FORESIGHT AFRICA:

TOP PRIORITIES FOR THE CONTINENT IN 2016

B | Africa Growth Initiative
at BROOKINGS

Editor

Amadou Sy

Issue Brief Authors

Kathleen G. Beegle
Jérôme Chenal
Luc Christiaensen
Richard Joseph
Joshua P. Meltzer
John Page
Amadou Sy

Viewpoint Contributors

Soamiely Andriamananjara
Alan Berube
Haroon Bhorat
Winnie Byanyima
David Dollar
Geoff Gertz
Mo Ibrahim
Homi Kharas
John Mukum Mbaku
Margaret McMillan
Njuguna Ndung'u
Ngozi Okonjo-Iweala
Joe Parilla
Khalifa Sall
Witney Schneidman
Eyerusalem Siba
Richard Wilcox

Africa Growth Initiative *Foresight Africa* team

Amy Copley
Christina Golubski
Radhika Goyal
Mariama Sow
Andrew Westbury

With special thanks to:

Zenia Lewis
Otito GregObi

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PREFACE

LETTER FROM THE DIRECTOR

Amadou Sy
Senior Fellow and Director, Africa Growth Initiative
Global Economy and Development
Brookings Institution

Africa is at a tipping point in 2016. Despite all the success the continent has achieved in recent years, new and old dangers—economic, political, and security-related—threaten to derail its progress. I am not trying to sound ominous, though: Africa, with sound policymaking, effective leadership, and enough foresight—can meet and defeat these challenges as well as the many more to come.

In this year's *Foresight Africa*, the Africa Growth Initiative and its colleagues discuss six overarching themes that place Africa at this tipping point and give their views on what they perceive to be key areas for intervention to keep Africa on its current rising trajectory. This year's format is different from years past, encompassing viewpoints from high-level policymakers, academics, and practitioners, as well as utilizing visuals to better illustrate the paths behind and now in front of Africa.

In the first chapter, the authors cover the **adverse effects of recent external economic shocks** on Africa's already slowing economic growth. While threats like the economic slowdown in

China and falling commodity prices may sound menacing to African economies, they actually provide opportunities in 2016 for implementing sound (and often innovative) policies for maintaining future growth.

Domestic growth and structural transformation is the theme of the second chapter, where the authors discuss jobs and the changing face of Africa's economies. Despite Asia's experience with industry as a driver of sustained growth, Africa's growth is centered on the services sector—which raises a red flag for some experts. With the Sustainable Development Goals' new emphasis on industry and jobs, 2016 is the perfect time to jump-start industrialization in Africa.

Human development in recent years has seen a myriad of successes and disappointments: Poverty rates continue to fall, but the number of poor in sub-Saharan Africa is actually rising. Malawi, Uganda, and others finally have agricultural sectors strong enough to support savings and investment by farmers, but the five countries with the highest food and nutrition security needs in the world are also in the region. Contributors in the third chapter cover these issues (as well as inequality, fragile states, women's empowerment, and climate resilience) and what to do about them in 2016.

As Africa rapidly transforms both demographically and geographically, **successful planning for urbanization** must be on the agenda in 2016. The African population's rapid move to cities is quickly creating megacities and huge population growth in intermediate cities before officials have the chance to implement good policies or finance robust infrastructure to support their inhabitants. In fact, the majority of urban residents in Africa live in slums, and access to electricity, sanitation, and clean water is not adequate.

2016 also brings a number of complex political and governance challenges, following on from the year before. While 2015 did see many successes (Nigeria peacefully transitioned to a new regime and the Tripartite Free Trade Agreement was signed), it also experienced upheavals (the civil wars in the Central African Republic and South Sudan raged on and the Nile riparian states continued their heated dispute). As the upcoming year could see a continuation of these trends, the fifth chapter covers how leaders might address the continuing obstacles to peace, prosperity, and good governance at both the national and regional levels in 2016.

With the signing of the Trans-Pacific Partnership Agreement, trade relationships the world over will drastically change in 2016—just as African countries are taking major steps towards regional economic integration and enacting their own export-oriented policies. The sixth and final chapter explores the **changes in and implications of the shifting global trade environment** on Africa's prospects for enhancing its own competitiveness and trade performance.

With our sixth annual *Foresight Africa*, we aim to capture the top priorities for Africa in 2016, offering recommendations for African and international stakeholders for creating and supporting a strong, sustainable, and successful Africa. In doing so, we hope that *Foresight Africa 2016* will promote a dialogue on the key issues influencing economic development in Africa in 2016 and ultimately provide sound strategies for sustaining and expanding the benefits of economic growth to all people of Africa in the years ahead.

Over the course of the year, we will incorporate the feedback we will get from our readers and continue the debate on Africa's priorities through a series of events, research reports, and blog posts. We look forward to this important conversation on how Africa might best flourish in 2016.

1

Managing Economic Shocks:

African Prospects in the Evolving External Environment

>> ISSUE BRIEF from the AUTHOR

Amadou Sy

Director and Senior Fellow, Africa Growth Initiative,
Global Economy and Development, Brookings Institution

Sub-Saharan Africa and the External Environment

Amadou Sy

In 2015, sub-Saharan Africa experienced its slowest economic growth rate since the 1998 global financial crisis. According to the IMF, the region's real GDP growth fell from 5.0 percent in 2014 to 3.75 percent in 2015 and will rebound to 4.3 percent in 2016. Given recent global and regional trends, it is likely that the IMF will revise its 2016 sub-Saharan Africa growth forecast downward. Not all is lost, though: Changes like these create opportunities for appropriate and timely policy measures that can make a difference and help sub-Saharan African economies regain their growth momentum both in the short and long terms.

FIGURE 1.1. SUB-SAHARAN AFRICA: REAL GDP GROWTH AND FORECASTS

Domestic and external factors have driven down GDP growth forecasts for sub-Saharan Africa. The growth rate in 2015 is estimated to be at its lowest since 1998 but a slight rebound is forecasted in 2016 with growth up to 4.3 percent. Still, recent external shocks might bring the 2016 forecast down even further—a situation that calls for strong macroeconomic and tax policies to help the region bounce back.

Source: IMF and author's estimates.

Economic trends since the global financial crisis

The IMF 2016 forecast of 4.3 percent is lower than the 5.0 percent achieved in 2014 and even lower than the 2004-2014 average of 5.8 percent.

The path of the region's economic growth was a sharp V-shape in 2007-2009 (Figure 1) as African countries were able to quickly recover from the effects of the global financial crisis thanks to existing policy buffers that allowed for countercyclical measures. For 2015-2016, however, growth forecasts point to a less pronounced economic recovery. The IMF 2016 forecast of 4.3 percent is lower than the 5.0 percent achieved in 2014 and even lower than the 2004-2014 average of 5.8 percent. What is even more worrisome is that the IMF growth forecast for next year is just a baseline projection. There is, therefore, an implicit interval of confidence around the growth projection, and downside risks to the baseline are looming large.

Such a path means that the growth momentum in the region may be running out of steam. This trend is worrisome: When looked at on a per capita basis, Africa's growth rate is still too low to make a permanent dent on human development indicators. GDP per capita growth has averaged 3.4 percent in 2004-2014 but is now scheduled to fall to 1.4 percent in 2015 and hover around 1.9 percent in 2016. To put things in perspective, if the region was able to regain its 2004-2014 per capita GDP average growth rate, GDP per capita could be doubled in 20.5 years, by the year 2036. In contrast, at a growth rate of the predicted 1.4 percent, this achievement would take place in 50 years, by the year 2065.[1]

As the continent takes its first steps in meeting the Sustainable Development Goals, it is crucial that it achieves faster and better-quality economic growth, one that has a high growth elasticity of poverty reduction (the percentage reduction in poverty rates associated with a percentage change in mean per capita income) and relies on more engines of growth, such as agriculture and manufacturing than exports of oil and other commodities.

[1] Sub-Saharan Africa's 2014 GDP per capita (at constant 2005 prices) was $1,036.1 according to the World Bank.

VIEWPOINT

CHINA'S GROWTH SLOWDOWN WILL AFFECT AFRICA

David Dollar
Senior Fellow, Foreign Policy and Global Economy and Development, Brookings Institution

China's growth has had positive spillovers for Africa for the past decade. In particular, China's investment-led growth model generated large demand for energy and minerals, boosting Africa's terms of trade and export volumes. But now China is undergoing a difficult transition towards a new model that relies more on innovation and productivity growth on the supply side and on consumption on the demand side.

The hangover from the investment-led model is excess capacity throughout the economy. There are many empty apartments, low-capacity utilization in heavy industry, and under-utilized infrastructure. Given the excess capacity, it is natural that investment has slowed quite sharply, dragging down the overall growth of the economy. This trend has an immediate effect on Africa because it is one factor leading to declining prices for primary products and to declining volumes of exports for African economies. Through the first three quarters of 2015 the gloomy news for China's old economy was matched by some positive news from the new economy so that the overall growth rate was close to the target of 7 percent. However, markets are nervous because it is not clear if China's growth will stabilize in this 6-7 percent range or decline further in 2016 and beyond.

The slowdown in investment means that, for the moment, China has even more capital to send abroad than in the recent past. Its consumption rate should gradually rise, but for the foreseeable future China is likely to have an excess of savings over investment, that is, to be providing capital to the rest of the world. This can happen in a fairly orderly fashion. The authorities now are trying hard to stabilize the exchange rate: The large and growing trade surplus indicates that there is no foundation for devaluation in the medium to long term. The authorities have laid out an ambitious set of reforms that should facilitate the shift away from investment-led growth.

A smooth transition will enable China to continue to grow in the 6-7 percent range for the next decade. It will not provide increases in demand for energy and minerals on the scale of the past, but it should be a stable source of direct investment for other countries. Africa will need to compete for its share through infrastructure investment, improvements in the investment climate, and strengthening of human capital.

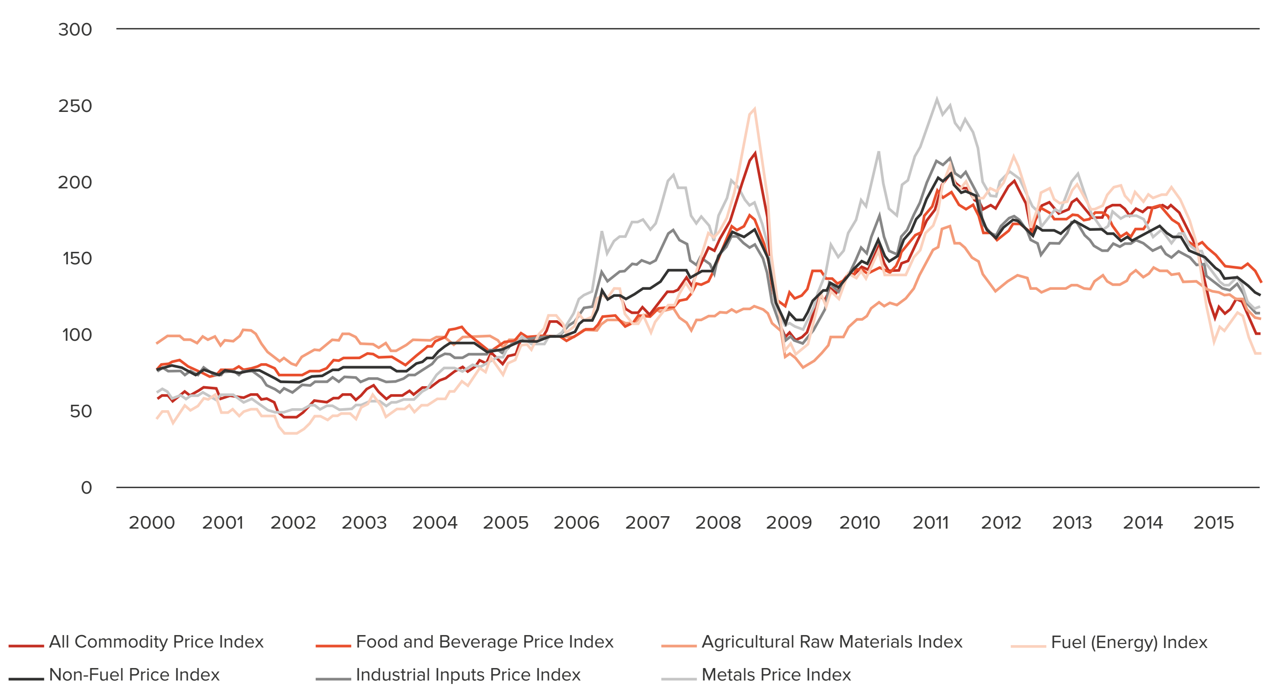
There is, however, some risk of a more negative outcome. If the deceleration of investment becomes too acute, it would fuel even larger capital outflows that could lead to a disorderly devaluation of the Chinese currency. This outcome would almost certainly lead to further devaluations of other emerging market currencies. More generally, if China does not make a smooth transition to a new growth model, it will still be a major source of capital in the short run but it will not grow as well over the medium to long term and thus will not be as important a source of capital or of demand for other economies.

What are the prospects for recovery this time?

In 2008, the continent, like the rest of the world, faced a global financial shock, but was in part insulated from it thanks to its less pronounced financial linkages with the rest of the world. In 2015 and 2016, however, the continent faces a "triple threat" from the changing global environment: (1) Prices of Africa's main exports, oil and metal, have fallen significantly, driven by robust supplies and low demand, and are expected to remain low as the commodity supercycle has come to an end; (2) the economy of Africa's main bilateral trading partner, China, is slowing down; and (3) external borrowing costs are increasing as the U.S. Federal Reserve further raises U.S. interest rates, and the options for borrowing are becoming more limited. One could even add a fourth threat—climate change—as East and Southern Africa expect to bear the likely brutal effects of El Niño in 2016.

FIGURE 1.2. COMMODITY PRICES SLUMP IN 2015, HITTING MANY AFRICAN ECONOMIES HARD

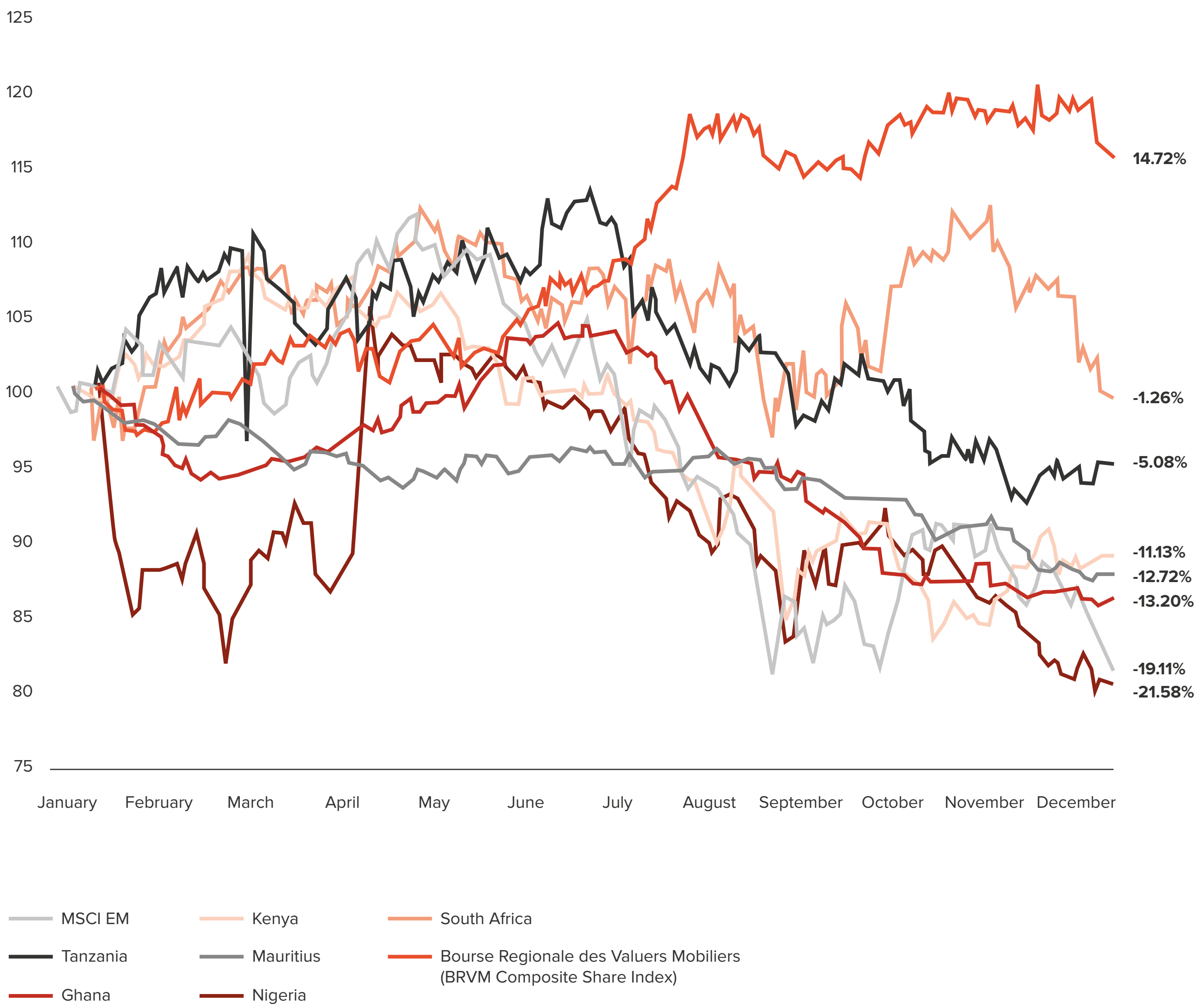
Since 2014, commodity prices have fallen dramatically to levels experienced during the global financial crisis. Economies highly dependent on exporting commodities (e.g., Zambia, Nigeria) have, as a result, registered lower export revenues and experienced domestic issues such as low growth, fiscal imbalances, and current account deficits. Despite these difficulties, these price drops also signal that 2016 is an opportunity to rethink policies (such as oil and tax) with more long-term goals in mind.



Source: IMF Commodity Price Indices. (2005=100).

FIGURE 1.3. RETURNS FOR SELECT EQUITY MARKET INDICES (JAN. 1-DEC. 14, 2015)

In 2015, most African equity markets indices registered negative returns amid a challenging economic environment. However, they still performed better than the emerging markets benchmark index (MSCI EM). The exception is Nigeria where uncertainty related to the presidential elections' outcome and lower oil price contributed to lower returns. In contrast, the BRVM, the regional stock exchange for the West African Economic and Monetary Union member countries, achieved strong positive returns on the back of stronger economic performance in Côte d'Ivoire. Differences in the performance of African equity markets suggest that there are some portfolio diversification effects for regional investors. In 2016, positive growth economic forecasts should be supportive for the performance of African equity markets while downside risks from the external environment remain.



Source: Bloomberg L.P. and author's calculations. (January 2015=100).

Which countries are most at risk?

Fuel, metal, and mineral exports represent about 62 percent of sub-Saharan Africa's exports in 2010-2014.

Throughout 2015, the effects of the "triple threat" have been felt across the continent. Almost all currencies have depreciated against the U.S. dollar, inflation is higher, stock markets are down, and bond yield spreads are up. 2016, then, provides the opportunity for sub-Saharan African countries to assess their existing vulnerabilities and enact policy measures taken to manage them.

There are different ways to look at the region's vulnerabilities to current external shocks, and these ways all point to a regional economic slowdown:

- Oil and metal exporters in the region will experience slower growth. World Bank data indicate that fuel, metal, and mineral exports represent about 62 percent of sub-Saharan Africa's exports in 2010-2014. Oil exporters, which include Angola, Cameroon, Chad, the Republic of the Congo, Equatorial Guinea, Gabon, Nigeria, and South Sudan alone represent about half of the region's GDP and will be a drag on the region's growth. In contrast, oil-importing countries such as Ethiopia, Kenya, Rwanda, and Tanzania will help mitigate the impact of lower oil prices on the region.

- Growth in the largest economies in the region, Nigeria and South Africa, is slowing down. The two countries together account for more than half of the region's GDP and have suffered from falling commodity prices as well as structural problems, including electricity shortages. Nigeria's real GDP growth is expected to fall to 4.0 percent in 2015 from 6.3 percent in 2014 and recover to 4.3 percent in 2016. South Africa is expected to barely grow in 2015-2016, with a growth rate hovering around 1.4 percent.

- Economies that export the most to China are mostly commodity exporters and, as a result, are vulnerable to both a Chinese economic slowdown and lower commodity prices (the two trends are related). Exports to China from South Africa (the second-largest economy in the region) exceeded 29 percent of its total exports in 2010-2014 and are above 40 percent for a number of countries (the Gambia, the Democratic Republic of the Congo (DRC), the Republic of the Congo, Angola, Mauritania, and Sierra Leone). One of the best examples of a vulnerable country is Zambia, which is major exporter of copper, most of which is sold to China (46 percent of Zambia's exports in 2010-2014), the world's largest consumer of the metal (45 percent of global demand in 2014).

Unfortunately, unlike in the aftermath of the 2008 global financial crisis, policy buffers are thin and most countries are suffering from twin deficits—both current account and fiscal. Deteriorating terms of trade have widened current account deficits, and public investment in infrastructure has contributed to widening fiscal deficits. To make things more complicated, these deficits need to be financed at a time when the cost of external borrowing is increasing and access to capital markets is becoming more difficult.

What policies are needed to accelerate the growth momentum?

Sub-Saharan African countries need a two-pronged approach to accelerate their growth momentum. Basically, countries need to implement macroeconomic policies to cope with the short-term effects of the external shocks, and they need to stay the course in implementing medium- to long-term structural policies. A typical policy risk for countries facing external shocks is to sacrifice long-term gains to avoid short-term pain; for example, by cutting public investments in order to avoid fiscal adjustment instead of cutting current expenditures. This is often because politicians—who at the end of the day lead the way—have a short-term horizon dictated by the electoral calendar.

Adequate short-term macroeconomic policies can help countries contend with current external shocks

With oil prices down, countries must now consider removing oil subsidies and increase non-oil fiscal revenues.

This changing environment makes 2016 an opportune year for policymakers to act. Significantly reduced revenues make fiscal reforms in commodity-exporting countries necessary. With oil prices down, countries must now consider removing oil subsidies and increase non-oil fiscal revenues—such as by raising the value-added tax (VAT). Countries will need, however, to make sure to alleviate the impact of such policies on the poor like through transfers. Other revenue boosting measures that should be considered include reducing tax expenditures, improving tax administration, and reviewing tax policy on luxury goods. Now is also the time to review and prioritize expenditures and maximize the efficiency of every dollar spent from the budget.

In addition, given the reduction in policy buffers, countries with flexible exchange rate regimes may consider letting their exchange rates depreciate in order to absorb some of the economic shocks. As global liquidity conditions are tightening, cash and debt management should become a priority.

VIEWPOINT

THREE STRATEGIES FOR AFRICAN ECONOMIES TO MANAGE EXTERNAL SHOCKS IN 2016

Ngozi Okonjo-Iweala
Former Coordinating Minister for the Economy and Minister of Finance, Federal Republic of Nigeria

Africa is facing increased uncertainty and strong headwinds as the global environment seems to pack several punches at the same time. There is weak recovery in most developed world markets. Emerging markets, especially China, appear to have slowed down and reduced demand for Africa's commodities. The specter of a U.S. interest rate rise or "lift off" has also reversed capital flows to many developing countries. These events and others have lowered Africa's growth forecasts and even challenged the story of the continent's resurgence.

So what are African economies to do in 2016 and beyond? How should they respond? First, most African policymakers learned the lesson in the 1980s and 1990s that macroeconomic stability is key. Absent this, it is pretty impossible to focus on other types of reforms. So, in today's uncertain world, the first area of focus is ensuring that correct fiscal and monetary policies are in place to weather the external shocks. Most African finance ministers have shown they know what to do on this score, but are looking for the political flexibility and space to implement prudent policies. Politicians who eschew the building of fiscal buffers and block the phase out of energy subsidies stand in the way of their country's progress.

African countries must not only diversify their economic base, they must also learn to tax it!

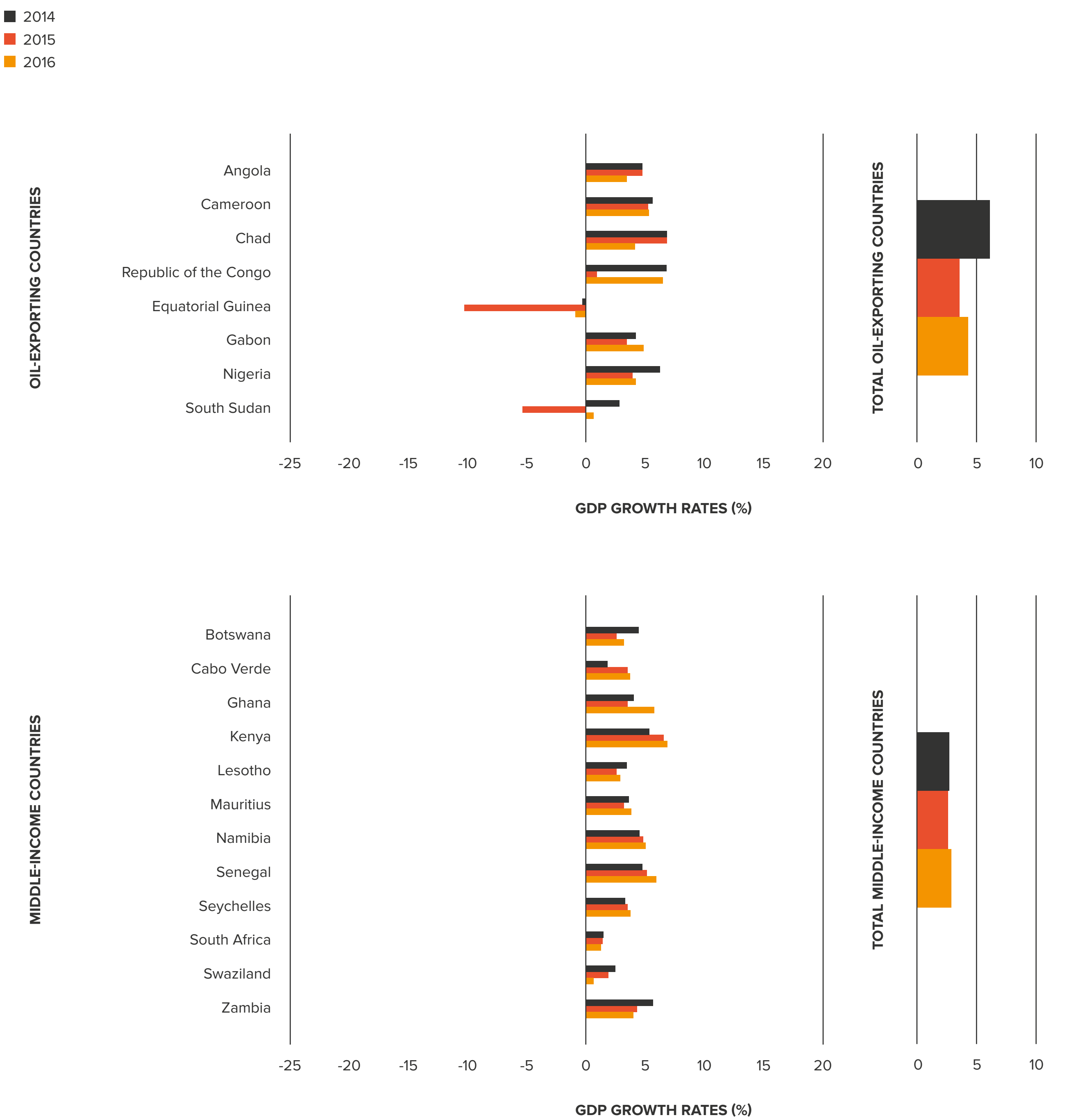
Second, over the medium to long term, African countries must also undertake structural reforms that transform their economies from dependence on primary commodities to reliance on a much more diversified economic base encompassing manufacturing, services, and value-added agriculture. These structural reforms should include reforms of the energy, transport, logistics, and other infrastructural sectors.

Third, a broadened economic base also provides a foundation for diversified revenue sources. The Achilles heel of African economies is their overreliance on single sectors or commodities for the bulk of their foreign exchange earnings. This trend must change over the next decade. African countries must not only diversify their economic base, they must also learn to tax it! Domestic resource mobilization (DRM) is the watch word for the future.

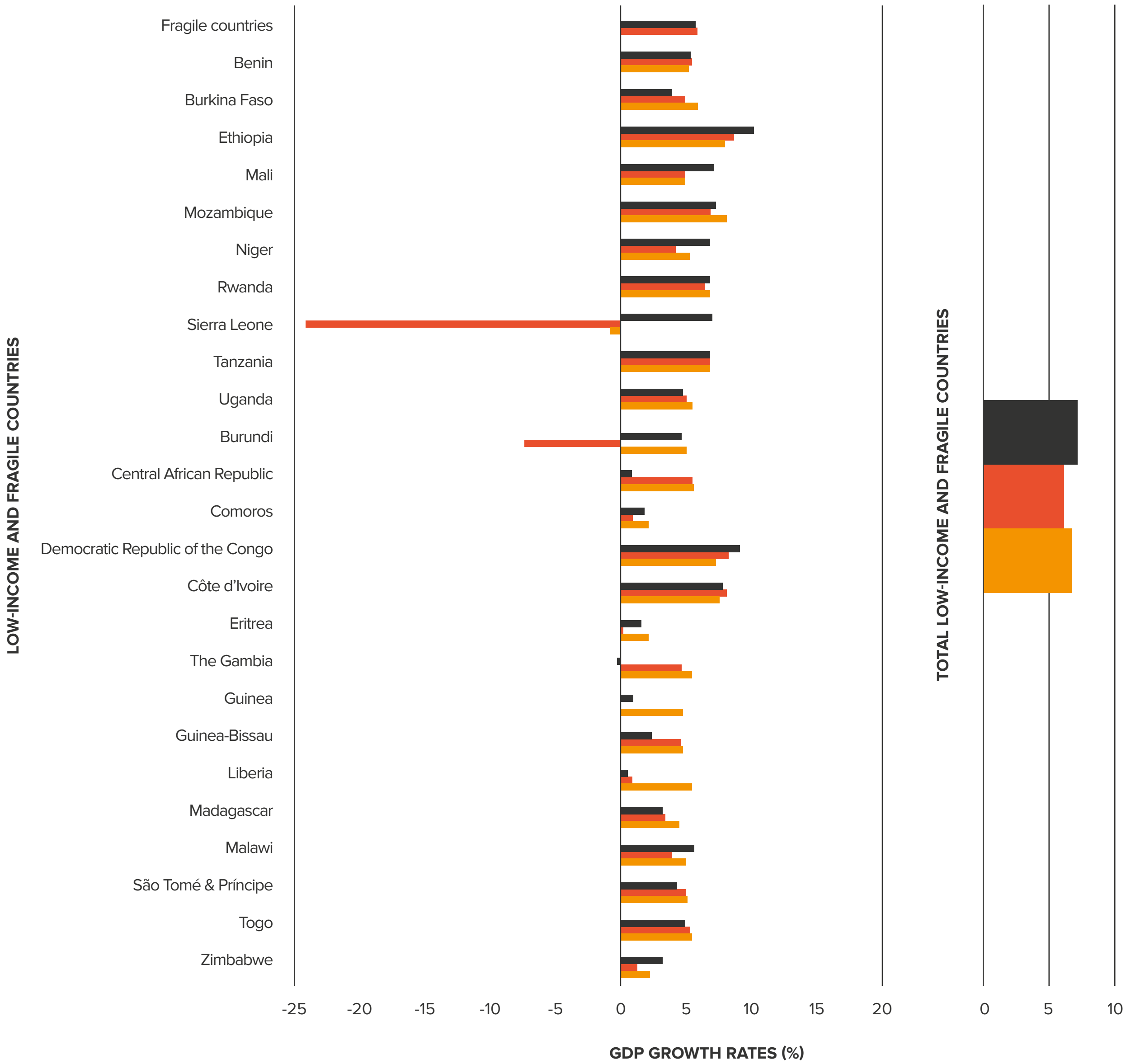
Today's global economic environment is challenging and uncertain. 2016 is the time for African policymakers to stay focused and take bold decisions.

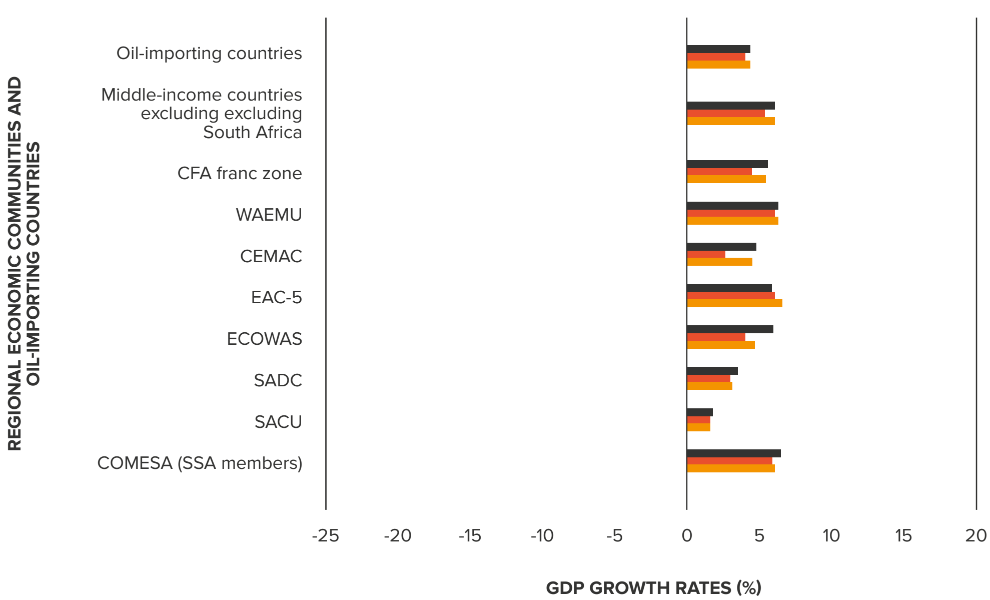
FIGURE 1.4. 2014-2016 GDP GROWTH RATES PREDICT A SLOWDOWN IN SUB-SAHARAN AFRICA FOR MOST COUNTRIES

Over the past two decades, the momentum in the GDP growth rates in the region contributed to the impressive growth observed in the emerging markets. Due to a combination of both external and domestic factors, the region's growth rates are expected perform at their lowest since 1998. However, they are predicted to rebound slightly in 2016. Even with 3.8 percent and 4.3 percent estimates for 2015 and 2016, respectively, growth remains higher than in many other emerging and developing regions of the world (as also seen in Figure 2.1).



Source: IMF Regional Economic Outlook, October 2015.


LOW-INCOME AND FRAGILE COUNTRIES
Fragile countries
Benin
Burkina Faso
Ethiopia
Mali
Mozambique
Niger
Rwanda
Sierra Leone
Tanzania
Uganda
Burundi
Central African Republic
Comoros
Democratic Republic of the Congo
Côte d'Ivoire
Eritrea
The Gambia
Guinea
Guinea-Bissau
Liberia
Madagascar
Malawi
São Tomé & Príncipe
Togo
Zimbabwe
-25 -20 -15 -10 -5 0 5 10 15 20
TOTAL LOW-INCOME AND FRAGILE COUNTRIES
0 5 10
GDP GROWTH RATES (%)


REGIONAL ECONOMIC COMMUNITIES AND OIL-IMPORTING COUNTRIES
Oil-importing countries
Middle-income countries excluding excluding South Africa
CFA franc zone
WAEMU
CEMAC
EAC-5
ECOWAS
SADC
SACU
COMESA (SSA members)
-25 -20 -15 -10 -5 0 5 10 15 20
GDP GROWTH RATES (%)

Medium- to long-term policies can support the engines of growth

At the same time, beyond the narrow macroeconomic response to external shocks, policymakers must consider broader policy responses: At the end of the day, a key challenge is to strengthen the resilience of African economies to shocks. This task involves successfully implementing the economic transformation agenda of the continent, starting with investment in infrastructure and kick-starting the engines of the economy beyond commodity exports.

Increased domestic revenue mobilization also depends on a growing economy, and the changing environment should be a catalyst to expand the non-oil economy. The recent rebasing of Nigeria's GDP has shown how large the non-oil economy has become and how little it still contributes to fiscal revenues. Strengthening the non-oil economy will require increasing investment and implementing structural reforms to improve competitiveness, reduce the infrastructure gap, enhance the quantity and quality of education and training, and improve skills. It will also mean addressing tough issues such as land tenure.

These measures need financing. In the case of infrastructure, local currency financing through the development of domestic capital markets and local institutional investors should be the first option. For countries with unsustainable pension systems, this means implementing pension reform. For countries with existing pension assets, this means increasing the liquidity of domestic markets. But financing is not the only way to increase investment; there are significant productivity gains that can be achieved through more efficient spending and better organization of line ministries and utilities. Finally, engaging the private sector and multilateral partners can help reduce the infrastructure financing gap.

Building the non-oil economy will also involve economic and financial integration, including through both regional and global value chains. It will involve broadening access to financial services and improving the payments system, including through mobile payments. It will involve adapting economies to climate change and avoiding the high carbon growth path that other countries like China have gone through. It will also involve avoiding home-grown shocks that could arise if Africa's high demographic growth and rapid urbanization are not leveraged.

Due to these shocks and future global changes and uncertainties, sub-Saharan Africa's external environment is definitely becoming less supportive of African growth. In the short-term, timely and appropriate macroeconomic policies can help the region absorb the shocks of declining commodity prices, the slowing Chinese economy, and higher U.S. interest rates. As I note above, rather than seeing these and other trends and developments in 2016 only as challenges, policymakers should also see them as opportunities to strengthen the resilience of their economies. For example, average growth numbers mask differences between economies and in 2016, some of African countries such as Côte d'Ivoire, the DRC, Ethiopia, Mozambique, Rwanda, and Tanzania will be among the fastest-growing economies in the world. Interestingly, in light of the announcements at the conclusion of the Forum on China-Africa Cooperation at the end of 2015, China is making a $60 billion bet that, with support, sub-Saharan Africa can ride the current shocks and return to its previously high growth.

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VIEWPOINT

HOW AFRICAN ECONOMIES SHOULD BUILD RESILIENCE TO MANAGE EXTERNAL SHOCKS IN 2016

Njuguna S. Ndung'u
Former Governor of the Central Bank of Kenya
Associate Professor of Economics, University of Nairobi, Kenya

How can African economies manage external shocks? More specifically, how should they build internal and external resilience to better navigate shocks? African policymakers often ask these questions, but usually only after shocks are already disrupting their economies, making adjustments more difficult. What is truly required to build resilience is a set of short- and medium-term policies, all of which are consistent with longer-term economic strategies.

When faced with external shocks, the typical reaction from African policymakers is to reduce the long-term development budget and protect recurrent expenditures.

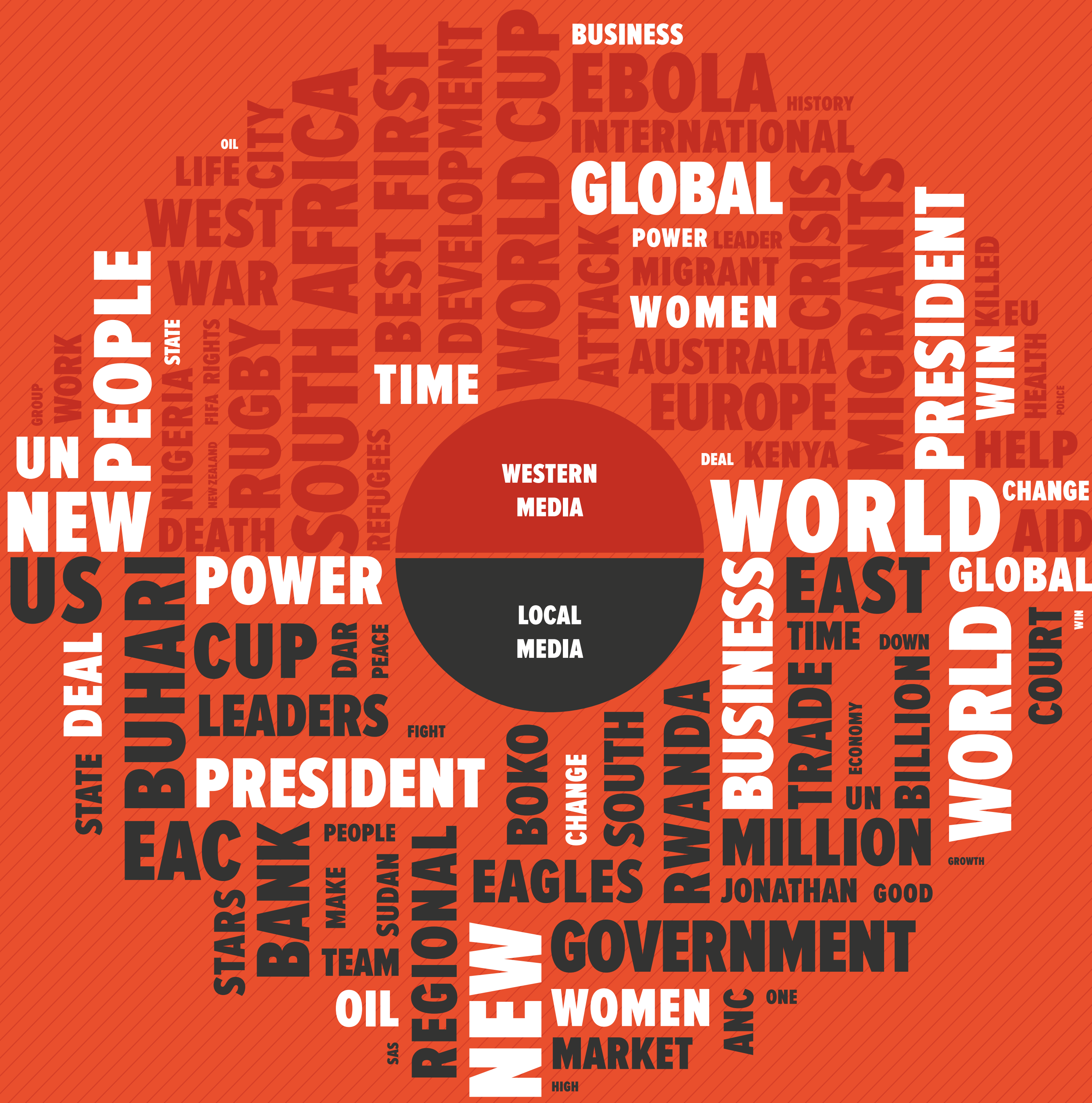
When faced with external shocks, the typical reaction from African policymakers is to reduce the long-term development budget and protect recurrent expenditures. However, these policies rob African economies' capacity for growth and their ability to manage future shocks. Instead, in the very short term, managing shocks requires buffers at four levels:

- The first level should be composed of foreign exchange reserves that are accumulated in good times, including IMF balance of payments support. These foreign exchange reserves can shelter the market from wild swings in domestic currencies and support smooth adjustments in the face of current account deterioration or external price shocks.
- Second should be a buffer of strategic food reserves. In times of drought and potential famine, these food reserves help countries maintain food security and mitigate pressures on the fiscal reserves as well cushion wild swings in domestic food prices—inflation drivers.
- Third should be a buffer of oil reserves for oil-importing countries. During rising fuel prices, inflationary pressures on domestic prices are amplified and can be further exacerbated by the need to power generators for electricity.
- Finally, countries dependent on commodity prices should create a fund for smoothing out commodity price cycles or swings. Most African economies lack such a buffer, which is why commodity price changes are often accompanied by economic crises.

Turning to medium- and long-term policy solutions to external shocks, it is important to first consider recent trends in economic performance and resilience within African countries. Over the last 15 years, throughout the period of the Millennium Development Goals, African economies experienced stronger growth driven by improvements in institutional capacity, an environment of policy clarity, a strong move toward political accountability, and, above all, the development and implementation of long-term growth strategies or visions. Strategic country-level visions have, for the most part, emphasized public investments to close the infrastructure gap, lower transaction costs, and unlock productive areas for private investments. Public investments will then encourage complementary private investments while at the same time enhance profitability of existing and future private investments through the channel of lowering transactions costs. The focus for the future then should be to sustain these trends and make sure that public investments are protected so that they can lay the groundwork and capacity for future growth.

A large African middle class is emerging, estimated in 2010 at nearly 350 million people (larger than the population of the United States).

Importantly, changing demographic dynamics will have a significant effect on African economies in the years to come. A large African middle class is emerging, estimated in 2010 at nearly 350 million people (larger than the population of the United States). This middle class will be a class of innovators, policymakers, and leaders. Therefore, managing short-run shocks and protecting public investments for future growth will potentially become a reality once this group is drawn into the spheres of policy and economic management. In the past, most African economies have suffered from the fact that there are too few incentives to advocate for public investments oriented toward future growth due to the delayed onset of benefits from these policies. To ensure follow through on public investments, countries could also enter into regional arrangements where strong group pressures will provide additional political accountability.



WESTERN MEDIA
LOCAL MEDIA
BUSINESS
EBOLA
HISTORY
INTERNATIONAL
GLOBAL
POWER
LEADER
MIGRANT
WOMEN
AUSTRALIA
EUROPE
DEAL
KENYA
CRISIS
MIGRANTS
PRESIDENT
KILLED
EU
WIN
HEALTH
POLICE
HELP
WORLD
CHANGE
AID
WORLD CUP
DEVELOPMENT
BEST
FIRST
SOUTH AFRICA
CITY
OIL
LIFE
WEST
WAR
ATTACK
TIME
RUGBY
RIGHTS
FIFA
NEW ZEALAND
NIGERIA
STATE
PEOPLE
WORK
GROUP
UN
NEW
DEATH
REFUGEES
US
BUHARI
POWER
CUP
DAR
PEACE
LEADERS
FIGHT
DEAL
STATE
PRESIDENT
EAC
BANK
PEOPLE
STARS
MAKE
SUDAN
TEAM
OIL
SAS
REGIONAL
NEW
BOKO
CHANGE
SOUTH
EAGLES
RWANDA
GOVERNMENT
WOMEN
MARKET
HIGH
ANC
ONE
BUSINESS
EAST
TIME
DOWN
TRADE
ECONOMY
UN
BILLION
MILLION
JONATHAN
GOOD
WORLD
GROWTH
GLOBAL
COURT
WIN

Africa in the news

Much criticism has been leveled at Western media for negative coverage of Africa. This word cloud compares the top 50 keywords found in the headlines of Africa-related articles (i.e., articles with the word "Africa" in the headline or leading paragraph and those geographically indexed to Africa) of 20 major Western and local (African) media sources for the period January-November 2015. Despite some overlap in the most frequently used words, there is a divergence in the stories covered by the two groups. For instance, while "Ebola" was among the top five words used by Western media sources when reporting about the entire continent, the turmoil in Burundi went relatively overlooked. Importantly, as the continent becomes more and more globalized, the way it is portrayed in the news might reflect or even predict African economic performance.

- Only Western media
- Only African/local media
- Both media

WESTERN MEDIA	RANK	WESTERN MEDIA	RANK	WESTERN MEDIA	RANK	WESTERN MEDIA	RANK
WORLD	1	EUROPE	14	INTERNATIONAL	27	POWER	40
SOUTH AFRICA	2	BEST	15	WOMEN	28	LEADER	41
WORLD CUP	3	WAR	16	NIGERIA	29	RIGHTS	42
NEW	4	DEVELOPMENT	17	LIFE	30	STATE	43
EBOLA	5	AID	18	MIGRANT	31	HISTORY	44
PEOPLE	6	UN	19	WORK	32	FIFA	45
MIGRANTS	7	ATTACK	20	KENYA	33	DEAL	46
FIRST	8	TIME	21	EU	34	GROUP	47
GLOBAL	9	WIN	22	KILLED	35	OIL	48
RUGBY	10	HELP	23	REFUGEES	36	NEW ZEALAND	49
CRISIS	11	CITY	24	HEALTH	37	POLICE	50
PRESIDENT	12	AUSTRALIA	25	BUSINESS	38		
WEST	13	DEATH	26	CHANGE	39		

LOCAL MEDIA	RANK	LOCAL MEDIA	RANK	LOCAL MEDIA	RANK	LOCAL MEDIA	RANK
NEW	1	MILLION	14	COURT	27	GOOD	40
US	2	RWANDA	15	MARKET	28	PEOPLE	41
WORLD	3	REGIONAL	16	STARS	29	PEACE	42
BUHARI	4	TRADE	17	ANC	30	DOWN	43
EAC	5	EAGLES	18	TIME	31	ONE	44
BURUNDI	6	LEADERS	19	TEAM	32	ECONOMY	45
EAST	7	BOKO	20	STATE	33	FIGHT	46
CUP	8	SOUTH	21	DAR	34	SAS	47
BANK	9	DEAL	22	JONATHAN	35	HIGH	48
GOVERNMENT	10	WOMEN	23	UN	36	WIN	49
BUSINESS	11	OIL	24	SUDAN	37	GROWTH	50
PRESIDENT	12	BILLION	25	CHANGE	38		
POWER	13	GLOBAL	26	MAKE	39		

Source: Lexis-Nexis.
Note: AGI is working on a project to analyze what drives this portrayal of the continent. More analysis will be coming in 2016.

FIGURE 1.5. MOST AFRICAN CURRENCIES DECLINED AGAINST THE DOLLAR BETWEEN OCTOBER 2014-2015

From October 2014 to 2015, nearly all African currencies declined in value against the U.S. dollar (the Zambian kwacha by nearly 50 percent!). Governments of commodity-exporting countries have allowed the exchange rate to adjust to manage the large terms-of-trade shocks while similar depreciations in non-commodity-exporting countries have occurred due to growing domestic vulnerability and macroeconomic issues. The only currencies that strengthened against the U.S. dollar over the past year were the Somali shilling (thanks to inflows from the diaspora and donor community) and the Gambian dalasi (due to a presidential directive to revalue the currency).

Source: Bloomberg L.P.

THE RISE OF THE ASIAN INFRASTRUCTURE INVESTMENT BANK AND THE BRICS NEW DEVELOPMENT BANK

Over the past few years, two new multilateral players have emerged on the international development financing scene: the "New Development Bank" (NDB) established by the BRICS countries (Brazil, Russia, India, China, and South Africa) and the Chinese-led Asian Infrastructure Investment Bank (AIIB). Beginning in 2016, the $100 billion NDB is expected to provide its first loan, while the AIIB—which will begin with an authorized capital of $50 billion that will eventually rise to $100 billion—will continue formulating its membership through 2016. While some experts argue that the NDB and AIIB are rival institutions to the Western-backed IMF and World Bank, others contend that they will be vital partners in addressing the enormous infrastructure gaps in the developing world, especially those in Africa. The African Development Bank, which is similarly tasked with providing funding for development projects within Africa, has already expressed interest in collaborating with the NDB and AIIB on infrastructure and other projects throughout the continent.

THE SIXTH TOKYO INTERNATIONAL CONFERENCE ON AFRICAN DEVELOPMENT (TICAD-VI)

Since 1993, every five years Japan has led an international ministerial-level forum on African development called the Tokyo International Conference on African Development (TICAD) in collaboration with the World Bank, the African Union (AU), the United Nations and the United Nations Development Program (UNDP). The Sixth TICAD (TICAD-VI) will be convened for the first time on the African continent, in Nairobi, Kenya in 2016, and will begin a new cycle of TICAD forums convening every three years. At the last TICAD forum (TICAD-V) in 2013, the government of Japan pledged $32 billion to assist African countries as they work toward three strategic objectives for the continent: establishing "a robust and sustainable economy," "inclusive and resilient society," and "peace and stability." TICAD-VI will serve as a unique opportunity to follow up on progress towards these goals, while also showcasing Kenya and other African countries to Japan and the international community.

2

Sustaining Domestic Growth:

Structural Transformation Depends on Jobs, Industry, and SMEs

>> ISSUE BRIEF from the AUTHOR

John Page

*Senior Fellow, Africa Growth Initiative,
Global Economy and Development, Brookings Institution*

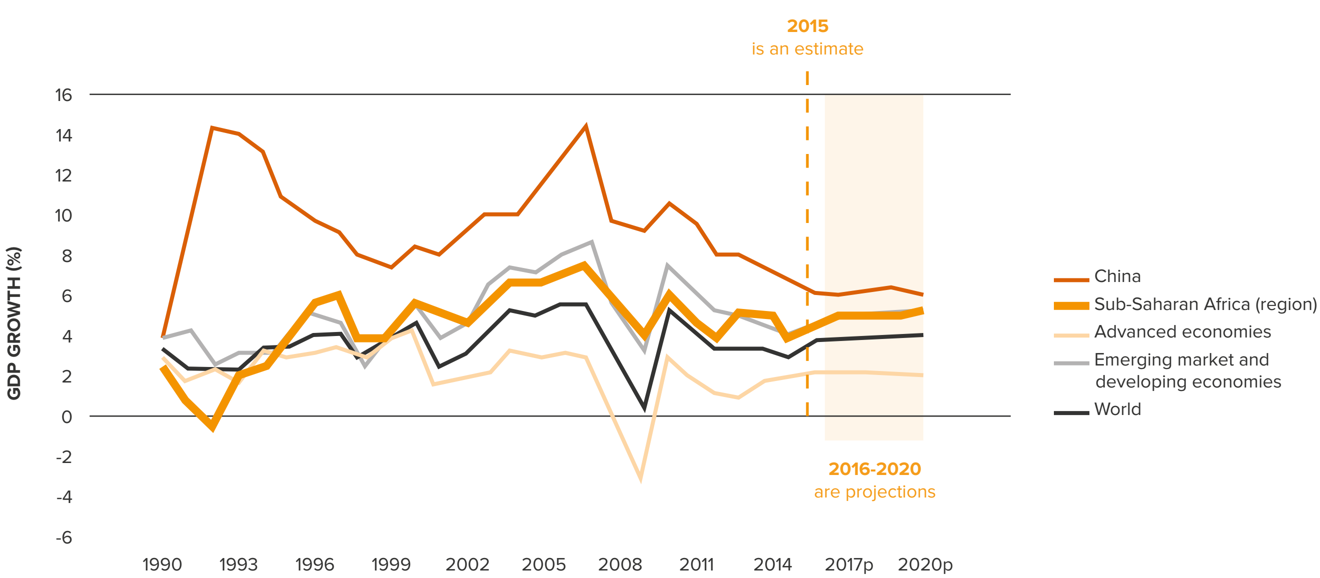
Meeting Africa's Aspirations: The Sustainable Development Goals in 2016

John Page

The international community has a new set of development goals for 2016 and beyond, and no one seems to be happy about them. Indeed, *The Economist* even declared, "Moses brought ten commandments down from Mount Sinai. If only the U.N.'s proposed list of Sustainable Development Goals (SDGs) were as concise." Aid critic Bill Easterly refers to them as "senseless, dreamy [and] garbled." Even former United Nations Development Program Administrator Mark Malloch-Brown has called them "higgledy-piggledy." Everyone's point seems to be the same: In W.S. Gilbert's immortal phrase: "If everyone is somebody, then no one's anybody."

FIGURE 2.1. SUB-SAHARAN AFRICA MUST LOOK INWARD MORE THAN EVER FOR ECONOMIC GROWTH

Sub-Saharan Africa has achieved fast economic growth over the past few years. However, the external environment is becoming less supportive as China—its largest bilateral trading partner—is experiencing a slowdown, which contributes to lowering commodity prices, an important sources of revenues for the region. A deteriorating external environment also illustrates the importance of continuing to implement of the structural transformation agenda in sub-Saharan Africa so as to reduce external dependence.



Source: IMF Data Mapper, World Economic Outlook (October 2015).

Well, it is very likely that 1.1 billion Africans would disagree. For the first time, Africa's "development partners," the aid industry, let African governments into the room when they were deciding what Africa's—and the world's—development goals should be. The result, while sprawling, unfocused, and difficult to monitor, reflects much more closely the aspirations of the average African than the Millennium Development Goals (MDGs). Now, it is more important to focus on what has been included in the SDGs than to complain that there are too many.

The single most important contribution the SDGs make to Africa is that they explicitly recognize that sustainable development means creating good jobs—jobs that pay living wages, offer dignity of work, and create a chance to develop new skills (Goal 8). Today, Africans from Cairo to the Cape are in search of better employment opportunities. In Africa only one in five workers find employment in the wage economy. The rest are forced to settle for low-paying work, often through self-employment in the services sector where output per person is only about twice that in agriculture. This focus on jobs is not unique to Africa. The U.N.'s My World survey of over 5.7 million people in developing countries found that in respondents' views of what contributed most to their families' welfare, "better job opportunities" ranked third globally, after good education and health care.

TABLE 2.1. 2016 CREDIT RATINGS FOR SOME OF AFRICA'S LARGEST ECONOMIES PREDICTED TO REMAIN STABLE

In December 2015, notable rating actions were the downgrade of South Africa to BBB- by Fitch and the change of its rating outlook from stable to negative by both Moody's and S&P. In 2016, these agencies will be reviewing their ratings on African external debt to reflect the changing economic environment, and negative rating actions can increase the cost of borrowing. Policies to manage external shocks and strengthen the domestic economy will help avoid such actions.

	S&P		Fitch		Moody's	
Country	**Credit Rating**	**Outlook**	**Credit Rating**	**Outlook**	**Credit Rating**	**Outlook**
Ethiopia	B	**Stable**	B	**Stable**	B1	**Stable**
Gabon	B+	**Negative**	B+	**Stable**	Ba3	**Stable**
Ghana	B-	**Stable**	B	**Negative**	B3	**Negative**
Kenya	B+	**Negative**	B+	**Negative**	B1	**Stable**
Namibia	Not rated	**Not rated**	BBB-	**Stable**	Not rated	**Stable**
Nigeria	B+	**Stable**	BB-	**Negative**	Ba3	**Stable**
Senegal	B+	**Stable**	Not rated	**Not Rated**	B1	**Positive**
South Africa	BBB-	**Negative**	BBB-	**Stable**	Baa2	**Negative**
Zambia	B	**Stable**	B	**Stable**	B2	**Stable**

Sources: Bloomberg L.P., S&P, Fitch, and Moody's.

VIEWPOINT

WHY I'M HOPEFUL ABOUT AFRICA IN 2016

Margaret McMillan
Professor of Economics, Tufts University
Senior Research Fellow, International Food Policy Research Institute
Faculty Research Associate, National Bureau of Economic Research

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According to the World Bank, six of the world's fastest growing economies over the period 2014-2017 are predicted to be in sub-Saharan Africa. These countries are Ethiopia, the Democratic Republic of the Congo, Côte d'Ivoire, Mozambique, Tanzania, and Rwanda—countries so diverse that generalizations about their experiences with growth and structural change would seem to be absurd. But they all have one thing in common. They are filled with people who aren't waiting for the government to provide them with a better future. People are finding ways to survive through their own hard work and ingenuity. They are opening small businesses in cities and towns in rural and urban areas, and the government is no longer standing in their way.

This might not seem like a big improvement, but things weren't always this way. I am old enough to have Tanzanian friends who were put in jail for "conspicuous consumption" during Tanzania's socialist years. And it wasn't that long ago that another one of my Tanzanian friends told me that profits are "dirty." Today, he is the successful owner of a tourism business. Tanzania isn't the only country in which business was looked upon with suspicion. The Derg regime is famous for having brought the Ethiopian economy to its knees not so long ago.

So, when I find in my research that much of Africa's recent growth has been accompanied by an expansion in small business activity (Diao, Kweka, McMillan and Quereshi, forthcoming), I get excited. True, these activities tend to have higher average productivity than agriculture so on average they have contributed to productivity growth. But that is not why I am excited. It is because African people are taking hold of their destiny. There are no more colonialists to forbid them from going to school. Nobody is locking them up for doing business. And some governments are even trying to make things better for small businesses.

Of course, there are difficult challenges to overcome. Climate change and the youth bulge are just a few. My advice to Africa's leaders and policymakers in 2016 is this: Trust your own citizens' ability to come up with creative "home grown" strategies for growth and poverty reduction. Get out there and talk to folks in the private sector. Find out what they need. A strong public-private partnership is what is needed to further the transformation agenda in Africa.

[1] *Global Economic Prospects: The Global Economy in Transition*. Washington, D.C: World Bank, 2015.
[2] McMillan, Margaret S., and Kenneth Hartegen. *What is Driving the African Growth Miracle*. Cambridge, M.A.: National Bureau of Economic Research, n.d.

TABLE 2.2 . TOP AFRICAN ECONOMIC GROWTH PERFORMERS OF 2015-2016

Despite lowered growth experienced in and expected across the continent in 2015 and 2016, several countries still register high growth predictions. For example, a combination of domestic policies and large financial flows in investment projects hint at growth rates above 8 percent in Mozambique and Ethiopia.

Top performers based on 2015 growth estimates	
Country	**GDP growth for 2015**
Ethiopia	8.7
Democratic Republic of the Congo	8.4
Côte d'Ivoire	8.2
Mozambique	7.0
Tanzania	6.9
Chad	6.9
Rwanda	6.5
Kenya	6.5
Benin	5.5
Central African Republic	5.5
Togo	5.4
Cameroon	5.3

Note: The highlighted countries will exit the top 10 in 2016.

Top performers based on 2016 growth estimates	
Country	**GDP growth for 2016**
Mozambique	8.2
Ethiopia	8.1
Côte d'Ivoire	7.6
Democratic Republic of the Congo	7.3
Tanzania	7.0
Rwanda	7.0
Kenya	6.8
Republic of the Congo	6.5
Burkina Faso	6.0
Senegal	5.9
Central African Republic	5.7
Ghana	5.7

Note: The highlighted countries will enter the top 10 in 2016.

Source: IMF Regional Economic Outlook, October 2015.

The SDGs themselves also suggest how to grow good jobs. Goal 9.2 sets the objective: "By 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries." Industry is important because it is a high-productivity sector capable of absorbing large numbers of moderately skilled workers. In Africa manufacturing output per worker is six times that of agriculture. After 15 years of the MDGs, the international community has finally recognized the link between industry, jobs, and well-being. So, rather than carping about the new goals, critics and proponents alike should be thinking hard about how to achieve them.

Sub-Saharan Africa's share of industry in GDP today is the same as it was in the 1970s.

To create the jobs envisaged in the SDGs, Africa will need more industry, but for more than 40 years industrial development in Africa has stalled. The share of industry in GDP today is the same as it was in the 1970s. Responding to that challenge, the African Development Bank, Brookings, and UNU-WIDER (United Nations University – World Institute for Development Economics Research) jointly sponsored a multi-year, multi-country research project designed to answer three questions: Why is there so little industry in Africa? Does it matter? And, what can be done about it? It brought national and international teams of researchers together to deepen our understanding of what makes firms in low-income countries more competitive and what makes countries more attractive to competitive firms. Our book, *Made in Africa: Learning to Compete in Industry*, forthcoming in 2016 (Brookings Institution Press), offers some new thinking on how Africa can industrialize.

Around one-quarter of official development assistance (some $21 billion per year) currently supports the investment climate; yet, after 15 years of investment climate reform, industry has failed to take off. Clearly, something more is needed.

Most of the heavy lifting in terms of public action will need to be done by African governments themselves. That is appropriate. Much more than the MDGs, the SDGs embody the aspirations of Africa's governments, so it is important that they own the policy solutions for achieving their goals. To industrialize successfully, Africa will need to part company with the policy orthodoxy of the aid community and break new ground. One of the key insights of *Made in Africa* is that the "investment climate reforms," beloved of the World Bank and some bilateral donors, including the United States, have not and will not bring industry to Africa. While industrialization cannot succeed without the "basics" that make up the investment climate—infrastructure, skills, and institutions—these alone are not enough. Since 2000 investment climate reform programs have become widespread in Africa, often as key components of budget support. According to the OECD, around one-quarter of official development assistance (some $21 billion per year) currently supports the investment climate; yet, after 15 years of investment climate reform, industry has failed to take off. Clearly, something more is needed.

Having placed job creation and industrialization on the global agenda, Africans will need to show leadership in designing and implementing the policies to achieve them. To compete in the global market for manufactures, African governments need to develop new policies to promote exports, build the capabilities of domestic firms, and foster industrial clusters. These are areas where financial support and new ideas from the aid industry have been lacking, but they are also areas where African governments have failed to implement policies that have succeeded elsewhere.

Policies and institutions similar to the "export push" strategies adopted by countries in Asia since the 1970s are essential for breaking into global markets. Several African countries—Ethiopia, Ghana, and Kenya among them—have recently emphasized manufactured exports, but there is little evidence that they have implemented the coherent set of policies that characterize an export push. To move from aspiration to implementation governments across the region need to focus on three critical areas, policy and institutional reforms affecting exports, trade logistics, and regional integration.

Over the past decade many sub-Saharan African countries have created or reformed institutions intended to attract foreign direct investment (FDI), a key source of new firm-level capabilities. Implementation, however, has fallen short. The vast majority of Africa's FDI agencies lack high-level political attention and support, limiting their ability to coordinate across government. Personnel practices and compensation policies are not sufficiently attractive to make it possible to recruit high caliber staff, and the agencies are frequently burdened with multiple objectives, diluting focus. These institutional problems must be solved.

Since the 1970s, East Asia has shown that governments can foster industrial clusters by concentrating investments in high-quality institutions, skills, and infrastructure in a limited physical area such as special economic zone (SEZs). Several countries, including Ghana, Nigeria, and Tanzania, have recently announced a commitment to improve the performance of their SEZs, but to turn these commitments from rhetoric into reality will require major changes. A World Bank review concluded that their SEZs had failed to reach the levels of physical, institutional, and human capital needed to attract global investors. Not surprisingly, the SEZs all had low levels of investment, exports, and job creation. It remains essential to upgrade the performance of Africa's SEZs to international standards.

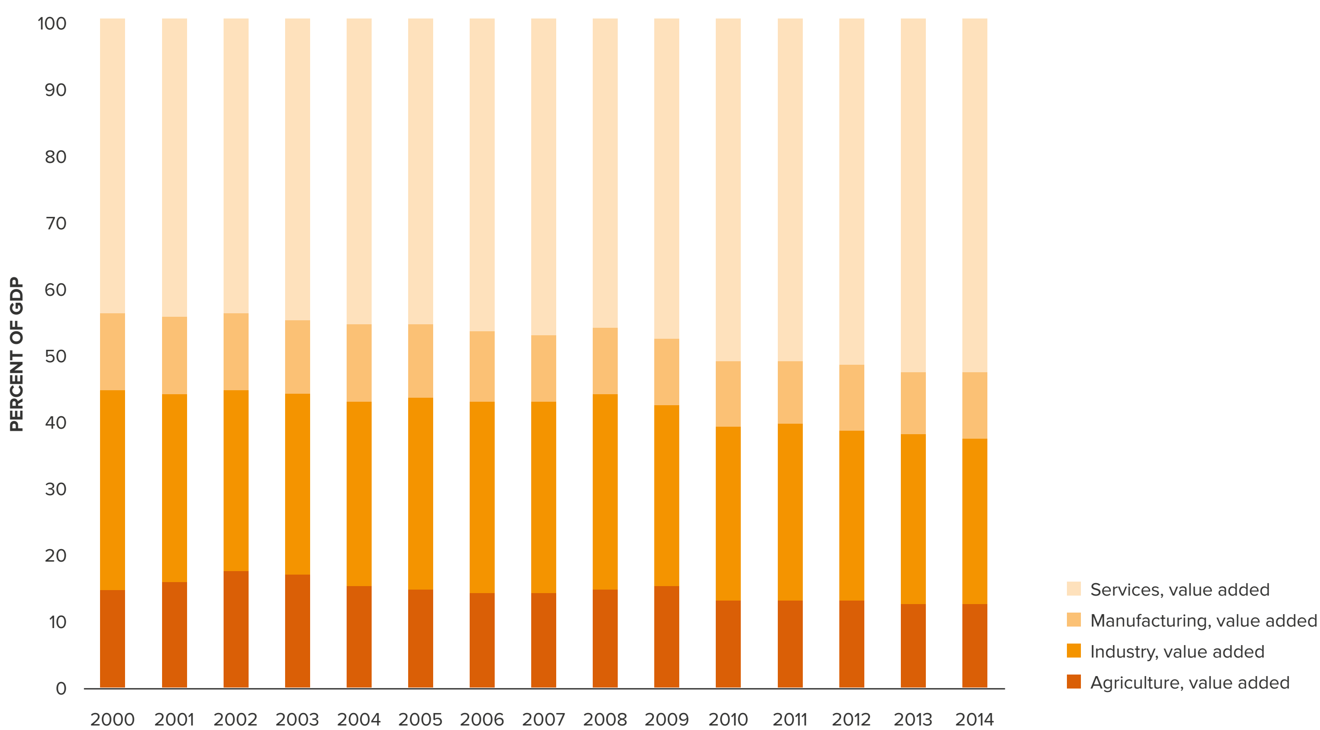
The new focus on industry and jobs also has important implications for donors. First among them, as *Made in Africa* argues, is the need to re-examine the aid industry's approach to the investment climate, let go of the soft target of regulatory reform, and ramp up support for infrastructure and skills. While the SDGs make more infrastructure and better skills global goals, they are very short on the specifics of how to meet them. Given fiscal and political realities in the donor countries, a massive increase in official development assistance is unlikely. Some financial engineering, then, is needed to help reduce the risks to private investors. The international financial institutions need to do some creative thinking about how to use their non-concessionary capital to offer new financial instruments to support long-term investments in infrastructure and post-primary education in African countries not currently eligible for non-concessionary finance. These innovations are particularly relevant to the continent's emerging natural resources exporters, such as Ghana, Mozambique, Uganda, and Tanzania, which are under considerable domestic pressure to borrow on private capital markets to finance infrastructure before resource revenues come on stream.

International support for export-led industrialization should act on two fronts—aid to improve trade logistics and policies to increase preferential market access. Trade-related infrastructure is critical to export success, and Africa suffers deficits in almost every respect. Although Aid for Trade commitments have increased, donors are not fulfilling the promise made at the World Trade Organization's 2005 ministerial conference in Hong Kong to make Aid for Trade additional to existing aid budgets. Higher-income countries should also develop a common, time-bound system of preferences for Africa's nontraditional exports. At present, different OECD countries have different trade preference schemes, and most of them are not well designed or effective. In addition, donors can do more to support regional integration and the formation of special economic zones.

The SDGs have made it respectable once more to talk about creating jobs and industry in Africa. To create them, Africans and their "development partners" will need to do more than talk.

FIGURE 2.2. WILL THE SERVICES SECTOR CONTINUE ITS TREND AS THE DRIVER OF GROWTH IN SUB-SAHARAN AFRICA?

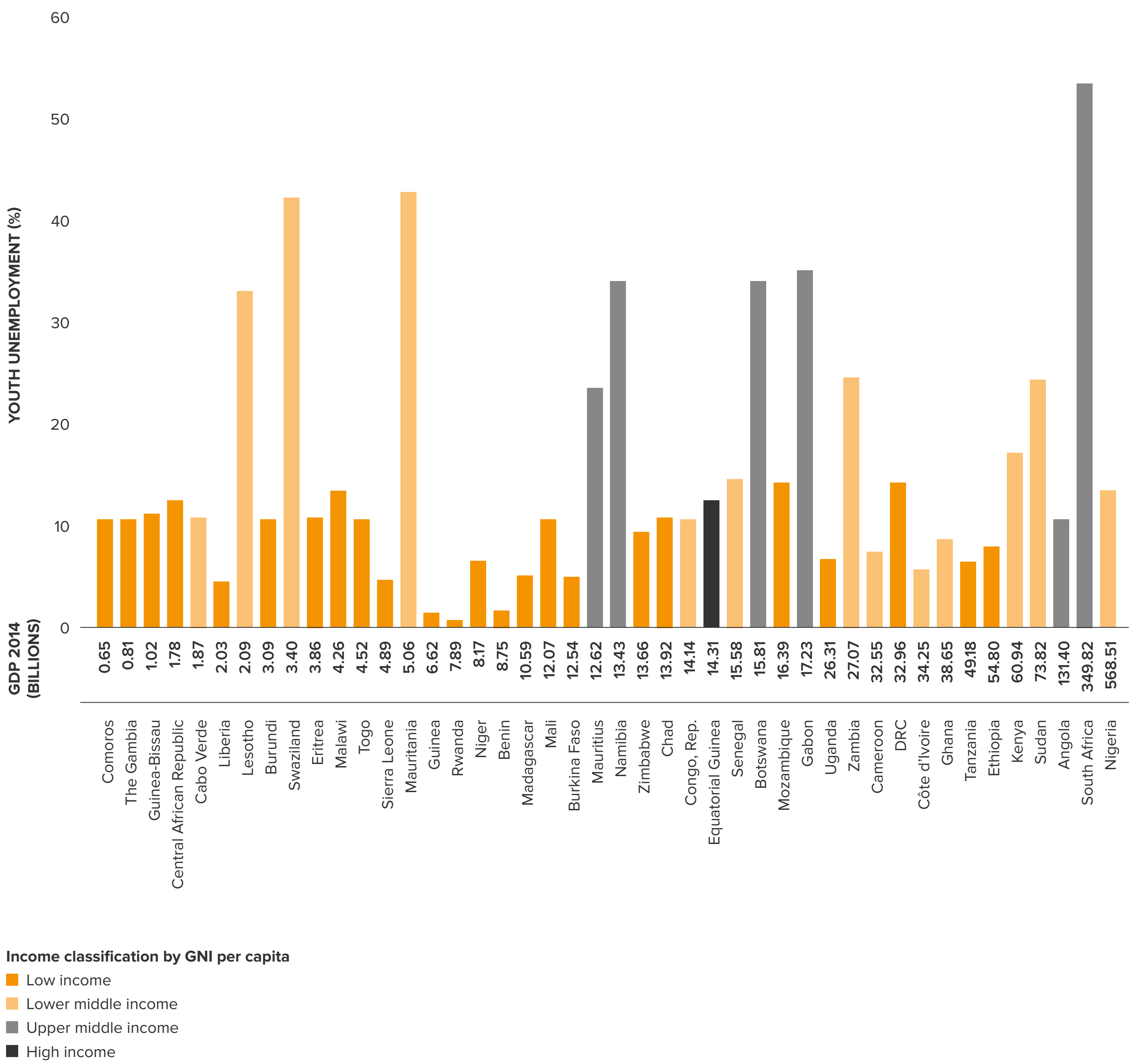
Unlike the structural transformation seen in other regions, the shift away from agriculture hasn't been towards manufacturing and industry, but rather services. This shift is controversial: Many experts see this newer trend at odds with the successful development models in Asia as well as potentially hurting Africa by skipping over opportunities such as technological innovation, and policy experimentation and learning. Other experts disagree.



Source: The World Bank: Development Indicators: World Bank national accounts data, and OECD National Accounts data files.

FIGURE 2.3. YOUTH UNEMPLOYMENT WILL CONTINUE TO BE A GROWING CHALLENGE IN 2016

Interestingly, GDP and income classification have little correlation with youth unemployment rates. For example, South Africa, which has the second-largest economy on the continent and is considered an upper-middle-income country based on its GNI per capita, has the highest youth unemployment rate at nearly 54 percent. Meanwhile, the Liberian economy, which is nearly 200 times smaller than South Africa's, has a youth unemployment rate 10 times smaller. Youth unemployment is measured as the share of the labor force (ages 15-24) without work but available for and seeking employment. Estimates may be low in some low-income countries like Liberia because many young people cannot afford not to work to seek employment and as a result, end up in low-paying jobs.



Source: Youth unemployment figures from World Development Indicators and GDP data from the World Bank databank.

VIEWPOINT

PRIORITIES FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT IN AFRICA

Eyerusalem Siba
Research Fellow, Africa Growth Initiative, Global Economy and Development, Brookings Institution

Industrial development is an integral part of sustainable development for many reasons (as noted in target 9.2 of the new Sustainable Development Goals (SDGs), which aims to double industry's share of employment and GDP in least developed countries by 2030). First, industrialization requires long-term investments in human and physical capital formation and technological innovation, as well as in supportive policy institutions and incentives to safeguard property rights of the private sector, create business enabling environments, and incentivize technological spillovers. Second, industrial policies that promote the intensive use of a country's comparative-advantage resources increase the success of achieving pro-poor growth and job creation. Third, industrial clusters facilitate the diffusion of technological innovations and cost-effective delivery of public services such as trade facilities and transport infrastructure. Finally, industrial development reduces the vulnerability of the economy to climate and market shocks through linkages with other sectors of the economy.

Competition, openness, inclusive growth, and policy experimentation constitute the building blocks of sustainable industrial policies.

The industrial sector in Africa, however, faces numerous constraints. Shortages of skilled labor, lack of access to affordable credit, and investment uncertainties discourage industrial firms from growing. Poor infrastructure and high trade and transport costs further constrain Africa's global competitiveness and its ability to attract FDI (World Bank 2009, Harrison, Lin and Xu, 2014). The small size of domestic markets and the limited capacity of firms to compete in international markets have also kept the share of Africa's industrial sector in GDP and global exports small (Table 1). In contrast, the share of agriculture in total output is declining in a number of African countries, and much of it is being taken over by the service sector. Such a trend is worrying for many development economists and policymakers as it potentially denies Africa the opportunity to pass through channels of technological innovation, institution building, and policy experimentation and learning as countries aspire to achieve industrial development.

Working toward achieving target 9.2 of the SDGs in 2016 requires deliberate effort in improving the competitiveness and capability of domestic firms, upgrading skills formation in the labor force, and improving the business environment to achieve the much-needed structural transformation of African economies. In my opinion, competition, openness, inclusive growth, and policy experimentation constitute the building blocks of sustainable industrial policies. Enhancing the competitive environment in which the private sector operates ensures productivity growth and knowledge spillovers. According to the literature, cluster-based industrial development and export promotion efforts where governments provide public infrastructure and various incentives, conditional on good performance and continued engagement in the exports market, are found to improve productivity. These mechanisms, coupled with increased flows of FDI, also expose domestic firms to marketing, managerial, and technological best practices allowing them to learn how to compete better in the international market.

Importantly, sustainable industrial policies also need to be inclusive and promote industries with job creation potential. Africa's industrial sector is dominated by micro, small, and medium enterprises (MSMEs) that very often lack affordable credit and access to dependable markets. Improving the growth prospects of these operators through market development trainings and strengthening linkages between MSMEs and large formal enterprises will have significant implications for job creation and poverty reduction.

TABLE 2.3. SUB-SAHARAN AFRICA'S EXPORTS OF MANUFACTURED GOODS REMAIN CONSTANT

Sub-Saharan Africa's exports of goods and services (as a percent of GDP) have remained relatively constant since 1990. Over the same period, the share of manufactures exports (as a percent of the region's merchandise exports) has seen minimal growth as well, reflecting the region's still limited capacity to compete internationally with its manufacturing exports.

Exports	1990	1995	2000	2005	2010	2014
Exports of goods and services (% of GDP)	25.9	26.7	33.5	31.1	29.7	28.8
SSA's share of world merchandise exports	0.02	0.01	0.01	0.02	0.02	0.02
Manufactures exports in SSA (% of merchandise exports)			26.9		27.8	
World manufactures exports (% of merchandise exports)	71.1	74.7	72.4	72	67.4	70.6

References
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Teravaninthorn, Supee, and Gaël Raballand. *Transport Prices and Costs in Africa*. Washington D.C.: World Bank, 2009.

Table source: World Development Indicators, 2015.

	1990	2000	2014
SUB-SAHARAN AFRICA (ALL INCOME LEVELS)	1,608	1,865	3,569
SUB-SAHARAN AFRICA (DEVELOPING ONLY)	1,607	1,858	3,544
ANGOLA	2,540	2,483	7,227
BENIN	880	1,209	1,865
BOTSWANA	5,235	8,213	16,099
BURKINA FASO	531	829	1,668
BURUNDI	678	565	770
CABO VERDE	1,073	3,015	6,516
CAMEROON	1,789	1,905	2,971
CENTRAL AFRICAN REPUBLIC	605	657	594
CHAD	718	787	2,182
COMOROS	1,025	1,063	1,494
DRC	NO DATA	411	746
CONGO, REP.	3,398	3,684	6,263
CÔTE D'IVOIRE	2,082	2,360	3,272
EQUATORIAL GUINEA	672	9,105	30,583
ERITREA	NO DATA	1,277	1,529
ETHIOPIA	422	491	1,494

	1990	2000	2014
GABON	12,438	13,906	19,038
THE GAMBIA	980	1,240	1,613
GHANA	1,241	1,801	4,090
GUINEA	727	897	1,213
GUINEA-BISSAU	974	1,020	1,386
KENYA	1,536	1,711	2,954
LESOTHO	841	1,291	2,600
LIBERIA	NO DATA	663	841
MADAGASCAR	1,073	1,146	1,437
MALAWI	381	507	822
MALI	668	934	1,599
MAURITANIA	1,810	2,167	3,912
MAURITIUS	4,891	8,995	18,585
MOZAMBIQUE	303	462	1,137
NAMIBIA	3,695	4,844	9,736
NIGER	585	604	938
NIGERIA	1,959	2,248	5,911
RWANDA	550	634	1,661

Snapshots of GDP per capita hint at (slowly) rising growth

GDP per capita across the region has been on the rise, but it continues to lag behind other regions, being just two-thirds of the GDP per capita of South Asia. This trend has, however, accounted for a large share of global poverty reduction over the past 15 years. Some of the largest increases have been made in Equatorial Guinea, Seychelles, Mauritius, and Botswana. Not all is rosy though: GDP per capita growth in the economically unsteady Zimbabwe and the conflict-ridden Central African Republic has actually dropped since 2000, and the region's slowing growth rates will likely hurt the people at the bottom in 2016.

● High income ● Middle income ● Low income

	1990	2000	2014
SAO TOME & PRINCIPE	NO DATA	1,738	3,254
SENEGAL	1,200	1,519	2,292
SEYCHELLES	9,124	14,626	26,245
SIERRA LEONE	886	813	2,018
SOMALIA	NO DATA	NO DATA	NO DATA
SOUTH AFRICA	6,698	7,868	13,046
SOUTH SUDAN	NO DATA	NO DATA	2,659

	1990	2000	2014
SUDAN	1,133	1,770	4,069
SWAZILAND	3,131	4,167	6,343
TANZANIA	951	1,180	2,591
TOGO	873	1,032	1,429
UGANDA	500	844	1,766
ZAMBIA	1,498	1,665	3,904
ZIMBABWE	1,633	1,998	1,780

Source: The World Bank: Development Indicators: World Bank national accounts data, and OECD National Accounts data files.
Note: GDP per capita measured in PPP (current international $)

3

Supporting Human Development:

Triumphs and Challenges on the Continent

>> ISSUE BRIEF from the AUTHORS

Kathleen G. Beegle
Lead Economist, Africa Region, World Bank

Luc Christiaensen
Lead Economist, Jobs Group, World Bank

Africa's Human Development Challenge in 2016 and Beyond

Kathleen G. Beegle and Luc Christiaensen

The 2015 World Bank report *Poverty in a Rising Africa* documents substantial improvements in well-being in Africa.[1] This progress resonates with the new perspective of "Africa rising" and an "African 21st century." But the report also shows that Africa's human development challenge remains enormous, and that data systems need strengthening to tackle the challenge.

Poverty rates are down, and other dimensions of human development also improved

The share of people in Africa living on less than $1.90 a day fell from 56 percent in 1990 to 43 percent in 2012.

The share of people in Africa living on less than $1.90 a day fell from 56 percent in 1990 to 43 percent in 2012. But only 27 out of the 48 countries examined had two or more comparable surveys in this period with which to track poverty. Analysis that accounts for the lack of comparability and poor quality of some of the data suggests that the poverty rate may have come down even further.

Substantial progress is also recorded in other dimensions of human development, especially in health and personal security. Since the mid-1990s, life expectancy at birth has risen by 6.2 years, and the prevalence of chronic malnutrition among children under 5 fell 6 percentage points. Deaths from politically motivated violence has declined. Tolerance and the incidence of gender-based domestic violence declined, and scores on voice and accountability indicators have risen slightly.

Progress in the aggregate has come along with progress on the ground.

[1] Beegle, Kathleen, Christiaensen, Luc, Dabalen, Andrew, and Isis Gaddis. *Poverty in a Rising Africa.* Washington D.C.: World Bank, 2015.

But more people are poor than in 1990, and low human development outcomes remain a challenge

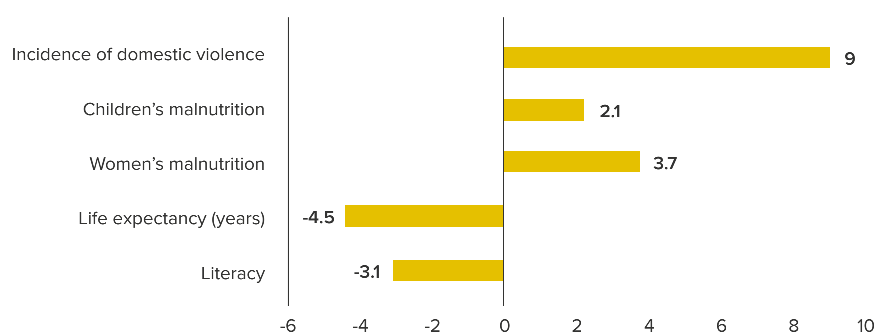
Despite the drop in the poverty rate, given Africa's rapid population growth, still many more people are poor today: Even under the most optimistic estimates of 2012 poverty, this number is about 330 million compared with 280 million in 1990. And projections also consistently show that the world's poor will be increasingly concentrated in Africa, keeping Africa at the forefront of the global poverty agenda.

The levels of achievement in human development also remain low across the different domains and the rate of progress is leveling off. More than two out of five adults are still unable to read or write. About three-quarters of sixth graders in Malawi and Zambia cannot read for meaning—one example of the school quality challenge. Likewise, health outcomes remain the worst in the world. Since 2010, the number of violent events against civilians (including political unrest, terrorism, and civil conflict) has been on the rise. Tolerance of domestic violence (at 30 percent of the population) is twice as high as in the rest of the developing world. Despite a decline in domestic violence overall, a generational shift in mindset is still to come in terms of not tolerating it.

Overall, three patterns stand out. First, and unsurprisingly, fragile countries tend to perform worse. Second, there is a worrisome human development penalty to residing in a resource-rich country (Figure 3.1). Finally, better-educated women and their children do decisively better.

FIGURE 3.1. A HUMAN DEVELOPMENT PENALTY TO RESIDING IN A RESOURCE-RICH COUNTRY

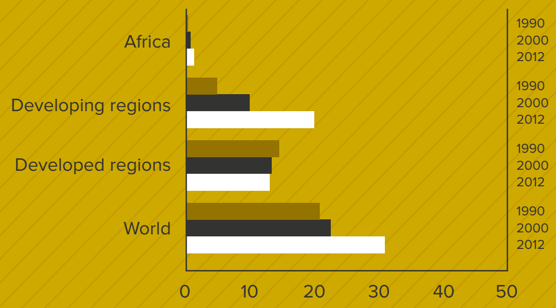
Despite the wealth offered by the available natural resources in resource-rich countries, those countries' citizens often experience a lower quality of life, especially when it comes to malnutrition and life expectancy. These countries should take 2016 to address gaps in social policy, though with commodity prices low this task could be even tougher than usual.



Source: Beegle, Kathleen, Christiaensen, Luc, Dabalen, Andrew, and Isis Gaddis. *Poverty in a Rising Africa.* Washington D.C.: World Bank, 2015.
Note: All measures are in percentage points except life expectancy. Percentage point gap between resource and non-resource-rich countries, conditional on income level, residence, and other household characteristics.

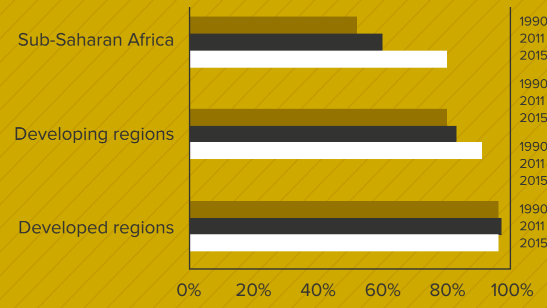
To ensure environmental sustainability

Emissions of carbon dioxide, 1990, 2000, and 2012* (billions of metric tons)



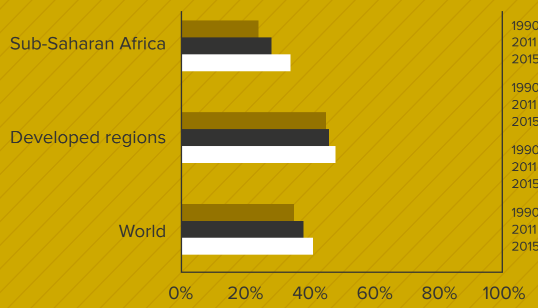
To achieve universal primary education

Adjusted net enrollment rate in primary education, 1990, 2000, and 2015



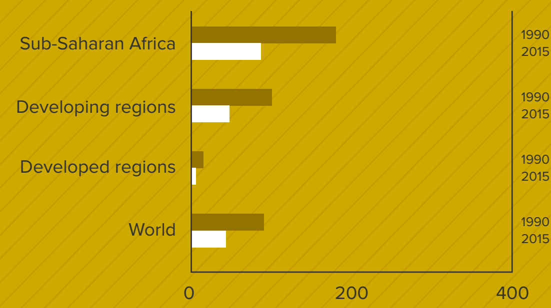
To promote gender equality

Share of women in wage employment in the non-agricultural sector, 1990, 2000, and 2015



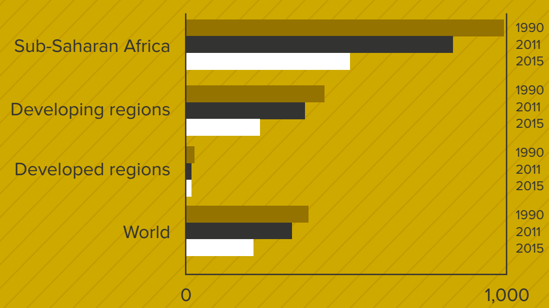
To reduce child mortality

Under-five mortality rate, 1990 and 2015 (deaths per 1,000 live births)



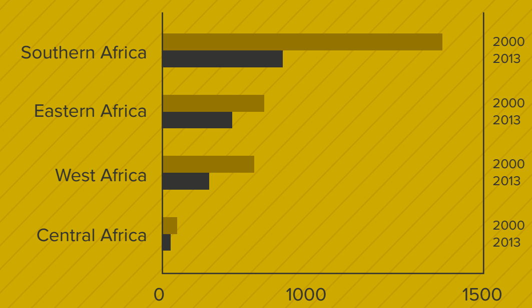
To improve maternal health

Maternal mortality ratio, 1990, 2000, and 2013 (maternal deaths per 100,000 live births, women aged 15¬49)



To combat HIV/AIDS, malaria, and other diseases

Estimated number of new HIV infections, 2000 and 2013 (thousands)

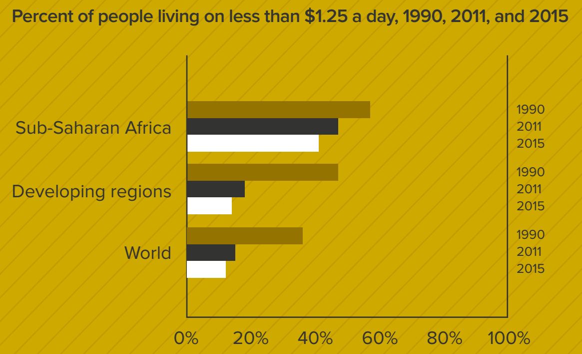


MDGs report card

Starting the SDGs on the right foot

2016 marks the first year of the Sustainable Development Goals, which Africa helped shape through its Common African Position. The SDGs highlight new challenges for the world to face and fight, all of which continue to pertain to the region. This brief look back on the region's accomplishments from the Millenium Development Goals shows that Africa showed signficant strength in many of the health indicators—especially when it came to slowing the spread of HIV/AIDS—but left room for improvement in others. 2016 and the SDGs offer the next opportunity for the region to tackle its (and the world's) most pressing challenges. Starting strong in 2016 is a great jumping off point for the long road ahead.

To eradicate extreme poverty and hunger



Source: The United Nations, The Millennium Development Goals Report, 2015.

VIEWPOINT

AT THE HEART OF CHANGE: THE ROLE OF WOMEN IN AFRICA'S DEVELOPMENT

Winnie Byanyima
Executive Director, Oxfam International

Women's rights are at the center of Oxfam's work, and this is something we see as necessary for development. Without gender equality, the African continent will not fulfill its remarkable potential for its people.

2015 saw gender equality enshrined in the Sustainable Development Goals as well as the review of agreements seminal to women's rights—including the Beijing Platform for Action and United Nations Security Council Resolution 1325.

Action is yet needed to protect and further African women's rights. 2016 calls upon the political courage of the continent's leaders to rethink economic inclusivity and reinvigorate efforts on human rights. Oxfam in particular is pleased to see the African Union declare 2016 as "The Year of Human Rights with a Special Focus on Women's Human Rights."

But it is a painful reality that there are 11 current armed conflicts in the African continent, according to the International Institute for Strategic Studies. Within this context, violence against women and girls only escalates. At Oxfam in particular we continue to challenge this sobering reality through our multi-country and Pan-African initiatives that leverage empirical evidence and advocate to influence legislative change.

In 2016, governments mediating or supporting these discussions on peace, security, and development must insist on the meaningful participation of women as a condition of their involvement—this is a right, and a means to conflict resolution. The United Nations found that less than 4 percent of signatories to peace talks from 1992 to 2011 have been women; many peace negotiations in Africa are testament to this statistic.

Income inequality is strongly linked to gender inequality—as a cause, consequence, and solution.

In the medium term, progress on gender equality requires Africa's economic growth to be shared by its women and girls. While GDP growth is expected to pick up to an average of 4.25 percent in 2016, the continent faces rising and extreme economic inequality. This is more concerning since, as recently found by the IMF, income inequality is strongly linked to gender inequality—as a cause, consequence, and solution.

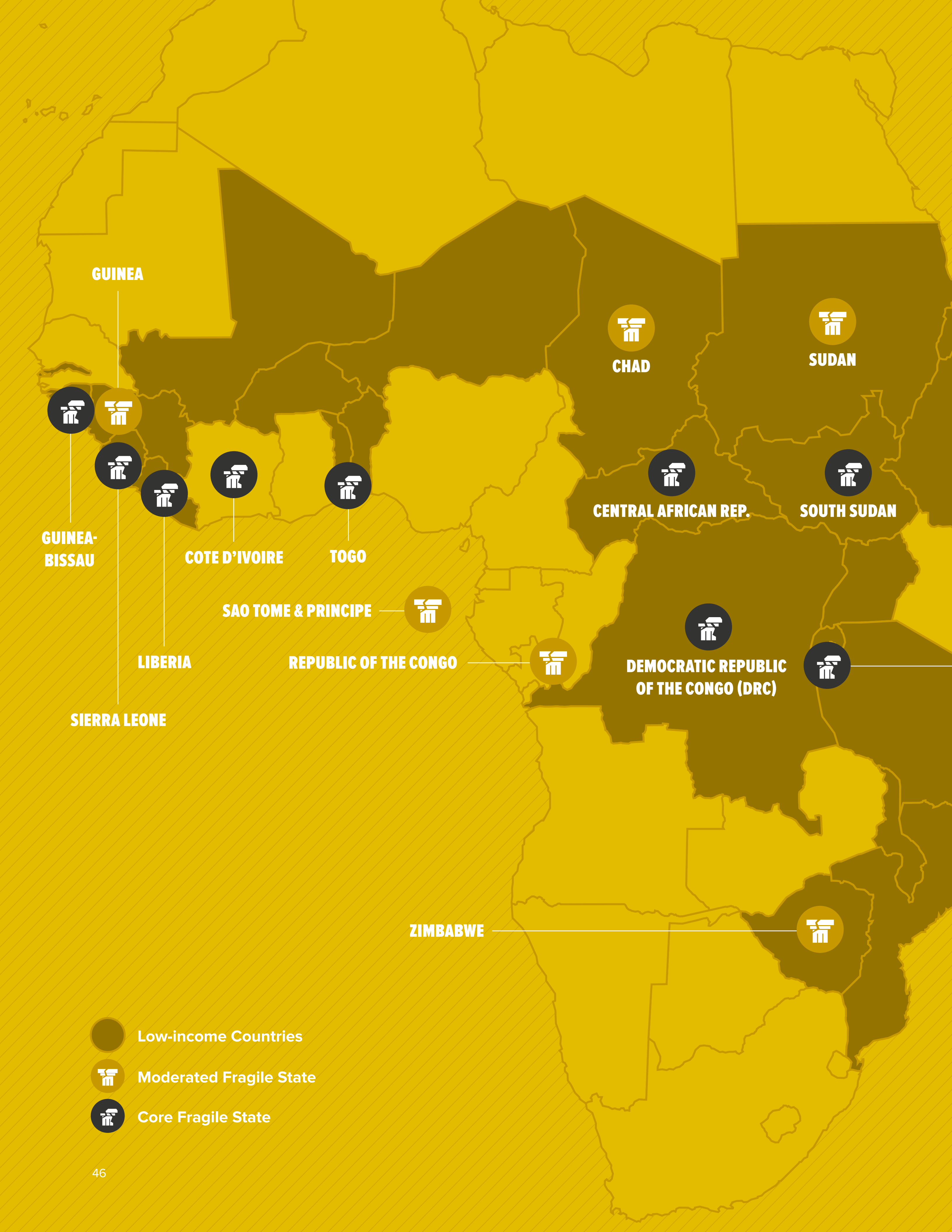
Government investment in public services that enable gender equality such as good quality and free education and health care is therefore essential, as is ensuring that economic policies are assessed for their impact on women and girls.

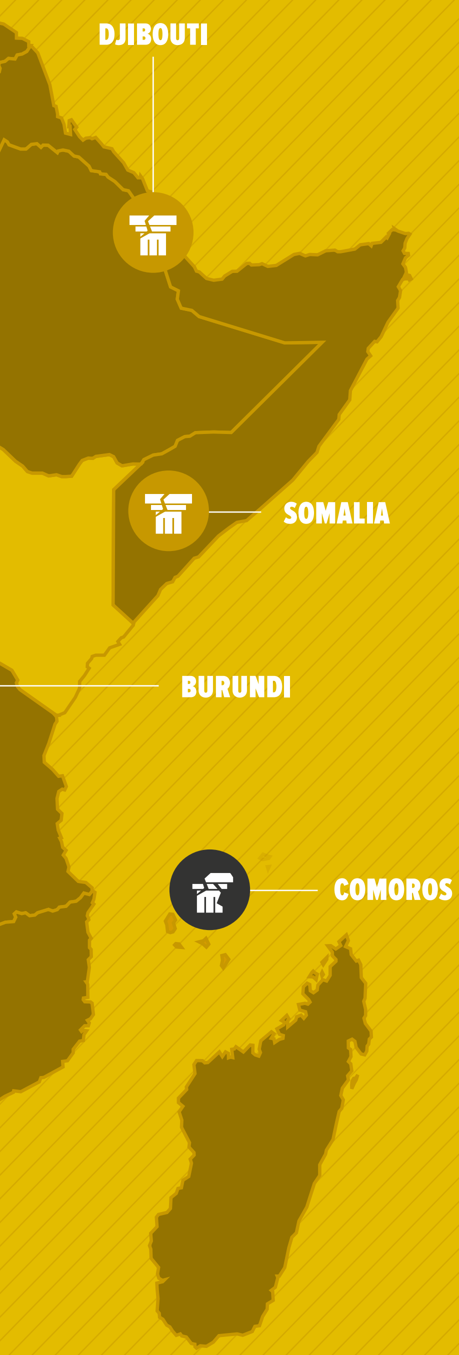
When schooling, for example, comes with a price, and families face tough choices, too often Africa's girls lose out from boy-preference.

Crucially, the disproportionate responsibility that women bear for unpaid care work requires attention: Recent Oxfam research, which was inclusive of three African countries, found that women on average spent nearly five more hours than men on care work per day. This issue must be addressed through investing in child and elderly care, public transportation, and other infrastructure that is gender sensitive as well as challenges the social norms that delegate this work predominantly to women.

Governments and private companies must also address gendered economic inequality through eliminating the gender pay gap and economic inequalities that accrue over women's lifetimes, for example by introducing policies and legislation that promote equal pay, decent work, parental leave, and flexible work access to credit, equal inheritance, and land rights. And, of course, women's economic equality will only be achieved when we address inequalities in all areas of women's lives.

Finally, women's organizations in Africa require increased financial support to drive change. They sit on the front line of efforts to represent women, tackle gender-based violence, as well as prevent and resolve conflicts, but too often they are not listened to. It is their voice that needs to be heard loudest, and their leadership that will reclaim their rights.


GUINEA
CHAD
SUDAN
CENTRAL AFRICAN REP.
SOUTH SUDAN
GUINEA-BISSAU
COTE D'IVOIRE
TOGO
SAO TOME & PRINCIPE
LIBERIA
REPUBLIC OF THE CONGO
DEMOCRATIC REPUBLIC OF THE CONGO (DRC)
SIERRA LEONE
ZIMBABWE
Low-income Countries
Moderated Fragile State
Core Fragile State



Where are the African fragile states?

The African Development Bank defines fragile states as those that are facing “a condition of elevated risk of institutional breakdown, societal collapse or violent conflict. Fragility is an imbalance between the strains and challenges (internal and external) faced by a state and society and their ability to manage them.” Interestingly, out of the 17 fragile states in the region only four of them (São Tomé and Príncipe, the Republic of the Congo, Sudan, and Côte d'Ivoire) are not low-income countries.

Country	Core Fragile State	Moderated Fragile State
Algeria		
Angola		
Benin		
Botswana		
Burkina Faso		
Burundi	✓	
Cameroon		
Cabo Verde		
Central African Rep.	✓	
Chad		✓
Comoros	✓	
Congo, Rep.		✓
DRC	✓	
Côte d'Ivoire	✓	
Djibouti		✓
Egypt		
Equatorial Guinea		
Eritrea		
Ethiopia		
Gabon		
The Gambia		
Ghana		
Guinea		✓
Guinea-Bissau	✓	
Kenya		
Lesotho		
Liberia	✓	

Country	Core Fragile State	Moderated Fragile State
Libya		
Madagascar		
Malawi		
Mali		
Mauritania		
Mauritius		
Morocco		
Mozambique		
Namibia		
Niger		
Nigeria		
Rwanda		
São Tomé & Príncipe		✓
Senegal		
Seychelles		
Sierra Leone	✓	
Somalia		✓
South Africa		
South Sudan	✓	
Sudan		✓
Swaziland		
Tanzania		
Togo	✓	
Tunisia		
Uganda		
Zambia		
Zimbabwe		✓

Source: African Development Bank, Fragile States Facility Digest, Available online: http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/fragile-states-facility/fragile-states-facility-digest/ (Accessed October 2015). Income classification from World Bank databank.

VIEWPOINT

THE FUTURE OF AGRICULTURE IN AFRICA

Geoffrey Gertz
Pre-Doctoral Research Fellow, Global Economy and Development, Brookings Institution

Homi Kharas
Senior Fellow and Deputy Director, Global Economy and Development, Brookings Institution

Strong agricultural systems are a crucial component of Africa's future development. Agricultural productivity is important not only for the priorities of ending hunger and achieving food security, but more broadly for progress on economic growth and poverty reduction, as many of those living in poverty depend on agriculture for their income.

Of the 20 countries with the greatest food and nutrition security needs, 19 are in sub-Saharan Africa.

Yet agricultural systems in many African countries face daunting challenges. In the Ending Rural Hunger (2015) report, we analyze the scale of needs in food and nutrition security (FNS) for 116 developing countries across four critical dimensions: access to food, malnutrition, agricultural productivity gaps, and vulnerability. We find that the five countries in the world with the greatest FNS needs are all found in sub-Saharan Africa: Eritrea, Chad, Zambia, Liberia, and the Central African Republic. Overall, of the 20 countries with the greatest FNS needs, 19 are in sub-Saharan Africa.

While the FNS challenge is multifaceted, and specific priorities vary country by country, we find that in general many sub-Saharan African countries face particular difficulties in agricultural productivity. Cereal yields are a basic if crude measure of the productivity levels of agricultural systems. According to the FAO, in 1965 yields in sub-Saharan Africa were about 30 percent of those in North America; by 2000, this figure had actually fallen to just 20 percent. Through the end of the 20th century, no mainland sub-Saharan African country (excluding temperate South Africa) had ever achieved sustained cereal yields above 2 tons per hectare—a key threshold, as this is approximately the point at which productivity is high enough to allow farmers to save and invest for the future and for society to encourage labor to shift away from agriculture into manufacturing and services.

There is some evidence, however, that African agriculture has reached a turning point, and the continent may be headed toward its own "Green Revolution." In recent years yields in many countries have begun to rise, and today a number of countries have broken through the 2 tons per hectare threshold, including Côte d'Ivoire, Ethiopia, Malawi, Uganda, and Zambia. Progress has been driven by a number of factors, including investments in rural infrastructure, improved policies to facilitate trade in both local and international markets, and training and extension programs to boost individual farmer's productivity. The lesson from these African countries' recent successes—echoing the experience of many Asian countries decades earlier—is that, though there is no single "silver bullet" intervention, a package of complementary public investments and policy reforms can deliver transformational change.

Today a number of countries have broken through the 2 tons per hectare threshold, including Côte d'Ivoire, Ethiopia, Malawi, Uganda, and Zambia.

Underpinning this shift has been a high-level political commitment to agriculture on the part of African leaders, as evidenced by promises at African Union summits in Maputo (2003) and Malabo (2014). These commitments are both about devoting a greater share of national budgets to agriculture and about finding the political will to take difficult but necessary decisions, such as removing trade barriers that distort markets. Sustaining the progress of recent years in 2016 and beyond will demand continued leadership, including through strengthening rural business climates to attract sustainable private investment, domestic and foreign, in agriculture. But with strong national leadership, matched with support from bilateral donors and multilateral institutions, African countries have the potential to overcome the agricultural productivity gaps that historically have held back the continent's development.

The prospects for 2016

Better data can lead to better decisions and better lives.

Poverty and human development outcomes do not change quickly. So, what can we expect to see in 2016?

Poor data systems have long plagued proper tracking of poverty in Africa. The year 2016 could mark the beginning of a turnaround. A number of initiatives for a data revolution are being launched.[2] Building off the strong data messages in *Poverty in a Rising Africa*, in October 2015 the World Bank committed to help the poorest countries conduct one consumption survey every three years. Better data can lead to better decisions and better lives.

Renewed momentum is seen in addressing the education challenges. A Framework for Action has already been adopted by UNESCO. In September 2016, the International Commission on Financing Global Education Opportunities will report on how to fill the $39 billion a year external financing gap to meet Sustainable Development Goal 4.

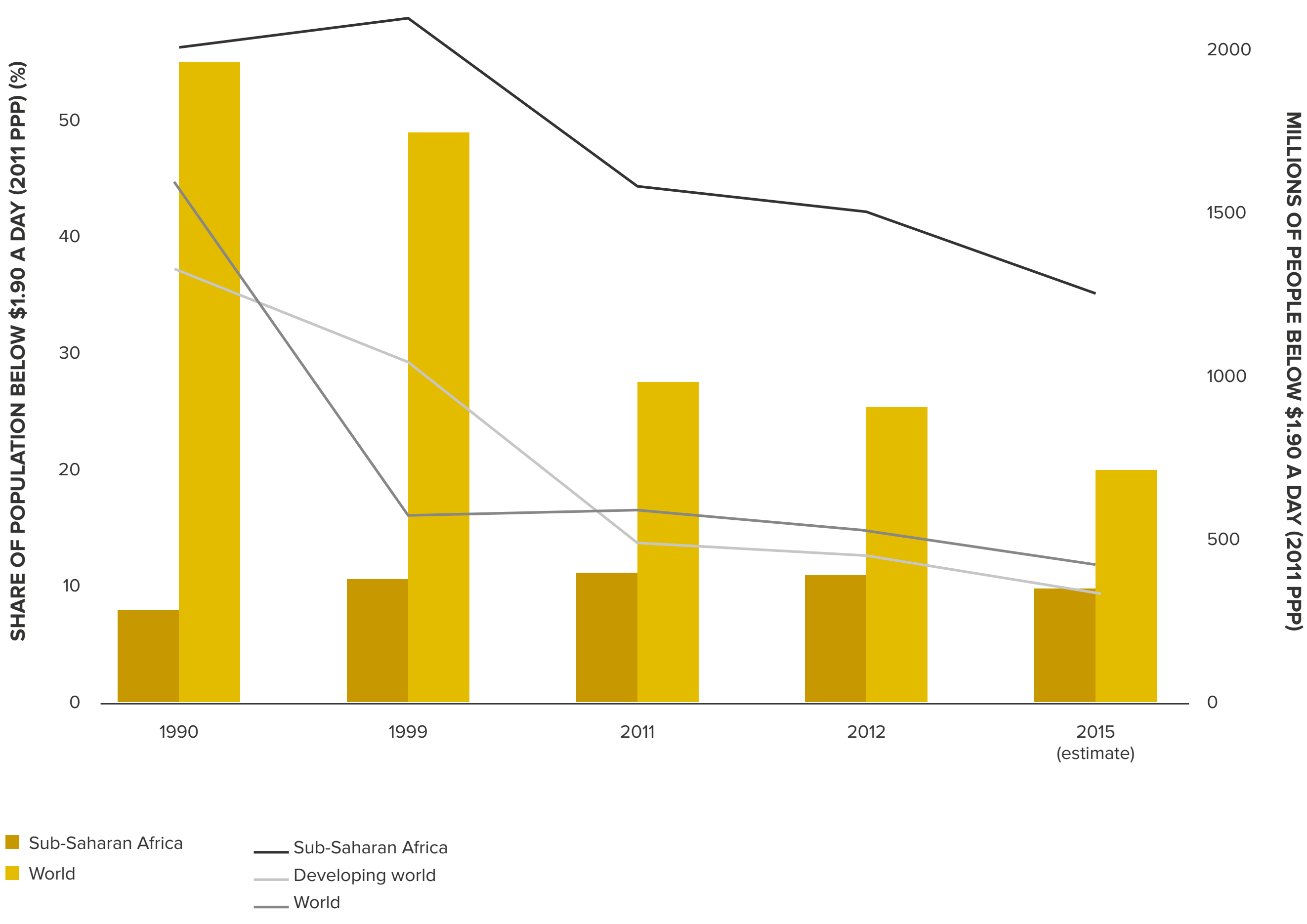
Fragile states, those in post-conflict situations and experiencing on-going conflict will continue to demand attention across the region and challenge the development agenda.

Finally, with commodity prices predicted to remain low, incipient attention to better translate natural resource wealth into human development may wane.[3] Nonetheless, it is important that this agenda be developed further.

[2] "Initiatives on the data revolution for post-2015." Data Revolution Group. http://www.undatarevolution.org/catalog/2/.
[3] De la Briere, Benedicte, Filmer, Deon, Ringold, Dena, Rohner, Dominic, Samuda, Karelle, and Anastasiya Denisova. From Mines to Minds: Turning Sub-Saharan's Mineral Wealth into Human Capital. Washington D.C.: World Bank, forthcoming in 2016.

FIGURE 3.2. SUB-SAHARAN AFRICA'S POVERTY RATE IS DROPPING, BUT ITS NUMBER OF POOR PEOPLE IS RISING

The data here shows encouraging information about the decline of poverty in sub-Saharan Africa, the developing world, and the world at large, though the total numbers in sub-Saharan Africa are more than they were in 1990 due to increasing population levels. At the same time, the World Bank also notes that while poverty is declining in all regions, it is also becoming more entrenched in some. In 2016 policymakers and development actors could not only look to enact policies for ending poverty but also utilize the population shift to stop the growth in absolute poverty, curb inequality, and create a productive workforce to propel future economic growth.



Source: World Bank Group. 2016. Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change. Overview booklet. World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO Available online: http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/10/31141444230135479/GMR-Over-and-Exec-Summary-English.pdf.

VIEWPOINT

INEQUALITY, GROWTH, AND POVERTY DYNAMICS SHAPING HUMAN DEVELOPMENT IN 2016

Haroon Bhorat
Nonresident Senior Fellow, Africa Growth Initiative, Global Economy and Development, Brookings Institution
Professor of Economics and Director of the Development Policy Research Unit (DPRU), University of Cape Town

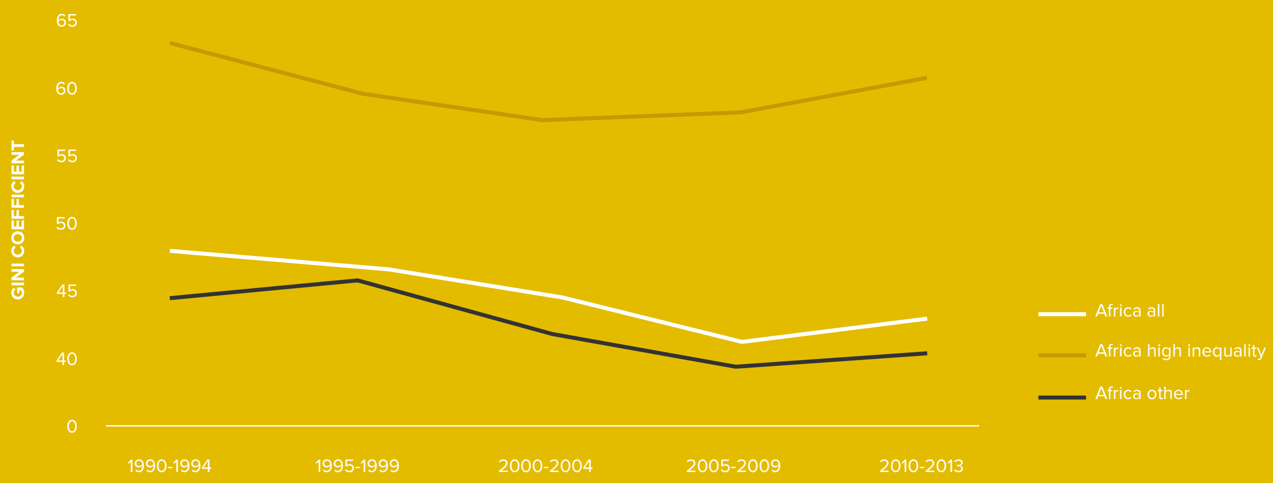
The interaction between inequality, economic growth, and poverty will continue to be one of the most important determinants of human development in Africa in 2016. A clear understanding of these relationships is thus crucial. Sub-Saharan Africa is, on average, more unequal relative to the rest of the developing world: Africa's mean Gini coefficient, which measures the distribution of within-country income inequality, stands at 0.43 (on a scale of 0 to 1, where 1 is the highest measure of inequality) whereas for other non-African developing countries the average Gini coefficient is lower, at 0.39. However, there remains a key statistical caveat: Seven economies—Angola, Botswana, the Central African Republic, Comoros, Namibia, South Africa, and Zambia—have much higher inequality than the rest of the region, serving to increase the overall result for Africa. Put differently, once these seven outlier economies are removed, the difference between sub-Saharan Africa and other developing countries disappears (see Figure 3.3).

Economic growth is essentially less poverty-reducing in sub-Saharan Africa relative to the rest of the developing world.

When thinking about poverty and growth though, the region itself is an outlier. In most of the developing world, for every 1 percent increase in growth, poverty falls by about 4 percentage points. However, in sub-Saharan Africa, this growth-poverty elasticity stands at about 3 percent. Hence, economic growth is essentially less poverty-reducing in sub-Saharan Africa relative to the rest of the developing world. Ultimately, this result suggests that the nature of the growth trajectory in the region is, on average, less welfare-enhancing than elsewhere in the developing world. One possible reason could be that many of the recent high-growth episodes in African economies have been sustained on the back of resource-commodity booms. These resource booms potentially generate significant fiscal revenues, but the nature of this growth path is intrinsically capital intensive and thus insufficiently employment generating. Effectively, the resource-intensive growth path found in many African economies provides relatively higher returns on capital relative to labor—replicating a pattern of low poverty reduction with a possible rise in income inequality. A more generalized experience in much of sub-Saharan Africa is that economic growth through a commodities boom has been combined with a stagnation in manufacturing output. In effect, sub-Saharan Africa has, in a sense, experienced a slow process of deindustrialization as the boom in resources has been combined with a deterioration in manufacturing production. An alternative way to think about this trend is that most of the growth in employment that Africa has experienced in recent years seems to be in the low-productivity services sector. I remain concerned about this trend and do not think it's a viable growth strategy for Africa. Somewhere in every country's economic growth story, manufacturing (and some would argue light manufacturing in particular) has been key. Ultimately, for the average African economy, the share of GDP accounted for by manufacturing needs to expand. This expansion in manufacturing will provide the building blocks for a more diversified and dynamic local economy—in the pursuit of structural transformation and an improvement in living standards in Africa.

FIGURE 3.3. MOVEMENTS IN THE GINI COEFFICIENT IN AFRICA OVER TIME

While Africa does experience higher levels of inequality than the rest of the developing world, its overall inequality has decreased since 1990. One of the most interesting trends, though, is that the huge gap between Africa's inequality and the rest of the developing world might be explained by just seven outlier economies–Angola, the Central African Republic, Botswana, Zambia, Namibia, Comoros, and South Africa, which have Gini coefficients above 0.55. If you remove those seven countries, Africa's inequality mirrors the rest of the developing world's much more closely.



Source: WIID, 2014; World Development Indicators, 2014; Bhorat, 2015.
Notes: 1. For the Africa average, the sample sizes per period are as follows: 27 (1990-1994), 24 (1995-1999), 38 (2000-2004), 28 (2005-2009), 25 (2010-2013).
2. The High Inequality countries are: Angola, Botswana, Comoros, Central African Republic, Namibia, South Africa, Zambia. The sample sizes per period are as follows: 5 (1990-1994), 2 (1995-1999), 7 (2000-2004), 3 (2005-2009), 3 (2010-2013).

VIEWPOINT

PLANNING AHEAD: NEW AFRICAN APPROACHES TO MITIGATING CLIMATE CHANGE

Richard Wilcox
Founding Director-General of the African Risk Capacity Agency (2013-2015)

For African farmers and pastoralists, whose livelihoods are subject to the vagaries of the weather, a sudden environmental shock can have a devastating impact. Families and communities can find themselves pulled in a downward spiral from which it may be impossible to escape.

Droughts, floods, and cyclones are often not the reason why millions in Africa and many other regions are in poverty. But they can be the final blow that takes away their opportunities for progress. Extreme weather is, of course, damaging wherever it hits. But in developing regions and for the most vulnerable, it can be the difference between hope and despair.

We may not be able to prevent bad weather, but together we can protect the most vulnerable and provide the tools to help them.

With the increasing frequency and intensity of extreme weather events driven by climate change, Africa cannot afford to wait. The continent is bringing solutions to the table, addressing the issue of climate change head on. The recently concluded UNFCCC COP21 meeting in Paris affirmed the United Nations Secretary-General Ban Ki-moon's, President Obama's, and other G-7 leaders' commitments to the bold and innovative proposal to scale up climate risk insurance globally, following Africa's and the Caribbean's lead.

In 2012, 26 African Union member states came together to establish the African Risk Capacity (ARC) Agency and its financial affiliate, a mutual insurer—ARC Insurance Company Limited (ARC Ltd)—with the purpose of transferring some of the burden of climate risk away from governments and the farmers and pastoralists they protect to the international financial markets. The agency builds the capacity of participating governments to model their own risk, respond early to vulnerable populations in the case of a disaster and select the appropriate coverage for their level of risk. Its Conference of the Parties—or signatories to its treaty—sets and enforces continental standards for disaster response. With a premium payment, countries then become members of the mutual and active participants in its governance, able to leverage additional coverage from the reinsurance industry. This unique institutional structure, which allows ARC to leverage limited public resources to attract private capital, can be replicated across sectors and regions.

In its first year of operation, three of the four countries that formed ARC's inaugural risk pool— Senegal, Mauritania, and Niger—paid a combined premium of $8 million and received pay-outs of over $26 million, triggered by drought in the Sahel. The money was in government accounts even as the international U.N. appeal was still being formulated. Governments used the insurance payouts to purchase livestock fodder and staples primarily from local producers, reaching over half a million livestock and 1.3 million people who may have otherwise been forced to cut down on meals, take children out of school, or leave their land.

ARC is far more than just a regional variation on a traditional insurance scheme. It uses insurance to provide the incentives for holistic risk management systems, investments in risk reduction, and response capacities to build resilience over time. And more, by putting African countries in charge, ARC cuts duplication and delays, leading to faster and better results. Oxford University experts estimate that a dollar spent on ARC saves four and a half dollars in traditional humanitarian aid.

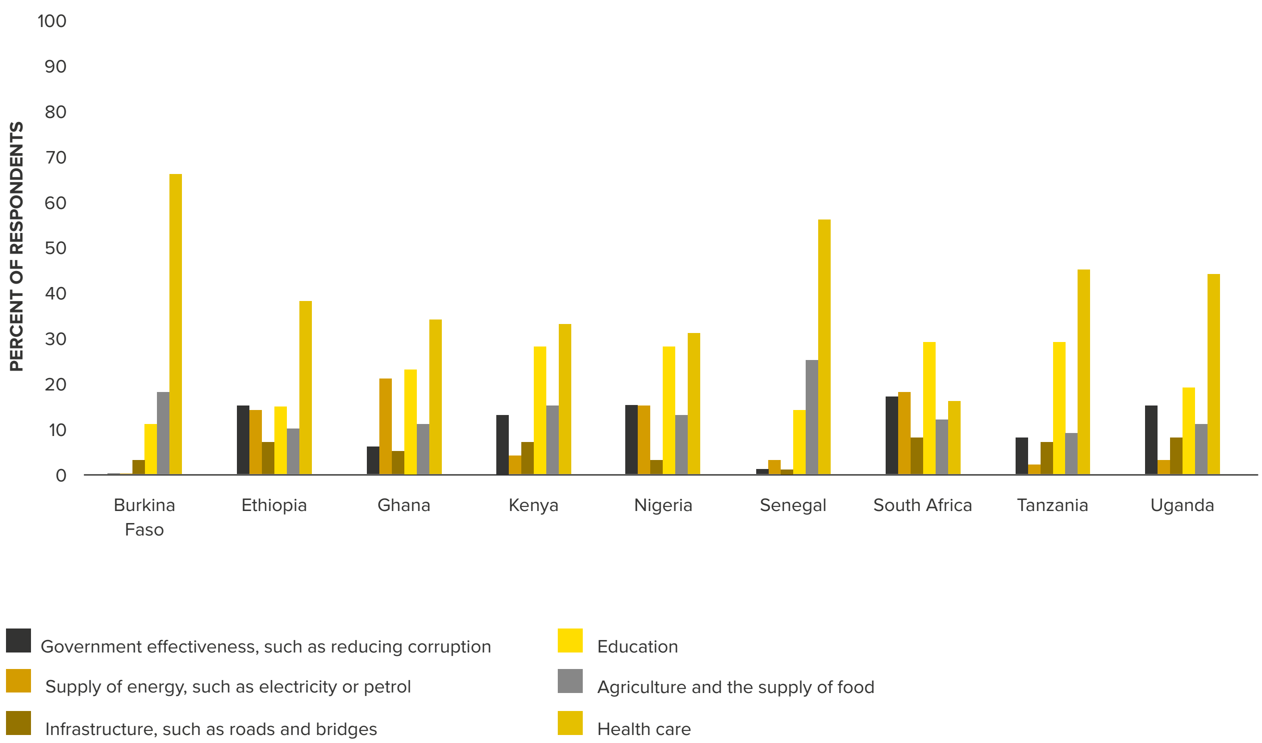
More countries are getting on board. In May 2015, the ARC Ltd pool further expanded, bringing its total membership to nine: Burkina Faso, the Gambia, Kenya, Mali, Malawi, Mauritania, Niger, Senegal, and Zimbabwe. These countries paid a total premium of $25 million for $180 million in drought coverage. By 2020, the ARC aims to reach as many as 30 countries with nearly $1.5 billion of coverage against drought, flood, and cyclones thereby making a significant contribution to the G-7 global target of 400 million people insured by 2020. Admittedly, achieving this goal will be a challenge given the current global fiscal climate and the African context where countries are now bracing for anticipated impacts from El Niño while also balancing responses to numerous other threats. But ARC's member states remain undeterred in their quest to move from managing crises to managing risks.

To protect member states' investments in risk management, ARC plans to offer in 2017 up to $500 million in climate adaptation financing through the Extreme Climate Facility (XCF) to provide direct funds to those countries experiencing significant detrimental shifts in their weather patterns.

Africa is leading with innovative and sustainable financing mechanisms to address climate change. We may not be able to prevent bad weather, but together we can protect the most vulnerable and provide the tools to help them not only rebuild their lives and communities, but also their resilience over the long term.

FIGURE 3.4. WORD FROM THE GROUND: WHAT DO YOU THINK SHOULD BE THE MOST IMPORTANT PRIORITY FOR YOUR COUNTRY?

As a recent Pew survey reveals, when looking to 2016, Africans across countries often share priorities. According to the survey, the top shared priority for 2016 continues to be health care, which was covered by three of the Millennium Development Goals and continues to be enshrined in the Sustainable Development Goals in SDG #3: "Good health and well-being." Outside of health care and education, though, it is clear that Africans hold very different priorities, showing that progress in 2016 and beyond will need to be country-led.



Source: Pew Research Center Spring 2015 Global Attitudes survey. For more information, see http://www.pewglobal.org. Pew Research Center bears no responsibility for the interpretations presented or conclusions reached based on analysis of the data.
Note: Respondents were asked which of the six pressing issues above should be the most important priority for their country.

LAUNCH OF THE AFRICA CDC AND REGIONAL COLLABORATING CENTERS

JANUARY

In 2015, African heads of state and government endorsed the creation of an African regional public health institute called the Africa Centers for Disease Control and Prevention (Africa CDC). Spearheaded by the African Union, and with funding from international donors including China and the United States, the Africa CDC seeks to improve African capacity to prevent, detect, and respond to public health crises across the continent. The official launch of the Africa CDC is expected to take place in January 2016, with its headquarters located in Addis Ababa and its initial staff comprised of 10 epidemiology fellows. Following the launch, the AU will move forward with recruiting a director, governing board and advisory council, and additional staff for the headquarters, as well as opening five Regional Collaborating Centers—one in each region of the continent—in 2016.

WORLD HUMANITARIAN SUMMIT

MAY 23-24

After a two-year, U.N.-led consultation process with international stakeholders, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) will host the first World Humanitarian Summit on May 23 and 24, 2016, in Istanbul. This forum will convene a wide array of global partners—including members of national governments, multilateral organizations, civil society and non-governmental organizations, the private sector, and conflict-affected communities—to devise a new agenda for addressing the challenges presented by humanitarian crises. While the process leading up to the forum has been lauded for its inclusiveness—and for bringing voices from non-state actors into the conversation on the humanitarian system—some analysts have questioned whether the forum will be able to provide a robust framework for swift reform of the humanitarian system, especially considering that any major proposals to change country-level efforts will likely require political approval and implementation at the national levels.

THE IMPACT OF EL NIÑO THROUGHOUT AFRICA

In 2015, the El Niño climate phenomenon reached one of its strongest levels in recorded history, leading to intense changes in precipitation throughout the globe. East Africa experienced lower-than-average rainfall from June through September, which in turn, reduced agricultural and pastoral production and increased food insecurity across the region. The effects from El Niño are projected to continue through March 2016, suppressing rainfall in Southern Africa and resulting in above-average rainfall in the Horn of Africa. In Southern Africa, the reduction in precipitation is expected to worsen already acute food insecurity and further curb crop production, which is already below the five-year average. Conversely, in the Horn of Africa, an increase in precipitation will be largely beneficial for agriculture although it may also increase the risk of flooding.

4

Capitalizing on Urbanization:

The Importance of Planning, Infrastructure, and Finance for Africa's Growing Cities

>> ***ISSUE BRIEF from the AUTHOR***

Jérôme Chenal

Senior Scientist, Urban and Regional Planning Community,
Ecole Polytechnique Fédérale de Lausanne

Habitat III: What is the Agenda for African Cities?

Jérôme Chenal

The priority

Development in African cities today is not in the megacities of Kinshasa, Lagos, and Cairo, but in intermediate cities that are directly linked with their surrounding environment.

The next United Nations Conference on Housing and Sustainable Urban Development, Habitat III, will be held October 17-20, 2016 in Quito, Ecuador. Habitat III specifically aims to "reinvigorate the global commitment to sustainable urbanization and focus on the implementation of a New Urban Agenda, building on the Habitat Agenda of Istanbul in 1996."[1]

The theme in Quito echoes past conferences: Habitat I in Vancouver recognized the consequences of rapid urbanization and the conditions necessary for sustainable human settlements; consideration of the importance of cities with regard to economic, demographic, and environmental equilibrium was in its infancy. The role of urbanization in national, regional, and even continental development was reaffirmed 20 years later, at the Istanbul Conference, with the adoption of an action plan.

This time, the implementation of a New Urban Agenda promoting all aspects of sustainable development (equity and shared prosperity in particular) will be proposed in Quito. The urban habitat is therefore the focus, as made evident by the conference's slogan: "It is time to think urban." But the conference cannot be exclusive: This thinking must include rural areas and intermediate cities, as well as large cities. Development in African cities today is not in the megacities of Kinshasa, Lagos, and Cairo, but in intermediate cities[2] that are directly linked with their surrounding environment.

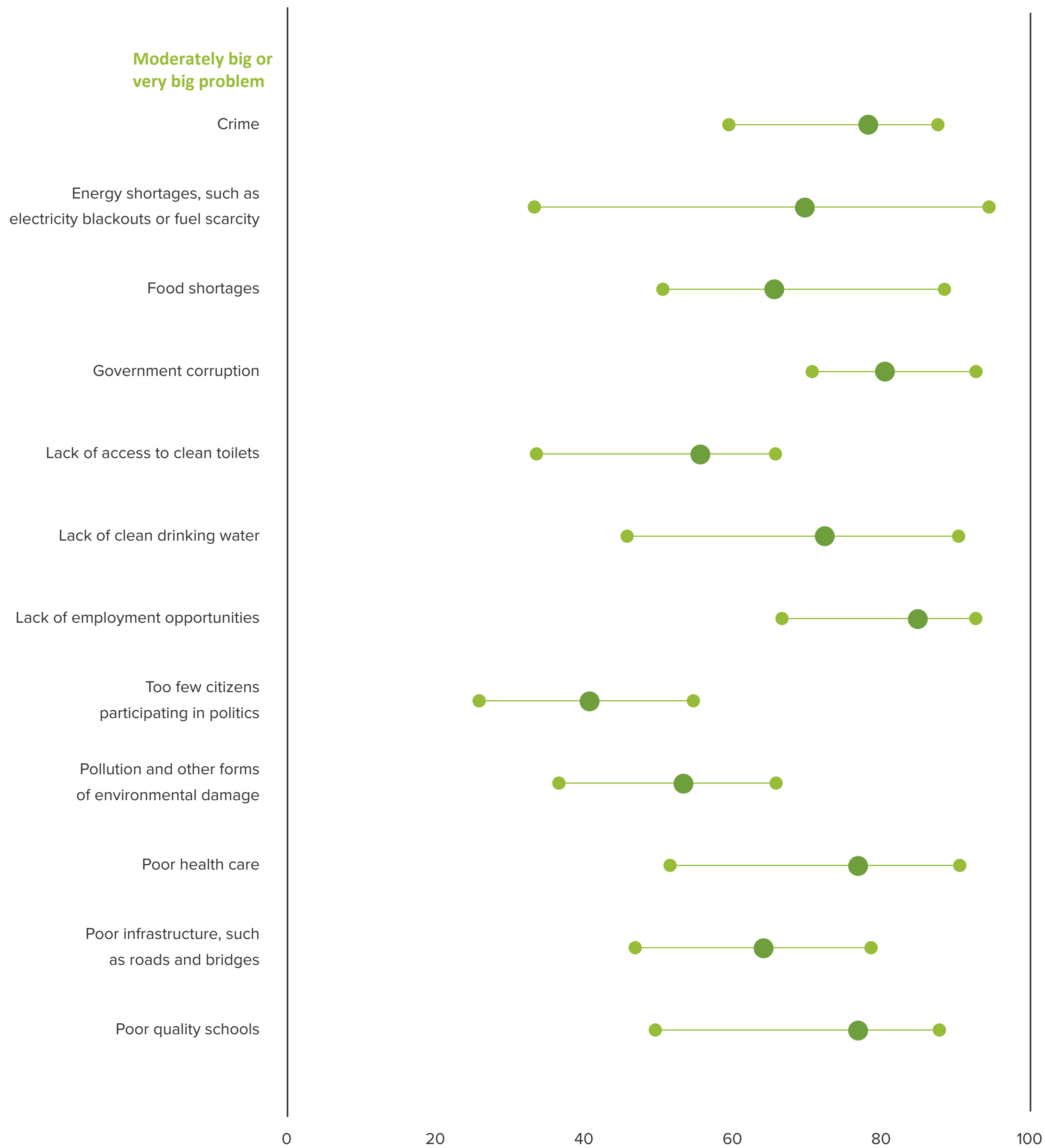
Why is it important?

Although Habitat III addresses six main themes—1) social cohesion, equity, and livable cities; 2) urban frameworks; 3) spatial development; 4) urban economy; 5) urban ecology and environment and 6) urban housing and basic services—I will limit my discussion to the last point only.

[1] General Assembly of the United Nations. Resolution 66/207, Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat), New York, March 14, 2012.
[2] Chenal, Jérôme. *African Cities: Introduction to urban planning.* MOOC, Coursera.org.

FIGURE 4.1. WORD FROM THE GROUND: IS THIS A VERY OR MODERATELY BIG PROBLEM IN YOUR COUNTRY?

Urbanization and rapid demographic change can be strong drivers of growth, but they also have the potential to exacerbate already pressing problems. Importantly, these problems often differ from country to country, with a few exceptions. The ranges (showing the minimum, maximum, and average) below demonstrate how much those responses differed among countries.



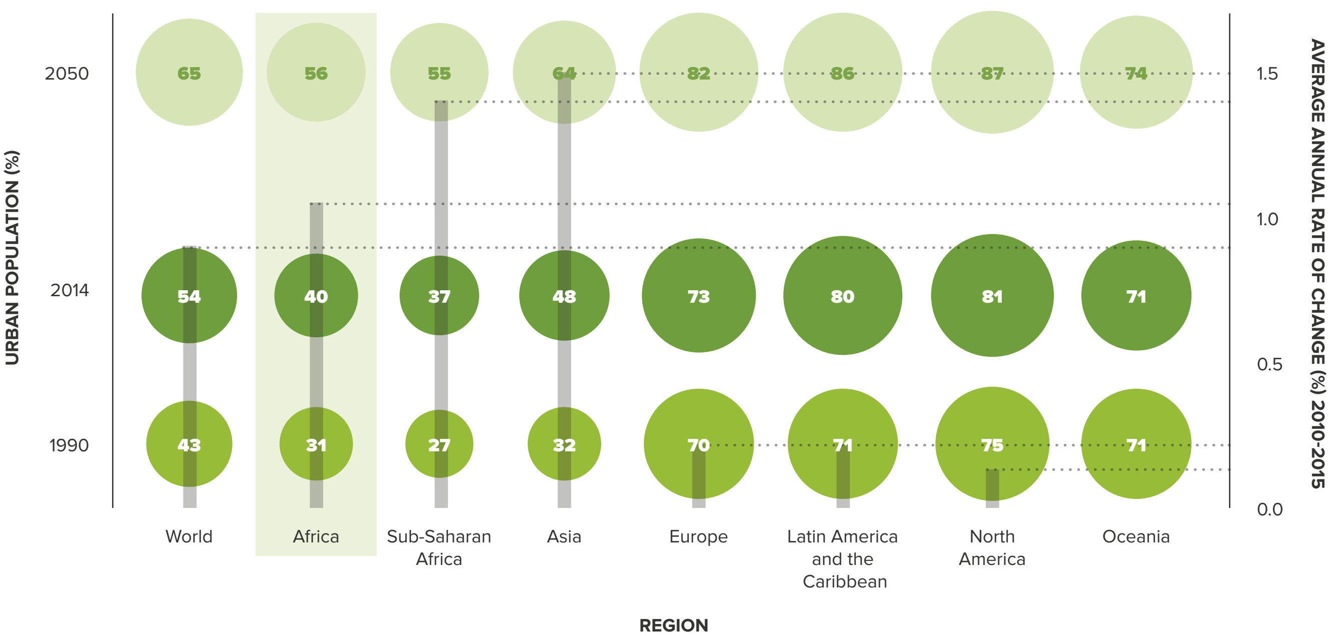
Source: Pew Research Center Spring 2015 Global Attitudes survey. For more information, see http://www.pewglobal.org. Pew Research Center bears no responsibility for the interpretations presented or conclusions reached based on analysis of the data.
Note: The countries represented above include Burkina Faso, Ethiopia, Ghana, Kenya, Nigeria, Senegal, South Africa, Tanzania, and Uganda.
Respondents were asked to rate each of the above problems on whether the problem was a very big problem, a moderately big problem, a small problem or not a problem at all. The above visual shows the range among nine countries of their citizens answering “very big” or “moderately big” for each issue.

The growing demand for basic services in cities is directly linked to population growth and, in certain contexts, income growth. Thus, there is a strong relationship not only between population growth and the economy, but also between the population and its demand for services.

In order to provide these services and support economic development, cities must have the right social and physical infrastructure. Notably, the New Urban Agenda focuses on infrastructure not as physical structures but as networks of physical structures, knowledge, and institutions. Interdependence exists between the various infrastructures, forcing us to think in an inclusive, holistic way based on a systems-thinking approach. A sectoral approach, on the other hand, limits coordination between infrastructures within the same system, yet from different sectors, and in turn, stifles urban development.[3] For example, the limits of a sectoral approach are quite clear in terms of mobility and transport.

FIGURE 4.2. AFRICA IS AMONG THE FASTEST URBANIZING REGIONS IN THE WORLD

Africa is urbanizing rapidly; in fact, faster than any other region except Asia. Despite this growth, even by 2050, sub-Saharan Africa will still be the least urbanized region in the world.



Source: United Nations, Department of Economic and Social Affairs, Population Division (2014). World Urbanization Prospects: The 2014 Revision, Highlights (ST/ESA/SER.A/352).

[3] *Urban Infrastructure and Basic Services, including energy.* Habitat III Issue Papers, New York, N.Y.: Habitat III, 2015.

VIEWPOINT

GATEWAY TO AFRICA? THE GAUTENG CITY-REGION IN 2016 AND BEYOND

Joseph Parilla
Senior Research Associate, Metropolitan Policy, Brookings Institution

Alan Berube
Senior Fellow and Deputy Director, Metropolitan Policy, Brookings Institution

Rapid urbanization will define Africa's demographic future. History indicates that urbanization both accompanies and facilitates economic transition from agriculture to manufacturing and services, activities that tend to demand clusters of labor and capital, as well as proximity to other firms that cities provide. In turn, millions of Africa's rural residents have been and will continue to flock to urban regions in search of the living standards that new production and services jobs provide. However, this process is not pre-ordained: There are no wealthy countries that are not urbanized, but there are plenty of urbanized countries that are not wealthy.

How, then, can policymakers create urban environments that support economic growth and raise living standards for local households? In a recent report, we examined this question from the perspective of the relatively industrialized Gauteng City-Region—the 12.9 million person South African mega-metropolis anchored by Johannesburg. We find that the Gauteng City-Region has made significant progress over the past two decades. GDP per capita is nearly one-quarter higher today than in 2000. Educational attainment is up. The region is actually sub-Saharan Africa's most attractive destination for new foreign direct investment. In many ways, the Gauteng City-Region has assets that rival other major global cities. Worryingly, however, productivity and GDP per capita growth have both slowed since 2010. High levels of unemployment (above 25 percent), income inequality, and social exclusion reflect the region's apartheid legacy, hindering progress towards full equality of opportunity and long-term economic competitiveness.

We find that the Gauteng City-Region can further bolster its position as "Gateway to Africa" in 2016 by embracing its services sector to promote trade and investment, enhancing technology commercialization in key sectors, boosting employability through improved connections between the worlds of school and work, and organizing public, private, and civic leaders around a shared vision for growth and competitiveness. Indeed, strategies are underway at the local, provincial, and national levels toward these ends. Gauteng province has launched a trade and investment plan that seeks to use the city-region as an export platform to sub-Saharan Africa. The City of Johannesburg has partnered with the Harambee Youth Accelerator to break down employment barriers for 200,000 disengaged youth. By taking these types of purposeful actions now, the Gauteng City-Region's public, private, and civic institutions can build a globally competitive economy that works for all, and perhaps serve as an example for the rest of Africa's emerging urban regions.

Today, a movement toward densification and "compact cities"—meaning dense urban areas with access to public transport, local services, and employment opportunities—dominates, as does the recognition of growing linkages between urban planning and transport. This movement requires fusion between expertise on transport and land use issues and investment programs.[4] Densification is necessary for compact cities. In terms of regional development, the more compact a city is, the more sustainable it will be since smaller cities use less water and fewer road and public transport systems. This ability to economize on water, road, and transport infrastructure is only possible, however, by increasing the number of habitants per square kilometer. Thus, planning professionals are increasingly designing more sustainable compact cities and less sprawling ones.

In a similar vein, housing is once again on the agenda, even if it is clear that few governments have launched ambitious programs,[5] instead leaving that task to private initiatives.

In 2010, 60 percent of the urban population in sub-Saharan cities lived in slums with no access to basic services, much less new technologies.

In contexts where economic resources are developing less rapidly than urban population growth, the tension between the two is clearly felt—especially when it comes to the important point on the urban agenda of "smart cities"[6] and their evil twin, "informal settlements."[7] Smart cities are intelligent cities that take advantage of new technologies for more efficient management—a great deal of stock has been put in the idea that technology helps in the development of sustainable cities. Informal settlements, on the contrary, are inefficient due to poor management and lack of planning. In fact, the reality is that basic services are not accessible to most neighborhood residents. Thus, the economic development that serves as an urban development model in Western cities since the Industrial Revolution is confronted by the reality of extreme poverty and the gap between population growth and economic development. Indeed, according to the U.N., in 2010, 60 percent of the urban population in sub-Saharan cities lived in slums with no access to basic services, much less new technologies.

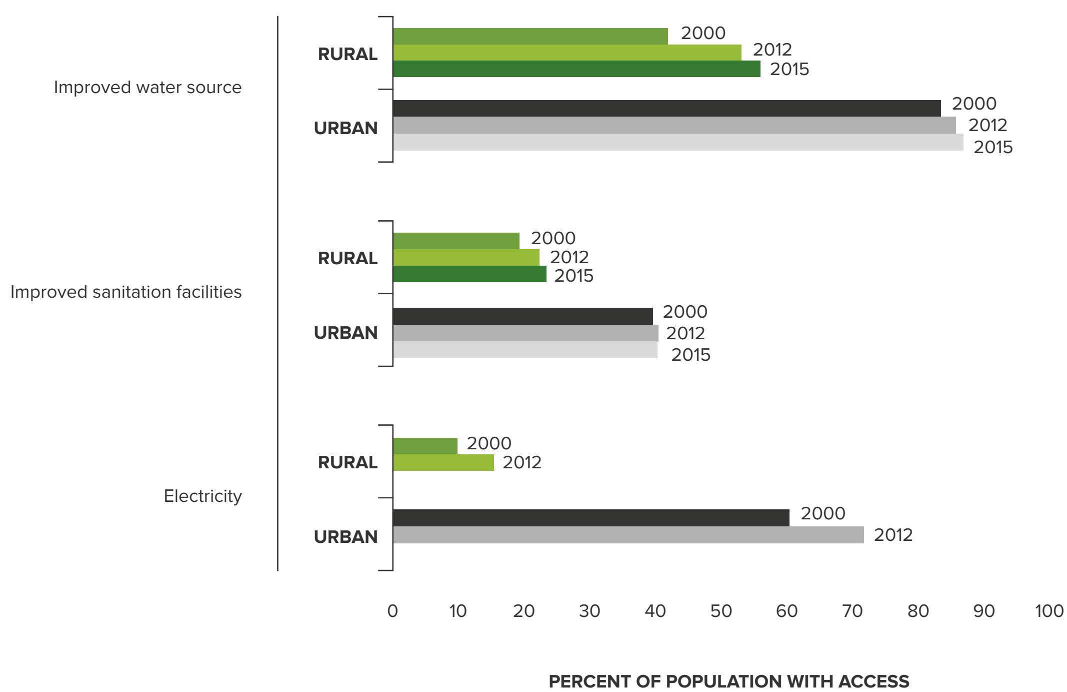
It therefore seems necessary to examine the issue of infrastructure in Africa from two angles: that of the compact city and that of the "average citizen." Indeed, compact cities provide many benefits: For example, they decrease the amount of travel for their inhabitants, providing them the means to be mobile. In situations of extreme poverty, however, compact cities are less appropriate. Less dense cities allow for the development of urban agriculture.

[4] *Transport and Mobility.* Habitat III Issue Papers, New York, N.Y.: Habitat III, 2015.
[5] *Housing.* Habitat III Issue Papers, New York, N.Y.: Habitat III, 2015.
[6] *Smart Cities*. Habitat III Issue Papers, New York, N.Y.: Habitat III, 2015.
[7] *Informal settlements*. Habitat III Issue Papers, New York, N.Y.: Habitat III, 2015.

In addition, in our changing world, the compact city as a development model needs to be revisited in light of climate change, and the need for urban agriculture as a means of subsistence for the poor. Indeed, cities in hot, dry climates have long encouraged densification to protect from the sun. In these new hot, humid climates, however, rainwater must be infiltrated, especially in a context where storm events are becoming increasingly frequent and intense in parts of the world—meaning that urban agriculture is not suitable for the poor in compact cities. However, both types of cities share problems: For example, very low population density is costly in terms of energy, but so is a high population density.

FIGURE 4.3. RURAL DEVELOPMENT STILL LAGS BEHIND THAT OF URBAN AREAS IN SUB-SAHARAN AFRICA

Though access to electricity, improved sanitation, and improved water sources have all increased in both urban and rural areas in the region, rural areas still significantly fall behind. Though sub-Saharan Africa continues to urbanize quickly, rural areas—which still house 63 percent of the region's population—must not be ignored.



Source: World Development Indicators, accessed December 10, 2015.

There is therefore a middle ground that is not necessarily as dense as experts seem to think.

This reflection enables us to address the second angle, that of "average citizens."[8] These "typical client types" travel by public transport or car, are homeowners, and partake in leisure activities; in short, those for whom cities are planned. In the context of African cities, however, the average citizen is generally poor and a pedestrian. We must therefore understand who lives in cities and what their needs are, and not plan based merely on ideas. Today, African cities are designed and planned for a "resident-type" that, in reality, does not exist. It is like manufacturing a product that in no way corresponds to customers' needs. And if, like with smartphones, it were possible to "create" a clientele, the latter must also be solvent. In the case of our cities, the so-called average resident-type does not have the means to access basic services, has much lower income, and is therefore not a potential "client" of the city as defined by planners.

What should be done in 2016?

The African stance on cities should therefore question the requirements of the compact city, as well as those of smart cities, and their implementation in a context where many residents live in poor neighborhoods.

In 2015 and 2016,[9] 21 countries (representing one-third of the African population) will choose their presidents—hence there is a possibility of major renewal of commitment to cities. A new political balance conducive to integrating urban discourse in territorial development must be pursued. Politically speaking, 2016 will be followed by a very intense two-year period for the New Urban Agenda, implying great potential for change, as the conditions in many countries will be conducive. However, potential for change does not mean change.

This potential political renewal should not lead to an across-the-board adoption of the principles of Habitat III, but to a shared African vision based on the reality of African cities. To do this, we must make the inhabitants of cities the focus. The African stance on cities should therefore question the requirements of the compact city, as well as those of smart cities, and their implementation in a context where many residents live in poor neighborhoods.

[8] Chenal, Jérôme. The West-African City. Lausanne: EPFL-Press, 2015.
[9] Agbadje Adébayo Babatoundé, June 26, 2014, "2015-2016, années de grandes épreuves pour les démocraties en Afrique," afro-moderne.mondoblog.org.

Cities have not yet been integrated into the political discourse. Habitat III is an opportunity to make towns and cities a national focus, due to the overwhelmingly alarming conditions in many countries. The current climate of political renewal should lay the foundations for reflection on the cities of tomorrow, pointing to a keen understanding of the role of cities in developing countries. As such, African cities can be appreciated in all their richness and diversity.

This opportunity can become a reality, but will the desire to make it happen be strong enough? In the recent history of cities few have been the occasions where political renewal and current affairs resulted in a paradigm shift. 2016 will open the door to new opportunities. But will they be seized?

LAGOS

10,788 | 13,121 | 18,857

CAIRO

11,031 | 11,944 | 14,740

KINSHASA

8,415 | 10,312 | 14,535

KHARTOUM

4,516 | 5,161 | 7,090

KANO

3,271 | 3,902 | 5,724

DAR ES SALAAM

3,415 | 4,395 | 7,276

JOHANNESBURG

3,763 | 4,114 | 4,732

NAIROBI

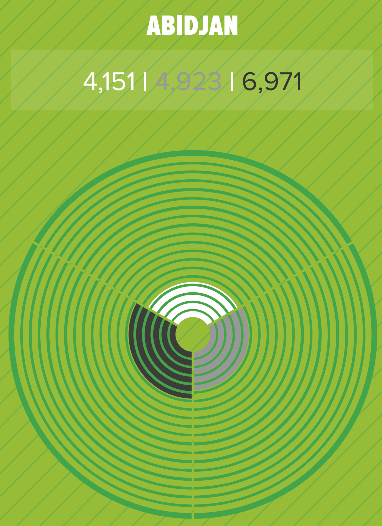
3,237 | 3,958 | 6,143

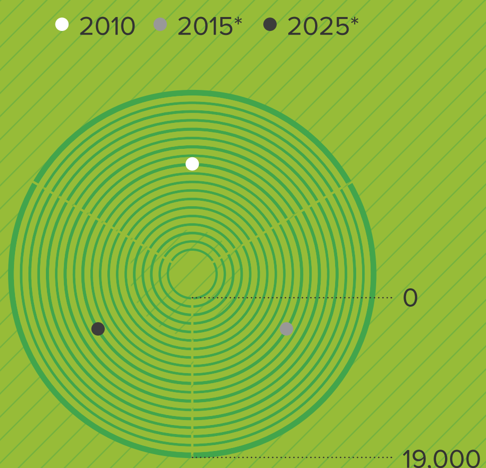
CAPE TOWN

3,492 | 3,810 | 4,388

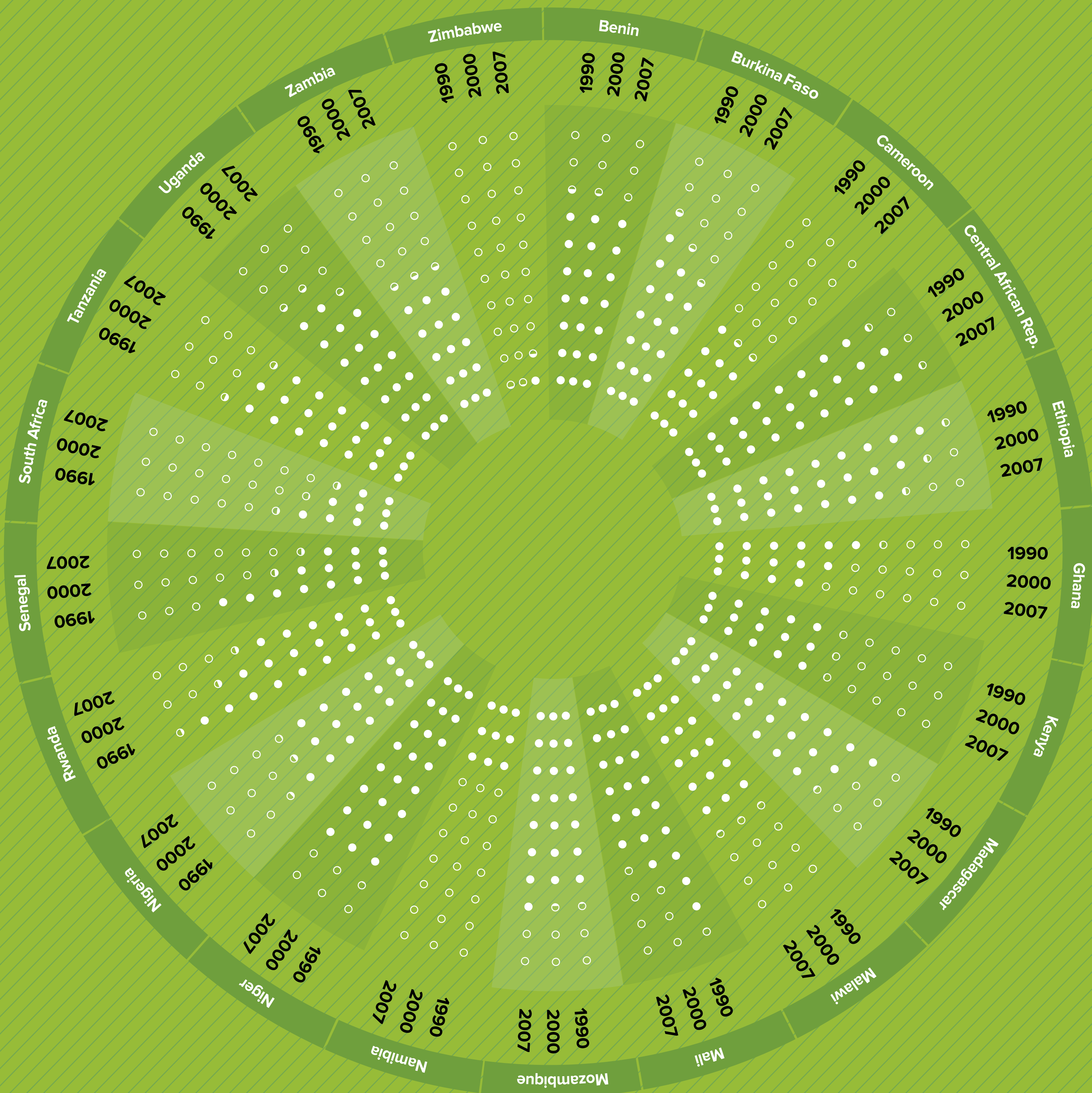
The rise of megacities

Shown here are the 10 biggest cities in Africa. Right now, three of them—Lagos, Cairo, and Kinshasa can be considered "megacities," in that they have 10 million people or more. Within the next few decades, many other sub-Saharan and North African cities—for example, Johannesburg, Nairobi, Dar-es-Salaam, Khartoum, Casablanca, and others—will reach that 10 million person threshold. Unsurprisingly, then, the total number of individuals living in Africa's urban areas is expected to rise from 400 million in 2010 to 1.26 billion in 2050. The continent's urbanization rate is also expected to reach 50 percent by 2035 and continue growing. This growth demonstrates a great need for better urban management and institution building.





Source: World Urbanization Prospects: The 2011 Revision, UNDESA, New York, 2012.
Note: * indicates projections. Populations shown in thousands of people.



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Africa's struggle with slums

According to U.N. Habitat, approximately a third of individuals in urban areas in developing countries are thought to be living in slums. In Africa, this number is estimated to be over half of the urban population at 61.7 percent. Living in slums raises severe and dangerous challenges including poor health, the threat of crime, housing insecurity, and others. As these challenges arise, African governments will need to act fast in the aim to prevent their cities from becoming severely unmanageable and instead safe, healthy, and productive places to live. This image shows the percentage of people living in slums in select African countries. Though this is a large problem throughout Africa, it does vary from country to country. For example, Zimbabwe has only about 17.9 percent of people living in slums while in Niger that number is at 81.9 percent.

Country	Year				
	1990	1995	2000	2005	2007
Benin	79.3	76.8	74.3	71.8	70.8
Burkina Faso	78.8	72.4	65.9	59.5	59.5
Cameroon	50.8	49.6	48.4	47.4	46.6
Central African Republic	87.5	89.7	91.9	94.1	95
Ethiopia	95.5	95.5	88.6	81.8	79.1
Ghana	65.5	58.8	52.1	45.4	42.8
Kenya	54.9	54.8	54.8	54.8	54.8
Madagascar	93	88.6	84.1	80.6	78
Malawi	66.4	66.4	66.4	66.4	67.7
Mali	94.2	84.8	75.4	65.9	65.9
Mozambique	75.6	76.9	78.2	79.5	80
Namibia	34.4	34.1	33.9	33.9	33.6
Niger	83.6	83.1	82.6	82.1	81.9
Nigeria	77.3	73.5	69.6	65.8	64.2
Rwanda	96	87.9	79.7	71.6	68.3
Senegal	70.6	59.8	48.9	38.1	38.1
South Africa	46.2	39.7	33.2	28.7	28.7
Tanzania	77.4	73.7	70.1	66.4	65
Uganda	75	75	75	66.7	63.4
Zambia	57	57.1	57.2	57.2	57.3
Zimbabwe	4	3.7	3.3	17.9	17.9

10%

Source: U.N. Habitat. For more information, see http://urbandata.unhabitat.org/download-data/#/indicators/5

VIEWPOINT

AFRICAN CITIES: PERSPECTIVES AND PRIORITIES FOR 2016

Khalifa A. Sall
Mayor of the city of Dakar, Senegal

In the coming decades, migration toward African and Asian cities will account for 90 percent of population movements. Accordingly, African cities are now being forced to anticipate the shocks, constraints, and risks created by urbanization—including sharp investment deficits, scarce resources, and insufficient public service provision—resulting largely from the inadequacy of current urban planning policies.

Confronted by strong demographic pressures, increasing pollution, poor urban infrastructure, and inadequate basic social services, African cities must now rethink their urban development models in order to engage in more dynamic transitions and create new paths toward a better future. By focusing on promoting economic growth and addressing vulnerabilities—through firm commitments from central to municipal governments, strong leadership from local officials, and innovative approaches to mobilizing the necessary resources for local development—these transitions, driven by technological innovation and green technologies, will allow the creation of attractive, competitive, viable, and sustainable cities.

In the coming decades, migration toward African and Asian cities will account for 90 percent of population movements.

Faced with insufficient domestic resources, the success of urban transitions will be largely determined by the ability of our cities to seek other sources of financing. In the Senegalese capital of Dakar, for example, the city is working toward establishing the region's first municipal bond to raise funding for urban infrastructure projects, while also partnering with international donors for technical and financial assistance.

If innovation constitutes a response to the challenges of an increasingly urban world, financial markets—including banking systems, stock markets, and institutional donors—will be crucial components upon which big African metropolises depend in order to mobilize resources. The stakes are considerable for the African continent, as it is in our cities that the struggle for Africa's resurgence will be won or lost.

EVENT TO WATCH

THE THIRD UNITED NATIONS CONFERENCE ON HOUSING AND SUSTAINABLE URBAN DEVELOPMENT (HABITAT III)

OCTOBER 17-20

From October 17 to 20, 2016, the United Nations and other international stakeholders (governments, local authorities, civil society, the private sector, academic institutions, and relevant interest groups) will gather for the third United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in Quito, Ecuador. The purpose of the conference will be to reassess the global architecture governing urban policies, planning, and development and decide upon a New Urban Agenda that provides concrete policy recommendations for cities. As one of the first global conferences following the adoption of the post-2015 development agenda, it will provide an important opportunity for African stakeholders to discuss paths to achieving the Sustainable Development Goals in Africa's cities, especially in light of the continent's rapid urbanization and the challenges this dynamic poses.

5

Maintaining Governance Gains:

The National and Regional Agendas

>> ISSUE BRIEF from the AUTHOR

Richard Joseph

Nonresident Senior Fellow, Africa Growth Initiative,
Global Economy and Development, Brookings Institution

The Growth-Governance Puzzle in Africa

Richard Joseph

The disappointing growth performance of sub-Saharan Africa during the first three decades of independence was called a puzzle.[1] In 2016, it is the sustained economic turnaround that remains puzzling. Although surveys of the statistical data often paint a glowing picture, certain questions persist. Since Africa was overly dependent on international aid flows and the export of mineral commodities for decades, why did that scenario begin shifting? Second, since the quality of growth remains deficient—in terms of its inclusiveness and ability to create jobs—are the progress reports misleading?[2]

Africa today is seen through split screens: One depicts steady progress while another shows communities struggling to meet basic needs and coping with abysmal infrastructure.

Steven Radelet is one of the undeterred optimists about economic progress in Africa and other less-developed areas.[3] He continues to stress the critical contribution made by good governance, including democratization, to such progress. Africa today is seen through split screens: One depicts steady progress while another shows communities struggling to meet basic needs and coping with abysmal infrastructure. The largest countries in the continent—the Democratic Republic of the Congo, Nigeria, and Sudan—remain in a time-warp of highly predatory and dysfunctional governance. Popular disenchantment, even in a country often praised for its democracy such as Ghana, is now aired in international forums.[4] Meanwhile, authoritarian regimes in Ethiopia and Rwanda exceed many of their democratic counterparts in growth and socio-economic progress.

A revisionist argument, proposing "developmental patrimonialism," also drew attention. Its advocates claimed that liberal democracy and competitive politics were perhaps obstacles to transformative growth in Africa. No sooner did its key contentions come under challenge, however, than it was set aside for "political settlements theory."[5] There is insufficient space to distill the wheat

[1] Todd J. Moss, *African Development: Making Sense of the Issues and Actors* (2011).
[2] John Page, "What Obama didn't see on his trip to Africa", http://www.brookings.edu/blogs/africa-in-focus/posts/2015/07/28-obama-africa-page. Page contends, along with other economists, that many constraints to industrialization persist in Africa and insufficient well-paying jobs are being generated.
[3] *The Great Surge: The Ascent of the Developing World* (2015). Radelet resumes the arguments put forward in his *Emergent Africa: How 17 Countries Are Leading The Way* (2010).
[4] For example, at the Woodrow Wilson Center event, "Are Ghanaians Fed-up with Democracy? Institutional Mistrust and Satisfaction with Democracy," https://www.wilsoncenter.org/event/are-ghanaians-fed-democracy-institutional-mistrust-and-satisfaction-democracy.
[5] R. Joseph, "Inclusive Growth and Developmental Governance: The Next African Frontiers," in Célestin Monga and Justin Yifu Lin, *The Oxford Handbook of Africa and Economics* (2015). David Booth, "What next for political settlements theory and African Development?" paper presented at the African Studies Association annual meeting, November, 2015.

from the chaff of this formulation.[6] What is evident is that there is no single pathway—especially as regards political regimes—for launching growth and development in contemporary Africa.[7] Going from launch to economic transformation, however, is another story.[8]

The work of Mushtaq Khan is helpful. While rejecting the developmental claims associated with the "good governance agenda," Khan contends that the transition from a low-growth equilibrium to sustainable growth requires the emergence of "growth-enhancing governance capacities."[9] What these are is not clear. Pierre Englebert and Gailyn Portelance take up this question. They found that theories connecting the turnaround to progress in democracy and good governance set too high an institutional threshold. Interestingly, they found, countries identified as "developers" attracted more foreign investment than the "laggards." What accounts, they ask, for this disparity given that general governing capacities in the former seem so little changed? And why is such investment seen in countries widely dissimilar in their political systems?

Englebert and Portelance suggest that the answer may lie in "signaling" between African regimes and potential investors, altering risk perceptions. Such signaling could take the form of "minimal baby-steps" in bureaucracies and institutions. Several leading Africa scholars responded to their analysis and hypothesis, some with enthusiasm and others cautiously, but none rejected them outright.[10] The protagonists admitted that further research was needed about "marginal changes" in economic governance that did not require political restructuring. Such explorations of the growth-governance puzzle warrant further attention.[11] They should include more consideration of the influence in Africa of the political economy models of Singapore and China.[12]

[6] For a summary of the variety of notions embraced by "political settlement theory", see http://www.governanceanddevelopment.com/2012/09/what-on-earth-is-political-settlement.html

[7] Célestin Monga and Justin Yifu Lin, "Solving the Mystery of African Governance," http://www.tandfonline.com/doi/full/10.1080/13563467.2012.732277.

[8] For some of the many hurdles to be surmounted, see R. Joseph, K. Spence, and A. Agboluaje, "Corporate Social Responsibility and Latecomer Industrialization in Nigeria", in Charlotte Walker-Said and John Kelly, *Corporate Social Responsibility? Human Rights in the New Global Economy* (2015).

[9] Khan is a prolific writer. For a summary of, and reflections on, his views, see R. Joseph , "Industrial Policies and Contemporary Africa: The Transition from Prebendal to Developmental Governance," in J.E. Stiglitz et al., *The Industrial Policy Revolution II: Africa in the 21st Century* (2013). [10] Pierre Englebert and Gailyn Portelance, "The Growth-Governance Paradox in Africa," https://africaplus.wordpress.com/2015/01/06/the-growth-governance-paradox-in-africa/, and Jeffrey Herbst, Tim Kelsall, Goran Hyden, and Nicolas van de Walle, "Good Growth and Good Governance in Africa: An Experts Forum," https://africaplus.wordpress.com/2015/02/18/good-growth-and-good-governance-in-africa-an-experts-forum/#more-1090.

[11] For diverse perspectives, see Akbar Noman, *Good Growth and Governance in Africa: Rethinking Development Strategies* (2012).

[12] The scale of China's economic engagement with Africa, especially in trade and infrastructure, together with its dismissal of the good governance agenda, should be squarely considered in any explanation of "the great surge."

FIGURE 5.2. THE QUALITY OF AFRICAN GOVERNANCE IS IMPROVING, BUT SLOWLY

The quality of governance in sub-Saharan Africa varies wildly. Having a large economy such as Nigeria and South Africa does not necessarily go hand-in-hand with maintaining good governance. For example, low-income countries like Ghana also perform quite well on the Mo Ibrahim Index of African Governance. Similarly, when we look at the fastest-growing economies, we also see a wide variation in governance scores. Balancing growth (especially inclusive growth) with strong institutions is a key challenge for African governments both in 2016 and beyond.

Source: The 2015 Mo Ibrahim Index of African Governance. Available online here: http://www.moibrahimfoundation.org/iiag/data-portal/.

A provisional synthesis of these analytical strands can be ventured. Governing regimes seek, above all, perpetuation. To survive, "islands" of bureaucratic efficiency in the security sector could be replicated in the management of economic affairs. Two iconic regimes, led by Jerry Rawlings in Ghana and Yoweri Museveni in Uganda, hewed a path in the late 1980s that has been seen, in varying degrees, in other African countries. Both regimes recognized the pay-off from economic liberalization, especially enhanced aid flows. These were soon bolstered by private capital. In brief, these socialist-leaning regimes signaled that they were "open for business." Moreover, instead of regarding private investment as threatening to their survival, a different lesson was quickly learned: Political and economic liberalization could be managed to grow economies, reward affiliates, and fend off or palliate opposition.[13]

Private sector growth in post-Cold War Africa did require some governance and institutional changes but seldom the creation of fully open political systems. Joseph Stiglitz and his collaborators hypothesize that a facilitative state able to manage resources above the recycling of prebends is a sine qua non for implementing industrial policies.[14] Such a state would nurture institutions that operate efficiently and predictably and enjoy relative autonomy from "competitive clientelism."

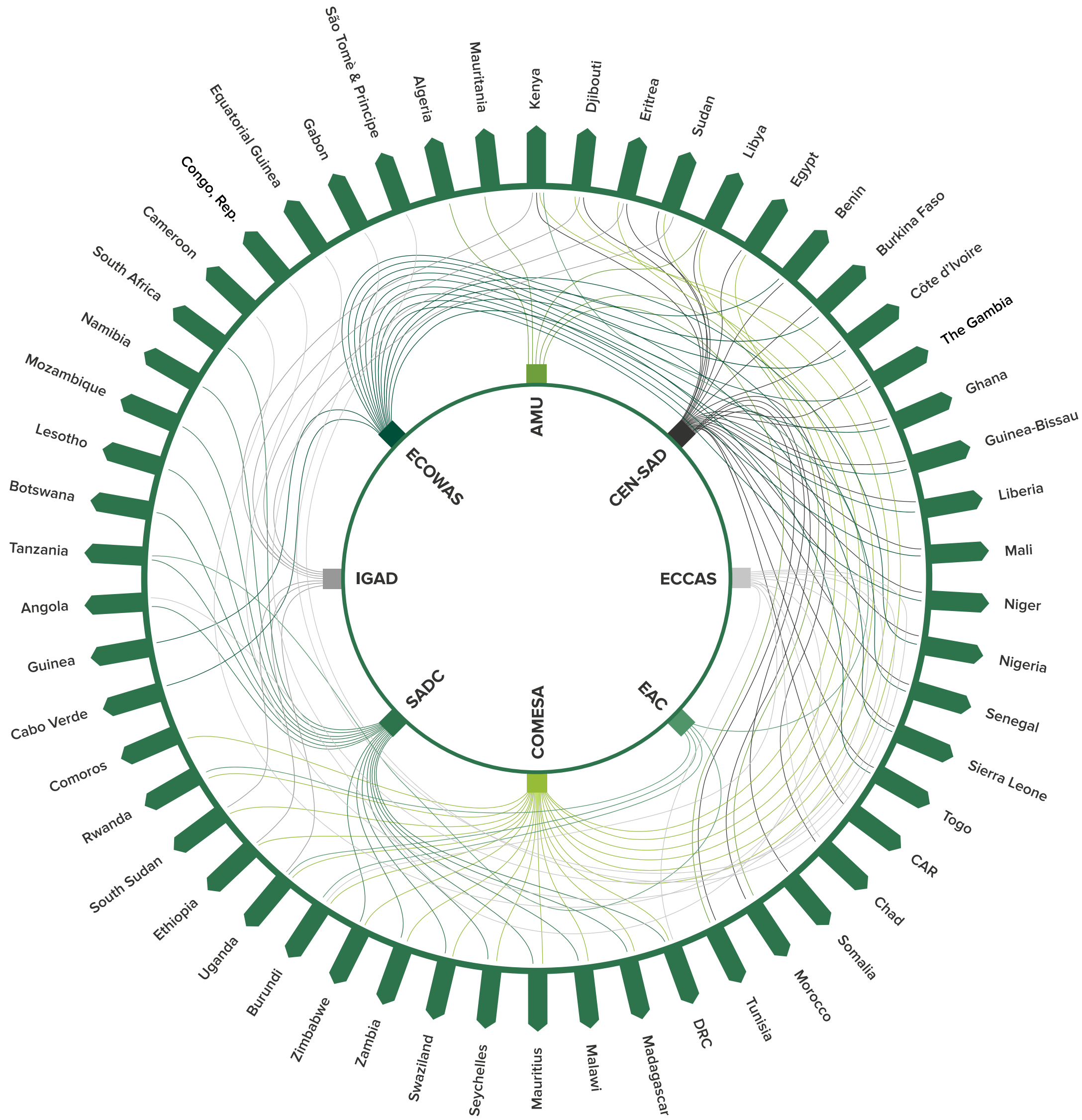
No reasonably democratic government in Africa has seen a rupture from corrupt and clientelistic modes of resource distribution. There are many contenders, however, for such a breakthrough.

No reasonably democratic government in Africa, for example Kenya, has seen a rupture from corrupt and clientelistic modes of resource distribution. There are many contenders, however, for such a breakthrough, especially among Nigeria's 36 states.[15] Fostering the creation of facilitative states should be on the agenda of every development agency, domestic and external, in Africa in 2016 and beyond.[16] Salutary signaling through strategic institutional reforms can attract nimble investors. However, transformative growth that requires robust capital flows, greatly improved infrastructure, enhanced labor skills, diversified exports, and the revolutionizing of agriculture, is still more a theoretical construct than a lived reality in much of the continent. In 2016, what has been largely a debate in academic circles about the quality of growth must be made accessible to more African citizens through informed public debates.[17]

[13] In Ghana a further step was made of allowing the opposition to take control of the government without the Rawlings faction losing its capacity to regain power at the polls. Museveni has never taken this risk.
[14] On prebends and prebendalism, see Wale Adebanwi and Ebenezer Obadare, ed., *Democracy and Prebendalism in Nigeria: Critical Interpretations* (Palgrave Macmillan, 2013) , and R. Joseph, "Industrial Policies and Contemporary Africa," in J. Stiglitz et al., op cit.
[15] Côte d'Ivoire, which was long a front-runner in developmental governance under semi-authoritarian auspices, has the opportunity to be a breakthrough nation in a pluralist democracy.
[16] On "facilitative state", see Justin Yifu Lin, The Quest for Prosperity: How Developing Economies Can Take Off (2012).
[17] A surprisingly large audience, for example, attended a discussion of these ideas in Accra, Ghana, in March 2014: https://africaplus.wordpress.com/2014/04/03/africas-third-liberation-transitions-to-inclusive-growth-and-developmental-governance/

FIGURE 5.1. REGIONAL ECONOMIC COMMUNITIES MEMBERSHIPS

Africa has many different and overlapping regional organizations, which aim to facilitate trade and eliminate economic bottlenecks. However, coordination across various RECs sometimes presents challenges due to their differing laws, standards, and regulations. These economic entities aim to create a continent-wide free trade areas, a goal that requires patient negotiations, complex compromises, and strong political will.



Regional economic community
AMU Arab Maghreb Union
CEN-SAD Community of Sahel-Saharan States
COMESA Common Market for East and Southern Africa
EAC East African Community

Regional economic community
ECCAS Economic Community of Central African States
ECOWAS Economic Community of West African States
IGAD Intergovernmental Authority on Development
SADC Southern African Development Community

Source: Mo Ibrahim Foundation, Facts and Figures: Regional Integration, Uniting to Compete, 2014.
Note: Though there are several other important regional groups such as WAEMU and SACU, this image only represents the eight "building blocks" of the African Economic Community.

VIEWPOINT

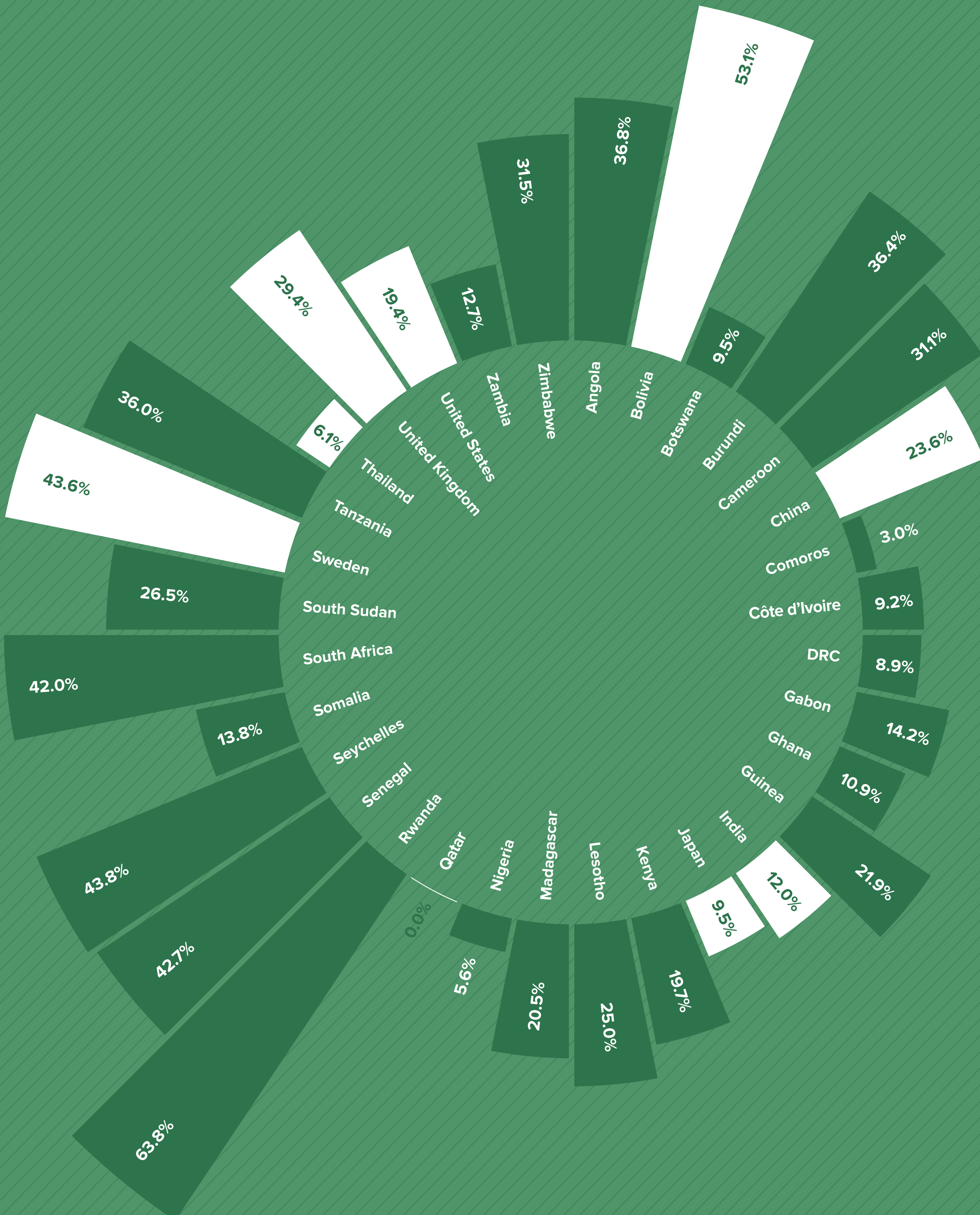
AFRICA'S ROAD IN 2016: PROGRESS IN GOVERNANCE NEEDS TO BE SUSTAINED

Mo Ibrahim
Founder and Chair, Mo Ibrahim Foundation

Launched last October, the 2015 Ibrahim Index of African Governance (IIAG) reveals that overall governance progress in Africa is stalling. Even though the *Participation & Human Rights* and *Human Development* categories continue to improve, these advances are outweighed by deteriorations in *Safety & Rule of Law* and *Sustainable Economic Opportunity.* Over the last four years, only six countries out of 54 were able to achieve progress in all four components of the index—Côte d'Ivoire, Morocco, Rwanda, Senegal, Somalia, and Zimbabwe. If we drill down a little further, to the sub-category level, gains achieved in *Participation*, *Infrastructure*, or *Health* are of course heartening, and do indeed register the commitment of all stakeholders—Africans and partners alike. However, the drops registered by *National Security*, *Rural Sector*, and, most of all, *Business Environment*, are cause for concern.

We also need to acknowledge that Africa is not a country. The scores and trends seen in the 54 individual countries on the continent are diverse, with now more than a 70-point gap between the top-ranking country, Mauritius, and the bottom-ranking one, Somalia. Moreover, the 2015 IIAG results also point to a shifting landscape, with diverging results. Over the last four years, half of the top 10 performing countries since 2000 have registered a decline of their governance performance (Mauritius, Cabo Verde, Botswana, Seychelles, and Ghana). Meanwhile, half of the 10 largest improvers during these last four years are countries that already rank in the upper rungs of the index. If they manage to sustain this trend, they may well become the next leading performers of the continent—Tunisia (8th in 2015 IIAG), Senegal (9th), Rwanda (11th), Kenya (14th), and Morocco (16th).

2015 was a milestone year for Africa. The new Sustainable Development Goals are meant to guide the African development agenda for the next 15 years, and the decisions from COP21 will of course contribute to shaping the African continent's response to climate change. But this will not be enough. More crucial will be our shared ability to manage what represents the four key challenges of 2016 that are so closely related to good governance and strong leadership: the commodity crisis, for a continent whose economic growth still remains far too much export-led and job-poor; the migration surge, which only reveals the worsening demographic divide and imbalance between youth's expectations and prospects both at the economic and political levels; the growing threat of religious and ethnic divides; and the ability to integrate a 54-country patchy continent, which for me is the only cross-cutting response that can sustainably address these interconnected issues.



Angola
36.8%
Bolivia
53.1%
Botswana
9.5%
Burundi
36.4%
Cameroon
31.1%
China
23.6%
Comoros
3.0%
Côte d'Ivoire
9.2%
DRC
8.9%
Gabon
14.2%
Ghana
10.9%
Guinea
21.9%
India
12.0%
Japan
9.5%
Kenya
19.7%
Lesotho
25.0%
Madagascar
20.5%
Nigeria
5.6%
Qatar
0.0%
Rwanda
63.8%
Senegal
42.7%
Seychelles
43.8%
Somalia
13.8%
South Africa
42.0%
South Sudan
26.5%
Sweden
43.6%
Tanzania
36.0%
Thailand
6.1%
United Kingdom
29.4%
United States
19.4%
Zambia
12.7%
Zimbabwe
31.5%

Where in Africa are the women leaders?

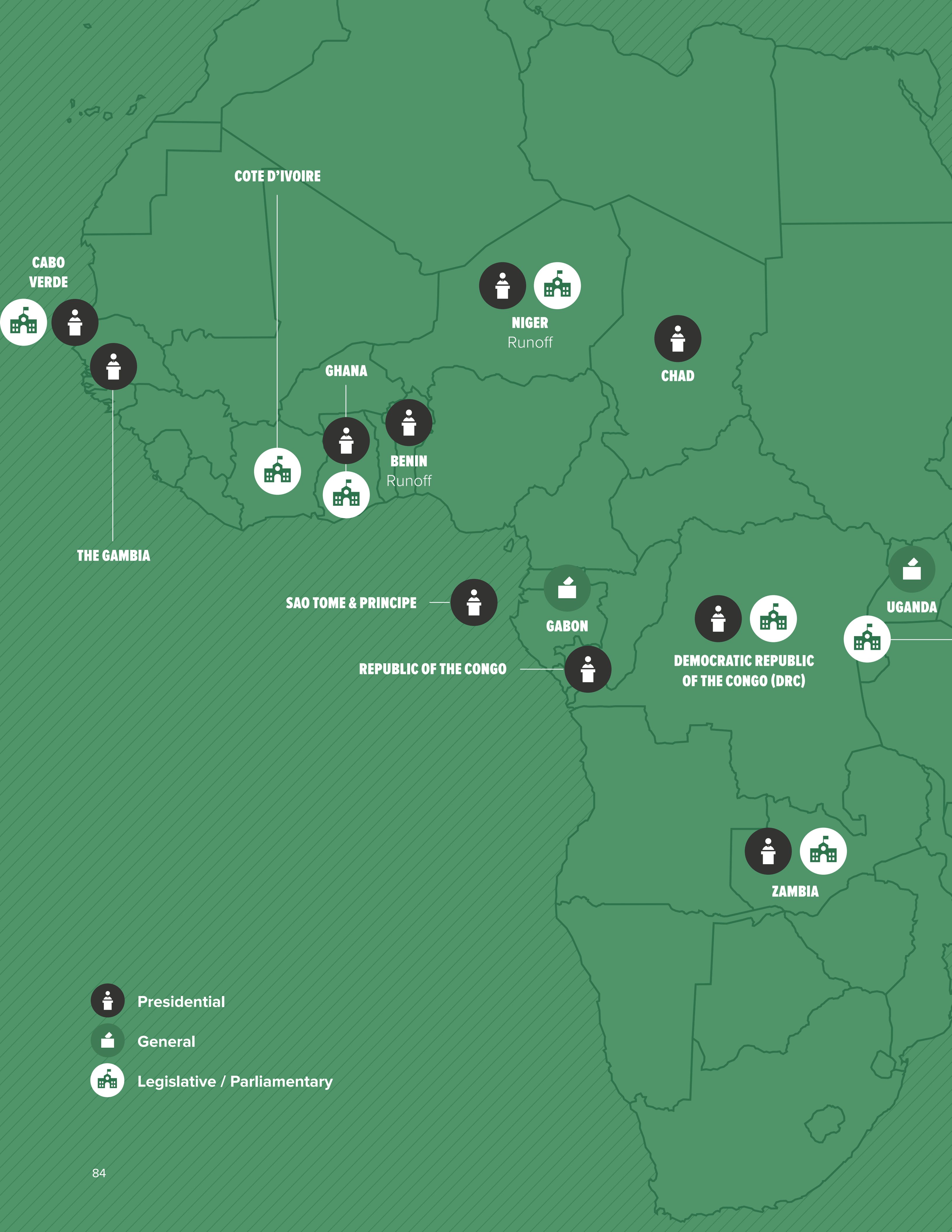
The proportion of women in legislatures in Africa differs wildly, with Rwanda, the Seychelles, Senegal, and South Africa in the top 10 in the world, and the Comoros and the economic powerhouse of Nigeria near the very bottom. At the same time, many countries are beating out developed ones. In fact, 24 African countries rank ahead of the United States, and 42 rank ahead of Japan. While progress in Africa has stalled since 2010, 2016 will still see a number of women in African politics.

Global Ranking	Country	% Women
1	Rwanda	63.8%
4	Seychelles	43.8%
6	Senegal	42.7%
8	South Africa	41.9%
11	Namibia	41.3%
13	Mozambique	39.6%
15	Ethiopia	38.8%
19	Angola	36.8%
22	Burundi	36.4%
24	Tanzania	36.0%
25	Uganda	35.0%
29	Algeria	31.6%
30	Zimbabwe	31.5%
32	Tunisia	31.3%
33	Cameroon	31.1%
36	Sudan	30.5%
46	South Sudan	26.5%
51	Mauritania	25.2%
52	Lesotho	25.0%
56	Equatorial Guinea	24.0%
63	Eritrea	22.0%
64	Guinea	21.9%
67	Cabo Verde	20.8%
70	Madagascar	20.5%
75	Kenya	19.7%
80	São Tomé & Príncipe	18.2%
83	Togo	17.6%
87	Morocco	17.0%
88	Malawi	16.7%
91	Libya	16.0%
95	Chad	14.9%
97	Gabon	14.2%
98	Somalia	13.8%
99	Guinea-Bissau	13.7%
101	Burkina Faso	13.3%
101	Niger	13.3%
105	Djibouti	12.7%
105	Zambia	12.7%
107	Sierra Leone	12.4%
110	Mauritius	11.6%
113	Liberia	11.0%
114	Ghana	10.9%
119	Botswana	9.5%
120	The Gambia	9.4%
121	Côte d'Ivoire	9.2%
122	DRC	8.9%
123	Mali	8.8%
127	Congo, Rep.	7.4%
128	Benin	7.2%
130	Swaziland	6.2%
133	Nigeria	5.6%
138	Comoros	3.0%

African countries

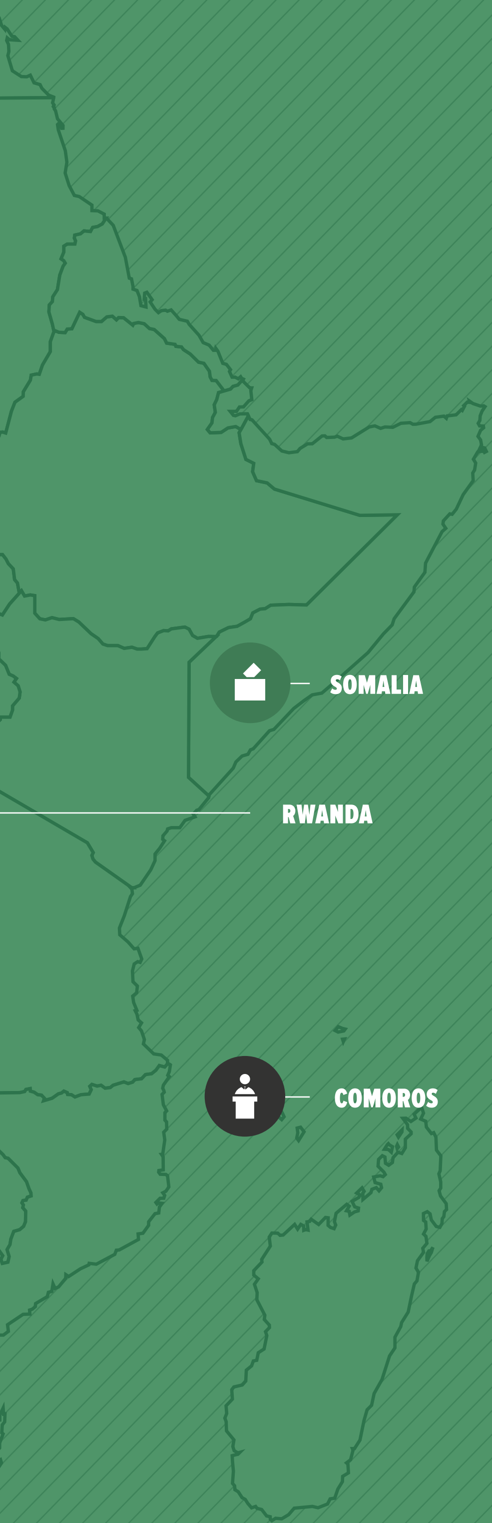
Non-African countries

Source: This data was compiled by the Inter-Parliamentary Union on the basis of information provided by National Parliaments by September 1, 2015.
Note: The visual gives a comparison among select African and non-African countries while table shows the variation among African countries.



COTE D'IVOIRE
CABO VERDE
NIGER
Runoff
CHAD
GHANA
BENIN
Runoff
THE GAMBIA
SAO TOME & PRINCIPE
GABON
UGANDA
REPUBLIC OF THE CONGO
DEMOCRATIC REPUBLIC OF THE CONGO (DRC)
ZAMBIA
Presidential
General
Legislative / Parliamentary

Presidential and legislative elections in Africa in 2016



Election Date	Country	Election Type
January 31, 2016	Central African Republic	General (runoff elections)
February	Cabo Verde	Legislative/Parliamentary
February 18, 2016	Uganda	General
February 21, 2016	Comoros	Presidential
February 21, 2016	Niger	General
February 28, 2016	Benin	Presidential
March 13, 2016	Benin	Presidential (runoff elections)
March 20, 2016	Niger	Presidential (runoff elections)
April	Chad	Presidential
April	Djibouti	Presidential
April 10, 2016	Comoros	Presidential (runoff elections)
July	São Tomé & Príncipe	Presidential
August	Cabo Verde	Presidential
August	Republic of the Congo	Presidential
September	Zambia	General
November	Equatorial Guinea	Presidential
November 27, 2016	Democratic Republic of the Congo	General
December	Côte d'Ivoire	Legislative/Parliamentary
December	Sudan	Legislative/Parliamentary
December	The Gambia	Presidential
December 7, 2016	Ghana	General
TBD	Chad	Legislative/Parliamentary
TBD	Gabon	General
TBD	Mauritania	Legislative/Parliamentary
TBD	Rwanda	Legislative/Parliamentary
TBD	Somalia	General

Source: NDI Global Elections Calendar https://www.ndi.org/electionscalendar as of December 11, 2015.

VIEWPOINT

THE NILE RIVER: WHICH WAY FORWARD?

John Mukum Mbaku
Nonresident Senior Fellow, Africa Growth Initiative, Global Economy and Development, Brookings Institution

The Nile River is one of the world's most important watercourses. It provides sustenance to more than 400 million people spread throughout 11 countries. Of these countries, none is identified as closely with the river as Egypt: Not only does most of Egypt's population live on the relatively narrow strip of fertile land that straddles both banks of the river and the Nile delta, the country gets virtually all of its fresh water from this source. Given the importance of the Nile to all the riparian states, it is critical that they adopt a viable legal regime that enhances equity in the allocation of the river's waters and allows them to coexist peacefully.

Over the years, Egypt has exploited the waters of the Nile River, effectively developing a relatively strong export sector dominated by cotton and achieving the highest level of economic development among the Nile River basin countries. Egypt's access to the waters of the Nile has been made possible by two bilateral treaties—the 1929 Anglo-Egyptian Treaty and the 1959 bilateral agreement between Egypt and Sudan. Both treaties gave Egypt and Sudan rights to virtually all of the river's waters, granted them veto power over dams and other construction projects on the river or its tributaries, and left no allocation for the upstream riparian states. The upstream states, led by Ethiopia, have denounced both treaties and argue that they are not bound by them.

A new legal regime called the Cooperative Framework Agreement (CFA) has been developed by the riparian states. The CFA is expected to provide a more cooperative and regional approach to the management of the Nile and its resources and create equity in the allocation of water resources. While at least six upstream states have signed the CFA, Egypt and Sudan have indicated that they would not sign unless it is amended to guarantee both countries the water rights that they acquired through the 1929 and 1959 bilateral treaties. If this is done, the basin would be left with what is essentially an anachronistic, untenable, and non-viable legal regime.

Yet progress is being made: On March 23, 2015, Egypt, Ethiopia, and Sudan signed an agreement in Khartoum to resolve various issues arising from the Blue Nile's Grand Ethiopian Renaissance Dam project. However, the agreement only recognized Ethiopia's right to build a dam on the Blue Nile, involved only three of the 11 riparian states, and didn't address the broader and more contentious issue of sharing the waters of the Nile equitably and reasonably among all. That problem remains unresolved.

So, what is the way forward and what is likely to happen in 2016? Building on the momentum from the Khartoum agreement, Egypt and Sudan should join the upstream states in adopting the current CFA, since it reflects equity and fairness in the management of the watercourse. While the Egyptians have a right to be concerned about their future access to the waters of the Nile River, they must appreciate the frustrations of the states, especially Ethiopia, whose highlands provide more than 80 percent of the water that flows into the Nile River. The CFA in its present form is reasonable and provides a much stronger foundation than the 1929 and 1959 agreements for meeting the water needs of the basin's relevant stakeholders in 2016 and beyond.

UGANDAN ELECTIONS: A CHALLENGE TO MUSEVENI'S 30-YEAR RULE?

FEBRUARY 2016

In February 2016, Ugandans will hold presidential and parliamentary elections, which will either draw to a close incumbent President Yoweri Museveni's 30-year rule or reinforce it. President Museveni will run as the candidate for the ruling National Resistance Movement (NRM) party, while his main challenger, former prime minister and political ally, Amama Mbabazi, will run as an independent under the auspices of The Democratic Alliance (TDA) after having lost the NRM nomination. Both candidates are expected to face tough competition from Kizza Besigye, the nominee of Uganda's largest opposition party, the Forum for Democratic Change (FDC). While Mbabazi and Besigye attempted to build a coalition to unite behind a single strong challenger to Museveni in late 2015, they have been unable to compromise.

AFRICAN UNION COMMISSION CHAIRPERSON ELECTION

MID-2016

In mid-2016, elections for the African Union (AU) Commission's chairperson will take place to determine who will lead the AU's secretariat—which performs the executive functions of the organization—for the next four years. The current chairperson is Nkosazana Dlamini-Zuma from South Africa, and although AU Commission chairs are allowed to run for a second term, Chairperson Dlamini-Zuma has made no indication of whether she will run again. If she does not, convention dictates that the chairpersonship will shift from an anglophone to a francophone representative.

DRC ELECTIONS: CONCERNS OF THIRD-TERMISM?

NOVEMBER 2016

The electoral landscape in the Democratic Republic of the Congo faces considerable uncertainty in 2016, as both parliamentary and presidential elections are meant to be held by November 2016, but disagreements over the voter list, timetable, and security issues threaten to derail the proposed timeline. Some observers consider these "setbacks" to be a stalling tactic of President Joseph Kabila, who is mandated to leave office at the end of his second term in December 2016, but according to the constitution, can remain in power until a new president is elected. Two top officials of the Independent National Electoral Commission resigned in late 2015, raising concerns that President Kabila may attempt to extend his term or amend the constitution to allow him to run for a third term.

6

Expanding African Trade:

Creating a Comparative Advantage and Strengthening Regional Partnerships

>> ISSUE BRIEF from the AUTHOR

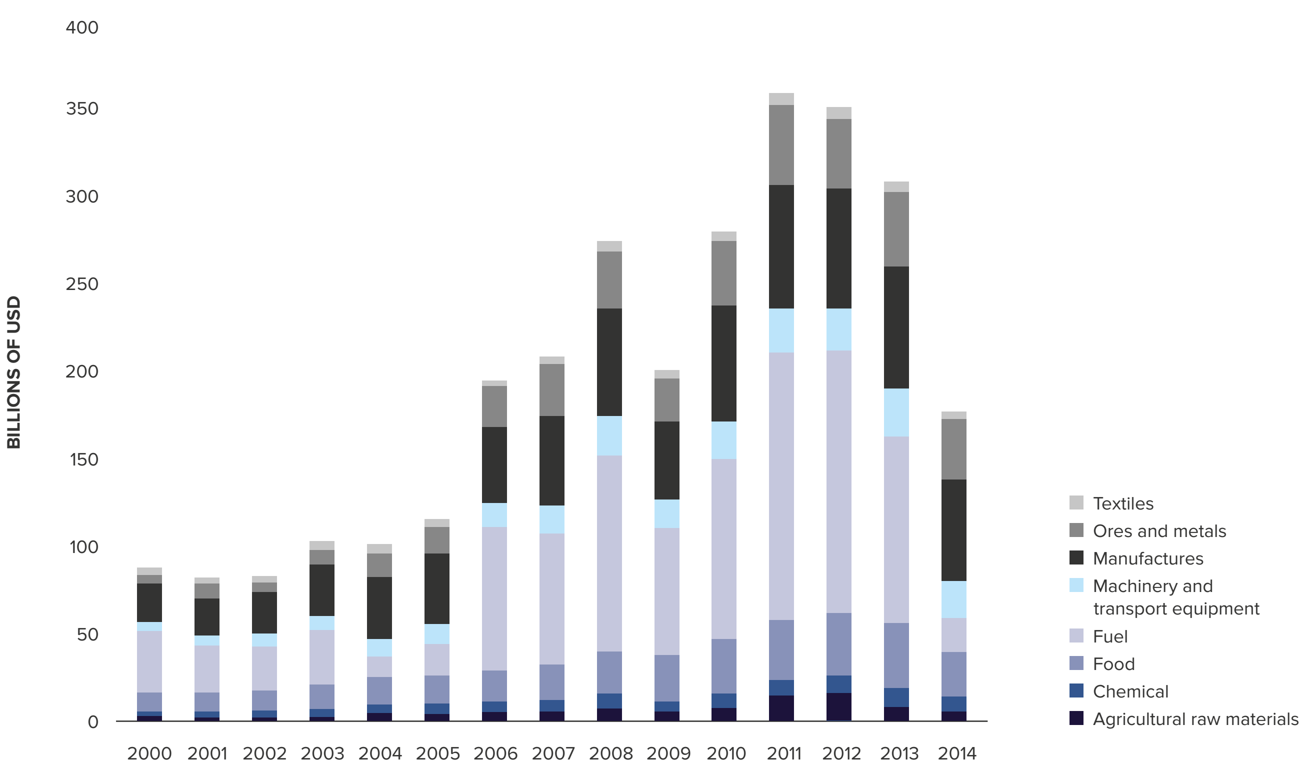
Joshua P. Meltzer
Senior Fellow, Global Economy and Development
Brookings Institution

Integrating Africa into the Global Economy: What are the Implications of the Trans-Pacific Partnership Agreement?

Joshua Meltzer

How Africa responds to and addresses the changing international trade environment from the rise of mega-regionals trade agreements should be a key focus for the region's leaders in 2016. The most significant of these trade agreements is the Trans-Pacific Partnership (TPP) agreement that was concluded on October 5, 2015. Comprising 12 countries including the United States, Japan, Canada, Mexico, Australia, Vietnam, Malaysia, and Chile, TPP countries represent 40 percent of global GDP, 25 percent of global exports, and 30 percent of global imports.

FIGURE 6.1. SUB-SAHARAN AFRICA'S EXPORTS BY SECTOR



Source: WITS, accessed on November 14, 2015, based on SITC Rev2 groupings.

The U.S. is also negotiating with the European Union the Transatlantic Trade and Investment Partnership (TTIP) agreement, which, combined with the TPP, will cover nearly 60 percent of global GDP. The effect of two such significant FTAs is that their rules will become de facto global standards. Moreover, the U.S., the EU, Japan and 21 other countries are negotiating the Trade in Services agreement—an FTA focused on liberalizing barriers to trade in services. Finally, the Association of Southeast Asian Nations (ASEAN) plus China, Japan, Korea, India, Australia, and New Zealand are negotiating the Regional Comprehensive Economic Partnership agreement.

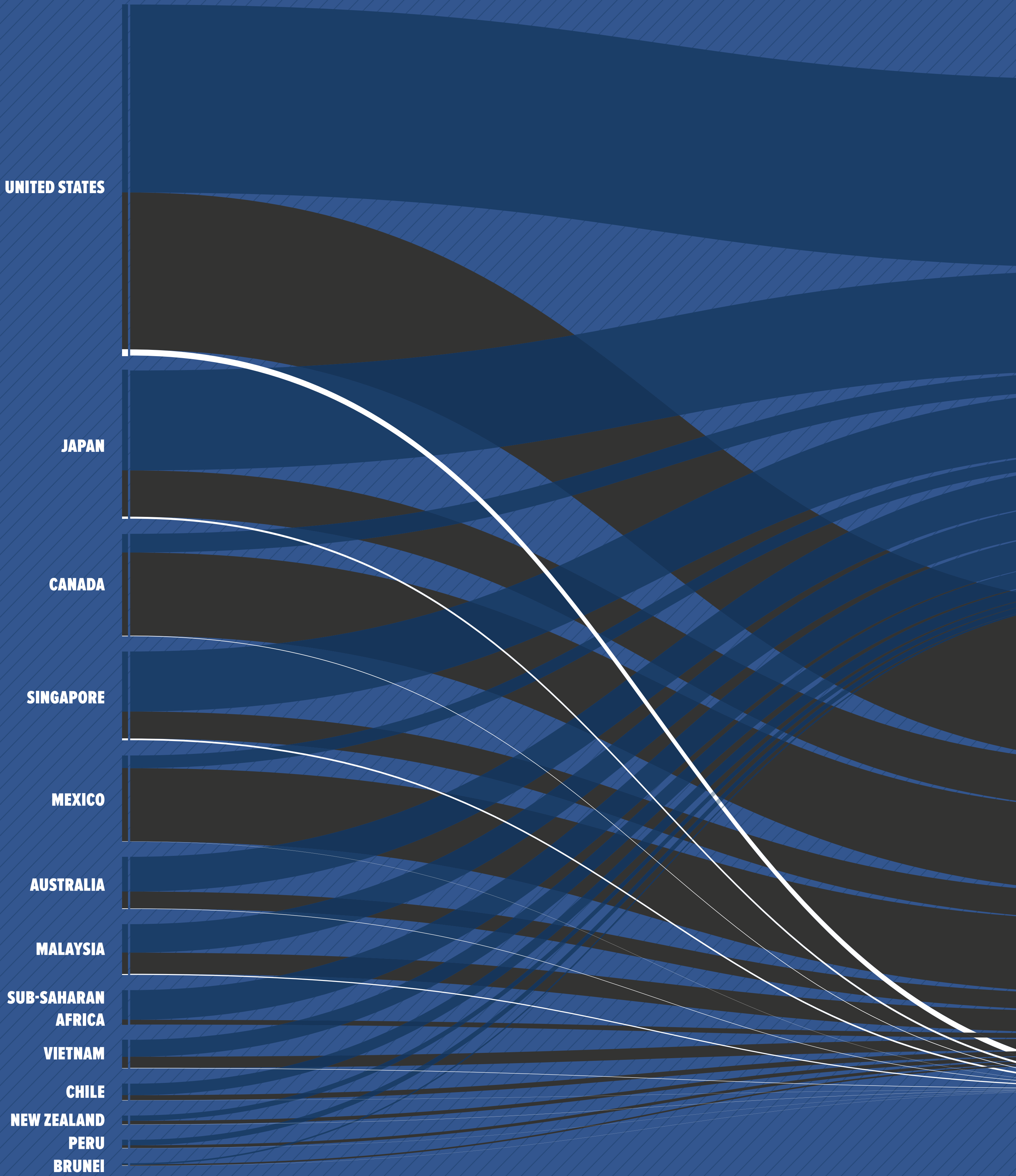
Successfully finishing the CFTA could stimulate intra-African trade by around 50 percent ($35 billion) by 2022.

Africa is not a party to any of these mega-regional trade negotiations. At the same time, little progress is being achieved on completing the WTO Doha Round multilateral trade negotiations. This means that there is currently no large global trade negotiation where Africa's views can be considered and progress can be made. The risk for Africa in this is that new rules and market access preferences agreed under the mega-regional FTAs will make it increasingly difficult for African businesses to compete globally, confining Africa to a shrinking share of international trade and diminish its attractiveness as a destination for investment

Probably the region's most significant response to date has been the decision to further integrate Africa's economies. In 2008, negotiations commenced on the Tripartite FTA (TFTA) between three major regional African economic communities. The TFTA will come into force in January 2016 and ultimately will comprise 26 countries, 640 million people, and have a total GDP of $1.2 trillion. So far, however, the proposed TFTA only covers trade in goods.

The TFTA is also the building block towards a Continental FTA (CFTA). The Africa Union has committed to completing the CFTA by 2017, incorporating 54 African countries representing over 1 billion people and $3 trillion in GDP. In fact, successfully finishing the CFTA could stimulate intra-African trade by around 50 percent ($35 billion) by 2022.[1]

[1] Cheong, David, Jansen, Marion, and Ralf Peters (eds.). *Shared Harvests: Agriculture, Trade, and Employment.* Geneva: International Labour Office and United Nations Conference on Trade and Development, 2013.


UNITED STATES
JAPAN
CANADA
SINGAPORE
MEXICO
AUSTRALIA
MALAYSIA
SUB-SAHARAN AFRICA
VIETNAM
CHILE
NEW ZEALAND
PERU
BRUNEI

The TPP and sub-Saharan Africa

Much of the world is entering into mega-regional free trade areas (FTAs), with the Trans-Pacific Partnership (TPP) the most significant in recent years. Representing 40 percent of global GDP, 25 percent of global exports, and 30 percent of global imports the TPP countries together largely dominate global trade and will likely move much trade away from Africa—including from AGOA. Though Africa continues to increase its trade, create new relationships, and integrate into the continental FTA, the creation of the TPP overshadows those efforts.

Country/Region	Partner Name	Exports (USD billions)	Export Partner Share (%)
United States	Total to World	1,619.7	
	Sub-Saharan Africa	25.3	1.56
	TPP Countries Total	726.3	44.84
Australia	Total to World	240.4	
	Sub-Saharan Africa	2.1	0.88
	TPP Countries Total	77.9	32.42
Brunei	Total to World	10.5	
	Sub-Saharan Africa	0.000469	0.00
	TPP Countries Total	6.1	58.33
Canada	Total to World	472.8	
	Sub-Saharan Africa	2.5	0.54
	TPP Countries Total	383.9	81.19
Chile	Total to World	76.6	
	Sub-Saharan Africa	0.4	0.47
	TPP Countries Total	23.0	30.03
Japan	Total to World	683.8	
	Sub-Saharan Africa	8.0	1.16
	TPP Countries Total	214.3	31.35
Malaysia	Total to World	234.1	
	Sub-Saharan Africa	4.8	2.05
	TPP Countries Total	97.8	41.78
Mexico	Total to World	397.5	
	Sub-Saharan Africa	0.5	0.12
	TPP Countries Total	338.4	85.11
New Zealand	Total to World	41.6	
	Sub-Saharan Africa	0.7	1.68
	TPP Countries Total	16.7	40.23
Peru	Total to World	38.5	
	Sub-Saharan Africa	0.2	0.62
	TPP Countries Total	13.0	33.71
Singapore	Total to World	409.8	
	Sub-Saharan Africa	7.8	1.91
	TPP Countries Total	124.6	30.40
Vietnam*	Total to World	132.0	
	Sub-Saharan Africa	2.3	1.72
	TPP Countries Total	51.6	39.13
Sub-Saharan Africa	Total to World	158.9	
	TPP Countries Total	22.0	13.83

* 2013

Source: WITS World Bank accessed on November 12, 2015.

VIEWPOINT

REGIONAL ROUTE TO GLOBAL VALUE CHAINS

Soamiely Andriamananjara
Lecturer, Department of Economics, George Washington University

Many African countries rely disproportionately on exports of traditional cash crops and other natural resources. One popular approach to remedy this situation has been to discourage the exports of raw materials or primary commodities, and to promote domestic processing of those products before exporting them instead. Such value addition would presumably help create higher productivity jobs, energize local economic activity, and improve trade imbalances by providing more foreign exchange.

More recently, another approach has attracted the attention of policymakers and policy analysts. It is to encourage African firms to integrate into the so-called global value chains—in which each participating producer focuses and specializes in particular tasks or activities. Participation in global value chains is expected to accelerate African economic transformation by encouraging technological transfer, fostering new economic activities, enhancing productivity, and promoting skills development.

Both approaches entail export diversification and a move into higher-value activities to seize a larger share of value in global markets—a massive effort. In order to successfully add value to their exports or to effectively participate in a given global value chain, African firms need to deliver higher-quality products at competitive prices and satisfy rigorous norms and standards set out by their trading partners. For many African firms, these tasks could be too challenging and may not fall within their capacity, at least in the short to medium run.

A third approach may be more pragmatic. Integrating into regional (instead of global) value chains can help generate economic gains in short run and facilitate the integration of African production into global value chains in the long run. By providing African firms access to the dynamic but more easily accessible African markets, regional integration offers a space for "learning to compete" and for "self discovery" to many firms and prepares them for the greater rigor and competition in global value chains. With fewer players, the competitive pressures on the regional value chains are likely to be lower than on the global chains. Also, domestic small and medium enterprises are more likely to succeed in regional markets first, where they are more familiar with the buyers' tastes and the standard requirements. Many of the smaller economies with low levels of industrial development will benefit from stronger links with larger regional partners before trying to capture larger global markets.

Accelerating the ongoing negotiations, harmonization, and implementation of various African regional trade agreements (including the Tripartite FTA and the Continental FTA) in 2016 would greatly help African economies reduce their reliance on raw material or primary commodity exports and develop a greater capacity to compete on a global scale. More importantly, it will help them capture larger value from the global market place and efficiently participate in global value chains.

Understanding the mega-regional FTAs

While the TFTA and CFTA are important steps, they are certainly not complete answers to the economic challenges the mega-regional FTAs present for Africa. The following will focus on the impact of the TPP for African countries. The TPP is the first mega-regional to be completed. The TPP also includes developed and developing economies, which means that it will affect Africa in terms of access to large developed economies and through competition with business in developing country parties. The TPP countries already represent around 15 percent of Africa's exports, and the impact of the TPP on Africa will also expand over time as more countries join the agreement. Already, Korea, Indonesia, Taiwan, Thailand, and Columbia have expressed interest in joining and the Obama Administration's goal is for the TPP to become a building block towards an FTA of the Asia-Pacific.

The following will look at the impact of the TPP in four key areas.

TABLE 6.1. REGIONAL COMMUNITIES: HOW THE AFRICAN UNION AND EUROPEAN UNION DIFFER

The European Union largely serves as a model for the African Union, as the EU has shown success in creating standards to ease trade and labor movement, among many other ambitious goals. In fact, 2015 saw the creation of the Tripartite Free Trade Agreement among the countries of eastern and southern Africa. As the many African regional economic communities continue to integrate with the ultimate goal of a Continental FTA by 2017, a comparison between the EU and AU reveals different challenges to integration that Africa faces as it takes steps in 2016 towards the CFTA.

Exports	African Union	European Union
Member states	54	28
Population (million)	1,049.9	508.4
Land area (km^2, million)	28.9	4.3
Youth population (% of total population)	19.63	11.57
GDP per capita ($, current)	1,813.6	32,782.1
Urban population (% of total population)	39	74
GDP ($, billion)	2,289*	16,449
GDP (% of world)	3	21
Budget	$416.9 million (2016 FY)	$156.8 billion** (2014 FY)

* calculated without Western Sahara, missing data for Somalia and Tunisia
** 142.6 billion euro; converted on December 10, 2015.

Source for EU: World Economic Outlook Database, April 2015, and https://www.cia.gov/library/publications/the-world-factbook/fields/2147.html.
Source for AU: World Development Indicators.
AU Budget source: Decision No: Assembly/AU/Dec. 577(XXV); EU Budget Source: http://europa.eu/about-eu/basic-information/money/expenditure/index_en.htm.
Sources for other data: Mo Ibrahim Foundation, Facts and Figures: Regional Integration, Uniting to Compete, 2014.

1. Tariffs and goods

The parties to the TPP have agreed to reduce tariffs on over 18,000 products ranging from reduced tariffs on automobiles in Japan, Malaysia and the U.S. to improved access for agricultural products in Japan, Vietnam, and Canada. One impact here of the TPP is that Africa's agriculture exports, for instance, will face only the WTO Most-Favored Nations tariff in TPP countries instead of the more preferential TPP tariff rate, increasing the cost of these African exports in TPP markets.

2. The services sector

The TPP will also lead to significant reductions in services barriers to trade in areas ranging from access for business services such as law, accounting and engineering, access to telecommunications services, health, research and development, sales, and education. Africa's services sector has been an important driver of its economic growth.

Services sectors internationally also are the most highly protected due to various regulations that require providers to be registered or licensed in the country of import, which is often a costly and time-consuming exercise. The TPP seeks to overcome these barriers through mutual recognition and agreement on the equivalence of standards that will avoid the need for a service supplier in a TPP country having to be re-tested or licensed in an importing TPP country.

Similar to the impact of lower tariffs on African exports, African service suppliers will be unable to take advantage of these opportunities, reducing the export opportunities in TPP markets for Africa's services exports.

3. Global supply chains

The TPP will affect the capacity of African businesses to participate in global supply chains in various ways. For one, preferential tariffs offered to businesses in TPP parties will make them more competitive participators in supply chains compared with African businesses.

The TPP's use of cumulative rules of origin (ROOs) will also affect access to supply chains. As a general matter, ROOs are used in FTAs to limit the scope for third party countries to access the FTA preferences by simply transiting through an FTA party or engaging in minimal value-added in an FTA party. The TPP includes cumulative ROOs that count the value of goods produced within TPP countries to meeting the final ROO required to qualify for TPP tariff preferences. This means that the TPP will limit the scope to source inputs from outside the TPP parties if the exporter wants to qualify for TPP tariff reductions, and it will create an incentive to invest and source from other TPP businesses. For instance, in order for a car from Japan to qualify for tariff preferences when exporting to the U.S., 45 percent of the value of the car needs come from TPP parties. The result is that automobile companies from TPP parties looking to sell into TPP markets will have a disincentive to expand production and source inputs from businesses in Africa.

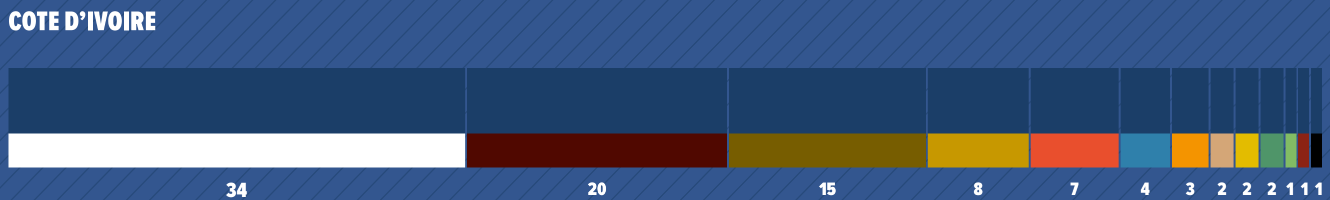
4. International standards

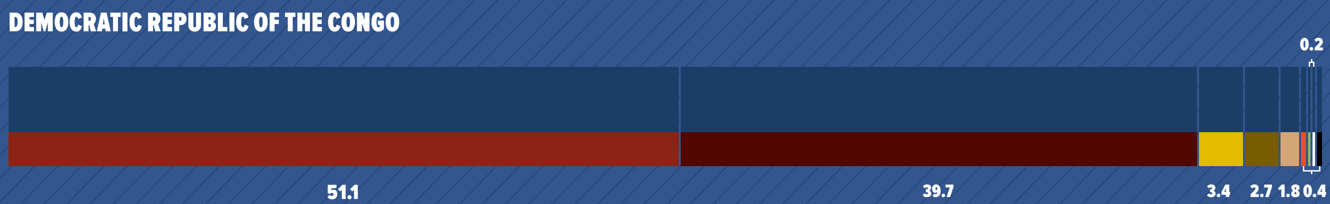
The TPP will affect standards in a number of ways that will be significant for Africa. As a general matter, the standards in the TPP ranging from labor, environment to health and safety standards will become increasingly de facto global standards as the TPP expands its membership—and particularly should similar standards be included in the Transatlantic Trade and Investment Partnership. Such standards may or may not be optimal, or even achievable, for African business. But it is certain that these standards in the TPP and the TTIP are not taking into account African interests.

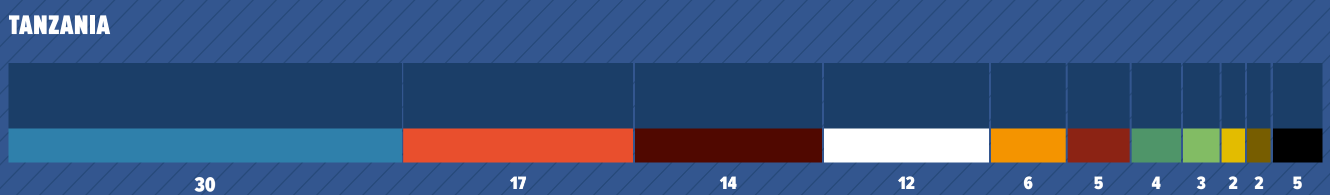
Specifically, the TPP includes labor and environment provisions that require TPP parties to have laws consistent with particular International Labor Organization (ILO) principles and multilateral environmental treaties. In many cases, it would be difficult for Africa to meet such standards. Moreover, business in TPP countries will increasingly expect their suppliers to comply with such minimum levels of labor and environmental protections.

The TPP also includes commitments on conformity assessment processes and conformity assessment bodies that reduce the need for goods manufactured in TPP countries to be re-tested before being sold in another TPP country. Such TPP commitments will reduce the time and cost to market of TPP exports, further increasing the relative competitiveness of these goods in TPP markets compared with African exports.

PERCENT OF TOTAL EXPORTS







Sub-Saharan Africa’s 5 fastest-growing economies in 2016

Though many African countries do rely on oil and metals for the majority of their exports, that is not the case for all five of the fastest-growing economies in 2016. True, the DRC and Mozambique still heavily rely on mineral products and metals, but Ethiopia and Côte d’Ivoire are not nearly as dependent. As commodity prices continue to tumble, diversification will be important for maintaining future growth.

CATEGORY

Source: Observatory of Economic Complexity. AJG Simoes, CA Hidalgo. The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development. Workshops at the Twenty-Fifth AAAI Conference on Artificial Intelligence. (2011) Available online here: http://atlas.media.mit.edu/en/resources/data/.

VIEWPOINT

AGOA'S RENEWED. WHAT NEXT?

Witney Schneidman
Nonresident Fellow, Africa Growth Initiative, Global Economy and Development, Brookings Institution

The extension of the African Growth and Opportunity Act (AGOA) to 2025 has introduced an important measure of predictability and stability in U.S. commercial relations with Africa that has not previously existed. Given that non-oil AGOA imports decreased by 10 percent between 2013 and 2014 to $4.4 billion, AGOA's renewal is not only well-timed but also creates an opportunity to enhance the legislation's value.[1]

Given that just over 6 percent of all jobs in Africa are in the manufacturing sector—a figure that has not changed in several decades—AGOA is an under-utilized resource.

One of the most important aspects of the renewed legislation is congressional focus on "biennial AGOA utilization strategies," which place the ball firmly in the court of the nearly 40 African governments with access to AGOA to utilize the legislation more fully to increase the export of manufactured products to the U.S. on a duty-free basis.[2] Given that just over 6 percent of all jobs in Africa are in the manufacturing sector—a figure that has not changed in several decades—AGOA is an under-utilized resource.[3] While the legislation also calls for the Office of the U.S. Trade Representative (USTR) to post African utilization strategies on its website, as of this publication there are none posted nor an indication that any soon will be.

Inevitably, developing an AGOA strategy will play an important part in focusing a government on its comparative advantages as well as identifying its obstacles to enhanced trade. The reality is that those governments that have taken proactive strategies, including drafting an AGOA strategy, have found success. Ethiopia, for example, drafted an initial strategy in 2013, and has increased its manufacturing output by an average of 10 percent per year between 2006-2014.[4] Moreover, Ethiopia's AGOA exports increased 151 percent between 2013 and 2014. African governments need to use the momentum of AGOA's renewal to create these strategies in 2016.

Similarly, the U.S. and its commercial partners in Africa need to begin discussions in 2016 on a trade relationship that ensures American competitiveness on the continent. Indeed, AGOA also calls on USTR to assess the prospects for negotiating free trade agreements (FTA) with African countries and to submit a report by June 2016. Assessing potential for FTAs in the region is not new: The original AGOA legislation included a similar clause.[5] Unfortunately, 15 years later, the U.S. has made no progress on any FTAs and, in fact, was forced to suspend FTA negotiations with the Southern Africa Customs Union in 2006.

During the same time frame, the European Union (EU) negotiated an FTA with South Africa and Economic Partnership Agreements (EPAs) with 40 countries in the region.[6] As a result of the EU's progress in Africa, the U.S. is increasingly at a commercial disadvantage there. The National Trade Estimate for 2015 (NIE) is a stark warning on the U.S.'s distinct disadvantage in South Africa, with many American products facing a tariff of 15 percent or higher than the same products from the EU.[7] As the NIE concludes, "the EU-SADC EPA will further erode U.S. export competitiveness in South Africa" and, ultimately, across the region. Furthermore, in 2015, a long-standing dispute over U.S. poultry exports to South Africa came to a head, as South Africa refused to accept U.S. chicken products (due to claims of dumping and inadequate phytosanitary requirements), and in turn, the U.S. threatened to remove South Africa's AGOA status. This dispute is a potential bellwether of the U.S.'s changing attitude—from unilateral generosity toward a more reciprocal trade partnership at least with South Africa, and potentially, the rest of the continent.

AGOA's non-reciprocal access has been the cornerstone of the U.S.-Africa commercial relationship for the last 15 years but it is not sustainable over time as currently structured. If 2015 was about renewing AGOA, 2016 must be about using it and planning for the post-AGOA era.

[1] *U.S. Trade with sub-Saharan Africa, January-December 2014.* Washington D.C.: International Trade Administration, 2014. http://trade.gov/agoa/pdf/2014-us-ssa-trade.pdf.

[2] *Extension of African Growth and Opportunity Act, 2015*, 114th Cong., 1st. Sess. (January 6, 2015) http://agoa.info/images/documents/2/bills-114hr1295public-law-pl-114-27.pdf.

[3] "Industrialisation in Africa: More a marathon than a sprint." *The Economist* (London, U.K.), Nov. 7, 2015. http://www.economist.com/news/middle-east-and-africa/21677633-there-long-road-ahead-africa-emulate-east-asia-more-marathon.

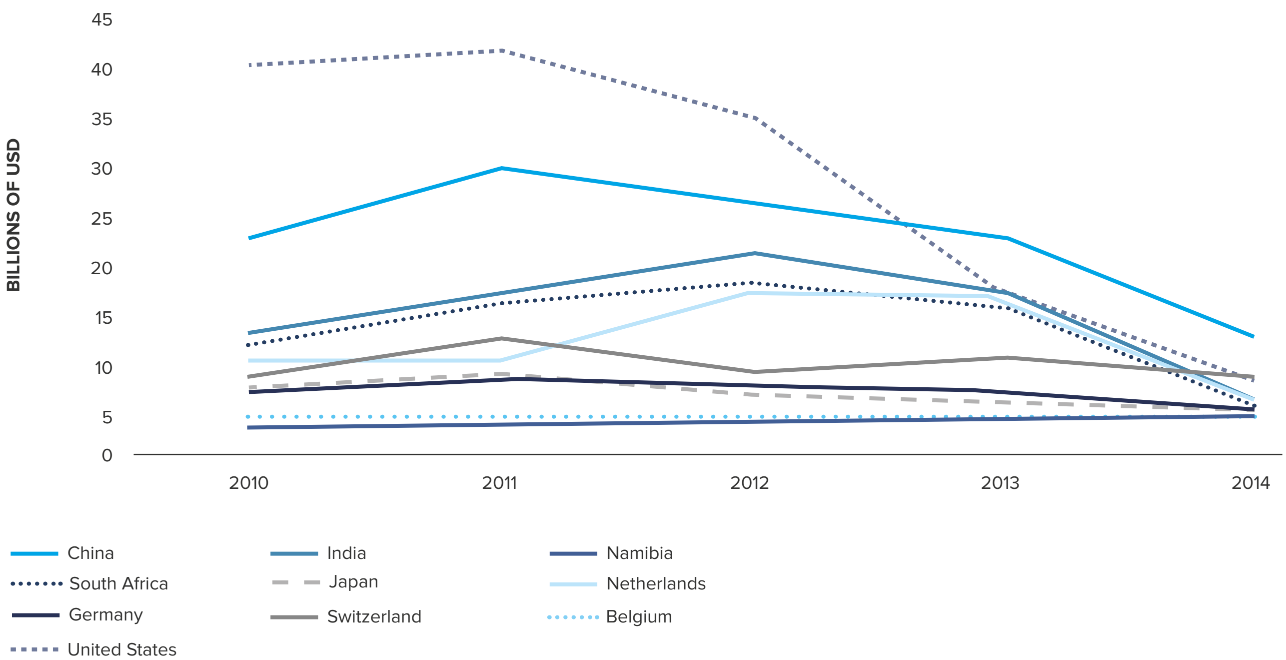
[4] *Ethiopia's National AGOA Response Strategy.* Addis Ababa: Ministry of Trade, October 2013. http://agoaethiopia.org/wp-content/uploads/2015/01/AGOA-NATIONAL-STRATEGY-DRAFT.pdf.

[5] *Africa Growth and Opportunity Act, 2000*, 106th Cong., (May 18, 2000) http://agoa.info/images/documents/2385/AGOA_legal_text.pdf.

[6] "Africa, Caribbean, Pacific (ACP)." Brussels: European Commission, 2010. http://ec.europa.eu/trade/policy/countries-and-regions/regions/africa-caribbean-pacific/.

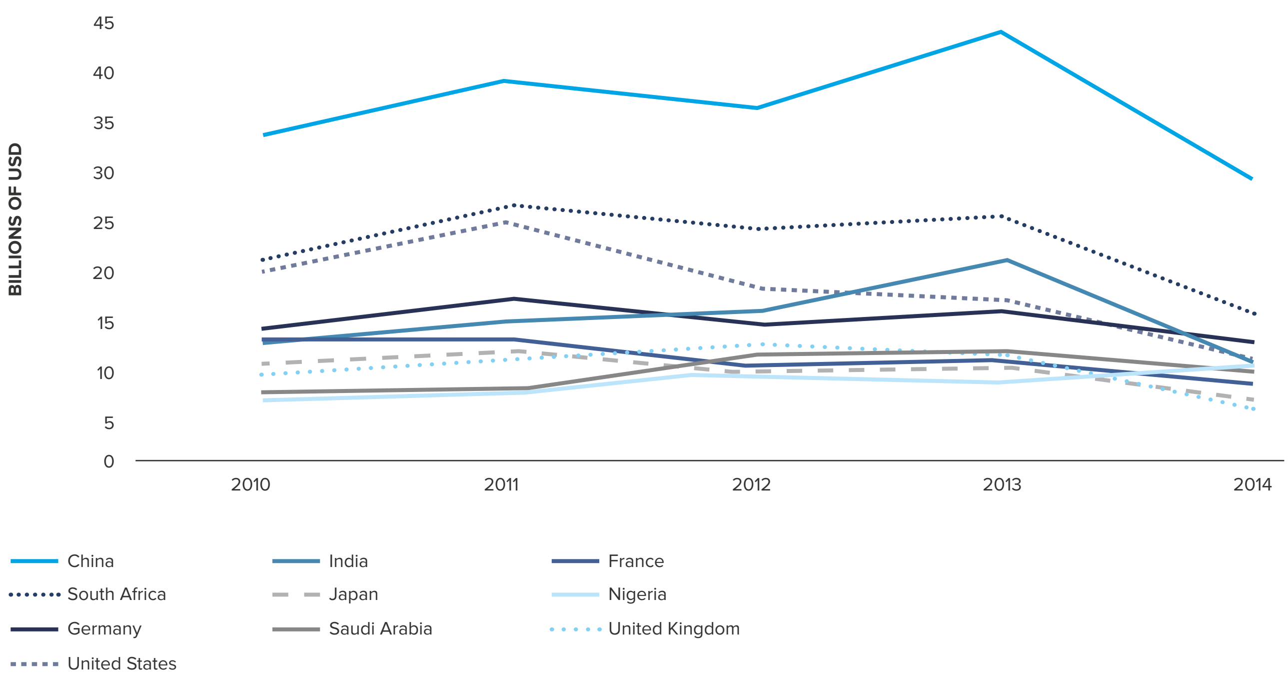
[7] *2015 National Trade Estimate Report on Foreign Trade Barriers*. Washington D.C.: Office of the United States Trade Representative, 2015. https://ustr.gov/sites/default/files/2015 NTE Combined.pdf.

FIGURE 6.2. SUB-SAHARAN AFRICA'S EXPORTS TO ITS TOP 10 PARTNERS



Source: WITS, accessed on December 11, 2015. Data sorted on 2014 imports numbers.

FIGURE 6.3. SUB-SAHARAN AFRICA'S IMPORTS FROM ITS TOP 10 PARTNERS



Source: WITS, accessed on December 11, 2015. Data sorted on 2014 imports numbers.

What next for Africa?

Africa and the U.S. need a post-AGOA trade strategy that includes enabling Africa to integrate into supply chains and develop the capacity to meet international standards.

First, a word about the Africa Growth and Opportunity Act (AGOA), which was renewed in June this year for 10 years. AGOA grants trade preferences to exports to the U.S. from qualifying countries from sub-Saharan Africa. Combined with the Generalized System of Preferences, the U.S. provides duty-free access for around 6,400 product lines from 38 sub-Saharan countries. AGOA has grown U.S-Africa trade, mainly in apparel, vehicles, and some agricultural products. However, U.S.-Africa trade remains dominated by petroleum products, which has been declining due to the growth in the U.S. of petroleum resources.

Despite the benefits of AGOA for Africa, trade preferences cannot respond to the challenges of the TPP and other mega-regional FTAs. For one, the TPP will erode the tariff preferences granted to Africa under AGOA as the U.S. further reduces its trade barriers under the TPP and other mega-regional agreements. Moreover, AGOA does not address the challenges African countries encounter integrating into supply chains or adapting to new global standards. As U.S. Trade Representative Ambassador Michael Froman noted at a ceremony to mark AGOA renewal, Africa and the U.S. need a post-AGOA trade strategy that includes enabling Africa to integrate into supply chains and develop the capacity to meet international standards.[2]

Responding to the challenges of the mega-regional FTAs will require African countries to develop domestic and international strategies. Domestic strategies should focus on increasing the competitiveness of Africa broadly. As noted, the TFTA and CFTA are important first steps. Africa needs to ensure these agreements are comprehensive and high standard. From a global supply chain perspective, countries need to see reducing barriers to imports as important as increasing their exports, especially if they want to increase the value added of their exports by developing more backward-linked supply chains.

It is also important to ensure that TFTA and CFTA are developed consistently with the emerging international architecture—the new rules and standards in the TPP and TTIP.

It is also important to ensure that TFTA and CFTA are developed consistently with the emerging international architecture—the new rules and standards in the TPP and TTIP. This will require closely following the developments in these FTAs.

Another step Africa should take is to develop continent-wide standard-setting bodies that can develop continent-wide standards consistent with the TPP, inform African businesses of the TPP standards, and provide technical assistance and support. Broader efforts to reduce the costs to African businesses of international trade, such as investments in better infrastructure, assume even greater importance in light of the TPP.

[2] Remarks by U.S. Trade Representative Michael Froman at the Opening Ceremony of the 2015 U.S.-sub-Saharan Africa Trade and Economic Cooperation Forum, August 26, 2015.

Africa also needs to engage internationally. Each country should refocus on concluding the WTO Doha Round. This means accepting that the WTO Doha Round 2008 positions are no longer viable, closing out the round while making as much progress as is realistic. The end goal should be reinvigorating the WTO as a forum for trade negotiations with the aim of having many of the outcomes agreed to in these FTA being multilateralized under a new WTO trade round.

More effective engagement in international standards bodies should also be a priority. The TPP agreement includes commitments among the parties to cooperation in such bodies, and the aim will be to multilateralize TPP standards through such processes. Africa can use these bodies to better understand the TPP standards and seek to ensure that their internationalization is done in a way that is sensitive to African interests.

EVENT TO WATCH

CONTINENTAL FREE TRADE AREA NEGOTIATIONS

Since the African Union (AU) summit of heads of state and government officially adopted the decision to launch the Continental Free Trade Area (CFTA) negotiations in June 2015, AU member states have been preparing their negotiating mandates for the trade talks, while the CFTA Negotiating Forum (CFTA-NF), comprised of officials from AU member states who will be conducting the trade negotiations, has been setting a schedule for the negotiations. In 2016, AU member states are expected to fully enter the negotiation phase with five major meetings of the CFTA-NF scheduled between January 2016 and October 2017. Once the trade talks conclude at the end of 2017, the AU heads of state and government are expected to finalize the CFTA agreement in January 2018 so that AU member states can ratify and implement the agreement during the course of that year.

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Our interdisciplinary team of experts draws on the core strengths of Brookings—authoritative and nonpartisan research, a depth of practical expertise, and unparalleled convening power—to develop effective solutions that maintain the momentum and broaden the benefits of growth in Africa. AGI distinguishes itself by ensuring that the analysis it produces is:

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- High Quality: AGI delivers research conducted with the most rigorous academic discipline and subjected to thorough peer review.
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- Trade and regional integration
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