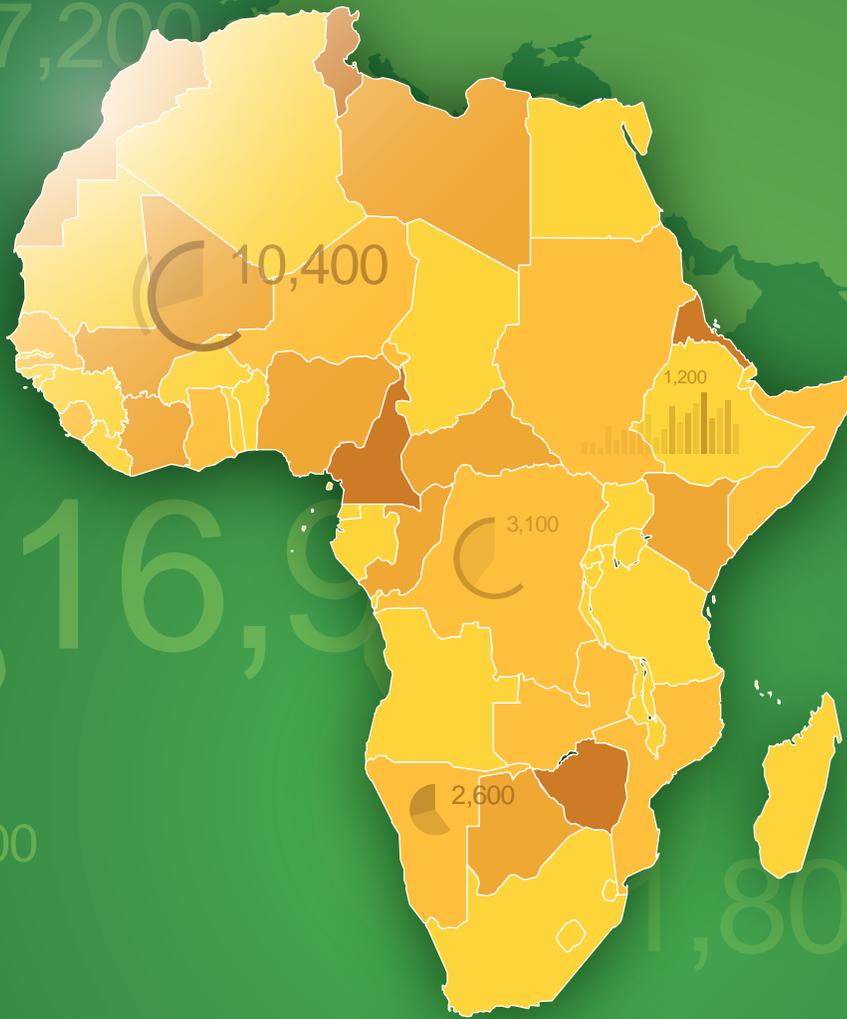


African Development Bank Group



# TRACKING AFRICA'S PROGRESS IN FIGURES

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# Foreword

Africa is a continent of significant scale and diversity, covering 54 countries with their own geographical, economic, and cultural characteristics. Over the last few decades, Africa has embarked on a process of transformation and growth. The African Development Bank's *Tracking Africa's Progress in Figures* report aims to identify the 'megatrends' which, together with other drivers of change, will shape Africa's future.

With Africa's population expanding rapidly, from around 1 billion today to an estimated 2.5 billion by 2060, we will have a young and increasingly urbanized workforce, which presents an opportunity to reap a 'demographic dividend.' Seizing that opportunity will depend on access to education and skills, the quality and scale of public investment in infrastructure, and the associated private investment in business and jobs.

Growing populations and urbanization, linked to increasing integration within the world economy, present new challenges, not least for agriculture, which is also facing the risks associated with climate change. Africa's natural resources endowment will continue to offer an opportunity for economic growth, if well managed, primarily by financing investment in infrastructure and human capital.

The long-term strategic thinking of the African Development Bank is informed by these megatrends. As the preeminent development institution for Africa, the Bank plays a vital role in supporting regional member countries. It achieves this through executing well-designed projects and programs to deliver broad social and economic benefits and sound value for money.

The Bank's long-term strategic priorities include: fostering private-sector led investment, growth and job creation; supporting the development of capable states and institutions for inclusive growth; and developing the skills and human capital that a youthful labor force will need to grasp the opportunities of economic growth.

Our strategy will support the transformation of Africa into a stable, competitive, integrated, and greener continent, built on a foundation of inclusive and sustainable growth.

**Professor Mthuli Ncube**  
**Chief Economist & Vice President**  
**African Development Bank Group**



# Overview

African economies have sustained unprecedented rates of growth, driven mainly by strong domestic demand, improved macroeconomic management, a growing middle class, and increased political stability. As the continent continues to evolve, the African Development Bank's *Tracking Africa's Progress in Figures* publication looks at the key megatrends of the last few decades that will shape Africa's future.

## HUMAN DEVELOPMENT

Over the last 20 years the continent's population has grown rapidly and in 2011 exceeded the 1 billion mark. Of all global regions, Africa will lead population growth over the next 50 years. Linked to this megatrend of rapid population growth is that of urbanization. The people of Africa will increasingly be city dwellers. Since 1960, the urban share of Africa's population has doubled from 19 to 39 percent, equivalent to an increase of more than 416 million people in 2011. This means that Africa will have some of the largest mega-cities in the world.

With a large population, Africa can harness and build on the expanded workforce to spur economic growth. However, this is conditional on Africa improving access to and equity within health systems, articulating right education policies, and creating employment opportunities.

## ECONOMIC PERFORMANCE, INCLUSIVENESS, AND STRUCTURAL TRANSFORMATION

Africa is on the rise. On aggregate, the region's GDP growth is expected to average more than 5 percent over 2013–2015. Average inflation in Africa stood at 8.9 percent in 2012 and has since edged down to 6.7 percent in 2013, having been largely contained in most African countries. Macroeconomic stability, trade and exchange rate liberalization, and new policies and incentives supportive of the private sector have helped drive private sector development.

Supported by the strong economic growth, the proportion of people living in poverty has fallen from over 50 percent in 1981 to less than 45 percent in 2012.

This is coupled with the continent's emerging middle class, grown to some 350 million people and projected to reach 1.1 billion by 2060. Africa's growth, however, has not been even across all countries. Six of the ten most unequal countries in the world are in Africa, and there is not yet any evidence of progress in reducing income inequality. With the endowment of a young growing workforce on the one hand and natural resources on the other, Africa has an important opportunity for inclusive growth. The challenge is to seize it through well-executed investment in infrastructure, increased access to education and relevant training, the development of capable institutions, and support for private investment and job creation.

Structural economic change is indispensable to achieve the desired progress of Africa and to bring prosperity to the continent's populations. In order to alleviate poverty and reduce income inequalities, Africa will need to embrace structural transformation while maintaining robust economic growth. Fostering diversification through transition to high-productive sectors will be a catalyst for industrial upgrading and technological innovation which in turn will increase job creation. The path toward obtaining the status of middle-income and high-income countries will necessitate diversifying African economies away from dominant sectors such as agriculture and commodities.

## GOVERNANCE, FRAGILITY, AND SECURITY

Africa's rapid economic growth is transforming the lives and livelihoods of Africans at an unprecedented pace. Such growth is underpinned by improvements in governance: over the period of 2000-2012, around 89 percent of African countries have improved their

capacity to deliver economic opportunity and human development; 67 percent of countries made progress in fostering political participation, gender equality, and human rights; and 40 percent of countries strengthened their safety and rule of law. Tackling corruption remains an essential part of Africa's development agenda.

Africa is growing, creating both opportunities and risks. Change is intrinsic to the development process; if managed effectively, they can help unlock Africa's development potential. Yet change can also be disruptive: urbanization and slum development, the youth bulge, inequality and social exclusion, climate pressures, environmental damage, new resource rents and resource scarcity, and weak governance all have the potential to place African societies under considerable strain. Fragility comes about where these pressures become too great for countries to manage within the political and institutional process, creating a risk that conflict spills over into violence. Despite tough challenges posed by fragility, progress is possible. While various fragile states have lost ground in terms of economic growth during earlier periods of conflict—such as the case of Liberia where GDP dropped by as much as 90 percent in 20 years—many of them, with peace and stability, are now on the path of growth and recovery.

More effective and better coordinated efforts, tailored to each individual situation, must be made to assist countries affected by fragility and conflict, and countries in transition in managing political, security, economic, and environmental stresses that make them and their citizens vulnerable.

## REGIONAL INTEGRATION, TRADE, AND INVESTMENT

In recent years, Africa has emerged as a frontier market, having increasingly attracted the attention of investors. In 2012, Africa's foreign direct investment (FDI) inflow grew to USD 50 billion while exports amounted to USD 641 billion. At the same time, intra-African trade remains low. Integration remains essential for Africa to realize its full growth potential, to participate in the global economy, and to share the benefits of an increasingly

connected global marketplace. With plans to establish regional- and continental-wide free trade areas well underway, political commitment will be required to translate the trade agendas into sound policy and regulatory reforms to maximize the benefits.

## INFRASTRUCTURE DEVELOPMENT

As Africa continues to urbanize, the importance of public investment in infrastructure becomes increasingly evident. Basic amenities such as housing, drinking water, and sanitation facilities are needed to provide Africa's growing population with a better standard of living. Investments in energy and transport will also help increase access to affordable and reliable electricity, improve transport connectivity, and reduce transport cost and time.

At the same time, Africa's rising consumer class has resulted in a surge in mobile-cellular subscriptions and internet usage. As it stands, broadband coverage is at 16 percent and will likely reach 99 percent by 2060.

## AGRICULTURE, FOOD SECURITY, AND A GREENER ENVIRONMENT

Agricultural production has increased, but mainly by bringing more land under cultivation rather than by improvements in yields. Feeding the expanding urban population will present a challenge that will entail adoption of the latest technologies and high-yielding crop varieties as a way of raising productivity.

Strengthening agriculture and food security through an integrated value chain approach can improve the livelihoods of Africans who live in rural areas. Many are reliant on subsistence farming, and a sizable proportion is chronically vulnerable to climatic uncertainty. Africa lives off its land, and more than 227 million Africans work on the land, which too often fails to provide for their needs. By continuing to invest in rural infrastructure (such as rural roads, irrigation, electricity, storage facilities, access to markets, conservation systems, and supply networks), countries can increase their agricultural productivity and competitiveness.

1

Human  
Development



Human capital promises to be the key driver of African growth. With booming population and increased urbanization, the importance in education, healthcare, and housing becomes increasingly evident.

## 1.1 POPULATION

Over the last twenty years, Africa's population has increased by 2.5 percent per year and in 2011 the number of people living in the young continent exceeded the 1 billion mark. This is expected to rise to at least 2.4 billion by 2050, with some of the countries doubling or even tripling their numbers, making Africa the region with the largest population growth.

Sustained population growth has been driven by mortality rates falling faster than fertility rates, in large part due to improvements in access to clean water and a decline in the spread of preventable and communicable diseases. Not only will fertility rates continue to fall, so too will child mortality. How far the population increases will depend on how fast fertility falls.

Rapid population growth calls for governments, development agencies, and the private sector to collaborate on strategic

investments to power Africa's future. Africa has a young and growing workforce—from about 617 million today to 1.6 billion in 2060, providing an opportunity to reap a 'demographic dividend', if people can work productively. Seizing that opportunity depends on access to education and skills, the quality and scale of public investment in infrastructure, and the associated private investment in business and jobs.

Africa, a continent whose physical size is larger than China, India, United States, Japan, and most of Europe and United Kingdom combined and has what is soon-to-be the world's largest workforce, has an opportunity to transform into a global economic powerhouse.

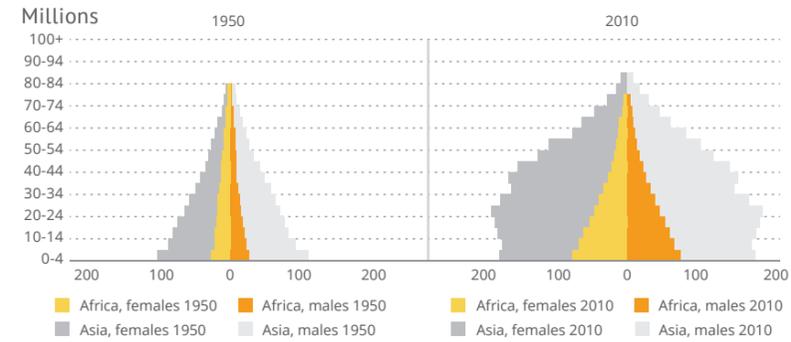
Africa—a continent larger than China, India, United States, Japan, and most of Europe combined—is becoming the next **frontier market**.

With rapidly growing population, increased urbanization, and what is soon-to-be the world's largest workforce, Africa has an opportunity to transform into a **global economic powerhouse**.



Source: African Development Bank

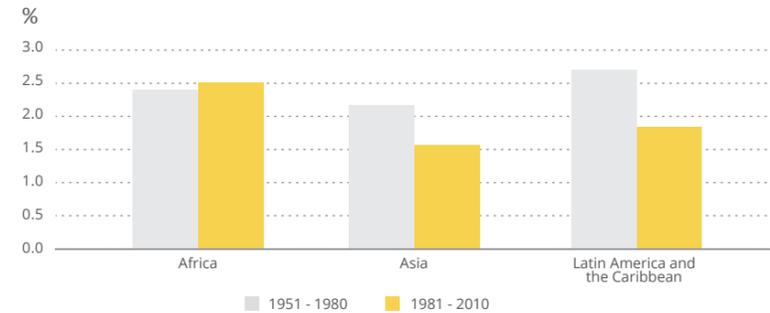
### Population by age group: Africa and Asia, 1950 vs 2010



Africa's population is young and growing rapidly.

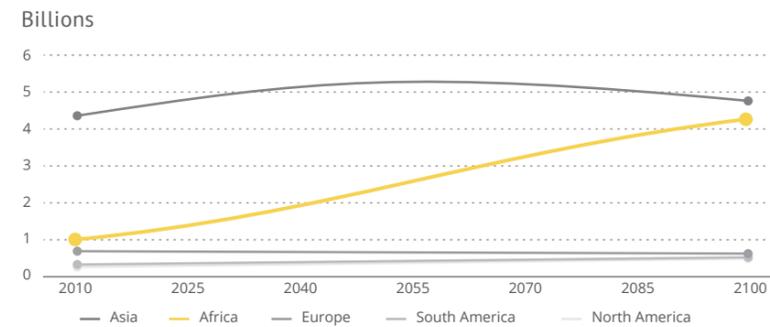
Just over 1 billion people live in Africa— $\frac{1}{2}$  of whom are under the age of 20.

### Population growth: Africa, Asia, and Latin America & the Caribbean, 1951-2010



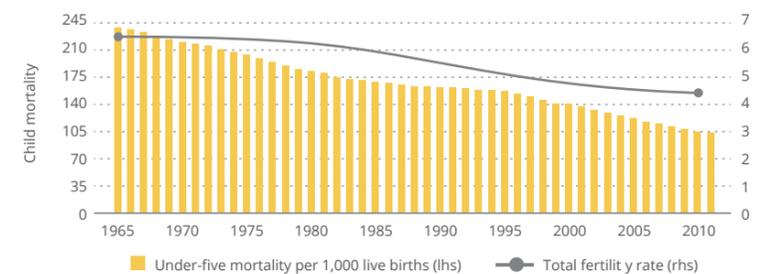
Whilst population growth in other regions has slowed, Africa's has increased by **2.42%** per year for the past 30 years.

### Population, world regions, 2010-2100



By 2050, the African population is forecast to rise to at least 2.4 billion and will continue to grow to 4.2 billion—**four times** its current size—in the next 100 years.

### Mortality and fertility rates, Africa, 1965-2010



Source: African Development Bank and United Nations Department of Economic and Social Affairs

Sustained population growth results from mortality rates **falling** by more than fertility rates.

## 1.2 PEOPLE IN CITIES

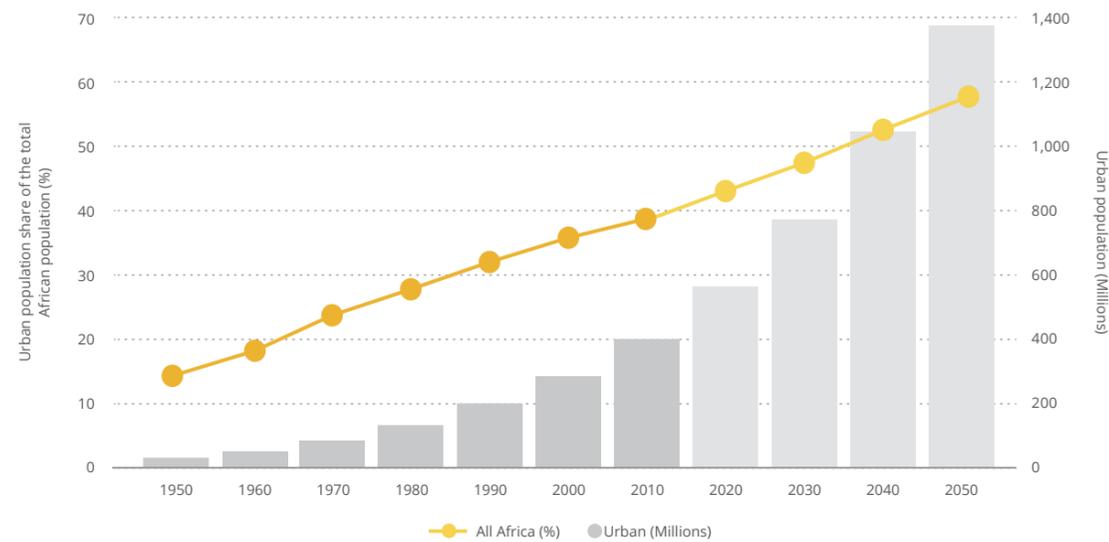
The shift toward cities has been a pan-African phenomenon. From 1960 to 2011, the urban share of Africa's population rose from 19 percent to 39 percent—equivalent to just above 416 million people in 2011. By 2040 half of Africa's population will live in a city. Several African cities, such as Dar es Salaam and Kinshasa, are now and will continue to be among the fastest-growing in the world.

African cities have been turning into centers of political and cultural life. Agglomerations of people make 'getting connected', the transfer of know-how, and learning easier, and they support clusters of firms doing similar things. With competition and spill-over effects, such clusters spur improvements in productivity, competence, and growth. The expanding share of industry and services in total gross domestic product (GDP) in Africa illustrates the

importance of urban agglomerations. The jobs that cities help create will also ensure greater financial returns from education and training.

While urban concentrations of population can prove to be the foundation of rapid economic growth, urban areas can also provide serious challenges to government, especially in the supply of food, jobs, housing, sanitation, transport facilities, education, health care, and services, including controlling pollution and crime. Migration also means that more diversity among urban populations will need to be well-managed. Proper strategies will ensure that benefits of urbanization are maximized while negative effects are minimized. This means good governance and urban investment. Progress in meeting these challenges would be shown by a fall in the proportion of slum-dwellers, who currently account for half of urban inhabitants.

### Urban population trend, Africa, 1950-2050



Source: African Development Bank

Urban share of Africa's population has **doubled** from 19% to 39% over the last 50 years, which means more than 360 million new city dwellers.

By 2030 urban populations will increase by an additional **350 million** people.

Percentage of people living in cities is higher than in India and will reach **58%** by 2030.

### Growth of African cities

City	Country	Population (Thousands)					% change 2010–2025
		2005	2010	2015	2020	2025	
Dar es Salaam	Tanzania	2,680	3,349	4,153	5,103	6,202	85.2
Nairobi	Kenya	2,814	3,523	4,303	5,192	6,246	77.3
Kinshasa	DRC	7,106	8,754	10,668	12,788	15,041	71.8
Luanda	Angola	3,533	4,772	6,013	7,080	8,077	69.3
Addis Ababa	Ethiopia	2,633	2,930	3,365	3,981	4,757	62.4
Abidjan	Côte d'Ivoire	3,564	4,125	4,788	5,500	6,321	53.2
Dakar	Senegal	2,434	2,863	3,308	3,796	4,338	51.5
Lagos	Nigeria	8,767	10,578	12,427	14,162	15,810	49.5
Ibadan	Nigeria	2,509	2,837	3,276	3,760	4,237	49.3
Accra	Ghana	1,985	2,342	2,722	3,110	3,497	49.3
Kano	Nigeria	2,993	3,395	3,922	4,495	5,060	49
Douala	Cameroon	1,767	2,125	2,478	2,815	3,131	47.3
Alexandria	Egypt	3,973	4,387	4,791	5,201	5,648	28.7
Algiers	Algeria	2,512	2,800	3,099	3,371	3,595	28.4
Casablanca	Morocco	3,138	3,284	3,537	3,816	4,065	23.8
Cairo	Egypt	10,565	11,001	11,663	12,540	13,531	23
Ekurhuleni	South Africa	2,824	3,202	3,380	3,497	3,614	12.9
Durban	South Africa	2,638	2,879	3,026	3,133	3,241	12.6
Johannesburg	South Africa	3,263	3,670	3,867	3,996	4,127	12.5
Cape Town	South Africa	3,091	3,405	3,579	3,701	3,824	12.3

Source: United Nations Human Settlements Programme (UN-Habitat)

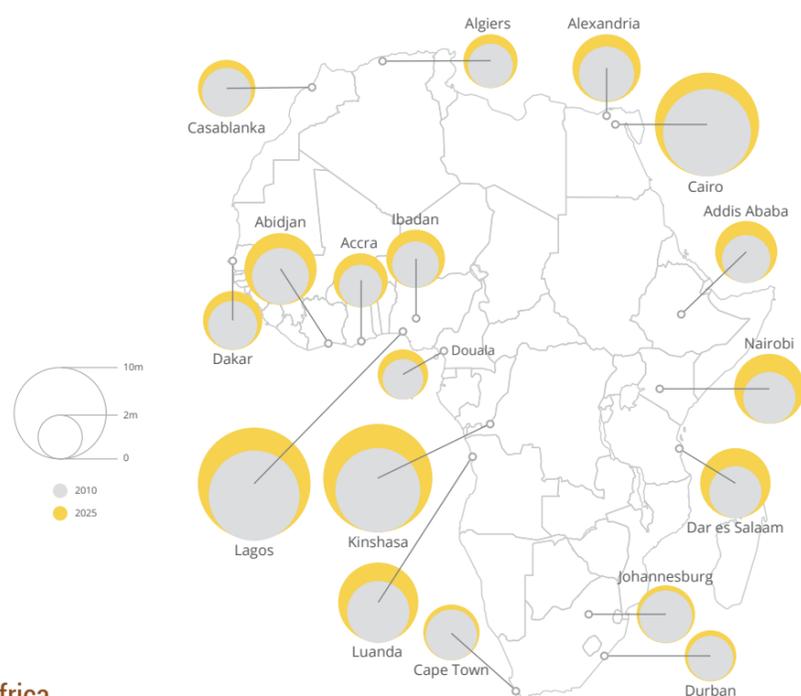
Africa has **52** cities with populations of **one million or higher**—the same number as for Europe.

Several African cities, such as Dar es Salaam and Kinshasa, are now and will continue to be among the **fastest-growing** in the world.

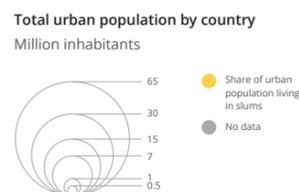
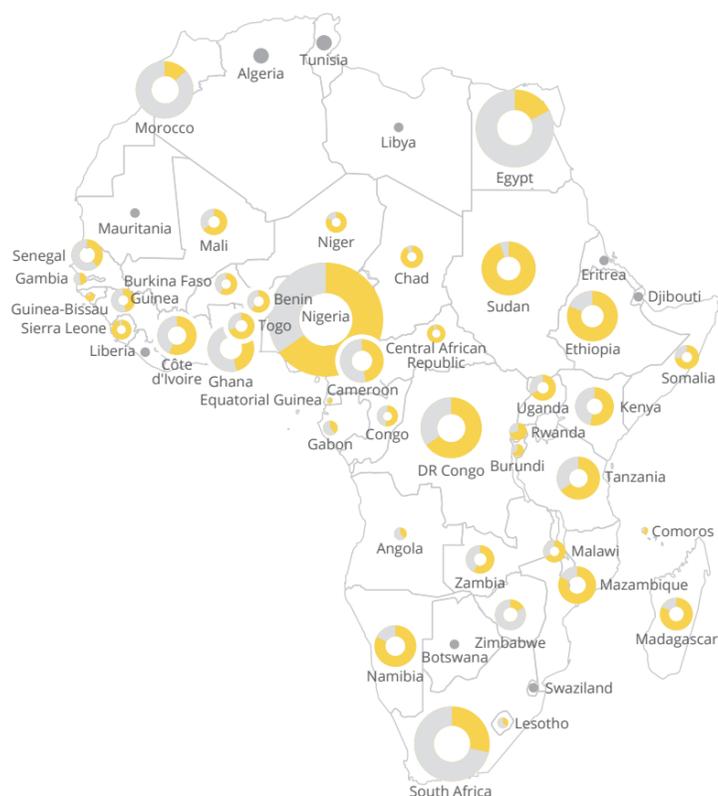
## City population in Africa

Africa is the **fastest urbanizing** continent in the world.

**Good governance and urban investment** will ensure that benefits of urbanization are maximized while negative effects are minimized.



## Slum population in urban Africa



Slum-dwellers currently account for **half** of urban inhabitants.

*“Competition, transfer of know-how, and spill-over effects can make cities a source of rapid economic growth.”*

Source: United Nations Human Settlements Programme (UN-Habitat)

## 1.3 HEALTH

The health landscape has transformed dramatically since the independence of African countries about 50 years ago, and this is expected to continue as the continent progresses over the next half-century. Africa has made considerable headway in improving the health outcomes of its populations, in spite of the challenges posed by pervasive poverty, epidemic diseases, and food insecurity. However, there remains an evident need to establish more robust health systems and to improve the availability and quality of health care services.

### LIFE EXPECTANCY

Life expectancy at birth reflects the overall mortality prevailing across all age groups of a population. Over the last 60 years, life expectancy in the continent has risen from 37 in 1950 to 58 in 2011. The increasing life expectancy in Africa is being partly driven by improved economic opportunities, with significant sub-regional variations: sub-regions and countries with higher GDP per capita tend to report higher life expectancy; the reverse is also true, with poverty associated with lower life expectancy. Though such sub-regional variations are likely to persist—with North and East Africa experiencing the highest expectancy and Central Africa most likely to be making the slowest progress—it is anticipated that life expectancy will steadily improve by 2060, with the continental average reaching 71 years.

### MORTALITY

Infant mortality on the African continent has improved by around 36 percent over the past 20 years, from 102 deaths per 1,000 live births in 1990 to 65 per 1,000 in 2011. Significant progress has been recorded for under-five mortality also, as shown by a decline of over 50 percent over the past 40 years, from 227 deaths per 1,000 live births in 1970 to 103 per 1,000 live births in 2011. Maternal mortality ratio—although still high in comparison to other world regions—decreased from 708 per 100,000 live births in 1990 to 415 per 100,000 live births in 2010, supported by declining fertility rates and greater access to contraceptives.

While Africa has made steady, significant improvements over recent decades, it remains the global region with the lowest average life expectancy and highest mortality ratios. The overall population growth, conflict and civil emergencies, and the effects of HIV/AIDS have all contributed to this increase. However, the average masks massive variations between sub-regions and countries, whereby the impressive performance of certain countries are overshadowed by poor results of others. Madagascar, for example, stands out as a good performer, significantly

reducing its adult mortality rate from its 1990 level, while Liberia, Rwanda, Algeria, and Burkina Faso also performed remarkably well. However, Swaziland and Lesotho registered a twofold increase in their mortality rates between 1990 and 2011.

Over the coming decades, mortality rates will decline in most places as the strong focus on reducing the impact of preventable and communicable diseases continues. Inclusive economic growth and better access to water, sanitation, and health facilities will contribute to a projected two-thirds decline in average child and infant mortality, from 93 per 1,000 live births in 2015 to 32 per 1,000 live births by 2060.

### MAJOR CAUSES OF DEATH

The traditional communicable diseases of HIV/AIDS, malaria, and tuberculosis remain the main drivers of mortality. Projections indicate that the number of people living with HIV/AIDS will be around 70 million by 2050; therefore combating HIV/AIDS will present an extraordinary challenge. Treatments for the major communicable diseases will continue to occupy a significant portion of national health budgets for the foreseeable future. The likelihood of an HIV vaccine coming onto the market in the coming decade is slim, but perhaps one will emerge over the next 50 years. HIV will continue to cause premature deaths in the working-age population, and will erode the social fabric of countries and the integrity of communities. A promising malaria vaccine is more likely to emerge, although ensuring the vaccine's affordability will need to be addressed. Outbreaks of polio and measles should cease to exist.

Concomitantly, chronic conditions such as cardiovascular diseases, diabetes, and cancer—associated with a growing middle-class lifestyle—are also emerging as major killers on the continent. This is creating a double disease burden which African health systems are ill equipped to handle. In fact, it is the chronic, non-communicable conditions that will emerge as Africa's biggest health challenge over the next half century; these are expected to overtake communicable diseases as the most common cause of death. Scaling up interventions for the prevention and control of chronic diseases will be critical.

### ACCESS TO AND THE USE OF HEALTHCARE SERVICES

In Africa, on average there are only 17 hospital beds per 10,000 people, in comparison to the world average of 30. Improved sanitation systems and better access to safe water have lessened the risk of waterborne diseases and so have contributed to the decline in maternal and infant mortality.

A number of countries have increased the provision of maternal health services. On average, about 74 percent of pregnant women in Africa have recorded at least one visit for antenatal care. In Swaziland, Gambia, and Rwanda, 97 percent of pregnant women reported receiving some form of antenatal service. Ghana, Kenya, and Burundi introduced free healthcare services for pregnant women, and Burkina Faso followed suit with an 80 percent subsidy policy for deliveries. Morocco provides free transportation to obstetric facilities in rural areas. Nevertheless, over 18 million African women still do not give birth in a health facility.

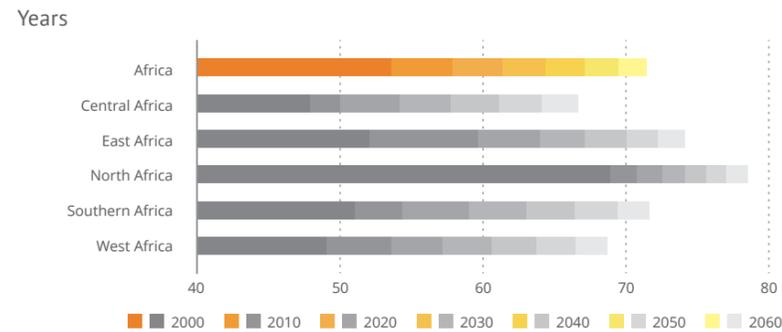
Family planning services have been neglected across the continent. Only 15 percent of women of reproductive age use modern family planning methods, while 25 percent of women report an unmet need for contraception. The relatively poor access to reproductive health services is reflected in the continent's high adolescent fertility rates. This is significant given the causal link between adolescent birth rates and maternal mortality.

High-profile campaigns have been launched in recent years to scale up childhood immunization. This has led to a dramatic increase in the number of children protected against key preventable diseases. Some countries have

introduced free services for children, including: Burundi, Ghana, Lesotho, Niger, Sierra Leone, Sudan, and Uganda. Notwithstanding such positive developments, medical treatment for childhood illnesses remains sub-par across the continent. This is demonstrated by the low treatment rates for acute respiratory infections (ARI) and diarrhoea, which have shown scant improvement over time. There are wide sub-regional variations however, with 79 percent of children with ARI seeing a provider in Uganda, compared to only 27 percent in Ethiopia.

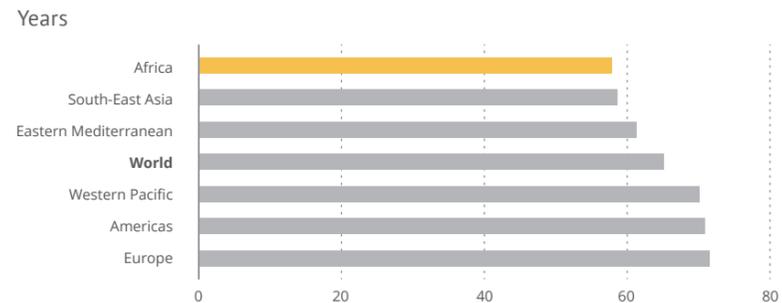
Good health is a precondition for development, and it is becoming clear that achievement of this goal is not reliant on the health sector alone; rather it is mediated by environmental, social, infrastructural, and regulatory systems. The next half-century will witness a more holistic approach to improving health, as systems move toward preventative as well as curative care. Improving access to and equity within health systems will require multisectoral interventions. It will also mean engaging the cooperation and participation of all stakeholders, including national and provincial governments, the private sector, and local communities. The international community and regional development institutions also have a role to play in assisting to build the capacity of national health systems, as well as in mobilizing financial support.

### Life expectancy, Africa



Life expectancy in the continent is expected to rise to **over 70 years** by 2060, though not without sub-regional variations.

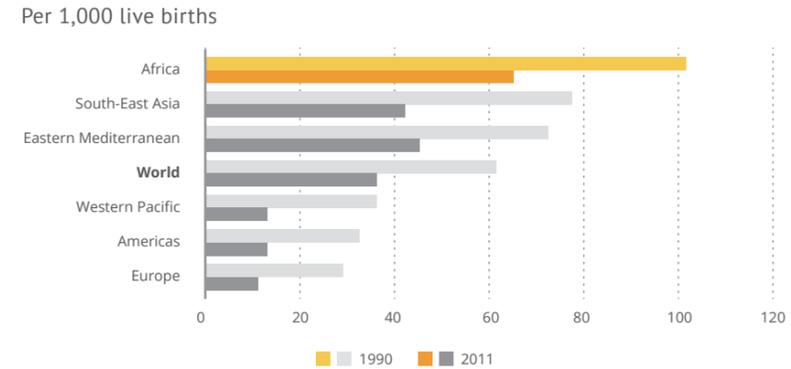
### Life expectancy compared to other world regions



Source: United Nations Department of Economic and Social Affairs

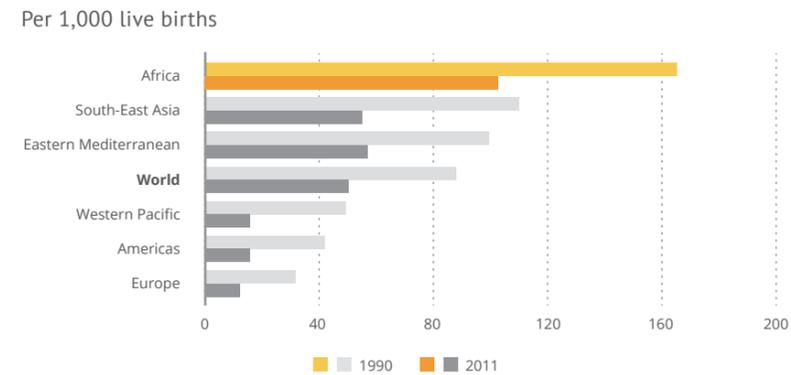
While Africa has made steady **improvements** over recent decades, it remains the global region with the lowest average life expectancy and highest mortality ratios.

### Infant mortality rate, Africa, 1990 vs 2011



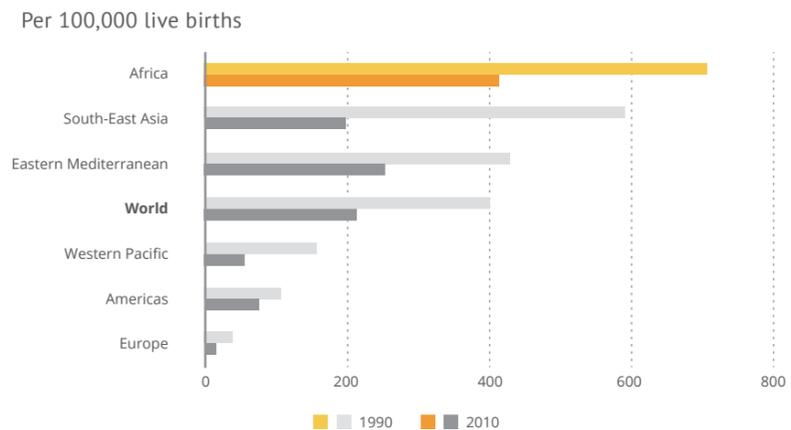
Africa's **reduction** in child mortality over the past decade is one of the biggest and best stories in development.

### Under-five mortality rate, Africa, 1990 vs 2011



Average child and infant mortality will reduce from **93 per 1,000** live births in 2015 to **32 per 1,000** live births by 2060.

### Maternal mortality ratio, Africa, 1990 vs 2010

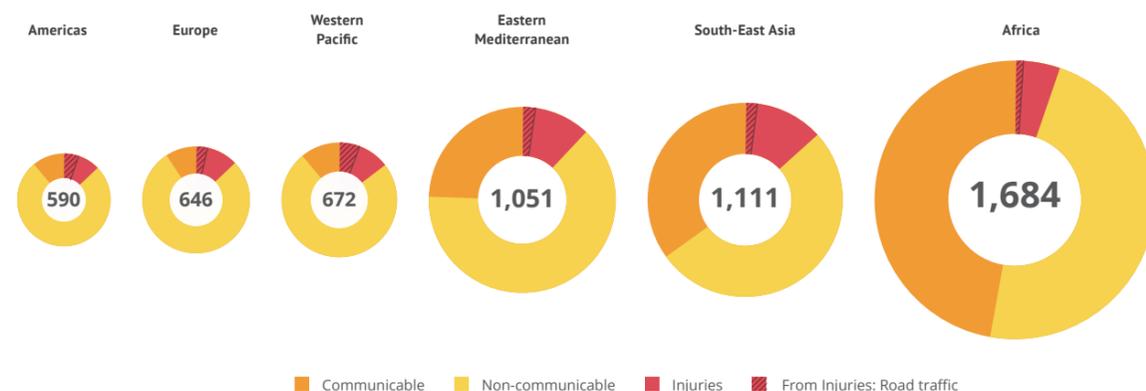


Source: United Nations Department of Economic and Social Affairs

Maternal mortality ratio—although still high in comparison to other world regions—decreased from **708 per 100,000** live births in 1990 to **415 per 100,000** live births in 2010, supported by declining fertility rates and greater access to contraceptives.

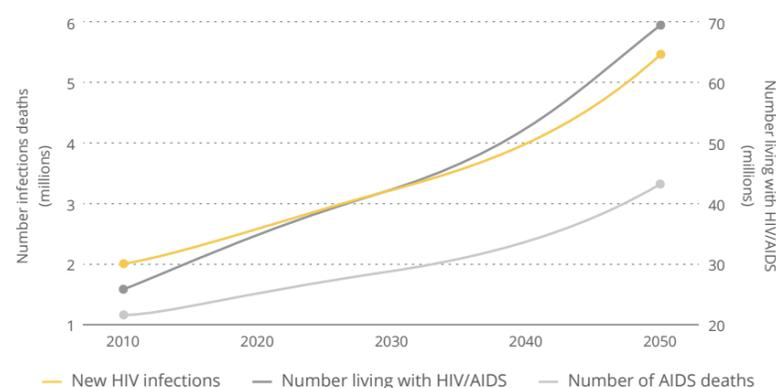
## Mortality ratios and major causes of death, world regions, 2010

Deaths per 100,000 population



## Communicable diseases, Africa, 2010-2030

Millions



Africa will continue to be challenged by high HIV/AIDS burden.

People needing antiretroviral treatment: **7.5 million** today, **~30 million** by 2022.

## Chronic (non-communicable) disease, Africa

People with **Diabetes**: **12.1 million** patients today, **24 million** by 2030.

People with **Cancer**: **681,000** new cases in 2008, **1.6 million** new cases a year by 2030.

Source: World Health Organization

“Sustained improvements in health and education will help economic growth become more inclusive.”

## 1.4 EDUCATION

Good quality education is a solid investment with high rates of return for both economic growth and employment creation. Over the last two decades, Africa has made unprecedented progress in the development of education. Sixty million more children in Sub-Saharan Africa are enrolled in primary school today, with (net) enrollment rates rising from 52 percent in 1990 to 77 percent in 2011. The percentage of girls to boys enrolled in primary schools had, too, increased from 83 percent to 100 percent over the same period of time. Enrollment in secondary education more than doubled from 20.8 million to 46.3 million as well. Nonetheless, enrollment rates for tertiary education in Africa are currently just 6 percent for female students and 10 percent for males.

While the prospects are positive for universal primary education and gender equality, challenges remain for early childhood care and education, youth and adult skills, adult literacy, and the issue of quality. At present, 30 million children are still out of school, 35 percent of the youth

have no access to secondary education or technical skills development, and 82 million adults are illiterate.

To achieve the projected 96 percent rate of adult literacy in 2060, enrollment and completion rates need to rise. Moreover, the education system needs to help youth and adults develop a solid foundation of literacy and computational skills, along with transferable skills, as well as technical and vocational skills, to join a productive workforce. More teachers will also be needed: pupil-teacher ratios have not improved over the last decade as countries struggle to keep pace with the rising school-age population.

The experience of the last several decades shows that increasing the financing of education can go a long way. More than ever, now is the time to invest in the future. For Africa to meet its vision of becoming a dynamic, diversified, and competitive economic zone, a blend of public resources and reform to support the delivery of education and training will be required.

## Education progress for Sub-Saharan Africa from 1990 to 2011

	1990	2011
<b>Gross enrollment rate in pre-primary education, %</b>	<b>9.7</b>	<b>17.8</b>
Male, %	9.9	17.8
Female, %	9.5	17.9
<b>Net enrollment rate in primary education, %</b>	<b>52.4</b>	<b>77.1</b>
Male, %	57.5	79.1
Female, %	47.3	75.1
<b>Gross enrollment rate in secondary education, %</b>	<b>22.6</b>	<b>41.1</b>
Male, %	25.6	45.0
Female, %	19.4	37.1
<b>Gross enrollment rate in tertiary education, %</b>	<b>3.0</b>	<b>7.7</b>
Male, %	4.0	9.5
Female, %	1.9	5.8

Source: World Bank and United Nations Educational, Scientific and Cultural Organization

Africa has made good progress toward achieving universal primary education. More needs to be done to improve primary completion rates, the quality of education, and secondary and tertiary enrollments.

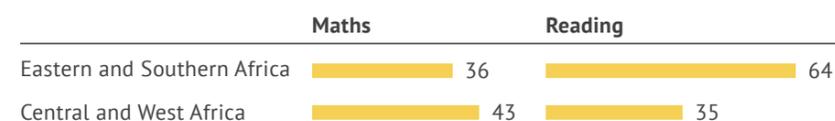
**30 million** children are out of school.

**35%** of the youth have no access to secondary education or technical skills development.

**Half** of all children reach adolescence without achieving literacy or numeracy.

## Children reaching the minimum required level of competences at the end of primary education, Africa

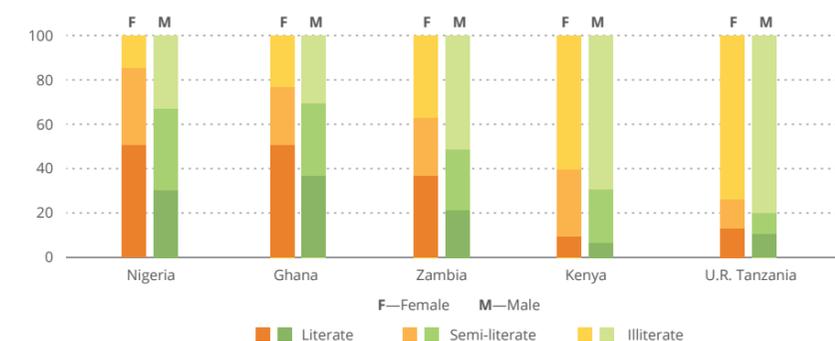
% of children



Urgent action is needed to **improve** the quality of education in Africa.

## Adult literacy status in selected African countries

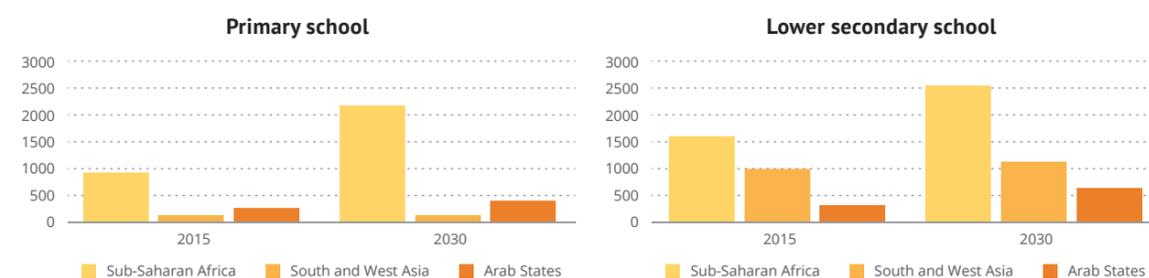
Men and Women aged 15 to 29 who completed only six years of school, 2005 to 2011 (%)



For many young people, six years of school are **insufficient** to build literacy skills.

## New teaching posts required to close the education gap, Africa

Thousands



Source: EFA Global Monitoring Report team analysis (2012) based on Demographic and Health Survey data

**Population growth, higher demand for education and attrition of resources** to hire and train teachers are driving demand in Sub-Saharan Africa.

Public spending in education currently averages around **5%** of Africa's **GDP**—from just over 1% in Central African Republic to 12% in Lesotho.

*“Africa must begin to provide comprehensive and quality education in order to break the poverty chain.”*

# 2

## Economic Performance, Inclusiveness, and Structural Transformation



The past decade of unparalleled growth has changed perceptions about Africa for the better. Seven of the world's ten fastest growing economies are in Africa today, poverty has been falling since the start of the millennium, and a middle class is fueling growth in domestic consumer demand. With new investments and a growing economy, Africa clearly has an opportunity over the next decade to become a prosperous continent that creates more employment for all.

## 2.1 ECONOMIC PERFORMANCE AND OUTLOOK

Since the start of the new millennium, Africa's economic pulse has quickened: real gross domestic product (GDP) has been rising by 5 percent a year and real income per capita has increased by 2.1 percent a year. African growth has outperformed both Latin America and developed economies over the last 5 years, successfully weathering the global financial crisis of 2008/9.

Africa's economies continued to demonstrate resilience in 2013, with average GDP growing by 3.9 percent. Although political and social upheavals impacted some North African economies, momentum in industrial production growth has strengthened in recent months, signaling an improvement in economic activity going forward. Sub-Saharan Africa continued to reap the benefits of the natural resource boom, supported by vigorous domestic demand, notably investment growth, and large export volumes.

Average inflation in Africa, at 8.9 percent in 2012, was above that of comparable regions in the developing world, where inflation was about 6 percent, and the Eurozone, where it was only about 2 percent. In contrast to past decades, however, African inflation was mostly below 10 percent during the 2000s, a reflection of the strength of macroeconomic management in recent years. Since the latter part of 2012, inflation in Africa has edged down to 6.7 percent in 2013 and has largely been contained in most African countries.

Prudent fiscal and monetary policies are still required. Continent-wide, fiscal deficits declined to 3.9 percent of GDP in 2013 (from 3 percent in 2011), with noticeable differences between net oil-importers (4.2 percent) and oil-exporters (3.7 percent). Africa's foreign direct investment (FDI) inflows (USD 50 billion)—with much of the investment going to Africa's oil and gas, mining, finance, wholesale and retail commerce, transportation, telecommunications, and manufacturing sectors—and remittances (USD 63 billion) remain high while net aid inflows are tepid. Government spending continues to rise at a moderate pace, as governments expand spending in an effort to reach the Millennium Development Goals.

While many of Africa's individual economies still face risks and vulnerabilities, including political instability, derailed or

postponed fiscal reforms, and protracted industrial disputes, Africa's collective GDP stands at USD 2.5 trillion today—and the continent is among the world's fastest growing regions. Such progress has been mainly driven by improved economic governance which has created macroeconomic stability and a more predictable business environment for investors. Other important factors include population growth in an increasingly urban setting; an expanding middle class; strong commodity prices, particularly mineral resources; expansion in South-South trade (e.g. with China); lower risk to capital; stronger governance; and better conditions for private sector development.

Furthermore, Africa's future remains promising: despite headwinds from the global economy, GDP is projected to grow by 4.8 percent in 2014, outperforming many developed countries. This is, however, not without regional variation: in North Africa, outlook is shrouded by political instability and policy uncertainty while commodity-rich economies of West and Central Africa are projected to grow at between 6 to 8 percent, 1 to 2 percentage points higher than East Africa and Southern Africa. Inflation is expected to remain in single digits, owing to anti-inflation policies and projected bountiful harvests in many parts of the continent. Given narrow tax rates, however, revenue generation will remain a challenge for many countries. A number of countries are already exploring innovative approaches to raising resources for investment, especially for large concession agreements in infrastructure. Nigeria, Ghana, Senegal, Kenya, Namibia, and Zambia have gone to global markets, and will be followed by many others. The main engines of growth are expected to be expansion in agricultural production, robust growth in services, and a rise in oil production and increased mining activity mainly in resource-rich countries. Conflict remains a concern but has declined—reducing the contagion for neighboring countries and boosting investor confidence in many regions. By further closing the infrastructure gap, increasing access to key public services such as education, health, and security, and addressing concerns of high poverty and widening income inequality, Africa can realize its vision of becoming the next emerging market and global growth pole.

## 2.2 PRIVATE SECTOR DEVELOPMENT

Since the 1990s, economic reforms in Africa have allowed the private sector to flourish and become an engine of economic diversification and growth. The roles of government and the private sector in economic activity and management have become clearer. Macroeconomic stability, trade and exchange rate liberalization, and new policies and incentives supportive of the private sector have helped build credibility and a conducive environment for private sector development. This has increased private sector (both domestic and foreign) confidence in the African economy and generated substantial levels of private investment. Recent growth in African economies is largely attributed to the private sector. Even though foreign aid increased, governments reformed, and new natural resources were discovered, it is largely the response of the private sector that caused growth to accelerate in the 2000s.

As Africa's economies expand, the private sector—currently generating 90 percent of Africa's jobs, two-thirds of its investment, and 70 percent of its output—will become even more important, especially in industry. Considerable progress has been made in promoting a more business-friendly environment. The costs of business start-up have fallen by more than two-thirds over the past seven years, and the time required for business start-up has been reduced by nearly half. New property registration programs, improvements to trading across borders, simplified tax process, improved solvency framework, and strengthened investor protections have contributed to the growth. Rwanda, Burkina Faso, Burundi, Egypt, Mali, Sierra Leone, Ghana, Guinea-Bissau, and Côte d'Ivoire are amongst the

countries that have improved the most internationally. Their successes have been rewarded by increased levels of trade and investment. There are, however, still many obstacles in Africa's investment and business climate. Access to finance remains a large concern of business leaders in Sub-Saharan Africa, while inefficient government bureaucracy represents the biggest concern in North Africa. Business leaders in both regions point out the lack of a sufficiently skilled workforce. Other factors include high rates of taxation, corruption, and inadequate supply of infrastructure. Reforming business regulations also proves to be difficult in fragile and conflict-affected countries.

For the private sector to play its full role as an engine of growth and poverty reduction, African countries will need to create an enabling environment in which micro, small, and medium size enterprises (MSMEs) and labor-intensive activities thrive alongside large firms in both traditional and new areas. This will require improving the legal and regulatory environment for doing business and strengthening the financial services sector by increasing access to finance, improving corporate governance, supporting human capital and skills development, and fostering entrepreneurship. Foreign investment and associated technology transfers will continue to be important for the development of private enterprises as well. Further impetus to private sector-led growth could be expected from substantial improvements in both 'hard' and 'soft' infrastructure and the expansion of markets through regional integration.

“ Assistance to the private sector goes beyond the provision of incentives, and government is looking at wider interventions to lower the cost of doing business. Improvements are being made to economic infrastructure such as ports, roads, and electricity generation to cater for the needs of business. ”

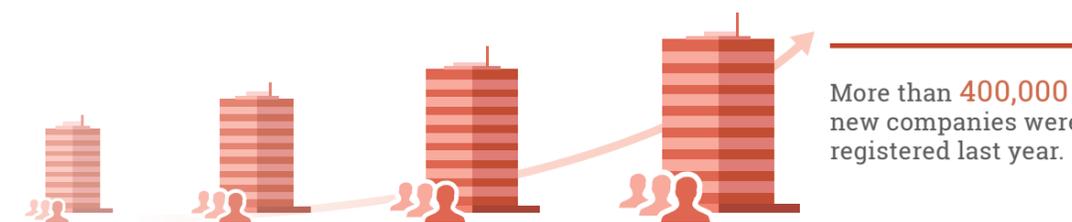
Over the last year, **32** African countries implemented **71** economic reforms making it easier to do business.

## Business regulatory efficiency improvement

Rank	Country	Distance to frontier (percentage points)			Total Reforms
		2005	2013	Change	
01	Rwanda	37.4	70.5	33.1	34
02	Georgia	48.4	80.8	32.3	36
03	Belarus	41.1	67.1	26	29
04	Ukraine	38.2	61.3	23.1	26
05	Macedonia, FYR	54.3	74.2	19.9	31
06	Burkina Faso	30.6	50	19.4	20
07	Kyrgyz Republic	44.9	63.7	18.8	14
08	Tajikistan	30.8	48.4	17.6	14
09	Burundi	33.2	50.6	17.4	21
10	Egypt, Arab Rep.	38	55.1	17.1	23
11	Mali	34.3	51.2	16.9	16
12	Sierra Leone	37.3	54.1	16.8	20
13	China	45	60.9	15.9	18
14	Poland	57.6	73.4	15.8	22
15	Azerbaijan	49	64.6	15.6	18
16	Colombia	55.1	70.3	15.2	27
17	Ghana	52	67	15	12
18	Guinea-Bissau	32.9	47.2	14.2	7
19	Croatia	49.1	63.2	14	23
20	Côte d'Ivoire	36.5	50.2	13.7	14
21	Guatemala	51.1	64.7	13.6	18
22	Kazakhstan	48.4	61.8	13.5	20
23	Armenia	56.2	69.7	13.5	23
24	Madagascar	41.9	54.2	12.3	19
25	Mauritius	61.4	73.5	12	23
26	Angola	32.5	44.5	12	9
27	Senegal	35.7	47.6	12	11
28	Morocco	52	63.9	11.8	18
29	Russian Federation	49.9	61.6	11.6	22
30	Togo	36.7	48.1	11.3	9
31	Yemen, Rep.	43.9	55.1	11.2	7
32	Saudi Arabia	60.1	71.3	11.1	19
33	Lao PDR	37.2	48.3	11.1	12
34	Czech Republic	57.6	68.7	11.1	22
35	Moldova	54.5	65.6	11.1	21
36	Timor-Leste	27.9	38.8	10.9	6
37	India	40.7	51.3	10.6	17
38	Mozambique	45	55.5	10.5	12
39	Niger	31.8	42.3	10.5	11
40	Peru	60	70.4	10.4	19
41	São Tomé and Príncipe	35.7	46	10.3	5
42	Costa Rica	49.7	60	10.3	12
43	Malaysia	71.4	81.6	10.2	17
44	Uzbekistan	38.2	48.3	10	19
45	Slovenia	60	70	10	17
46	Lesotho	46	56	10	9
47	Zambia	54.8	64.8	10	10
48	Mexico	61.9	71.8	9.9	19
49	Cambodia	40.3	50.1	9.8	8
50	Solomon Islands	51.3	61	9.8	5

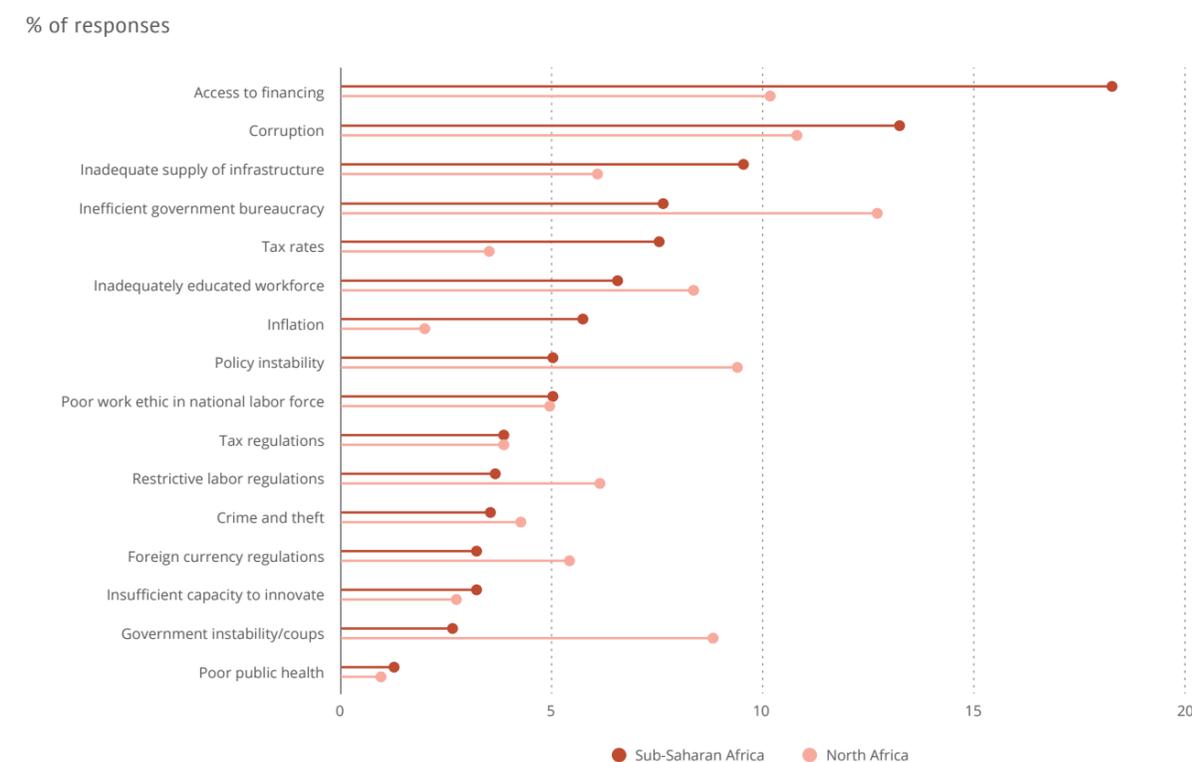
Source: World Bank

Since 2005, 20 countries in Africa are among the top 50 **most-improved world economies** in business regulatory efficiency. Among these economies, Rwanda improved the most over the past 7 years.



“The future of African economic growth—and the futures of millions of Africans and thousands of African communities—is closely tied to the private sector.”

### The most problematic factors for doing business, sub-Saharan and North African averages



Source: World Economic Forum

Access to financing, inefficient government bureaucracy, and corruption remain **biggest concerns** for the private sector.



## 2.3 POVERTY REDUCTION AND THE EMERGENCE OF THE MIDDLE CLASS

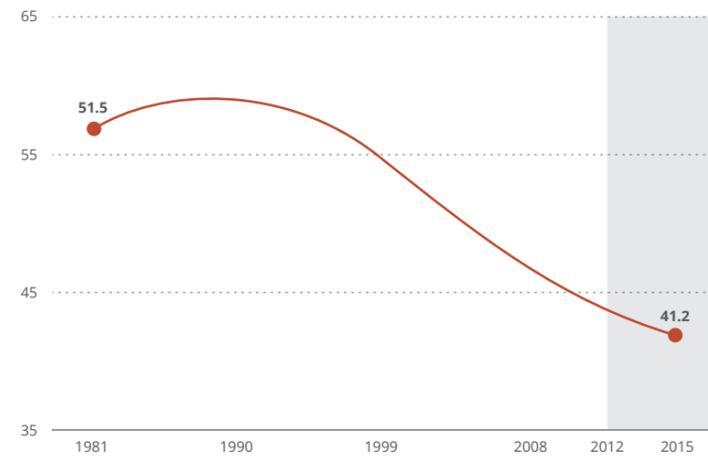
Economic growth is essential in Africa to alleviate poverty, build livelihoods, and improve quality of life. Over the past 20 years, despite the successive global food and financial crises, Africa has been growing at an unprecedented rate. The proportion of people living in poverty (below the threshold of USD 1.24 per day) has, in turn, fallen from over 50 percent in 1981 to less than 45 percent in 2012. Data from household surveys also show some improvements in living standards. Though it will take decades of growth to make major inroads into Africa's poverty, there is now a growing optimism about Africa's potential.

At the same time, the dramatic change in the economic landscape has served as both a cause and a consequence of the emergence of a sizeable middle class. Defined as those earning between USD 2 to USD 20 per day, Africa's middle class has grown to some 350 million people (34 percent of Africa's population), up from 126 million in 1980 (27 percent of the population). This represents a growth rate of 3.1 percent in the middle class population from 1980 to 2010, compared with a growth rate of 2.6 percent in the continent's overall population over the same period. The middle class

is projected to continue to grow and reach 1.1 billion (42 percent of the population) by 2060. The more affluent lifestyle associated with the middle class has contributed to increased domestic consumption in many African countries. Sales of refrigerators, television sets, mobile phones, motors, and automobiles have surged in virtually every country in recent years. Consumer spending in Africa, primarily by the middle class, has reached an estimated USD 1.3 trillion in 2010 (60 percent of Africa's GDP) and is projected to double by 2030. As such, the middle class is helping to foster private sector growth in Africa as they offer a key source of effective demand for goods and services supplied by private sector entities. The middle class is also helping to improve accountability in public services through more vocal demands for better services. The middle class is better educated, better informed, and has greater awareness of human rights. It is the main source of the leadership and activism that create and operate many of the nongovernmental organizations that push for greater accountability and better governance in public affairs, a position that augurs well for creating a suitable environment for growth and development.

### Poverty rate, Africa, 1981-2015

% of population living below \$1.25 a day in 2005 PPP



Since 2005, a net **8 million** people have moved out of poverty.

The proportion of people living in poverty (below the threshold of \$1.25 per day) has fallen from over 50% in 1981 to **less than 45%** in 2012 and is projected to decline to 41.2% in 2015.

Source: African Development Bank

Countries with relatively high rates of poverty reduction were **Burkina Faso, Ghana, Malawi, Mali, Mozambique, Rwanda, Senegal,** and **Uganda**. However, **Chad, Côte d'Ivoire, Egypt,** and **Zimbabwe** recorded increases in poverty levels.

## 2.4 INCLUSIVE GROWTH

While the overall outlook for Africa appears bright, challenges remain. Economic growth varies across the continent, and not all Africans are benefiting from the growth. Six of the ten most unequal countries in the world are in Africa, and there is not yet any evidence of progress in reducing income inequality.

As it stands, income inequality, measured by the Gini index, ranges from 31 percent in Egypt to 66 percent in Seychelles, while Africa's average Gini index is at 44 percent—only slightly better than in 1980. This shows a greater degree of inequality than all other regions of the world, except Latin America. Unemployment and underemployment in Africa are high overall but for the youth and women they are especially acute. Although the size of the middle class has increased markedly in the past decade, generating a consumer boom and higher domestic investment, many poor people struggle to make a living in urban and rural areas, with little or no access to social services. In some countries, urban dwellers are worse off than the cousins they left in the countryside. All these indicate that the growth experienced in Africa over the past decades—important as it has been in the fight against poverty—is uneven and confined to specific population groups and geographical areas. Wide regional disparities are further aggravated by poor infrastructure, making it difficult for vulnerable communities to benefit from the growth in neighboring regions. The exclusion of women, youth, and other vulnerable groups from the mainstream development process comes with consequences. The Arab Spring and similar uprisings indicate that although

deep economic disaffection could exist side by side with apparent affluence for a while, eventually serious social tensions break out. Socio-economic equality is therefore a public good that is crucial for the preservation of social peace and harmony, which are in turn important for growth and wealth generation. The challenge will be to address continuing inequality so that all Africans, including those living in isolated rural communities, deprived neighborhoods, and fragile states are able to benefit from economic growth.

The time to unlock Africa's great potential is now, and it is more important than ever for African governments to work steadfastly to achieve growth that is more inclusive, leading not just to equality of treatment and opportunity but to deep reductions in poverty and a correspondingly large increase in jobs. For Africa, the ingredients for sustainable, inclusive growth are well-known: boosting agricultural production, helping small businesses, better quality and relevant education, encouraging the private sector, improving the investment climate, and addressing gender and regional disparities. Promoting inclusive growth will also help ensure political stability as equal distribution of wealth, increased social and productive sectors, spending leading to the creation of decent work, and adequate fiscal policies will reduce the risks of political uprisings. Addressing these issues adequately will require structural transformation of the African economies.

### Gini index, Africa

Country	Gini index	Country	Gini index
1 Seychelles	65.77	24 Cote d'Ivoire	41.5
2 Comoros	64.3	25 Gabon	41.45
3 Namibia	63.9	26 Morocco	40.88
4 South Africa	63.14	27 Mauritania	40.46
5 Zambia	57.49	28 Senegal	40.3
6 Central African Republic	56.3	29 Djibouti	39.96
7 Lesotho	52.5	30 Burkina Faso	39.79
8 Swaziland	51.49	31 Chad	39.78
9 Rwanda	50.82	32 Guinea	39.35
10 São Tomé and Príncipe	50.82	33 Togo	39.29
11 Cabo Verde	50.52	34 Cameroon	38.91
12 Nigeria	48.83	35 Benin	38.62
13 Kenya	47.68	36 Liberia	38.16
14 Congo, Rep.	47.32	37 Tanzania	37.58
15 Gambia, The	47.28	38 Tunisia	36.06
16 Mozambique	45.66	39 Guinea-Bissau	35.52
17 South Sudan	45.53	40 Sierra Leone	35.35
18 Congo, Dem. Rep.	44.43	41 Sudan	35.29
19 Uganda	44.3	42 Niger	34.55
20 Madagascar	44.11	43 Ethiopia	33.6
21 Malawi	43.91	44 Burundi	33.27
22 Ghana	42.76	45 Mali	33.02
23 Angola	42.66	46 Egypt, Arab Rep.	30.77

Source: World Bank

## 2.5 STRUCTURAL TRANSFORMATION

African economies have sustained unprecedented rates of growth in the past decade, driven mainly by exports of natural resources and commodities, improved macroeconomic management, a growing middle class, and increased domestic demand fueled by consumption, and increased political stability. However, Africa's growth has not been inclusive, as poverty rates and inequalities remain high. In order to significantly transform the economies of Africa from the current low-income level to middle-income status, it is paramount that value is added to Africa's large reservoir of natural and agricultural resources through processing and manufacturing activities—implicit in the transition process from a resourced-based economy towards an industry- or service-based economy.

In the past two decades, a few African countries, including Mauritius, South Africa, and Uganda, have succeeded in structurally transforming their economies. Other African countries experienced some degree of structural transformation following different paths and at different speeds. Some countries transformed through low-wage manufacturing while others transformed through services or the agricultural sector. Overall, however, Africa has experienced a delayed structural transformation. For instance, labor is not moving out of agriculture to other more productive industrial or services sectors fast enough and the share of agriculture in GDP is declining too fast. This was mainly explained by the lack of inclusive agricultural policies and the non-effective industrialization strategies of most African countries. It is, therefore, crucial for Africa to harness all available opportunities to attain a more dynamic growth process.

### GLOBAL VALUE CHAINS

The importance of structural transformation for Africa is the promise that it holds for a more diversified, inclusive, and sustained pattern of economic growth. In particular, the promotion of value chains is gaining increasing recognition within the realm of private sector development and beyond as a strategy for helping countries get out of primary production and into processing and manufacturing activities.

Actors in a value chain may range from micro enterprises to multinational corporations, and these actors—the different links in the value chain—can be embedded in quite different environments. A global value chain (GVC) might involve the link between rural producers and urban processing and marketing enterprises in a developing country at the domestic end and then linked on to firms in the developed countries. This coordination of production and trade relationships has been made possible with the openness of trade and direct foreign investment brought about by globalization and the global integration of production systems. GVCs also present an unprecedented opportunity for African economies to move beyond producing raw materials and build dynamic and competitive manufacturing sectors capable of processing the continent's abundant minerals and agricultural products. It is also an opportunity to create sustainable jobs and stimulate inclusive growth as new markets for value-added products evolve both in the continent and externally in the industrialized and emerging economies.

Though value gains from Africa's traditional exports tend to be skewed towards developed countries, resulting in Africa having a limited share of world income generated from GVCs, more and more countries are employing new strategies to enable better access to value chains. For instance, Côte d'Ivoire, the world's largest producer and exporter of cocoa beans, is mobilizing foreign investment resources to expand local capacities for processing cocoa into chocolate. This move has attracted three multinational companies—Cargill, Archer Daniels Midland (ADM), and Olam—thus far, placing the country higher up the ladder of the global confectionery market estimated to be worth USD 84 billion. Lesotho, too, has witnessed an expansion in its economy in recent years, driven by the growth of its apparel sector. It has benefited from two distinct value chains emanating from differing investment incentives, production and distribution networks, and inter-firm linkages between Taiwanese and South African owned textile firms. By capturing gains from both regional and international value chains, the apparel sector now employs nearly 50 percent of Lesotho's workforce and accounts for 18 percent of its GDP, 70 percent of the total manufacturing production, and 70 percent of total merchandise

“ A major policy challenge for Africa today is how to broaden access to economic opportunities for its expanding population, including the most vulnerable groups. Africa requires structural transformation to propel it towards inclusive growth. ”

exports. Similarly, one of the largest shoe exporters in China—Huajian—has set up a factory in Ethiopia as part of a plan to invest USD 2 billion over 10 years in developing manufacturing clusters focused on shoemaking for export. The company has the potential to create 100,000 jobs over the period and will integrate local input manufacturers to global supply chains.

By promoting global value-led development strategies within the broader development framework, African countries can be placed higher up the value chain, reaping gains along the process. This would require carefully tailored measures aimed at attracting foreign direct investment, building local capacities, and fostering private sector development in manufacturing and primary input processing.

### SPECIAL ECONOMIC ZONES

Special economic zones (SEZs), as designated areas possessing special regulations and economic incentives for promoting industrialization, come in handy for organizing production built around processing and manufacturing activities. SEZs have also recently gained increasing attention in Africa. In the context of economic diversification, SEZs stimulate the agglomeration of new economic activities, particularly manufacturing and processing, in a designated location by providing infrastructure, as well as industrial-related services and facilities. They also represent a great opportunity for African industry to gain access to capital, skills and technology transfers, as well as backward and forward linkages. In the context of its development cooperation with Africa, foreign investors like China, the United States, and European Union countries have initiated and supported the operation of SEZs in various African countries, including Zambia, Mauritius, Nigeria, Ethiopia, Egypt, Tanzania, Algeria, and Botswana. African governments have responded by granting favorable conditions to foreign investors in the SEZs, which they believe will create jobs, boost export earnings, and generate technology spillovers that will benefit domestic enterprises and enhance competitiveness.

### FOSTERING TRANSFORMATION

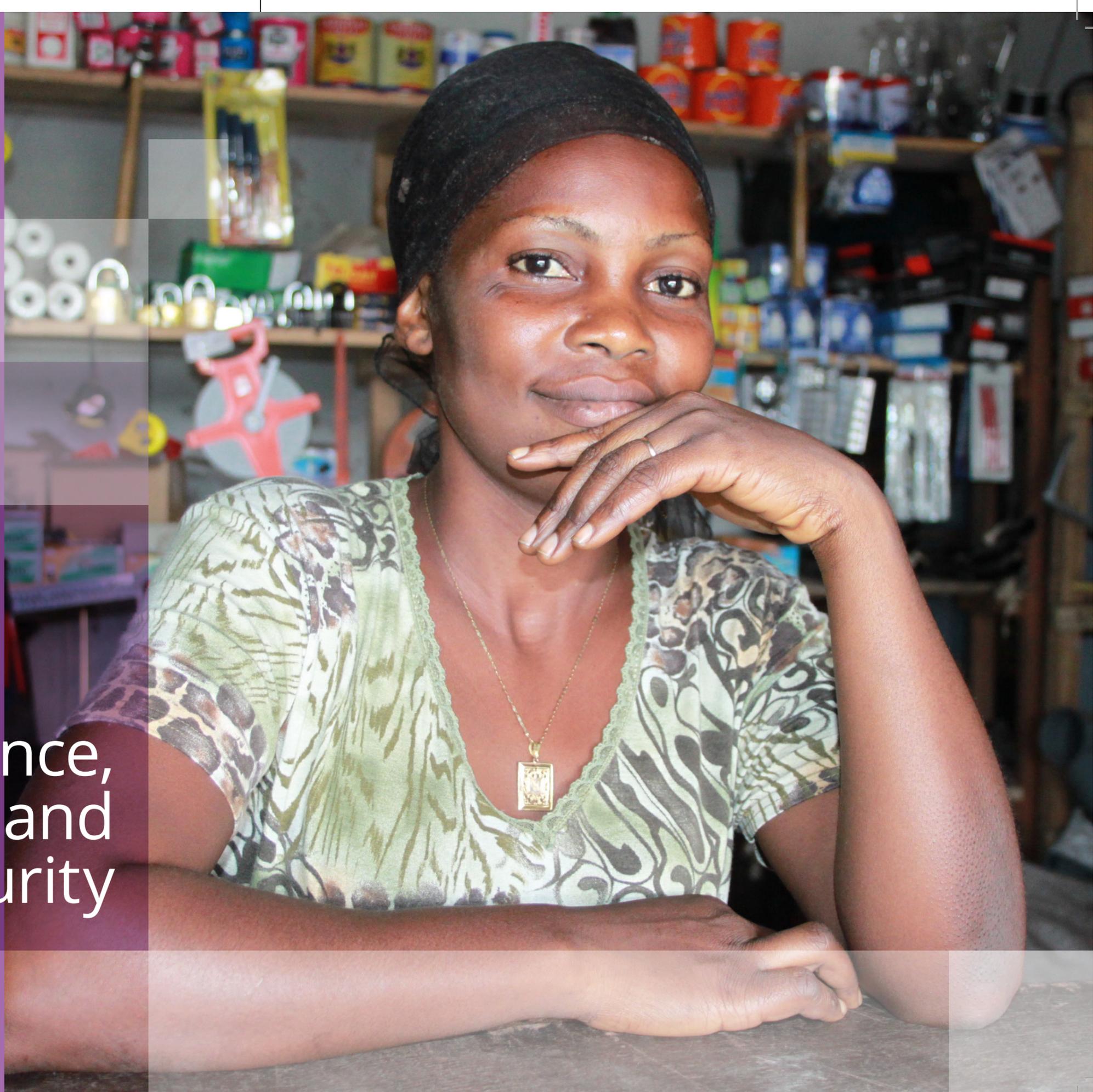
Structural transformation requires innovation to overcome deficiencies in infrastructural development. Good knowledge of the industrial value chains and structures are prerequisite for an effective transformation of African economies. Investing continuously in education, training, improvement of skills, and technological innovation is imperative to prepare the ground for a successful industrial transformation. Innovation will help build the capacity to produce more sophisticated products with high added value. In addition, the transition towards an economy based on industry and services cannot meet its targets

without the mobilization of substantial resources. Despite the fact that most African countries are well endowed with resources, these resources will not be sufficient for structural transformation. In this context, regional integration among African countries would be essential to mobilize the needed resources for the entire region. Regional integration will also accelerate structural transformation through economies of scale and by enhancing the competitiveness of African economies.

In recent years, African countries have demonstrated renewed commitment to structural transformation as part of a broader agenda to diversify their economies and to develop productive capacity for high and sustained economic growth, employment opportunities, and substantial poverty reduction. This commitment is manifested at the sub-regional and regional levels through programs unveiled, for example, by the New Partnership for Africa's Development (NEPAD), Southern African Development Community (SADC), East African Community (EAC), and Economic Community Of West African States (ECOWAS) to achieve economic integration through industrialization. African leaders are showing determination to seize emerging opportunities to foster industrial development in support of sustainable economic transformation and as a vehicle for economic growth and poverty reduction. This is evidenced by a series of declarations and decisions made at major summits and ministerial meetings, such as the Action Plan for the Accelerated Industrial Development of Africa (AIDA) which was adopted by African Heads of States and Governments at the tenth African Union Summit in Addis Ababa in 2008. At the global level, attention is also focused on the challenges of industrial development in Africa as evidenced by the adoption of relevant United Nations General Assembly resolutions, including one proclaiming an annual 'Africa Industrialization Day' (AID), and specific programs and activities of The United Nations Industrial Development Organization (UNIDO), Food and Agriculture Organization of the United Nations (FAO), International Labour Organization (ILO), and other specialized agencies of the United Nations.

# 3

## Governance, Fragility, and Security



Economic growth can only lead to sustainable and equitable development if it is based on a foundation of just, inclusive, accountable, transparent, and efficient governance, and institutions administered by the capable state. Governments, along with regional and continental institutions, having increasingly understood the vital link between poor governance, fragility, and social unrest. Together, they are taking greater responsibility for strengthening institutions of accountability and the rule of law, resolving conflicts, and overcoming fragility, thus fostering economic stability and sustainable growth.

### 3.1 GOVERNANCE AND CORRUPTION

Africa's new economic dynamism could not have happened without substantial improvements in governance. Better macroeconomic management and improvements to the business environment have been critical to growth performance. However, poor governance, especially in fragile states, remains one of Africa's most substantial challenges, contributing significantly to poverty, inequality, and conflicts.

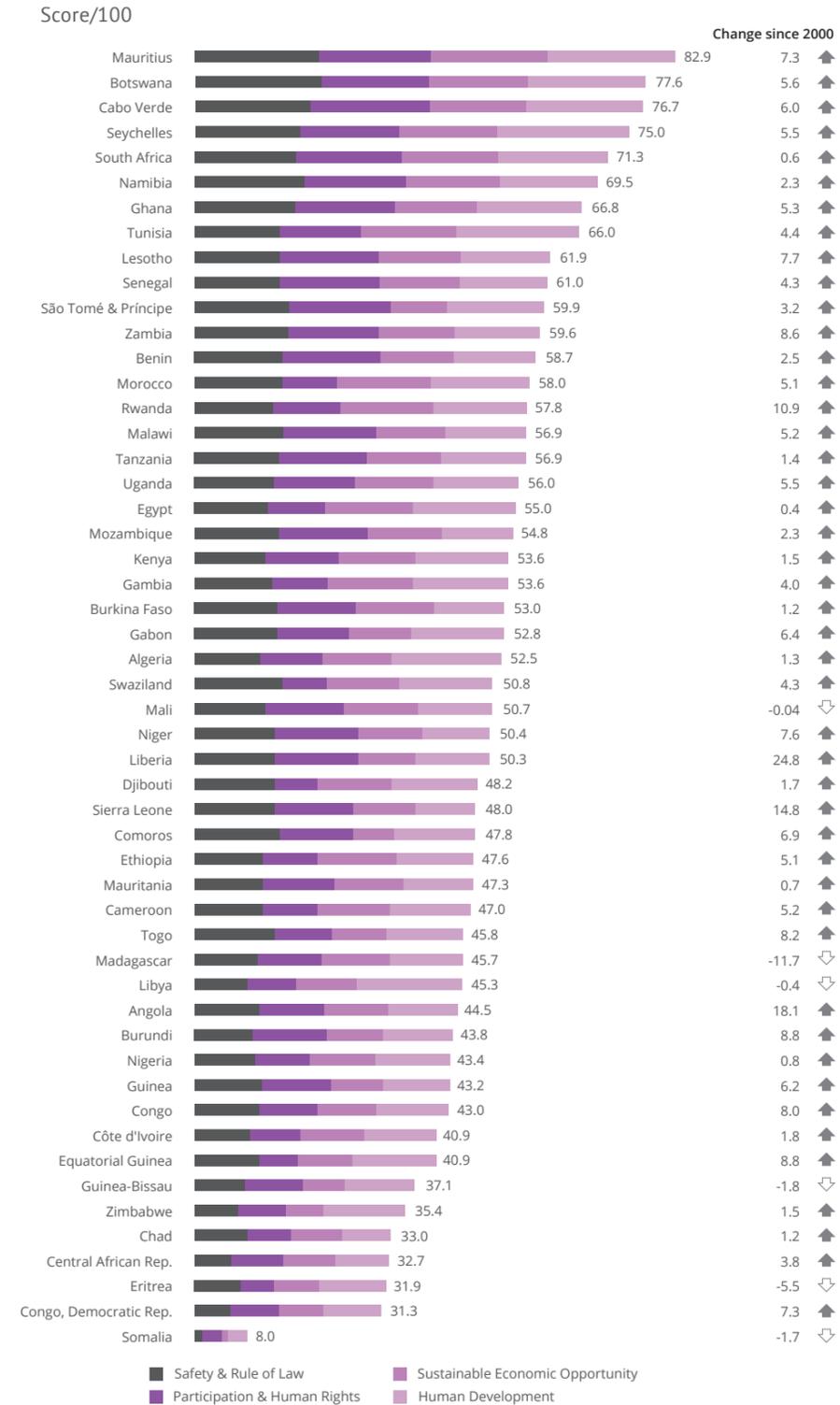
Over the period 2000-2012, the continent has experienced overall improvement in its governance, with marked differences between countries and across different indicators. Around 89 percent of African countries have improved their capacity to deliver economic opportunity and human development while 67 percent of countries made progress in fostering political participation, gender equality, and human rights. Progress in strengthening safety and the rule of law has proved more difficult to achieve, with only 40 percent of the countries making progress.

Africa experienced a wave of democratization starting in the early 1990s, resulting in a wave of transition to multi-party politics and elections across the continent. Today, 20 countries in Africa are considered electoral democracies, compared to only 4 in 1991. There are now more representative governments, more democratic elections, and more peaceful transitions of power. While women in government are still under-represented in most countries, the participation rate of women in national-level parliaments has increased to 21 percent in 2013, up from 10 percent in 2000. Progress, however, varies across the continent. More than 40 percent of legislators are women in Rwanda, Seychelles, Senegal, and South Africa, while women represent less than 10 percent of parliamentarians in Egypt, Comoros, Swaziland, Nigeria, Republic of Congo, Gambia, Botswana, Benin, and Democratic Republic of Congo.

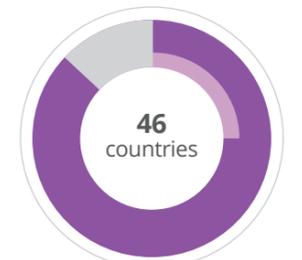
In recent times, there has also been a major push on transparency in financial governance, to improve citizens' ability to hold their governments to account. The credibility of national budgets has improved, although expenditure controls and internal audit functions remain weak. It is estimated that, with more effective institutions, African states could double their tax revenue. Auditor-general institutions and parliament public accounts committees have become increasingly active. Getting these accountability mechanisms to work effectively is a key goal. If African governments succeed in demonstrating to citizens that they are using public revenues more effectively, it will lead to a virtuous circle: citizens will be more willing to pay taxes but at the same time more determined to hold states to account for how their taxes are spent.

Corruption, however, continues to be prevalent in many African countries, with a corrosive effect on growth and poverty reduction. Although Transparency International's Corruption Perceptions Index records some modest improvements in recent years, 90 percent of African states still rank below 50. A significant part of Africa's gross domestic product (GDP) is estimated to be lost to corruption every year, with about USD 1.4 trillion considered to have been diverted from Africa between the years of 1980 and 2009. Besides stunting economic growth, corruption carries other indirect costs: children drop out of primary school five times more in countries where high corruption is prevalent than in those with low levels of graft; infant mortality rates are twice as high. While corruption affects everyone, it hurts the poorest most by crippling the public services they so badly need. Tackling corruption is therefore an integral part of economic and social development.

### Governance score, Africa, 2013



### Number of countries with improved governance scores



Overall score



Safety & Rule of Law



Participation & Human Rights



Sustainable Economic Opportunity



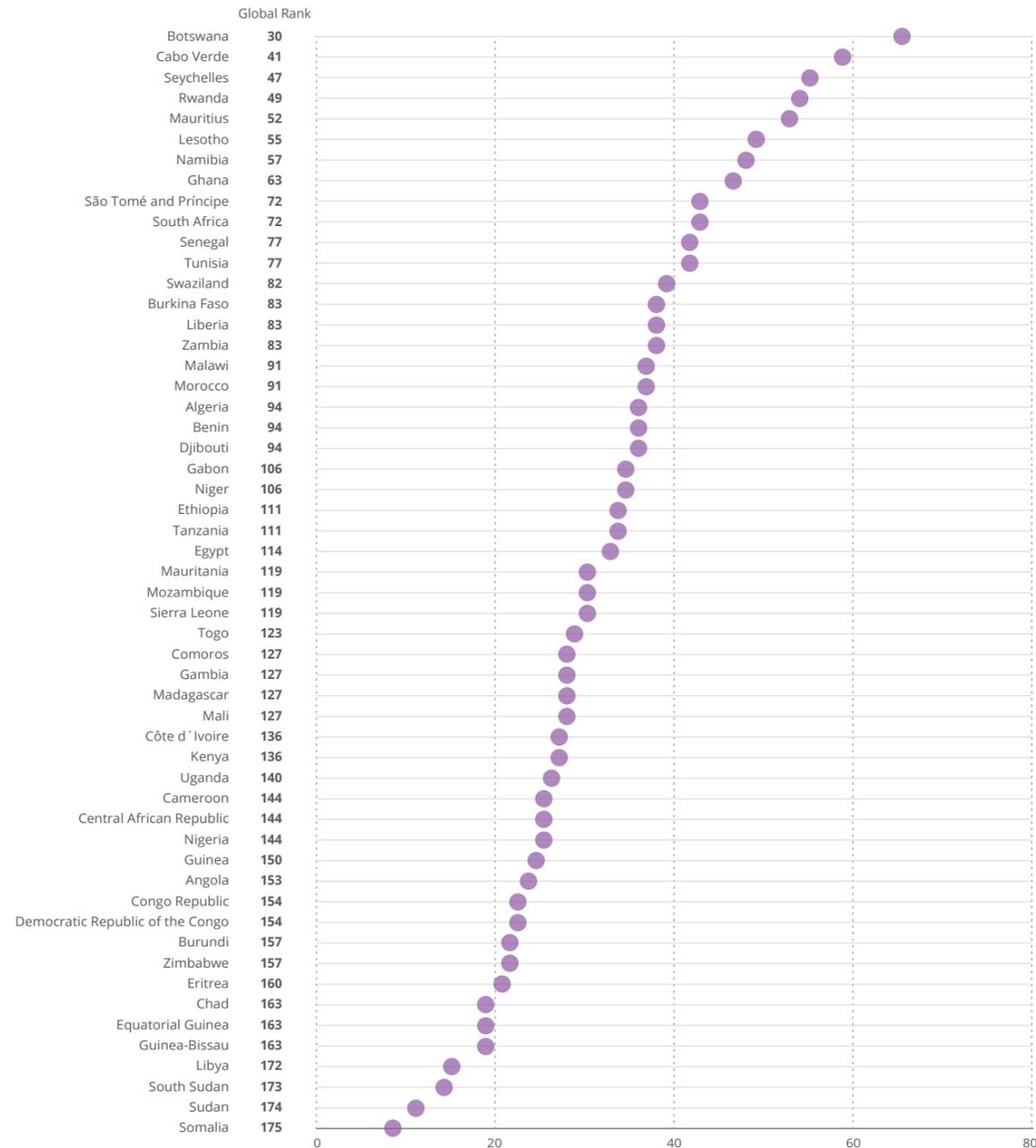
Human Development

- Improved African Countries
- Improved Fragile States
- Others (did not improve)

Source: Mo Ibrahim Foundation

## Corruption perceptions index (CPI), Africa, 2013

Scores range from 0 (highly corrupt) to 100 (very clean)

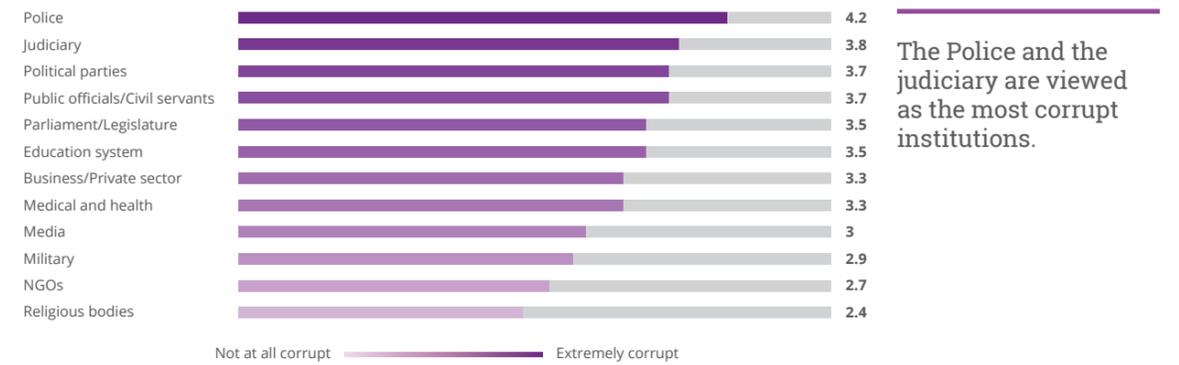


Source: Transparency International

91% of the countries score below 50. Botswana, with a CPI score of 64, ranks #30 across world economies, while Somalia, with a score of 8, ranks last.

## WHAT PEOPLE ARE SAYING ABOUT CORRUPTION IN A SELECTION OF 26 COUNTRIES IN AFRICA

### Perceptions of the extent of corruption in different institutions



### Bribery is everywhere

Almost **one in two** people report having paid a bribe in the last 12 months when interacting with key public institutions and services.

*Personal connections and powerful groups are perceived as corrupting the public administration.*

### Reason given for paying bribe(s)



**Over half** of the people think their government is largely run by big entities acting in their own best interests instead of the public good.

**6 in 10** people believe that personal contacts and relationships help get things done in the public sector in African countries.

### Perceived changes in the level of corruption over the past 2 years



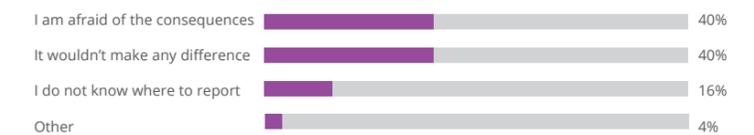
Majority of the people said they would be willing to report an incident of corruption. Only **3 out of 10** people said they would not do so.

### Perceived effectiveness of government in fighting corruption



*Majority of the people believe that their government is ineffective in fighting corruption and that corruption is getting worse.*

### Reason given for not reporting an incident of corruption



Source: Transparency International

## 3.2 FRAGILITY

Fragility poses as a major constraint on Africa's development. While Africa is growing rapidly, poor or weak governance, chronic poverty, persistent socio-economic inequality and exclusion, as well as high levels of conflict and violence continue to undermine progress in various communities, countries, and regions. States experiencing fragility lag behind other African states on almost all development indicators, recording, on average, significantly higher poverty headcount, higher rates of malnutrition, higher mortality rates, and lower education attainment. This sub-section focuses on man-made fragility drivers, but natural disasters and other environmental challenges have also created havoc and caused repeated humanitarian crises in various countries and regions across the continent, resulting in displacement of people and destruction of livelihoods.

### POVERTY AND CONFLICT

Today, around a third of African countries, home to some 200 million people, are classified as fragile and are home to a growing share of Africa's poor that are susceptible to instability with potential consequences beyond their borders. In these countries and regions, economic growth has not always led to more and better jobs or to increased income opportunities for a vast majority of the poor, particularly women and youth. Extreme inequality and social exclusion also increase the states' vulnerability to conflict, which, in turn, reverses development gains, limits governance capacity, and destroys infrastructure.

### ECONOMIC GROWTH

Despite tough challenges posed by fragility, progress is possible. While various fragile states have lost ground in terms of economic growth during earlier periods of

conflict—such as the case of Liberia where gross domestic product dropped by as much as 90 percent in 20 years—many of them, with peace and stability, are now on the path of growth and recovery. In 2012 and 2013, fragile states like Libya, Côte d'Ivoire, Ghana, Mozambique, and Angola were among the fastest growing economies in Africa. Average per capita income levels in fragile states rose from USD 300 in 2005 to USD 333 in 2011. While this is a slower change than in other low-income countries, it has had a noticeable impact on the number of people living on less than USD 1.25 per day, who are concentrated in fragile states.

### GOVERNANCE

The governance indicators for Africa's fragile states have improved slightly over the years. The Mo Ibrahim index shows that Africa's fragile states have also improved their ability to create sustainable economic opportunity and promote human development. As Africa's fragile states move towards a path of growth and recovery, stronger institutions of governance (domestic and regional) will reinforce the rule of law, facilitate transparency and accountability, and help resolve conflicts peacefully.

### HUMAN DEVELOPMENT

Various fragile states are making slow but steady progress on some of the Millennium Development Goals (MDGs). Eight African countries—five of which are classified as fragile—are among the 20 fragile states worldwide that have recently met one or more of the MDG targets. Guinea, for example, has already met the target to halve extreme poverty or the number of people living on less than USD 1.25 a day) while Comoros is among six fragile states that have met the target on improved access to water;

Burundi, Chad, and Republic of Congo are among nations on track to meet the target on gender parity in enrollment in school while Guinea, Guinea-Bissau, and Sierra Leone are on track to achieve the target on improved access to water by 2015.

### FINANCIAL FLOWS

Official development assistance (ODA) remains the biggest financial inflow, followed by remittances and foreign direct investment, for fragile states. Liberia, Burundi, Sierra Leone, Democratic Republic of Congo, Mozambique, São Tomé and Príncipe, Guinea Bissau, Eritrea, Malawi, and Rwanda are all amongst the world's most aid-dependent countries. However, development aid has fallen by 4 percent in real terms in 2012, following a 2 percent fall in 2011. The continuing global financial crisis and euro zone turmoil, leading several donor governments to tighten their budgets, have attributed to the cause (OECD, 2013).

At the same time, a wave of new natural resource discoveries across the continent, from the Rift Valley to the Gulf of Guinea, has the potential to transform African economies. International capital is flooding into Africa's resource-rich countries. In 2010, revenues from the export of oil and minerals were eight times the total value of development assistance. If used well, these revenues could provide a route out of fragility for many African countries, helping to close Africa's infrastructure gap and extend public services. Yet natural resource wealth can also magnify fragility. The greater the share of primary commodity exports in gross domestic product, the higher the risk of instability. The infamous 'natural resource

curse' is linked to the risk of violent conflict over resource rents, greater availability of resources to fund rebellions, and weakened rule of law. Commercial interests vying for access to resources can also have a disruptive influence. This pattern has been observed for oil, gold, diamonds, rare earth minerals, and forestry products, among others. Managing natural resources in a fair and sustainable way will be fundamental to tackle fragility, particularly in resource-rich areas.

### OUTLOOK

A country's transition from a state of fragility to one of resilience involves a long process that may take 20 to 40 years. While there are still 19 African countries classified as fragile today, some of them will transition from fragility towards greater resilience by 2030.

With increasing urbanization, the shrinking of the formal economy, and weakness of traditional coping mechanisms, social protection policies and programs must be put in place. Policies and programs that are pro-jobs and pro-poor; support of education and proper skill development; actionable governance; investment in 'soft' and 'hard' infrastructure to facilitate private sector development, regional integration, and global connectivity; and sufficient financial flow, such as a fair share and sustainable returns from natural resources, would help strengthen fragile states and promote inclusive growth. By managing the underlying political, security, economic, and environmental drivers of fragility and building resilient states and societies, sustainable development and growth can be achieved.

*“Fragility in Africa is a product of dramatic social, economic, and environmental change.”*

### Fragile states lag behind on almost all development indicators



Source: African Development Bank

- 19 of the 35 world's fragile states are in Africa.
- These African states are home to more than 200 million people, approximately 20% of the continent's population.
- Today almost half of fragile states are middle-income, a complete shift from a decade ago when most were low-income countries.
- Lack of economic opportunities and high unemployment are key sources of fragility.
- One in six fragile states depends on minerals or fuel for 75% or more of their exports.
- 77% of all post-Cold War international crises have involved at least one unstable or fragile state.
- On average, development assistance remains the biggest financial flow into fragile states, followed by remittances and foreign direct investment. However, ¾ of foreign direct investment goes to only 7 countries, most of which are resource-rich.

Source: African Development Bank

### 3.3 SECURITY

Conflict in Africa has constantly changed in response to shifts in the global geo-strategic positioning of world powers and to local conditions. In the twenty years to 1989, there were an average of 12 conflicts a year in sub-Saharan Africa to which the state was a party. An average of 17,000 Africans lost their lives each year as direct casualties of these state-based conflicts. The end of 1980's saw a steady increase in civil wars characterized by non-state violence, involving contending armed groups or communal violence. Though leading to fewer deaths than before, intra-state conflicts are often more deadly than state-based conflicts, as they typically target non-combatant civilians, and are characterized by massive human rights violations and atrocities.

Between 1989 and 2013, Africa experienced more than 500 non-state conflicts, resulting in over 80,000 direct casualties and millions of refugees. In 2011, North Africa became the global epicenter of social upheaval and political change: long-entrenched regimes in Egypt, Libya, and Tunisia have collapsed; and major protests have broken out in Algeria, Iraq, Jordan, Kuwait, Morocco, and Sudan. The year 2012 marked a record high in armed conflicts since 1945. Conflict in Democratic Republic of Congo escalated, violence by militant groups increased in Nigeria, tensions resurfaced between Sudan and South Sudan, and the ongoing Somali civil war persisted. The collapse of the government of Mali after two decades of political stability deemed exemplary in 2012, revealing Mali's fragility and institutional weaknesses. Likewise the rebellion in the Central African Republic spotlights the substantial risk to political instability and tendency for recovering states to slip and slide back into conflict. Africa became the most politically volatile region in 2012, with major democratic breakthroughs in some countries, and coups, insurgencies, and authoritarian crackdowns in others. This trend continued in 2013, with political violence erupting in Guinea and civil

conflict breaking out in South Sudan. Lack of economic opportunity, the rising cost of living, prolonged social exclusion, competition for natural resources, and extreme income inequality were among the main drivers of popular discontent.

Conflict and political instability can have a dramatic impact on development performance. For every three years a country is affected by major violence (battle deaths or excess deaths from homicides equivalent to a major war), poverty reduction lags behind by 2.7 percentage points. Domestic unrest and escalations of violence also suppress investment and disrupt public services, erode institutional capacity, and lead to a neglect of essential infrastructure and rapid degradation of transport and energy networks. This further isolates the population, creating pockets of exclusion. Girls and women suffer disproportionately from the effects of conflict, both as its direct victims and through reduced economic opportunities. The effects of conflict also spill across national borders, disrupting trade, generating refugee flows, and spreading instability through trade in small arms. It is estimated that conflict in one country can reduce growth by half a percentage point in neighboring countries.

Unless Africa can find a way to promote inclusive growth, the inequalities may give rise to new instability. Establishing security and justice is a precondition for progress in all other areas. Persistent insecurity—including armed conflict, political violence, violent criminal activity, and interpersonal violence—deters political participation, dampens economic activity, and hampers the delivery of basic services. The provision of security and justice, and hence the promotion of inclusive growth, is therefore one of the most basic of state-building goals and essential to building the legitimacy of the state.



The annual global cost of conflict is estimated at **\$100 billion**.

Source: African Development Bank

# 4

## Regional Integration, Trade, and Investment



Africa is emerging as an attractive investment destination and a key market for goods and services. With a working population of 600 million set to double by 2040, overtaking both China and India, and an improving business environment, Africa is poised to become the world's next emerging economy. To turn its economic gains into sustainable growth and shared prosperity, Africa's public and private sectors must work together to connect the continent's markets, deepen regional integration, and adopt reforms that enhance competitiveness.

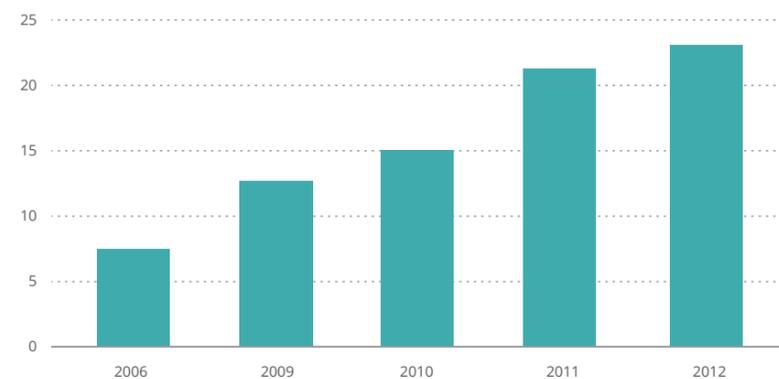
## 4.1 AFRICA AS THE NEW FRONTIER

Over the last several decades, Africa has opened up to the world as never before. While corruption and political instability still impede progress, many countries have undergone dramatic social and economic changes. With improved governance, better macroeconomic policies, increasing urbanization, an expanding and better educated workforce, and growing disposable income, Africa is becoming increasingly attractive to investors.

In 2012, Africa's foreign direct investment (FDI) inflow grew to USD 50 billion, with much of the investment going to Africa's extractive sector. FDI flows to the service sector—in particular the finance, wholesale and retail commerce, transportation, telecommunications, and manufacturing sectors—have also expanded, indicating that the greater spending power of African consumers is attracting investors as well. The growth in FDI has in turn led to stimulation of local entrepreneurship, expansion of local markets, and facilitation of skill creation through backward linkages. Remittances from the diaspora also represent a substantial form of resources for the continent.

### Share of consumer-related FDI greenfield projects 2008-2012

% of total value of FDI greenfield projects in Africa



Source: United Nations Conference on Trade and Development (UNCTAD)

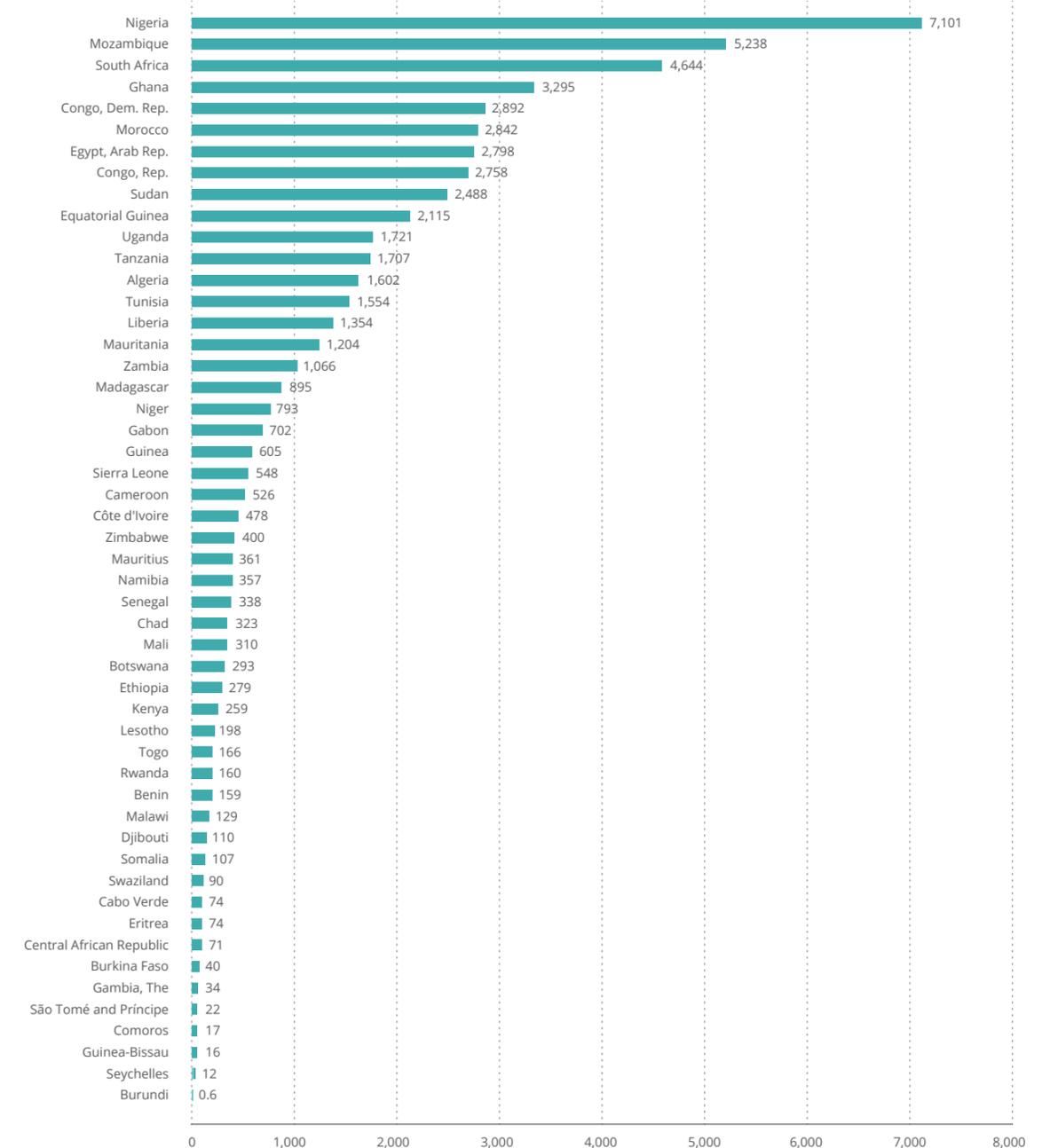
Business friendly policies, increasing urbanization, a growing and better educated workforce, and growing consumer spending are creating opportunities for manufacturing and services industries to **grow**.

Many African countries are taking advantage of this robust growth by issuing bonds on international markets, which has created strong momentum that is expanding and developing the continent's nascent financial markets. The number of stock exchanges has increased from 8 in 2002 to 29 in 2013, with market capitalization across the five leading exchanges tripling over the same period.

While significant investment opportunities are being offered by the continent, sustained growth will be underpinned by economic integration at the sub-regional, national, and regional levels, and by implication into the global economy. Policies that support flexible markets, private investment, and the capacity of businesses to compete in global markets will be crucial to raising productivity and attracting investments. By addressing impediments to cross-border investment linkages, Africa will be able to fully benefit from its increasing global economic importance.

### Foreign direct investment inflow, Africa, 2012

Million USD



Source: World Bank

In recent years, Africa has made great strides in developing its private sector; since 2000, foreign direct investment has increased fivefold, to **\$50 billion** last year, nearly a sixth of which went to top recipient Nigeria.

## 4.2 TRADE

Supported by a rising global demand for oil, natural gas, food, minerals, and other resources, Africa continues to not only attract investments but benefit from export-led growth. From 2000 to 2012, Africa's exports have quadrupled, from USD 148 billion a year to USD 641 billion. While developed countries like the United States, Italy, France, Spain, United Kingdom, Netherlands, Germany, and Japan still dominate African trade, recent trends indicate that developing economic regions—with China, India, and Brazil leading the pack—are driving the growth in African trade and will continue to do so over the next 50 years. In particular, United States' share of African exports declined from 17 percent in 2000 to 12 percent in 2012. Trade with emerging economies, on the other hand, has increased over the same period: with Africa's share of exports to China growing from 3 percent to 15 percent, India from 3 percent to 6 percent, and Brazil from 2 percent to 3 percent. China is currently Africa's largest trading partner, having surpassed the United States in recent years. This shift in global trade is expected to lead to a greater integration into a globalized economy.

Africa has maintained its share of global trade at 3.1 percent in 2012, up from 2.5 percent in 2005, though this represents a slower progress than other developing regions. Intra-African trade has also increased from its low level, more than doubling over the past seven years. If informal cross-border trade were included, this figure would be higher. However, with intra-African trade reporting at just USD 147 billion in 2012 (representing only 12 percent of all African trade)—a figure relatively modest compared to intra-regional trade in other parts of the world, it is clear that much faster progress is needed to remove trade barriers and create larger markets. With domestic demand for food and other products growing rapidly, increased intra-African trade would provide great opportunities for African businesses if they can provide quality, low-cost goods to compete with foreign imports.

	Export (Billion USD) in 2012	Share of World Total (%) in 2000	Share of World Total (%) in 2012
China	93.24	3.2	14.6 ▲
United States	75.30	17.1	11.8 ▼
Italy	44.41	11.0	6.9 ▼
India	40.48	2.8	6.3 ▲
France	38.87	8.5	6.1 ▼
Spain	34.22	6.5	5.3 ▼
United Kingdom	28.48	6.2	4.4 ▼
Netherlands	26.68	3.2	4.2 ▲
Germany	24.48	5.7	3.8 ▼
Japan	16.34	2.5	2.6 ▲
Brazil	15.96	1.9	2.5 ▲

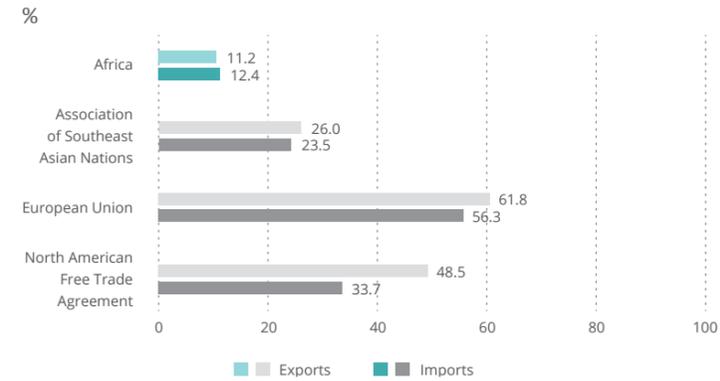
Source: United Nations Conference on Trade and Development (UNCTAD)

In addition, Africa's trade remains overly dependent on a narrow range of natural resources and commodities. Over the last four decades, fuels and mining products account for over half of Africa's exports, compared with only about 10 percent in developing Asia and advanced economies. Indeed, when broken down to the country level, the share of mineral products accounts for more than 30 percent of total exports in more than half of all African economies, and for over 90 percent in a few cases. High dependence on commodity exports can lead to fluctuation of trade flows with commodity prices, which may have a negative effect on a country's growth. Government finances also fluctuate with commodity prices, possibly jeopardizing governments' fiscal stability and leeway. In sub-Saharan Africa alone, for example, 10 economies are fiscally dependent on natural resources. In contrast, another set of countries—including Burundi, Côte d'Ivoire, Ethiopia, and Malawi—are highly dependent on agricultural exports. While the resource-rich countries have benefited from a fivefold increase in trade to China and other emerging economies, the lack of economic integration means that the benefits of trade are narrowly concentrated. Against this backdrop, export diversification—both in goods and services and also across geographies—is key to promoting sustainable and inclusive growth.

Efforts to foster trade will be critical for Africa to diversify its economies and increase the continent's overall competitiveness. Going forward, more effort will be required to align policies across the broad range of regional trade and economic zones. Public and private investment in the institutions and infrastructure will be needed to drive down the costs of connecting people and markets. Increased cross-border trade can lead to a virtuous cycle of more competition in domestic markets that can lower the costs of goods and services while increasing their variety, thereby generating more economic activity. This, in turn, has the potential to create successful backward and forward linkages within the economy.

While developed countries still dominate African trade, recent trends indicate that developing economic regions are driving the growth in Africa trade and will continue to do so over the next 50 years.

## Intra-regional trade



Source: United Nations Conference on Trade and Development (UNCTAD)

The share of Intra-African trade remains low compared to intra-regional trade in other parts of the world; unlocking Africa's full economic potential would require economic integration—globally, regionally, and between rural and urban areas.

- Investment in infrastructure for connectivity is important, but policy coordination can also facilitate regional trade.
- For African countries, two inter-related challenges are critical: to diversify the export base, to reduce vulnerability stemming from commodity price swings, and to tighten regional integration.
- African countries are losing out on billions of dollars in potential trade every year because of a fragmented regional market and because cross-border production networks that have spurred economic dynamism in other regions, especially East Asia, have yet to materialize in Africa.

## 4.3 REGIONAL INTEGRATION

Regional integration is vital to the structural transformation of Africa's economies. It is essential to boosting competitiveness, increasing productivity, and improving living standards. It concerns not just promoting increased intra-African trade flows, but also financial and monetary integration, free movement of labor and services, and the building of the soft infrastructure necessary to integrate national markets.

### TRADE INTEGRATION

Over the past decade, Africa's longstanding commitment to regional economic integration has moved closer to reality. The Regional Economic Communities (RECs) have pushed a number of ambitious initiatives, supported by stronger institutions and policy frameworks at the continental level. The rate of investment in regional infrastructure connections has increased and African countries have undertaken far-reaching regulatory reforms to facilitate trade.

Between 2005 and 2012, intra-African trade more than doubled, from USD 62 billion to USD 147 billion. If informal cross-border trade were taken into account, the figure would probably be much higher. However, half of intra-African trade takes place within just one region, the Southern African Development Community (SADC), where South Africa trades with its neighbors. Limited trade integration is a reflection of the continent's dispersed geography, its fragmentation into

separate national markets, and vast infrastructure deficit, and has in turn held back Africa's share of global trade.

### LABOR MOBILITY

Labor mobility is another component of regional integration. Many of the Regional Economic Communities (RECs) have developed harmonized systems for managing migration, but these are yet to be widely implemented by member states. While the Economic Community of West African States (ECOWAS) has introduced visa-free entry for up to 90 days across its member states and the Union du Maghreb Arabe (Arab Maghreb Union) allows for free movement between Libya, Morocco, and Tunisia, as well as visa-free travel between Algeria and Tunisia, most regions still have restrictive visa requirements between their member states. Smaller countries are often weary of making commitments in this area, fearing that their labor markets will be flooded with newcomers.

### FINANCIAL INTEGRATION

Integration of financial markets has made some important progress. The front runners are the two Communauté Financière Africaine (African Financial Community) monetary unions, in West Africa with eight member states and in Central Africa with six. The Common Monetary Area (CMA) comprising South Africa, Lesotho, and Swaziland is another important

stepping stone to financial integration. Many African countries have undertaken reforms to develop their financial institutions and strengthen their financial markets. The rapid spread of cross-border banking investments and the emergence of Africa-wide lenders indicate that financial markets are becoming increasingly integrated. However, financial flows are still well below their potential and a number of challenges, including weak financial infrastructure and limited capital market development, still need to be addressed.

Some RECs have signed agreements to promote investment and capital flows, in support of the regional integration agenda. The Common Market for Eastern and Southern Africa (COMESA) Common Investment Area and the Southern African Development Community (SADC) Investment and Finance Protocol are prominent regional instruments promoting financial integration. At the continental level, the African Union (AU) is working towards the establishment of three pan-African financial institutions: the African Investment Bank, the African Central Bank, and the African Monetary Fund. While data on intra-African investment flows are scarce, the available evidence suggests that they are concentrated in four major sectors: mining, quarrying, and petroleum; finance; business services; and transport, storage, and communications. There is considerable unrealized potential in other sectors, held back by small national markets and a lack of strong national commitment to regional integration arrangements. Most intra-African foreign direct investment goes to finance mergers and acquisitions, rather than greenfield investments. This suggests that intra-African foreign direct investment might provide attractive opportunities to countries privatizing state firms or seeking to increase output from existing ones.

### CONSOLIDATING REGIONAL INTEGRATION INITIATIVES

There is no shortage of ambitious regional integration initiatives. In fact, among the world's developing regions, Africa has the highest concentration of economic integration and cooperation agreements. Almost all 54 countries belong to at least one regional grouping and about half belong to two or more. This overly complex regional architecture comes at a price, imposing conflicting requirements on countries that are members of more than one Regional Economic Communities (RECs).

In view of such limitations, there has been a strong interest in rationalizing the mandates of the RECs. One such initiative is the Tripartite Free Trade Agreement (FTA), first launched in 2008 and currently in its last stage of negotiations. The FTA, expected to be completed in 2014, will establish an integrated market covering 26 countries in eastern and southern Africa, with a combined population of around 600 million people and a total gross domestic product of USD 1 trillion. In Central Africa, two resource rich RECs, Central African Economic and Monetary Community (CEMAC) and Economic Community of Central African States (ECCAS), are planning a merger, and ECCAS has already begun to modify its rules of origins and tariffs with a

view to converge with CEMAC's. The Economic Community Of West African States (ECOWAS) is working with the West African Monetary Institute, the West African Economic and Monetary Union, and the Central Bank of West African States towards the creation of the ECOWAS Monetary Union by 2020. Furthermore, the adoption in early 2012 by the African Union Summit of an Action Plan for Boosting Intra-African Trade and the planned establishment of a Continental Free Trade Area by 2017, with the goal to boost intra-regional trade by 25 to 30 percent in the next decade, will provide a platform for governments to press ahead with opening national markets and creating trade opportunities.

### MEETING CROSS-BORDER CHALLENGES

Like all world regions, Africa faces a series of cross-border challenges that can be addressed only through regional collaboration. These include adapting to climate change, managing regional water resources, and supporting regional labor markets through the development of networks of higher education institutes. Such challenges require both enhancement of national capacity and inter-governmental structures to facilitate joint initiatives and shared investments. There is always a risk, however, that regional needs will lose out to urgent national priorities.

Overall, there is still a great deal to be done before the vision of an economically integrated Africa can become a reality. There is no question that Africa's leaders recognize the importance of regional integration to sustainable development. But the structures and processes required to transform this commitment into sustained action will need to be strengthened.

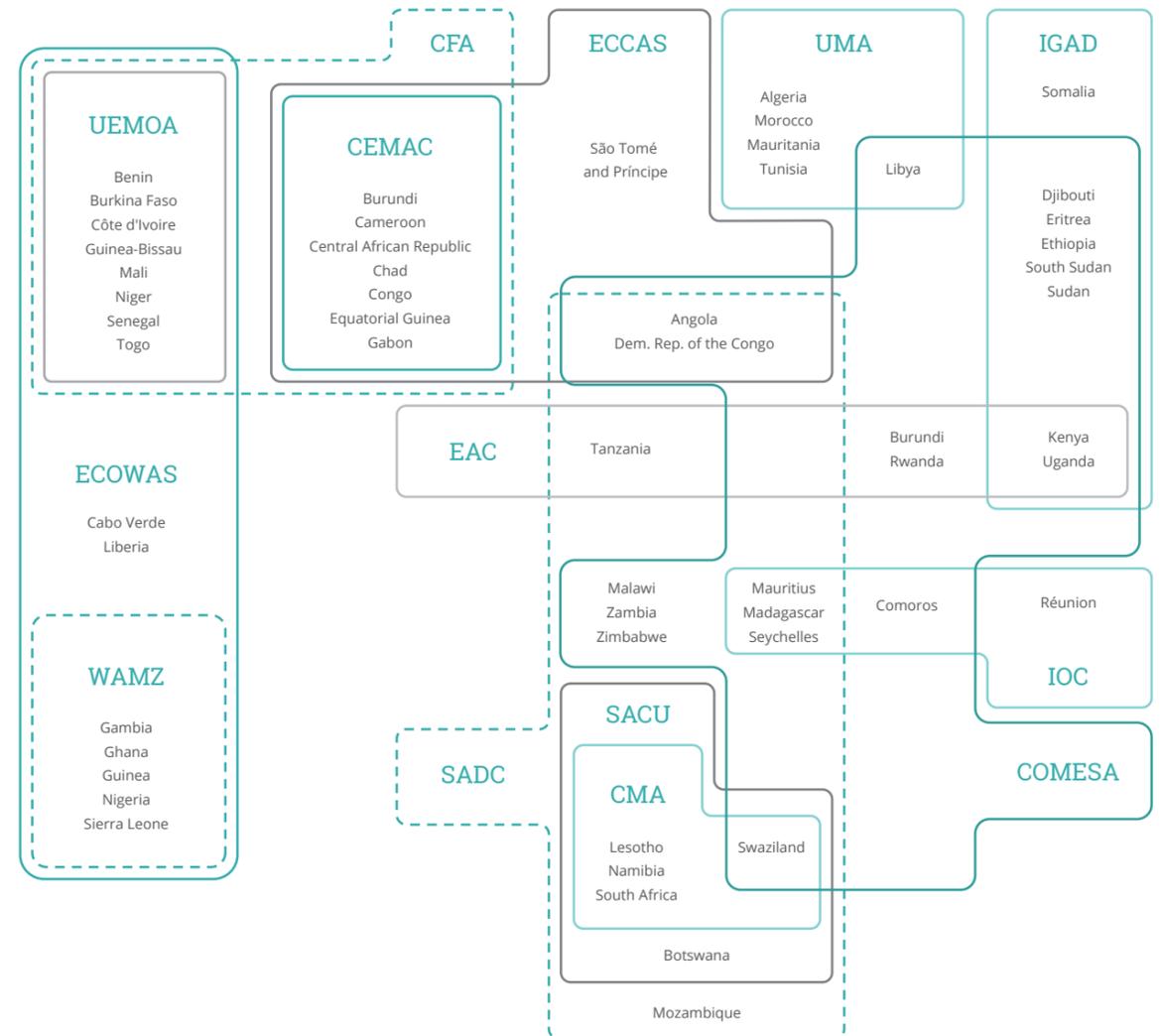
Promoting the free movement of goods, services, labor, and capital requires investments at a number of levels. First, it calls for the development of adequate 'hard' or physical infrastructure, including regional transport links and energy and telecommunications networks, together with institutional arrangements for their management and maintenance. Second, it requires a 'soft' or institutional infrastructure to facilitate cross-border transactions and allow the integration of national markets. This includes dismantling certain regulatory barriers to trade and harmonizing essential policies and institutions among trading partners. There is also a third dimension, which consists of joint action to address cross-border challenges of a regional or continental nature, such as water management, climate change adaptation, cross-border health issues, and other areas benefiting the region as a whole.

The time is now ripe for an acceleration of progress. The search for ways to overcome trade obstacles has engaged African governments and their development partners for years. Political commitment will be required to translate these trade agendas into sound policy and regulatory reforms to maximize the benefits for the people and to implement them effectively. In the coming years, as these efforts demonstrate the huge gains available from regional cooperation, African countries would expect to see the pace of integration accelerate.

### Africa's progress on regional integration

Regional Economic Communities (RECs)	Year of establishment	Free trade area	Customs union	Common market	Monetary union
Southern African Development Community (SADC)	1992	Established	Envisaged	Non-envisaged	Non-envisaged
East African Community (EAC)	2000	Established	Envisaged	Non-envisaged	Non-envisaged
Economic Community Of West African States (ECOWAS)	1975	Established	Envisaged	Non-envisaged	Non-envisaged
Common Market for Eastern and Southern Africa (COMESA)	1994	Established	Envisaged	Non-envisaged	Non-envisaged
Economic Community of Central African States (ECCAS)	1983	Established	Envisaged	Non-envisaged	Non-envisaged
Arab Maghreb Union (UMA)	1989	Established	Envisaged	Non-envisaged	Non-envisaged
Community of Sahel-Saharan States (CEN-SAD)	1998	Established	Envisaged	Non-envisaged	Non-envisaged
Intergovernmental Authority on Development (IGAD)	1986	Established	Envisaged	Non-envisaged	Non-envisaged

### Consolidating regional integration initiatives is key for success



Source: African Development Bank

5

Infrastructure  
Development



Infrastructure development is a key driver for progress across the African continent and a critical enabler for productivity and sustainable economic growth. It contributes significantly to human development, poverty reduction, and the attainment of the Millennium Development Goals (MDGs). Investment in infrastructure accounts for over half of the recent improvement in economic growth in Africa and has the potential to achieve even more.

## 5.1 DEVELOPING INFRASTRUCTURE FOR GROWTH

Strong infrastructure is a crucial factor for productivity and growth. For Africa, the need for adequate infrastructure—secure energy, efficient transport, reliable communication systems, resilient sanitation, and affordable housing—is particularly apparent. While the continent has seen tremendous economic growth over the past years, serious infrastructural shortcomings that have been hampering business growth, service delivery, trade, and investment, as well as Africa's progress in inclusive and sustainable development, continue to impact negatively on the region's competitiveness and constrain the full achievement of the continent's development. Inadequate water and sanitation infrastructure is costing Africa the equivalent of 5 percent of GDP, high transport costs add 75 percent to the price of African goods, and about 30 countries have chronic power outages. Together, underdeveloped infrastructure has been estimated to shave off at least 2 percent of Africa's annual growth.

But Africa also has a unique opportunity to develop its infrastructure in a sustainable manner. Compared to more developed regions, Africa could leapfrog to new, sound technologies, drawing on the best innovations from around the world. Developing adequate and efficient infrastructure will also assist African economies to increase productivity, especially in manufacturing and service delivery. This in turn will create more jobs, increase attractive investment opportunities, and encourage the efficient use of natural resources. Improved infrastructure will also contribute to social development in the areas of health and education and reduce societal inequalities through a more equitable distribution of national wealth.

A development agenda for Africa should, therefore, focus on the challenges and opportunities presented in various infrastructure areas.

	All African Countries	Africa's Poorest Countries	Developing Countries	World
Electricity Coverage, % of population	43%	31%	77%	82%
Access to an all-season road, % of rural population	43%	35%	67%	69%
Mobile Penetration Rate, % of population	80%	-	89%	96%
Improved Water, % of population	68%	59%	87%	89%
Improved Sanitation, % of population	40%	28%	57%	64%
People living in slum conditions, % of urban population	50%	-	33%	-

Source: African Development Bank, World Bank Group, International Energy Agency, International Telecommunication Union, TA Telecom, World Health Organization, United Nations Children's Fund, and United Nations Department of Economic and Social Affairs

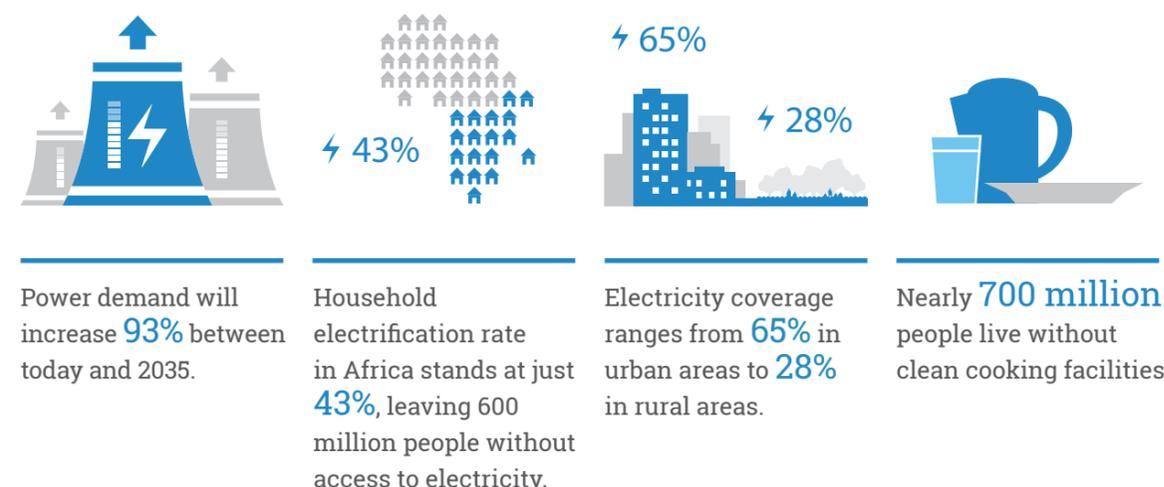
For Africa, the need for adequate infrastructure—secure energy, efficient transport, reliable communication systems, resilient sanitation, and affordable housing—is particularly apparent.

- Africa's vast infrastructure deficit is a constraint on its growth, but also an opportunity to leapfrog to new, more efficient technologies
- As Africa becomes more urbanized, public goods will become easier and cheaper to deliver to a more geographically concentrated population.
- Key challenges will be to supply the burgeoning population with reliable electricity, affordable housing, and transport infrastructure, though these industries will also create new jobs.

## 5.2 ENERGY

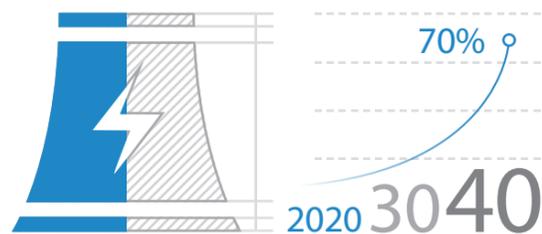
Power demand will increase 93 percent between today and 2035, yet a lack of affordable and reliable energy may pose as a challenge. While improving, the household electrification rate in Africa stands at just 43 percent, leaving 600 million people and 10 million small- and medium-sized businesses without access to power. There is also a marked urban/rural divide, with electrification rate recorded at 65 percent and 28 percent respectively. In Africa, nearly 700 million people live without clean cooking facilities. Around two-thirds of the population continue to burn biomass for fuel, which poses both health and environmental hazards and requires time-consuming foraging by women and children. The average cost for electricity in African countries is also three times as high as in United States and Europe. Households and businesses that do have access to power often face intermittent power outages as well.

Yet Africa has huge energy reserves. If Africa reinvested just 5 percent of its oil and coal export revenue, it could achieve modern energy for all by 2030. Africa also has enormous potential for clean and affordable energy. There is vast hydropower potential in Central and East Africa, barely 10 percent of which is currently tapped. East Africa has large geothermal energy potential, while North Africa, South Africa, and the Horn of Africa offer favorable conditions for wind and solar energy. With far less invested in conventional energy generation than other continents, Africa has the potential to leapfrog over old technologies and become a global leader in renewable energy. Projections for electrification rates indicate a steady rising trend in the upcoming three decades, to around 70 percent in 2040, providing access to 800 million more people.



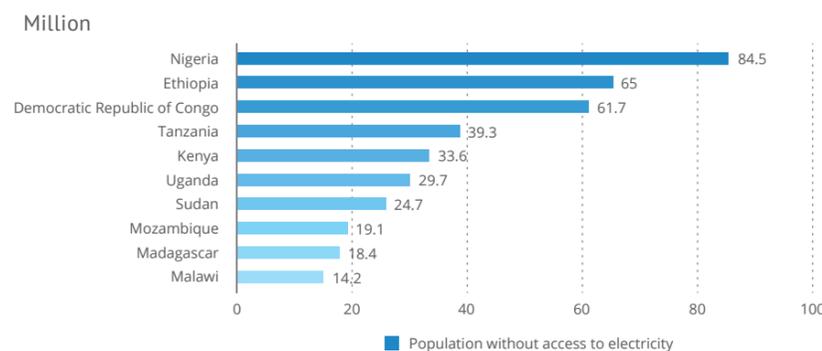


**Two-thirds** of the population continue to burn biomass for fuel, which poses both health and environmental hazards and requires time-consuming foraging by women and children.



Projections for electrification rates indicate a steady rising trend in the upcoming three decades, to around **70%** in 2040, providing access to **800 million** more people.

### African countries with the largest population without access to electricity



Together, these countries account for **65%** of the people who lack access to electricity in Africa.

Source: African Development Bank and International Energy Agency

## 5.3 TRANSPORTATION

Reliable transport infrastructure, in all four subsectors—roads, railways, air transport, and ports—is an essential component of all countries' competitiveness. It is particularly crucial for landlocked countries, for which it is a prerequisite to opening up production zones. Reliable transport must be in place for companies to import and export goods, to fill orders, and to obtain supplies.

### ROADS

Although roads are the predominant mode of transport in Africa—carrying at least 80 percent of goods and 90 percent of passengers—major deficits exist in its infrastructure throughout the continent.

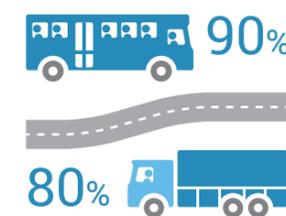
A significant percentage of Africa's road network is unpaved, isolating people from basic education, health services, transport corridors, trade hubs, and economic opportunities. Moreover, access to the road network is uneven, with rural areas largely underserved. This unequal access makes the flow of goods and services to and from rural areas difficult and expensive. Maintenance of the road network is also inadequate, and when done often inefficient. Further complicating the issue, the road network in various countries continues to suffer from vehicle overloading, causing road surfaces to prematurely degrade and resulting in reduced construction life span and high maintenance costs.

Despite having fewer vehicles on its road than any other region, the underdevelopment of the road network has resulted in

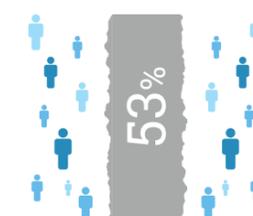
severe traffic congestion. Road safety is also an issue, with road fatalities resulting in 225,000 deaths every year—about one-fifth of total fatalities from road crashes worldwide. As the size of the middle-class population increases, more automobiles will be purchased and improvements in road safety need to be stepped up. Safety measures include the introduction (where not already in existence) of speed limits, drink-driving laws, compulsory seatbelt use and child constraints, and the wearing of helmets for motor cyclists. There should also be annual safety checks for vehicles over a certain age (e.g. 3-5 years) to ensure their road-worthiness. Such measures will require greater investments and regulation, especially in the set-up phases.

Investment rates in transport infrastructure have been increasing, thanks to major continental initiatives such as the Programme for Infrastructure Development in Africa (PIDA).

Some countries are making good progress. Ethiopia, for example, has reduced the average distance to an all-weather road from 21 kilometers in 1997 to 12.4 kilometers in 2012, and access to an all-weather road is said to have decreased poverty by 6.9 percent and increased food consumption by nearly 17 percent. Senegal, too, has embarked on an ambitious program of infrastructure development, which involves the construction of a 32-kilometer toll highway that will link Dakar to Diamniadio in the western part of the country. Cross-border corridors are also being used to link markets—particularly important for landlocked countries—and enhance intra-African trade. The Trans-Africa Highway (Cairo–Dakar) is the most ambitious road network on the continent: it comprises nine interlinked highways with a total length of 56,683 kilometers. Other planned or ongoing regional projects include the Abidjan–Ouagadougou–Bamako Transport corridor, connecting Côte d'Ivoire, Burkina Faso, and Mali.



Roads are the main mode of transport, carrying at least **80%** of goods and **90%** of passengers.



**53%** of the roads are unpaved, isolating people from basic education, health services, transport corridors, trade hubs, and economic opportunities.



Less than **half** of Africa's rural population has access to an all-season road.



Road safety is also an issue, with road fatalities resulting in **225,000** deaths every year—about **one-fifth** of total fatalities from road crashes worldwide.

### Paved roads in selected African cities

Meters per 1,000 population

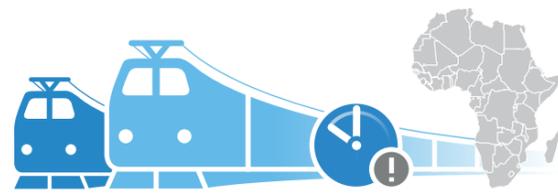
City	Paved Roads
Abidjan.....	346
Conakry.....	174
Dakar.....	467
Dares Salaam.....	150
Kampala.....	225
Kinshasa.....	63
Lagos.....	400
Average Sample in African low-income countries.....	318
Average Developing World.....	1,000

Source: African Development Bank and Commonwealth Business Council

## RAIL

Of all the transportation modes, rail networks are the least developed in Africa, with very few additions since colonial times. Outdated infrastructure and limited maintenance have undermined the effectiveness of railways across Africa, resulting in a significant reduction in usable track.

In total, Africa counted 84,000 kilometers of rail track, for a surface of about 30 million square kilometers, most of it in Southern and Northern Africa. Thirteen sub-Saharan African countries have no operational rail networks, while the spatial density of operational rail ranges from 1 to 6 route-kilometers per thousand square kilometers. The network density for most African countries ranges from 30 to 50 kilometers per million people, with a few countries (Gabon, Botswana, and South Africa) having network densities of more than 400 kilometers per million people. These network densities are very low compared to Europe's range of 200 to 1,000 kilometers per million people.



Outdated infrastructure and limited maintenance have undermined the effectiveness of railways across Africa.

Source: African Development Bank and Commonwealth Business Council

## AIRPORTS

By providing a quick link to export markets, air transport enables the trade of time-sensitive, perishable exports such as cut flowers, vegetables, fruits, meat, and fish, which are becoming increasingly important foreign-exchange earners for African countries.

Yet air transport in Africa remains expensive by international standards. This is mainly because of lower passenger traffic, limited liberalization of air space, high passenger and airport taxes, safety issues, and limited infrastructure (airports, runways, and safety systems). Africa still records the lowest safety standards in air transport of any region in the world. African airlines have also lagged behind in terms of technological

Nonetheless, the African rail system has the potential for expansion and to act as a catalyst for regional integration, trade, and economic development. Inefficiencies and inadequacy in the railroad network are increasingly being addressed by countries in recent years. For instance, Zambia has been working on improving the operational efficiency of the Zambia Railways and the TAZARA Railway. There are also plans on extending the Zambia Railways network to the Botswana Railways network via the planned Kazungula Bridge.

It is also notable that African exports are largely bulky primary commodities, which could be transported more efficiently and at lower cost by rail than by road. Rail development therefore holds some opportunities for investors. Investments in associated activities like locomotive building, logistics, and communications also exist.



In total, Africa counted **84,000** kilometers of rail track, for a surface of about 30 million square kilometers, most of it in Southern and Northern Africa.

upgrades, notably surveillance equipment and fleet modernization. Progress is further hampered by poor airport infrastructure and inadequate air connections.

The importance of air transport, especially for landlocked countries, cannot be overemphasized. It is imperative that African countries enhance this sector's development to improve connectivity and safety and to reduce costs in order to promote intra-African and global trade. Air transport has to be enhanced not only by the amount and quality of physical infrastructure but also, even more importantly, by the way it is operated with regard to air-traffic control and ground-air communications, which are inadequate in much of the region and need to be boosted.



Air transport supports **6.7 million** jobs and **\$67.8 billion** in GDP in Africa.



The most pressing problem for African aviation is safety.

Source: African Development Bank and International Air Transport Association

## PORTS

Seaports too are badly in need of investment and regulatory reforms to remove the bottlenecks and chronic congestion problems. Whereas Africa operates 64 ports, many of them are poorly equipped and uneconomically operated. Huge problems exist with respect to inadequate capacity, particularly in terminal storage and maintenance. Delays are often caused by long processing times and poor shipment handling rates, with over-the-quay container-handling performance running below 20 moves per hour in the African region, compared to 25 to 30 in modern terminals worldwide. In addition, handling costs average 50 percent more in Africa than in other parts of the world. Further challenge stems from a lack of efficient linkages between roads and rail lines, and their poor connectivity to ports.

Private investment in ports is low; yet there is a great need for transshipment facilities and maritime structures. Four regional hubs exist and these include Durban in Southern Africa, Mombasa, and Dar-es-Salaam in East Africa, with Djibouti also emerging as a new hub. In West Africa, Abidjan used to play this role but as a consequence of the civil war, its role has been supplanted by the port of Malaga in Spain. With



In 2012, airlines based in Africa carried **70 million** passengers.



Runway accidents accounted for about a **quarter** of the accidents during 2006-2010.



In 2012, African airlines had one accident (with a Western-built jet aircraft) for every **270,000** flights. Globally, the industry average was 1 accident for every **5 million** flights.

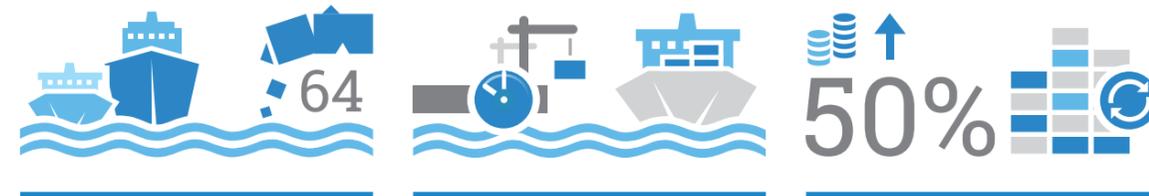
about half of the coastal countries that operate port facilities introducing sectoral legislation and regulatory reforms, new investment opportunities will present themselves.

Enhancing port infrastructures can substantially reduce the cost of production for companies and contribute to economic growth. For instance, as a result of the recent Dakar Port Container Development Project, Senegal has been able to expand its exposure to international markets, increase the volume of port traffic by 13 percent, and reduce average waiting time for ships from 15 hours to 2 hours and for trucks from several hours to less than 30 minutes. The port enhancement project will increase berth capacity by 50 percent and vessel productivity from 20 moves per hour to 61 moves per hour. Moreover, the port will operate the terminal continuously, on a 24-hour-a-day basis. Costs have also been reduced by the implementation of an electronic customs clearance system and the liberalization of the container shipping market.

Africa's prolonged underinvestment in transportation has resulted in a dilapidated transport infrastructure. Indeed, compared with other developing countries—

excluding the provision for maintenance—African countries invested, on average, 15 to 25 percent of GDP in transport infrastructure over the period 2005-2012, while India and China invested about 32 percent and 42 percent of GDP, respectively, over the same period. With many national economies relying on the transport of bulky primary produce, increased attention is being given to developing roads, rail networks, airports, and inland

waterways. As Africa looks at scaling up infrastructure investments in the transportation sector, the trade impact of such investments will spur growth and development. This, in turn, will have spillover effects in all other sectors, opening further opportunities for private sector investments. Within the transportation subsector, there are considerable opportunities to develop systems that will improve intermodal efficiency.



Africa operates **64** ports, many of them are poorly equipped and uneconomically operated.

Delays are often caused by long processing times and poor shipment handling rates.

Handling costs average **50%** more in Africa than in other parts of the world.



Over-the-quay container-handling performance runs below **20** moves per hour in African terminals, compared to **25 to 30** moves per hour in modern terminals worldwide.

Further challenge stems from a lack of efficient linkages between roads and rail lines, and their poor connectivity to ports.

Source: African Development Bank and Commonwealth Business Council

*“The transport sector needs to be better oriented towards enhancing human and social capital.”*

## 5.4 INFORMATION AND COMMUNICATION TECHNOLOGY

While Africa's information and communication technology (ICT) market is still relatively immature, robust economic growth, population boom, rapid urbanization, an emerging middle class, strong competition among providers, and the increasing affordability of mobile devices have propelled it to grow dramatically in recent years. Substantial development assistance has been channeled to the ICT sector in Africa while private investment amounted to USD 50 billion over the last decade.

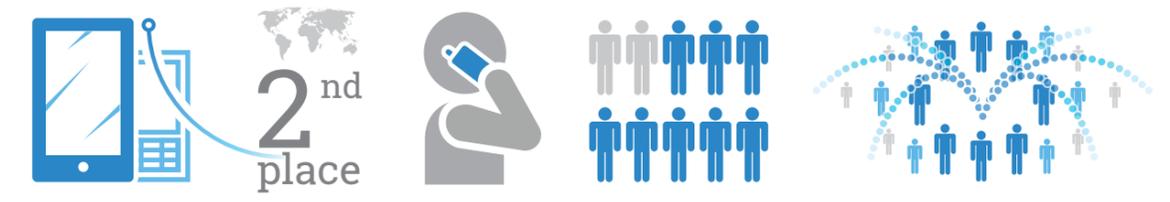
Africa is now the fastest growing and second largest mobile phone market in the world. More than eight in ten Africans have a mobile phone, amounting to 760 million mobile subscriptions, up from only 15 million in 2000—across the continent. Progress will continue over the next 5 years, with the number of subscriptions projected to cross the 1 billion mark by 2016. The average penetration rate has also risen from 37 percent in 2010 to 80 percent in 2013 and is still growing at 4.2 percent annually.

Internet use continues to increase. Africa's data network has been boosted through the rapid spread of submarine data transmission cables, bringing significant international bandwidth within reach of many Africans. The number of internet users has increased from 4 million people in 2000 to over 197.6 million people in 2012. Broadband coverage has increased from a meagre 0.1 percent of the population in 2005 to 16 percent in 2012. A sharp upward trend is projected by 2060—to reach 99 percent of the population. In addition, the Internet is increasingly accessed through mobile phones. Africa's mobile data usage amounts to 15 percent of the total internet traffic. In some countries like Kenya, nearly 99 percent of internet subscriptions are on mobile phones.

in e-business, e-payments, e-learning, e-health, and e-government, and propelled private consumption. Despite the progress of the ICT sector in recent years, the biggest impact has yet to come. While Africa's internet contribution to overall GDP is low today, at 1.1 percent—about half of that in other developing regions, this number is expected to grow to at least 5 or 6 percent by 2025—the same level as the world's leading economies. With digital technology, governments could improve transparency and public service delivery, teachers and students could gain access to education content and training via tablets and e-books, remote diagnosis and treatment could be provided to those with lack of access to a health clinic, farmers could access up-to-date weather and market information, and more people could gain access to finance via mobile and online banking. As the continent becomes more connected, social and economic growth will accelerate, transforming lives in the process.

Telecommunications is crucial to economic growth: it underpins business growth by providing connectivity access to global markets and supporting trade communications; it has also brought on innovations

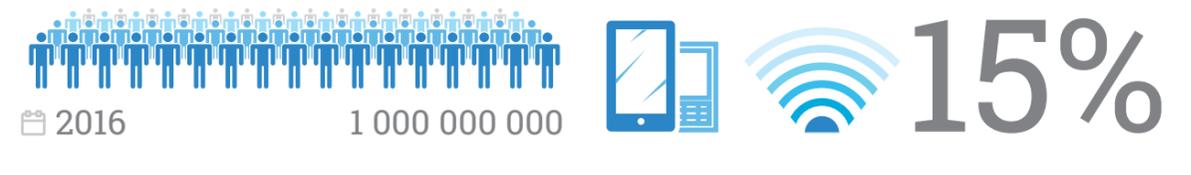
### Africa's mobile phone market



Africa is now the **fastest growing** and second largest mobile phone market in the world.

More than **8 in 10** Africans have a mobile phone.

Average penetration rate has also risen from 37% in 2010 to **80% in 2013** and is still growing at **4.2%** annually.

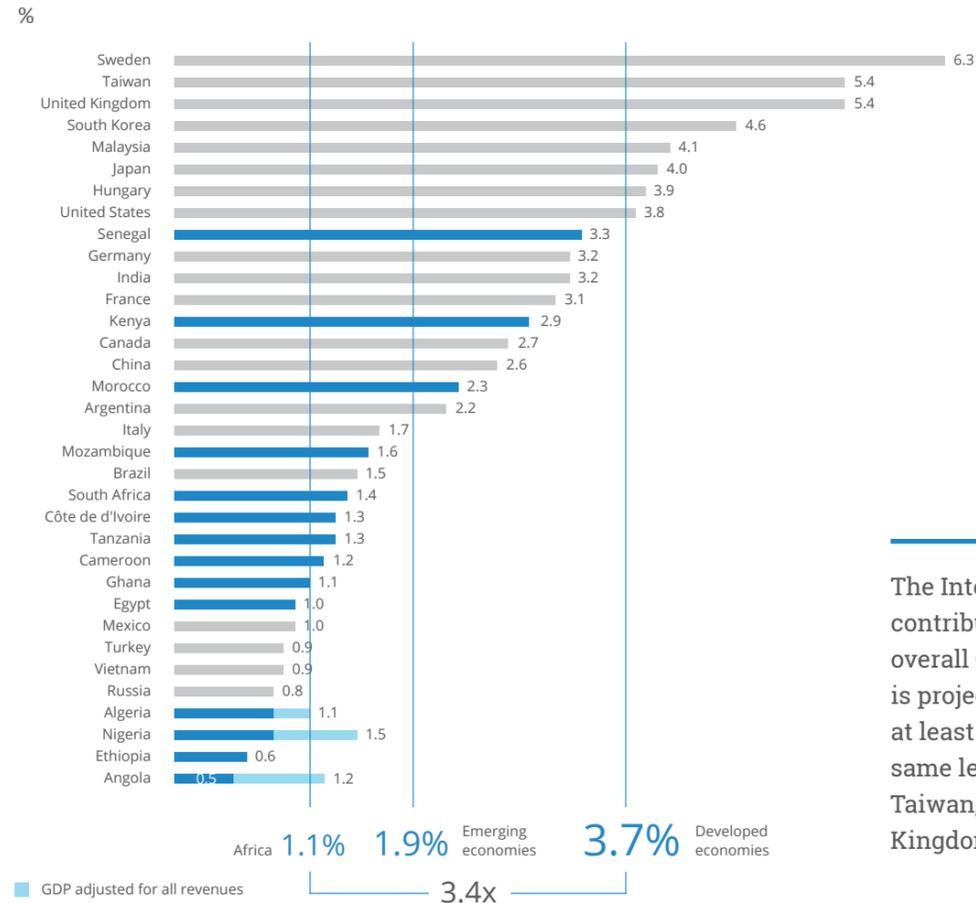


There are now **760 million** mobile subscribers in Africa. This number is projected to cross the **1 billion** mark by **2016**.

Africa's mobile data usage amounts to **15%** of the total internet traffic.

Source: International Telecommunication Union and TA Telecom

## Internet's contribution to GDP 2012



The Internet's contribution to Africa's overall GDP is low, but is projected to grow to at least **5 to 6%**, the same level as Sweden, Taiwan, and the United Kingdom, **by 2025**.

Source: McKinsey & Company

## Top 10 Internet Countries in Africa

Country	Number of Internet Users (Million)
Nigeria	55.5
Egypt	35.6
South Africa	21.5
Morocco	17.9
Kenya	13.9
Sudan	7.8
Algeria	5.9
Uganda	5.3
Tunisia	4.5
Ghana	4.3

Source: International Telecommunication Union

In 2012, over **197.6 million** people in Africa are using the internet, which corresponds to **18.6%** of the population.

Broadband coverage is at **16%** and will likely reach **99% by 2060**.

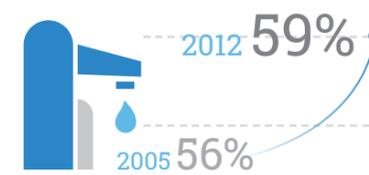
## 5.5 WATER AND SANITATION

Increasing access to clean water and sanitation has been among the most challenging of the Millennium Development Goals (MDGs) to implement in Africa. The share of the population in Africa's poorest countries with access to an improved water source has increased from 56 percent in 2005 to 59 percent in 2012, compared to an average access rate of 87 percent across the developing world. Sanitation lags even further behind. Only 28 percent of these countries have access to improved sanitation facilities, and the rate of investment is only just ahead of population growth. While access has been improving in rural settings, progress in urban areas has stagnated, with growing disparities between wealthier and poorer neighborhoods.

In many cases, the lack of access to improved water source has slowed the progress on sanitation and contributed to outbreaks of diseases like cholera and diarrhoea. Factors hindering progress in access to safe drinking water include political instability, the increasing number of refugees, and

growing populations putting pressure on the available resources. Additionally, African countries generally lack the technologies needed to improve water and sanitation. Where these technologies exist, they do not trickle down to the many rural areas that would benefit from them. Women and girls are the most affected, because they bear the primary responsibility of fetching water, taking up a lot of time that could be used more productively.

Water is one of the most essential natural resources, for livelihoods, food security, and economic growth. Africa urgently needs to invest in the sustainable development of its vast water resources, to protect against the impact of climate change in the coming years. This includes improving cooperation on the shared management of Africa's eighty or more international water basins. There are a number of successful models to follow, such as the Senegal River Basin Development Authority and the Nile Basin Initiative.



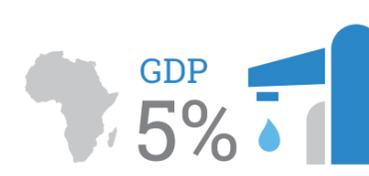
The share of population in Africa's poorest countries with access to an improved water source has increased from 56% in 2005 to **59% in 2012**.



Only **28%** of Africa's poorest countries have access to improved sanitation facilities.



Almost **half** of the people with no access to improved sanitation live on less than two dollars a day.



On average, inadequate water and sanitation costs Africa **5%** of its GDP.



Poor sanitation costs Nigeria, Kenya, and Ghana \$3 billion, \$324 million, and \$290 million each year respectively.



In most countries, current investments in sanitation are less than **0.1%** of GDP.

Source: African Development Bank, World Health Organization, UNICEF, and World Bank

## 5.6 HOUSING

African cities are growing exponentially, adding an estimated 15 to 18 million people a year—averaging to 40,000 to 50,000 people every day. In the coming decades, Africa’s urban population is projected to grow 45 percent faster than the population as a whole. By 2040 half of Africa’s population will live in a city.

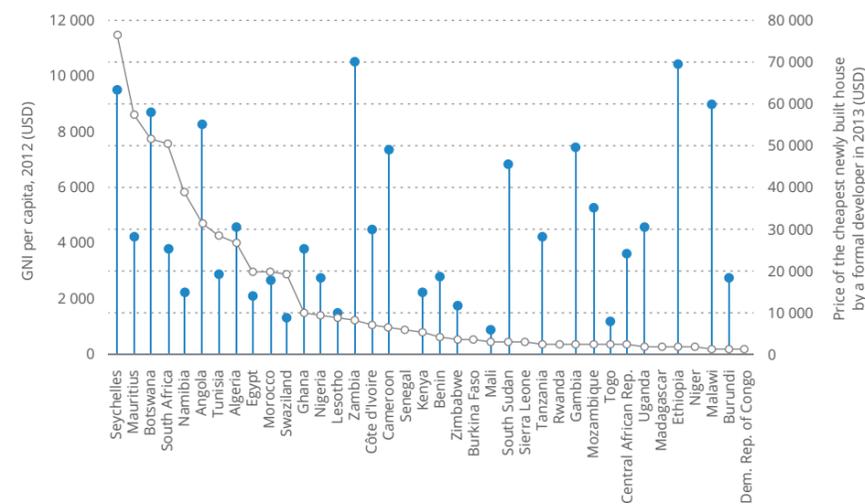
The growth of cities comes with an increasing demand of land for housing, services, jobs, and other aspects of urban development. Yet, housing is rarely affordable—with prices ranging from USD 5,800 in Mali to USD 70,000 in Ethiopia and Zambia. This leaves half of the urban population—the majority of which are between the ages of 15 and 24—with no alternatives but to live in slums and informal settlements under poor, overcrowded conditions instead. Today, over 226 million people in Africa live in slum conditions—up from 123 million in 1990. Those living with insecure property rights often find themselves living beyond the reach of the law and vulnerable to exploitation.

Scarce urban land for housing development, increasingly high construction materials and infrastructure costs, as well as a lack of land and housing policies and legislation, all lead to rising housing costs and tenure insecurity. Housing finance in Africa is generally limited, with 85 percent of urban dwellers unable to secure housing due to high down-payment requirements, short loan periods, and high interest rates.

While there are great challenges, they are not insurmountable. Several countries have already demonstrated progress toward affordable housing provision by successfully implementing housing policies and programs catered to low-income households. As a result, some 24 million African urban dwellers have had significant improvements in their living conditions. The number of slum populations in countries like Egypt, Morocco, and Tunisia has also substantially reduced over the past decade as well.

Urban legislation should continue to be a priority area for sustainable urban development. Governments should legislate to ensure that all categories of citizens have equal access to adequate and affordable housing, basic infrastructure and services, and equal job opportunities. Mass affordable housing would require careful policy coordination—removing inappropriate building regulations; clarifying land titling and legal enforcement; encouraging innovation in housing finance; promoting the construction, maintenance, and upgrades of existing housing properties and informal settlements; and supplying integrated infrastructures and services that target the marginalized groups, including the poor, youth, women, and elderly people. It also demands a carefully crafted and comprehensive response from city planners to ensure orderly urban development and prevent urban sprawl. Better communication and allocation of resources from central to municipal authorities are also crucial.

### Relationship of income to housing cost



Housing, where available, is simply not affordable for the vast majority of Africans.

Source: Centre for Affordable Housing Finance in Africa

# 6

## Agriculture, Food Security, and a Greener Environment



Promoting agriculture continues to be the most effective way of driving inclusive growth and poverty-reduction in Africa. The continent needs its own green revolution to improve yield and commercialize agriculture.

## 6.1 AFRICAN AGRICULTURE

Agriculture is the dominant source of livelihood in Africa, especially in low-income rural areas. Nearly half of the continent's population—equivalent to just over 530 million people, 227 million of which are directly employed in the sector—are dependent on an agricultural lifestyle. Promoting agriculture—which provides direct inputs to the agro-processing value chain, supplies food to urban areas, and is a source of household savings for investment—and food security is therefore one of the most effective ways to drive inclusive growth and reduce poverty.

With more than half of the world's fertile yet unused cropland, abundant water resources, and plentiful agricultural labor, Africa clearly has an opportunity to feed a rapidly growing population, increase productivity and competitiveness, and spur economic growth. Indeed, agricultural output has been increasing steadily across the continent over the past decades and has the potential to continue growing in the next decade. Yet, while Africa did see an increase in agricultural production, average yield and cropping intensity have not improved. While other global regions have doubled or tripled their average yields between 1961 and 2012, the growth in yield in Africa is barely perceptible. Plausible explanations for the low yields include lack of access to water, fuel, and improved planting materials, as well as low use of fertilizers, machinery, and irrigation technology. Africa, especially Sub-Saharan Africa, is characterized by minimal water storage capacity, resulting in gross underutilization of Africa's abundant water resources. This, along with the lack of technology used for proper

crop irrigation, has made Africa heavily dependent on rainfall—which is increasingly unpredictable. With little protection against climate variability and climate change, droughts, floods, cyclones, and desertification often lead to crop failure, poor harvests, and food insecurity. Lack of access to improved water resources also causes many farmers to use wastewater for agriculture, leading to a high incidence rate in food poisoning and foodborne diseases. Inadequate energy supply constrains productivity and also processing and storage of produce. Africa's very low connectivity density in paved road and rail network contributes to high, sometimes up to 40 percent, postharvest losses and lack of access to markets. In addition, there is growing concern that a decline in long-term soil fertility is limiting agricultural production and yield in Africa, and that the problem is getting worse.

Given the continent's projected increase in food requirements and the limits to extensive agricultural growth, a major transformation of African agriculture from subsistence towards commercial production would be vital. Improved yields and productivity are necessary to meet non-African competition and contribute to reducing food prices without taxing smallholders. This would require scaling up investments in irrigation, improving access to key agricultural inputs and technology, establishing supporting mechanisms for increased use of nutritional supplements in agricultural production, developing local and regional food procurement and distribution centers, and removing trade barriers and impediments to Africa's agricultural and food market.

### UNLOCKING AFRICA'S AGRICULTURAL POTENTIAL

#### Fertile land



Over **half** of the world's **fertile** yet unused cropland is in Africa.

Source: African Development Bank

#### Plentiful agricultural labor



**55%** of Africa's labor force is employed in agriculture; in some countries like Djibouti, Guinea, and Burkina Faso, the proportion exceeds **94%**.

#### Abundant water resources

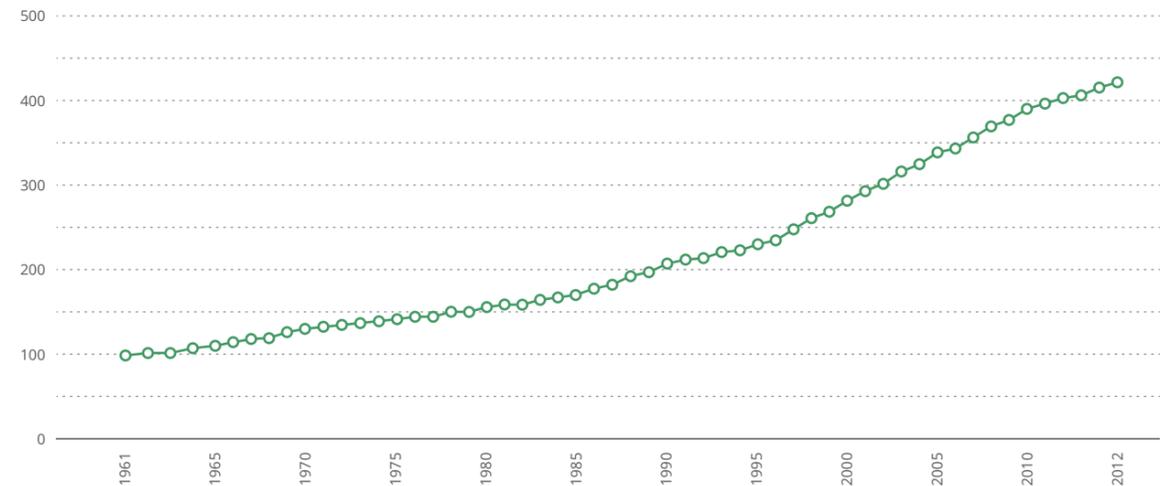


The Congo, Nile, Zambezi, and Niger are amongst the world's longest rivers while Lake Victoria is the world's second largest lake.

## PRODUCTION AND YIELD GAP

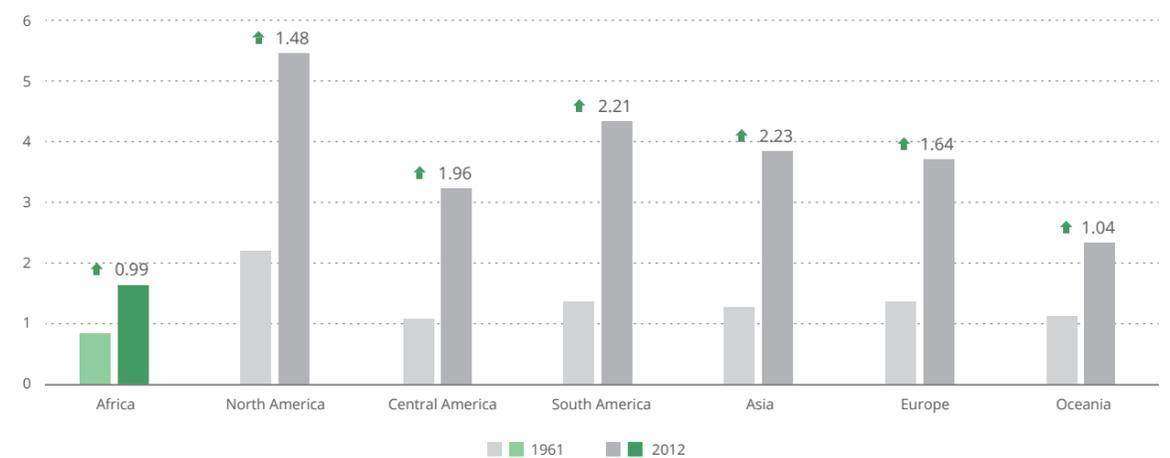
### Agricultural Production Index, Africa, 1961-2012

Index (1961=100)



### Yield across world regions, 1961 vs 2012

Metric Ton per Hectare



Agricultural production has been increasing steadily across Africa over the past decades. Yet, the continent's average yield growth lags behind other world regions.

Source: Food and Agriculture Organization of the United Nations

### Investments in agriculture can make a significant difference



Irrigation technology could increase output by up to **50%**.

Increased fertilizer and pesticide use can help bridge yield gaps.

Better seeds can lead to **30%** more yield in drought-prone areas.



Improved infrastructure can reduce postharvest losses.



Modern information and communication technologies can improve market integration.



Trade liberalization can uplift Africa's agricultural potential.

Source: African Development Bank and Food and Agriculture Organization of the United Nations

## 6.2 FOOD SECURITY

In order to feed a population of 2.4 billion in 2050, Africa will need a new vision for agriculture, one that would enhance food security, environmental sustainability, and economic opportunity through agriculture. Food security, in particular, has been one of the top targets in the Millennium Development Goals. Africa has made some progress in reducing hunger over the last two decades and its Global Hunger Index (GHI) is now lower than South Asia's. Since 1990, six countries (Ghana, Angola, Malawi, Rwanda, Mali, and Niger) have reduced their GHI scores by 50 percent or more, nineteen have made modest progress by reducing hunger between 25 and 49.9 percent, and another nineteen reduced hunger by 0.0 to 19.9 percent. Three countries (Burundi, Swaziland, and Comoros) experienced setbacks. While Africa still has the highest prevalence of undernourishment, it has declined from 27.3 percent to 21.2 percent over the last 20 years.

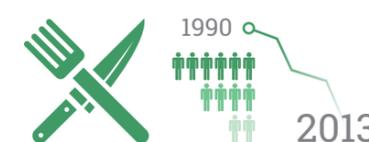
Despite past progress, Africa still imports roughly USD 80 billion in foodstuffs and large segments of Africa's population still suffer from chronic hunger. According to new estimates, about 226 million people—around one

in four people—in Africa in 2010-2013 did not consume enough food on a regular basis to cover their minimum dietary energy requirements. Political unrest and food price volatility pose as major challenges for Africa's smallholder farmers and poor consumers, as food accounts for a large share of farmers' incomes and poor consumers' budgets. Low productivity arising from low-input use, land degradation (such as soil erosion in Lesotho), lack of water storage capacities, poor infrastructure, climate change (drought, especially in the Horn of Africa and the Sahel), among other issues, ultimately lead to declining rural incomes and affect the ability of rural households to feed themselves.

The seriousness of food insecurity has led some countries, including Burkina Faso, Chad, the Central African Republic, Gambia, Niger, Mali, Togo, and Tanzania, to declare national emergencies and accelerate priority action plans. These actions have started mobilizing global support, partnerships, and resources and strengthening the coordination of development management. Successful advancement will be defined by the quality of growth and by ensuring that progress is sustainable.

“Recent global food crises and ongoing struggles with hunger in some parts of Africa, particularly in the Horn and the Sahel, emphasize the need for greater food security. Africa must also harness more of its own capital—human, natural and financial—to invest in future development”

### Africa food security and nutrition



Hunger Levels dropped by **25%** between 1990 and 2013.



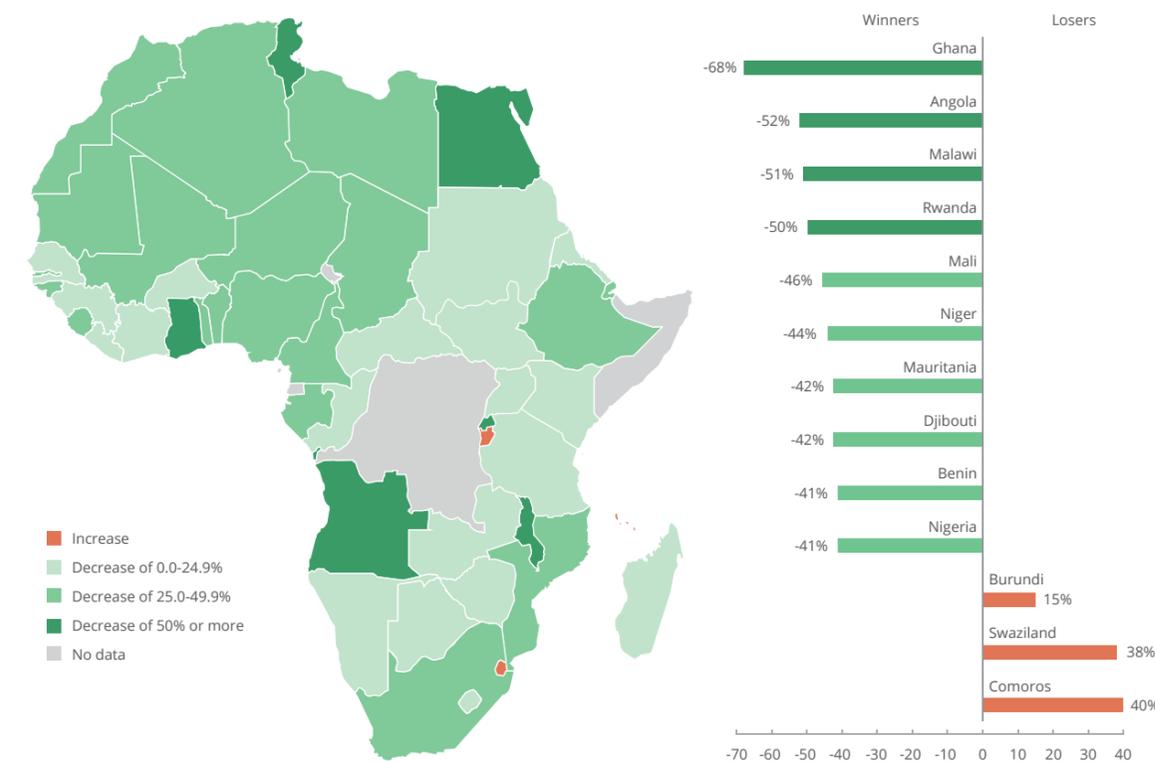
Malnutrition has been reduced by **23%** since the 1990s.



The proportion of under-weight children decreased from **34%** in 1990 to **24%** in 2012.

### Country progress in the combat against hunger, Africa

Percentage change in 2013 GHI compared with 1990 GHI



Source: International Food Policy Research Institute

## 6.3 TOWARDS GREEN GROWTH

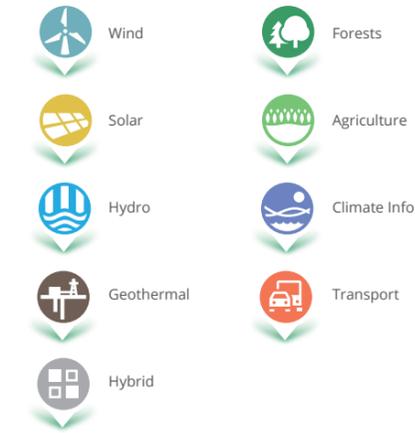
Africa is endowed with abundant natural wealth, from its land to its water and its extraordinary biodiversity. In recent years, rapidly growing population, dietary changes, rising income, high demand for commodities, and urbanization in the developing world have led to a surge in international demand for Africa's resources. This situation is likely to continue, with international demand for natural resources projected to triple by 2050.

Whereas this resource wealth represents an extraordinary opportunity for Africa to reducing poverty and fighting hunger, it also puts the continent's natural environment under increasing pressure. In some instances, high demand, coupled with climate change, has also led to widespread environmental damages and losses: many African countries have already lost a significant quantity of their soils, contributing to reduced yields and food insecurity; and almost 200 million Africans now live on degraded land. Desertification continues, with 37 percent of the continent at risk. If current trends were to continue, much of Africa's natural capital could be squandered within a generation, leaving large parts of the continent still trapped in poverty.

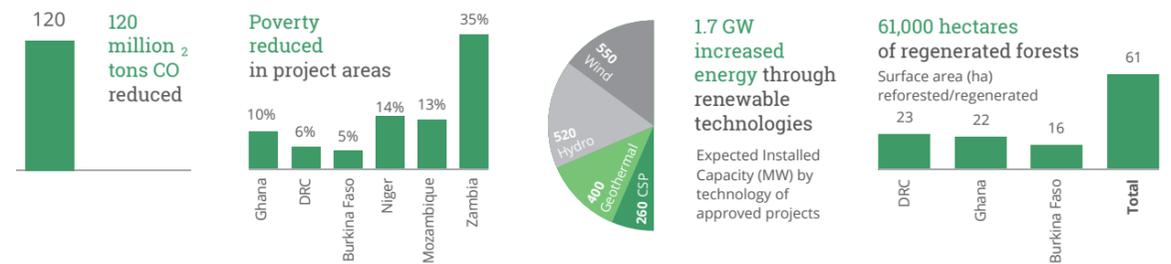
As a high proportion of Africans depend for their livelihoods on renewable resources like land, water, and fisheries, finding a more efficient, sustainable, and resilient growth pathway for Africa would make sound economic sense. Green growth will help ensure that the benefits of natural resource endowments are shared equitably across the continent, and with future generations. Structural transformation of African economies can also help reduce dependence on natural resources and other commodities through greater diversification and more sophisticated value chains.

For this reason, a number of African countries are working through national investment plans to move toward sustainable green growth—to manage their natural resources more efficiently, maximize development benefits, minimize vulnerabilities, and ensure that their natural wealth is preserved for future generations. Many African countries now have the policy, as well as legal and institutional frameworks, required to improve environmental management, but most still need to develop the capacity for implementation and enforcement.

## Africa on the move towards green growth



### Green growth project outcomes



Source: African Development Bank

## Conclusion

Over the last several decades, Africa has embarked on a process of economic and social transformation. Robust growth is lifting Africans out of poverty at an impressive rate and propelling a growing number of African countries towards middle-income status.

In the coming years, Africa sees itself becoming a prosperous continent with high-quality growth that creates more employment opportunities for all, especially women and youth. African countries are determined to harness the benefits of development for their people: human well-being, infrastructure improvement, socioeconomic opportunity, environmental security, and increased competitiveness. In this vision, sound policies and better infrastructure will drive Africa's transformation by improving the conditions for private sector development and by boosting investment, entrepreneurship, and micro, small, and medium enterprises. In this context, transformation means diversifying the sources of economic growth and opportunity in a way that promotes higher productivity, resulting in sustained and inclusive economic growth. It also means supporting the development of industries that increase the impact of the existing sources of comparative advantage and enhance Africa's global competitive position.

Many of Africa's fragile states will be on a path to growth and recovery. Stronger institutions of governance (domestic and regional) will reinforce the rule of law, facilitate transparency and accountability, and peacefully resolve conflicts. Africa will attract greater private investment from foreign sources. Faster growth, more formal economic activity, and improved wealth management will greatly increase domestic resource mobilization, reducing the dependence on donor aid. And more of Africa's capital will be invested domestically, not parked offshore. But successful transformation requires visionary and determined leadership.

Africa will seize opportunities for greener, more sustainable growth to become more resilient in the face of climate change. By incorporating green principles in development plans, African countries will extend access to water, energy and transport, boost agricultural productivity, and create new jobs and expertise. They will also build sustainable cities and develop their natural resources while reducing waste. They will chart their own green growth paths—reinforcing, not compromising, their development efforts.

Africa as a continent will be much more integrated. Goods, services and people will move across countries and regions—creating larger markets, increasing companies' competitiveness, and expanding intra-African trade opportunities. Fostering cooperation within trans-boundary basins will support growth, peace, and stability. Such regional approaches will also make resource use more efficient.

Realizing Africa's vision is achievable but will not come easily. The choices made today about human capital, economic development, governance, infrastructure, energy, and food production will shape Africa's opportunities and options far into the future. Overcoming the challenges along the way will require a new mindset where Africa's leaders and people fully assume ownership for their development. And it will require continuing support from the international community to reinforce Africa's efforts and resources and build capable states with robust public administrations. Furthermore, achieving long-term development for Africa will require growth that is both sustainable and inclusive.

The African Development Bank (AfDB) is a unique proposition: as an African organization serving Africans, it is a motor for economic progress and integration, and the voice of Africa and African development across the continent—and far beyond. In its new Ten Year Strategy (2013-2022), the African Development Bank has outlined its commitment to support Africa's ambitions to be a stable, integrated, and prosperous continent with competitive, diversified, and growing economies participating fully in global trade and investment, and aspiring to become a future growth pole and the next global emerging market.

The Strategy, therefore, reflects Africa's vision for itself—a vision that is achievable, as we continue to track Africa's progress in the coming years.

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