.0	0.7	0.9	0.1	0.1	0.8	1.2	0.3	1.0	0.0	0.6	0.6
Equatorial Guinea	0.0	1.3	0.0	0.4	0.3	0.2	0.9	0.7	0.2	0.0	0.8	0.0	0.3	0.5
Ethiopia	0.0	0.0	0.4	0.0	0.0	0.8	0.0	0.0	0.2	0.9	0.9	1.2	0.5	0.2
Gabon	0.0	0.2	0.3	0.0	0.0	0.0	0.5	0.2	0.4	0.4	0.4	0.6	0.1	0.0
Gambia	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.0
Ghana	0.4	0.0	0.0	0.0	0.5	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.2
Guinea	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.6
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-	-	-	0.7
Kenya	0.4	0.4	0.3	0.0	0.0	0.5	0.0	1.1	0.3	0.0	0.1	0.6	3.9	0.4
Lesotho	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Liberia	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.5
Libya	-	-	-	-	-	-	-	-	-	-	-	0.8	0.7	0.5

Table 23: **Softening of the Political Regime** (cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Madagascar	-	-	-	-	-	-	-	-	1.4	0.1	0.2	0.2	0.0	0.4
Malawi	-	-	-	-	-	-	-	-	-	0.0	0.7	0.2	0.2	0.1
Mali	0.7	0.4	0.4	0.8	0.7	0.0	0.6	0.0	0.1	0.0	0.0	0.4	0.9	1.3
Mauritania	-	-	-	-	-	-	-	-	-	-	-	-	0.7	3.2
Mauritius	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Morocco	0.4	0.3	0.3	0.0	0.8	0.0	0.5	0.5	1.5	0.6	0.9	0.4	0.5	1.0
Mozambique	0.0	0.0	0.0	0.0	0.4	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Namibia	0.0	0.2	0.0	0.0	0.0	0.5	0.0	0.2	0.0	0.1	0.0	0.0	0.2	0.0
Niger	-	-	-	-	-	-	-	-	0.0	0.6	0.7	0.0	0.4	1.2
Nigeria	0.5	0.9	3.2	1.7	0.1	0.0	0.5	0.3	0.6	0.1	0.1	0.2	0.8	0.9
Rwanda	-	-	-	-	-	-	-	-	0.3	0.7	0.0	0.5	0.4	0.3
São Tomé & Príncipe	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1
Senegal	0.2	0.4	0.0	1.2	0.5	0.8	0.0	0.0	0.6	0.6	0.3	0.4	0.4	0.6
Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Sierra Leone	-	-	-	-	-	-	-	-	-	-	-	-	0.4	0.3
South Africa	0.6	1.1	0.4	1.0	0.4	1.1	0.4	0.2	0.3	0.4	0.1	0.3	0.9	0.4
Sudan	-	-	-	-	-	-	-	-	-	-	-	-	1.0	1.0
Swaziland	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Tanzania	0.1	0.0	0.0	0.8	0.0	0.8	0.4	0.0	0.2	0.0	0.0	0.0	0.2	0.2
Togo	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.4
Tunisia	0.7	0.3	0.0	0.0	0.3	0.9	1.5	0.4	0.0	0.5	0.2	0.0	0.7	0.3
Uganda	0.0	0.2	0.2	0.3	0.3	0.0	0.2	0.5	0.3	0.3	1.1	0.8	0.9	0.0
Zambia	0.7	0.0	0.8	0.3	0.0	0.6	0.6	0.8	0.2	0.1	0.2	0.4	0.3	0.3
Zimbabwe	0.0	0.0	0.0	0.1	0.6	0.3	0.7	1.2	0.2	0.0	0.4	0.2	1.6	1.1

Note: Aggregation methodology changed for all the series with respect to AEO 2007/08. For more details, see note on methodology.

Sources: Authors' calculations based on Marchés Tropicaux et Méditerranéens, between 1996 and 2007, and Agence France Presse for 2008 and 2009. The change in the source might affect the comparability of 2008 indicator to its historical values.

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Table 24: **State Pressures over Civil Liberties**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Algeria	3.1	1.7	0.6	0.8	0.1	2.1	4.3	1.4	2.8	0.0	0.6	0.3	2.0	2.2
Angola	-	-	-	-	-	-	-	-	1.5	0.1	0.4	0.6	1.0	0.5
Benin	-	-	-	-	-	-	-	-	0.2	0.1	0.5	0.0	0.6	0.1
Botswana	0.1	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.3	0.1	0.0	0.5	0.0	0.0
Burkina Faso	0.3	0.6	0.2	1.4	0.5	0.3	0.9	0.8	0.9	0.2	0.1	0.2	1.0	0.4
Burundi	-	-	-	-	-	-	-	-	-	-	-	-	1.5	0.7
Cameroon	2.3	1.9	0.6	0.5	0.3	0.7	0.3	0.7	0.8	0.0	0.5	0.7	2.0	1.5
Cape Verde	-	-	-	-	-	-	-	-	-	-	-	0.0	0.2	0.0
Central Afr. Rep.	-	-	-	-	-	-	-	-	-	-	-	-	0.6	0.7
Chad	0.9	0.3	0.4	0.0	0.3	0.8	0.5	2.1	0.3	1.5	3.1	2.1	7.2	1.1
Comoros	-	-	-	-	-	-	-	-	-	-	-	-	-	0.5
Congo	-	-	-	-	-	-	-	-	0.4	0.3	0.2	0.8	0.3	1.1
Congo Dem. Rep.	-	-	-	-	-	-	-	-	1.5	2.1	3.8	2.7	4.0	2.7
Côte d'Ivoire	0.6	0.8	0.2	2.2	1.5	0.4	1.0	1.6	2.7	1.9	2.5	0.2	1.9	0.7
Djibouti	-	-	-	-	-	-	-	-	-	-	-	-	0.8	0.0
Egypt	2.3	1.8	1.7	0.6	2.4	0.9	3.6	1.5	1.3	2.5	1.8	6.6	2.9	2.7
Equatorial Guinea	0.0	0.4	0.9	0.0	0.0	0.3	1.8	0.2	1.9	0.0	0.4	0.3	0.6	1.0
Ethiopia	1.4	1.2	0.8	0.0	0.2	1.1	2.6	0.4	0.4	3.9	1.3	0.7	1.6	1.6
Gabon	0.3	1.3	0.2	0.7	0.1	0.0	0.1	0.4	0.6	2.5	0.8	0.2	0.3	1.7
Gambia	-	-	-	-	-	-	-	-	-	-	-	-	1.1	1.6
Ghana	0.7	0.2	0.8	0.7	0.0	0.3	0.4	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Guinea	-	-	-	-	-	-	-	-	-	-	-	-	2.5	2.9
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-	-	-	2.5
Kenya	0.4	1.3	1.1	0.0	0.0	0.2	0.4	0.6	0.7	0.5	0.8	8.9	5.7	0.5
Lesotho	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Liberia	-	-	-	-	-	-	-	-	-	-	-	0.1	0.6	0.3
Libya	-	-	-	-	-	-	-	-	-	-	-	0.2	0.6	0.5

Table 24: **State Pressures over Civil Liberties** (cont.)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Madagascar	-	-	-	-	-	-	-	-	0.9	0.3	0.5	1.9	0.0	2.3
Malawi	-	-	-	-	-	-	-	-	-	1.1	2.6	1.0	0.3	0.7
Mali	0.1	1.6	0.0	0.1	0.4	0.3	0.1	0.3	0.1	0.0	0.3	1.5	1.9	1.5
Mauritania	-	-	-	-	-	-	-	-	-	-	-	-	4.9	1.1
Mauritius	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.7	0.1	0.2	0.0	0.0	0.0	0.0
Morocco	1.6	1.2	0.5	0.4	1.1	0.9	0.8	0.9	1.8	0.3	0.3	1.1	1.1	1.0
Mozambique	0.1	0.3	0.7	0.3	1.2	0.4	0.0	0.1	0.5	0.0	0.0	0.0	0.5	0.6
Namibia	0.0	0.1	0.0	0.4	0.5	0.1	0.1	0.2	0.1	0.0	0.1	0.0	0.0	0.2
Niger	-	-	-	-	-	-	-	-	0.5	0.6	0.5	2.1	1.4	4.1
Nigeria	38.3	0.8	1.2	1.3	1.4	0.9	0.8	0.6	1.5	0.8	0.9	2.2	2.0	2.7
Rwanda	-	-	-	-	-	-	-	-	1.3	0.0	0.0	0.0	0.2	0.3
São Tomé & Príncipe	-	-	-	-	-	-	-	-	-	-	-	-	-	0.6
Senegal	0.5	1.0	0.9	0.1	0.0	0.5	0.3	0.4	0.3	0.8	0.9	0.8	1.0	1.3
Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.5
Sierra Leone	-	-	-	-	-	-	-	-	-	-	-	-	0.2	1.2
South Africa	5.9	2.0	1.4	1.4	0.6	0.4	0.6	0.2	0.9	1.4	0.4	1.3	1.9	1.2
Sudan	-	-	-	-	-	-	-	-	-	-	-	-	1.6	2.5
Swaziland	-	-	-	-	-	-	-	-	-	-	-	-	1.2	0.3
Tanzania	0.4	0.1	0.2	0.0	0.1	0.1	0.0	0.2	0.0	0.5	0.0	0.0	0.0	0.4
Togo	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.8
Tunisia	0.7	0.5	0.5	0.7	0.4	0.5	0.9	0.5	2.0	0.8	0.2	0.2	2.3	0.6
Uganda	1.0	0.0	0.2	0.3	0.0	1.8	0.4	0.5	2.0	0.9	2.1	3.1	1.2	2.9
Zambia	0.9	2.4	1.2	0.9	0.4	0.9	1.3	0.5	0.5	0.4	0.4	0.2	0.3	0.6
Zimbabwe	1.2	1.2	1.4	1.6	1.5	1.9	2.6	1.3	3.1	3.0	3.2	6.2	9.9	1.0

Note: Aggregation methodology changed for all the series with respect to AEO 2007/08. For more details, see note on methodology.

Sources: Authors' calculations based on Marchés Tropicaux et Méditerranéens, between 1996 and 2007, and Agence France Presse for 2008 and 2009. The change in the source might affect the comparability of 2008 indicator to its historical values.

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