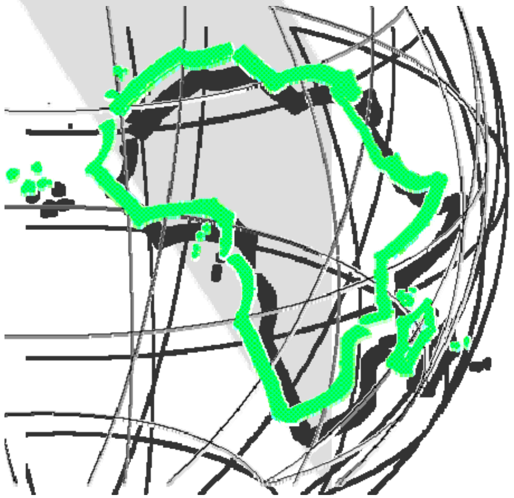
African Economic Outlook 2007

Measuring the Pulse of Africa

Kiichiro Fukasaku & Federico Bonaglia

OECD Development Centre

28 May 2007 FASID, Tokyo



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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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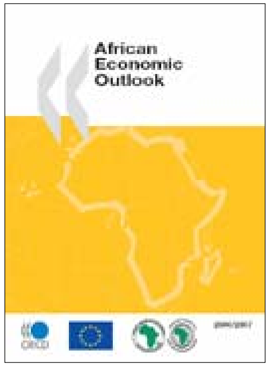
1 What is the African Economic Outlook Project?

2 African Economic Performance: Multifaceted Growth

3 Africa and Globalisation

4 Water and Sanitation: Can Africa fill the gaps?



African Economic Outlook

Measuring the Pulse of Africa

- ***Joint publication of the AfDB and the OECD Development Centre, supported by the EC – 6th edition.***
- ***Mobilising a network of in-country African experts & collaboration with WB, IMF, bilateral donors, …***
- ***A resource for policy makers, aid practitioners, investors, researchers, students, …***
- ***A tool for policy dialogue among African policy makers (nationally, APRM, …) and with their partners (EC, G8, OECD)***

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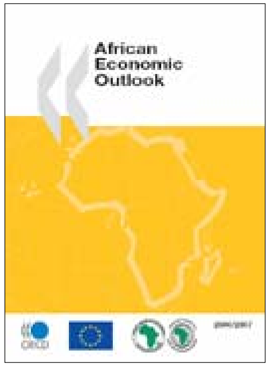
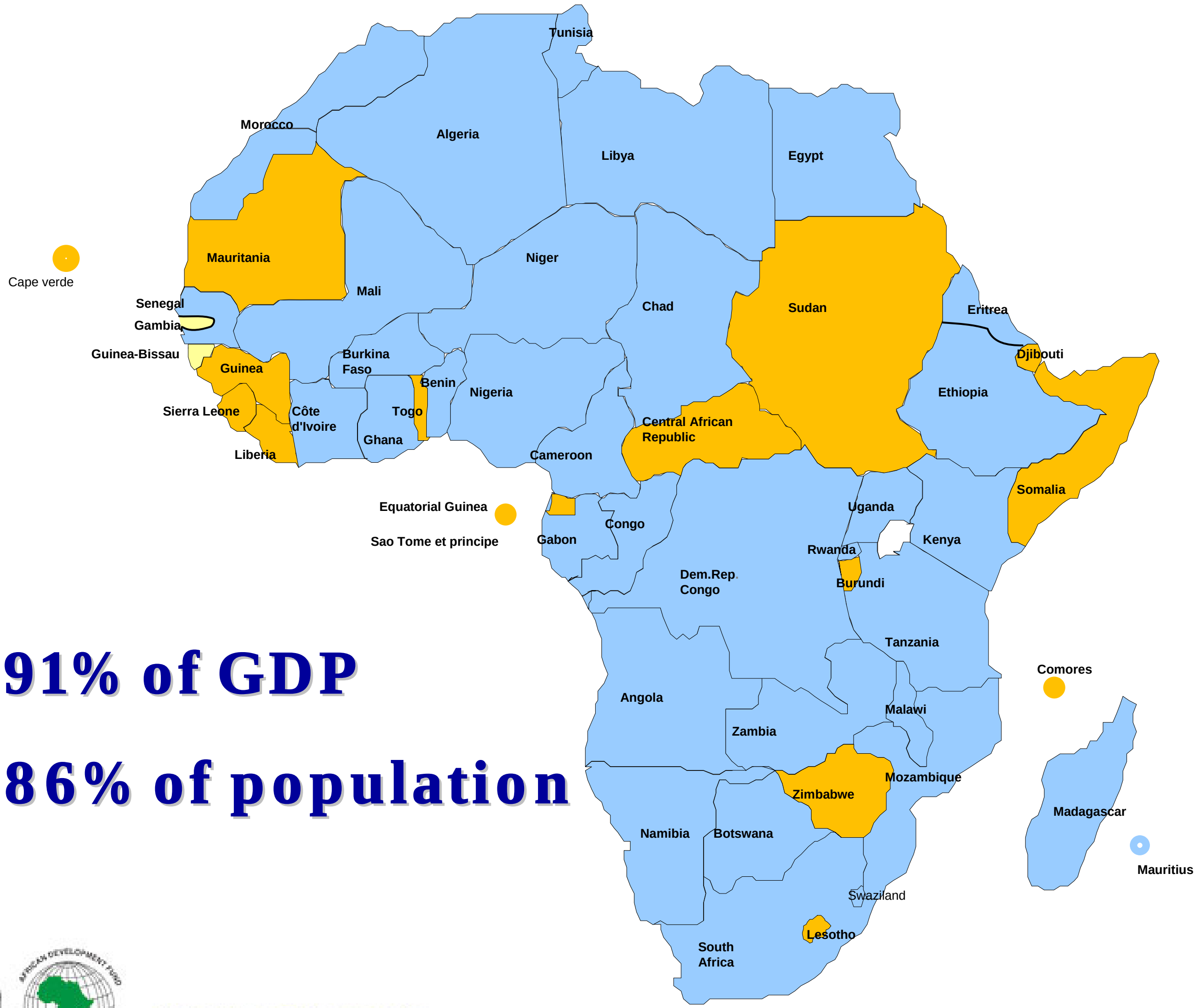


African Economic Outlook

An innovative product, an evolving process

- ***Comprehensive, comparative and independent analysis of 31 countries and short-term macroeconomic forecasts.***
- ***Annual focus***
  - *2003: Privatization*
  - *2004: Access to energy*
  - *2005: SME development*
  - *2006: Transport infrastructure*
  - *2007: Access to drinking water and sanitation*
- ***Statistical annex, including innovative indicators***

Coverage 2007: 31 African countries



AEO 2007

91% of GDP

86% of population

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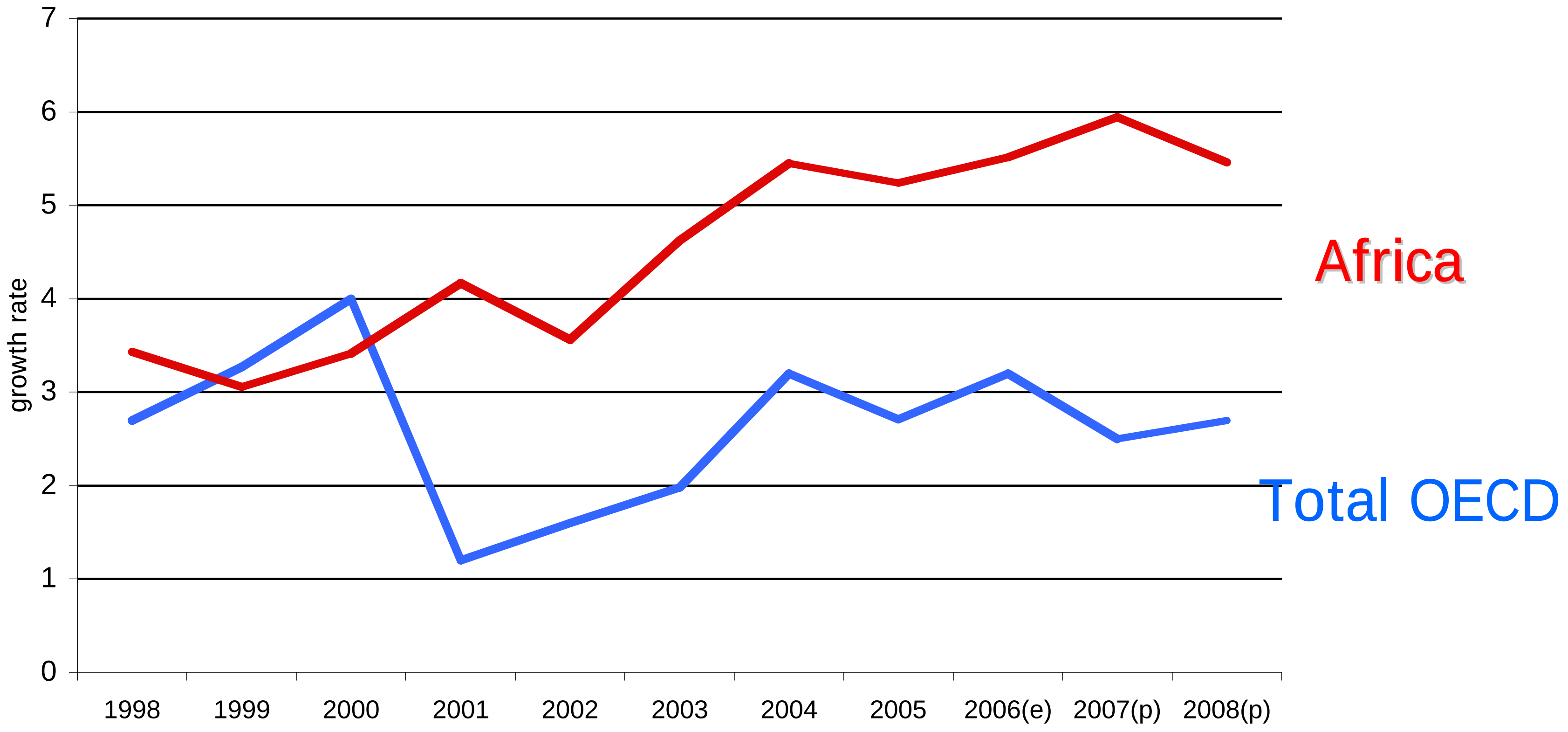
Africa continues to grow strongly



Sources: African Economic Outlook 2007 and OECD Economic Outlook 2006.

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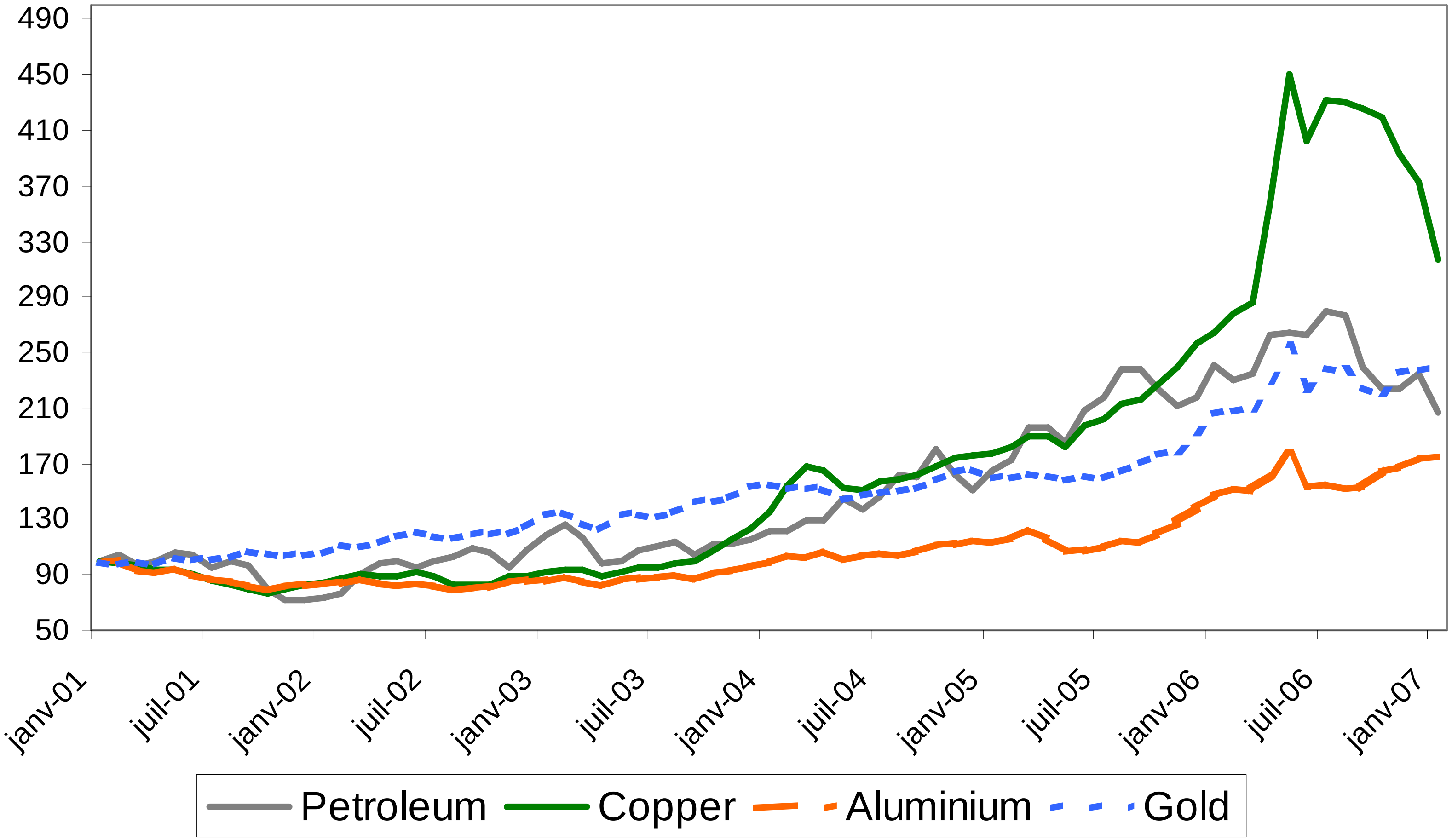
The commodity boom has played an important role



Source: World Bank 2007

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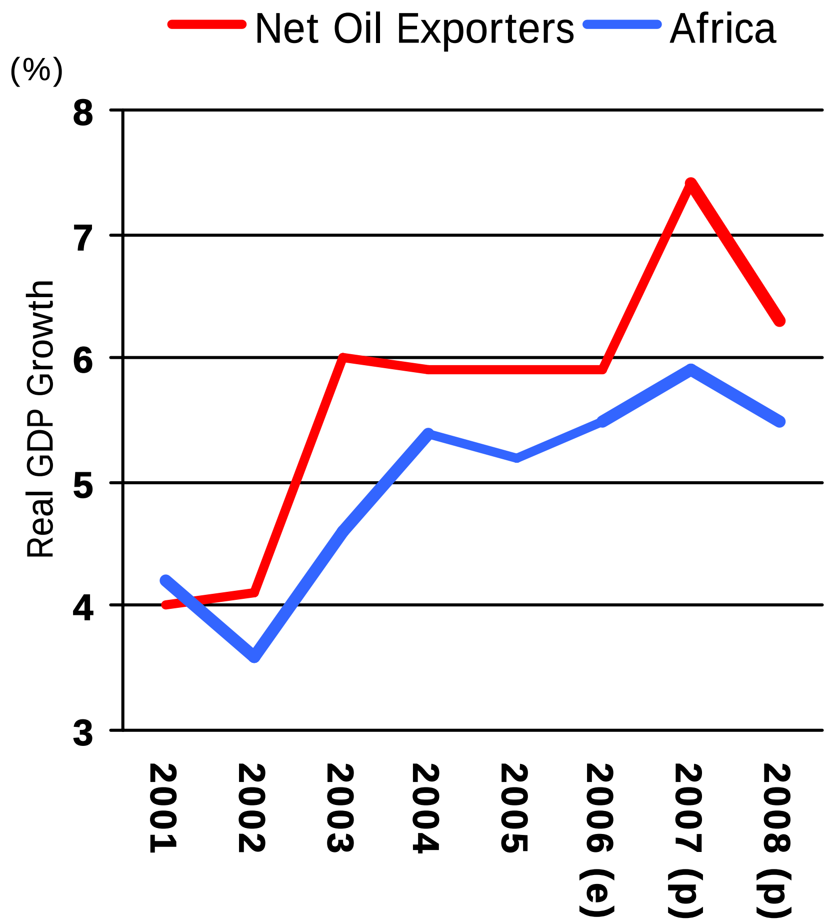
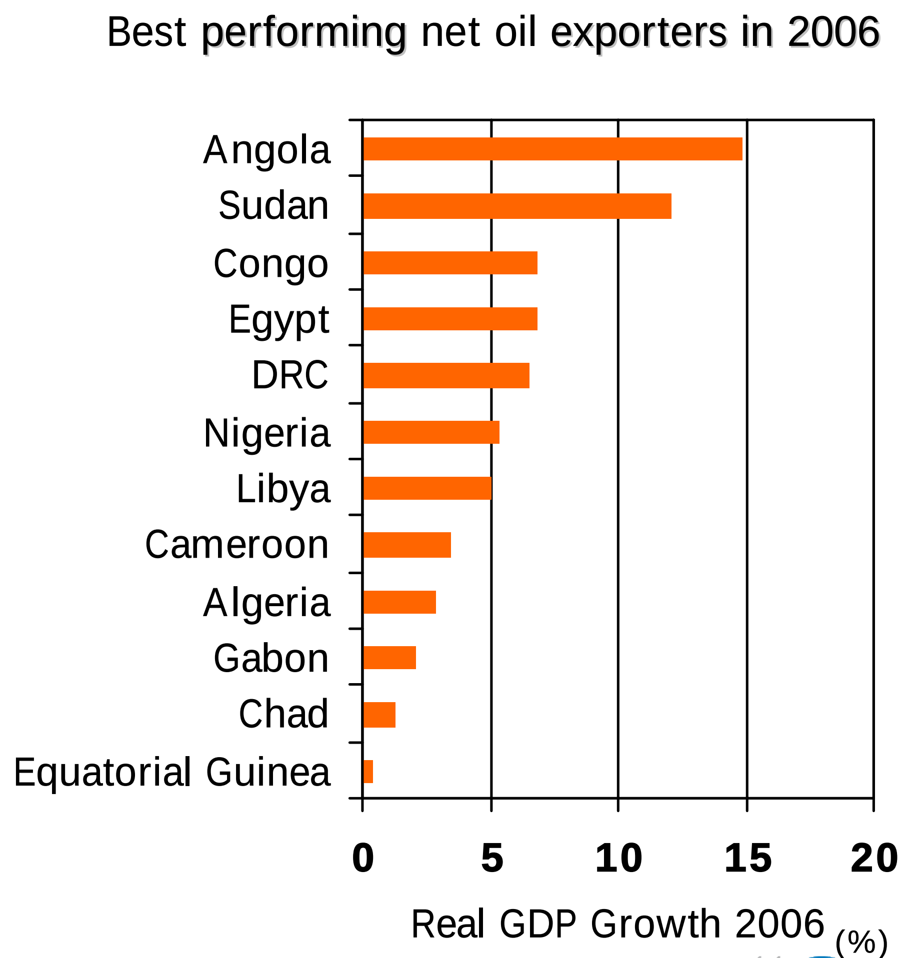
Vibrant & stable growth in oil-producing countries in 2006





Source: African Economic Outlook 2007

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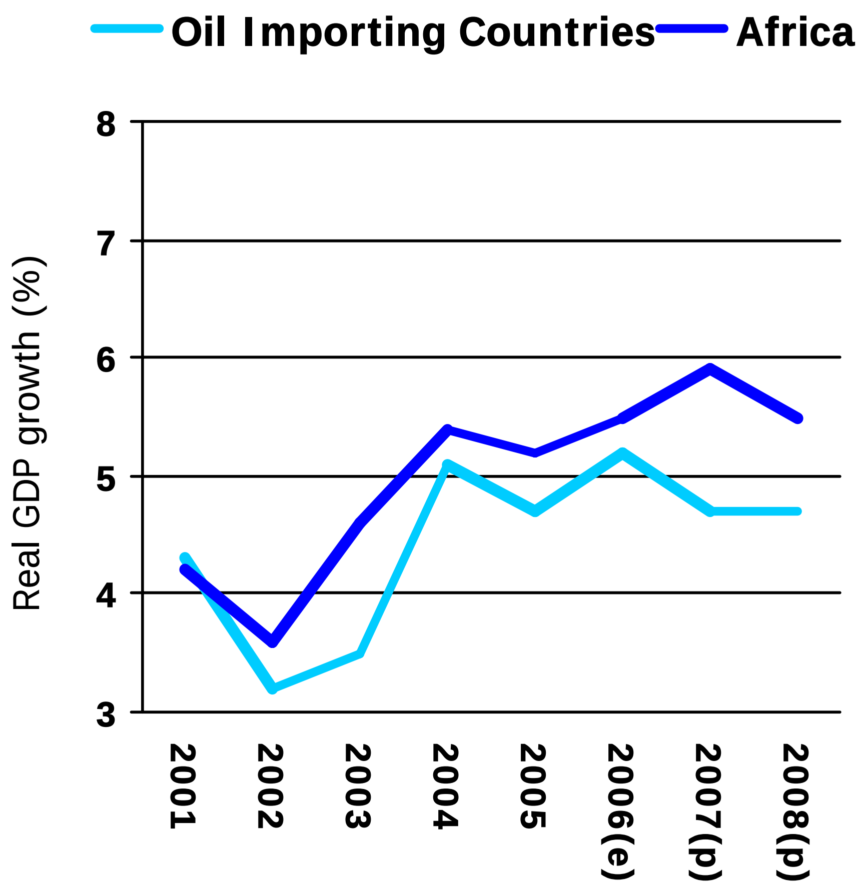
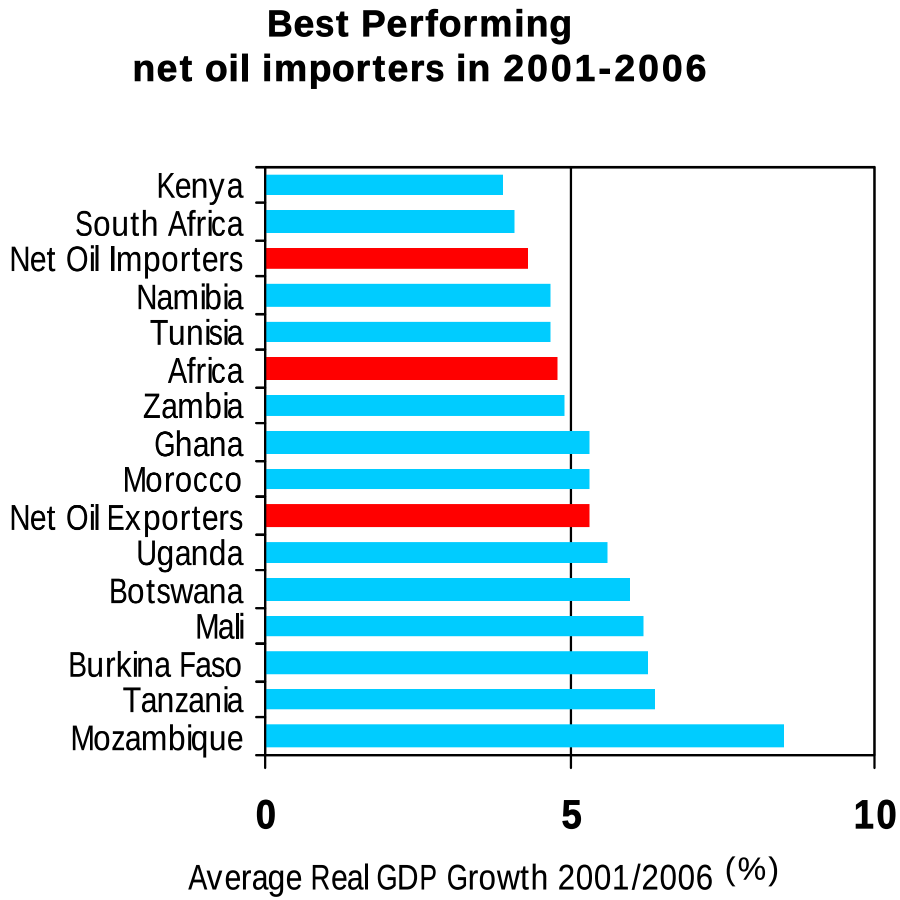
Growth gaining momentum in oil importers: Good harvests and booming metal prices…





Sources: African Economic Outlook 2007

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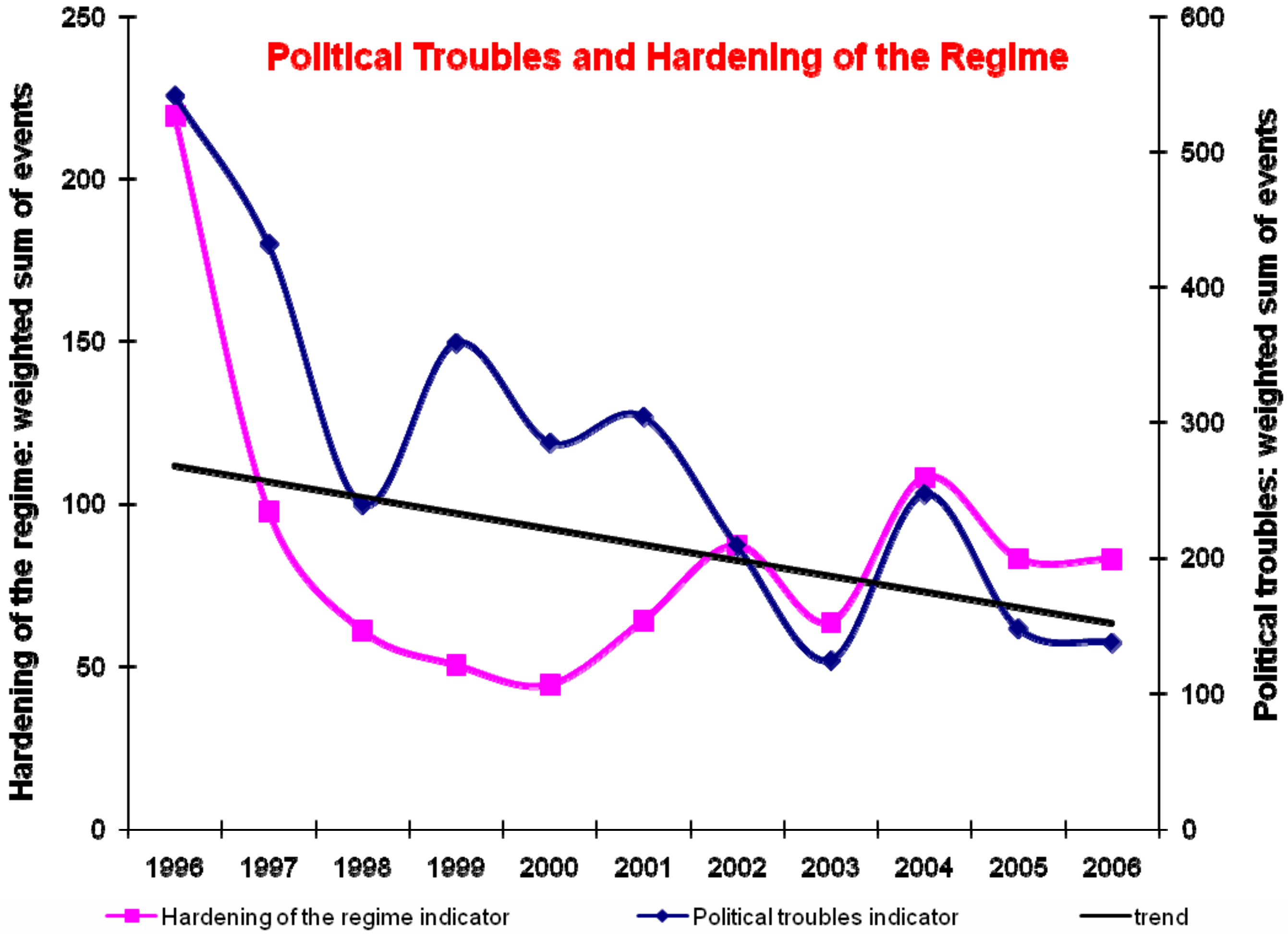
…but also fewer bullets & more ballots



Sources: African Economic Outlook 2007, Political Indicators (25 countries)

Presidential elections in 2006

- Benin
- Cape Verde*
- Chad
- DRC*
- Gambia
- Madagascar
- Sao Tome et Principe*
- Seychelles
- Zambia*
- Uganda

*Parliamentary elections as well

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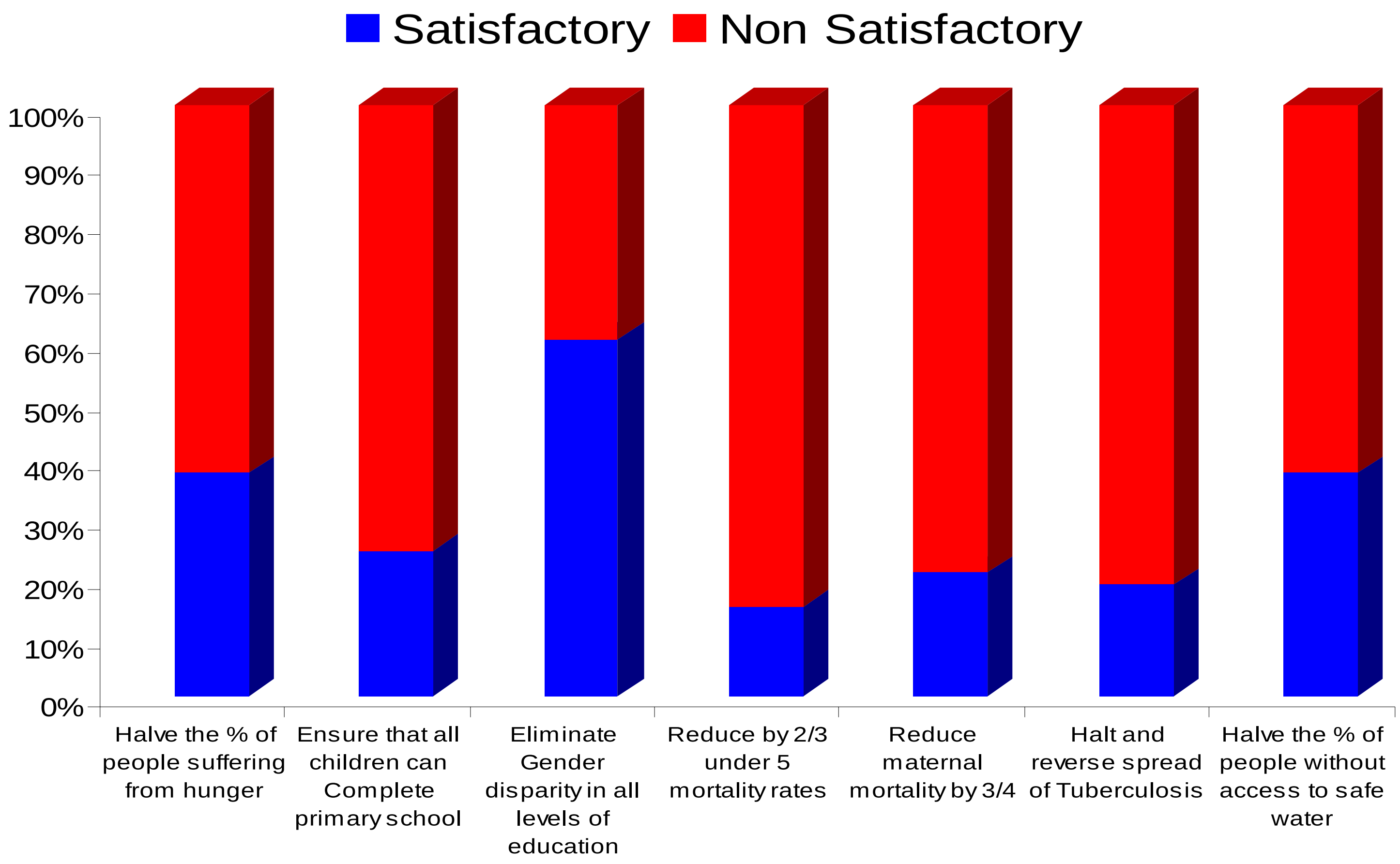
Challenges ahead differ: Oil exporters and importers on a diverging path?

- ***Oil and Mineral exporters:***
  - Capitalising on windfall gains
  - Create spillover to rest of the economy
  - Avoid *Dutch Disease*
- ***The rest of Africa (net oil importers):***
  - Containing inflationary pressure
  - Finance widening trade deficit
  - Streamline spending to prioritise poverty reduction

GDP Growth	1998-2004	2005	2006(e)	2007(p)	2008(p)
Total Africa	4.0	5.2	5.5	5.9	5.7
Net Oil exporters	4.5	5.9	6.0	7.4	6.7
Net Oil importers	3.6	4.7	5.1	4.7	4.8
CPI Inflation					
Total Africa	10.0	8.8	9.1	9.2	9.5
Net Oil exporters	11.6	9.4	5.7	5.3	5.3
Net Oil importers	8.8	8.4	12.0	12.7	13.0
Fiscal Balance					
Total Africa	-2.0	2.4	3.2	2.7	2.0
Net Oil exporters	-0.8	7.0	8.2	7.3	6.4
Net Oil importers	-3.1	-1.9	-2.3	-2.2	-2.4
Trade Balance					
Total Africa	1.8	6.7	7.8	7.6	6.6
Net Oil exporters	7.5	20.3	21.3	20.6	19.4
Net Oil importers	-3.4	-6.2	-6.5	-6.2	-6.8

Despite strong growth rate, progress towards the MDGs remains slow



Sources: African Economic Outlook 2007

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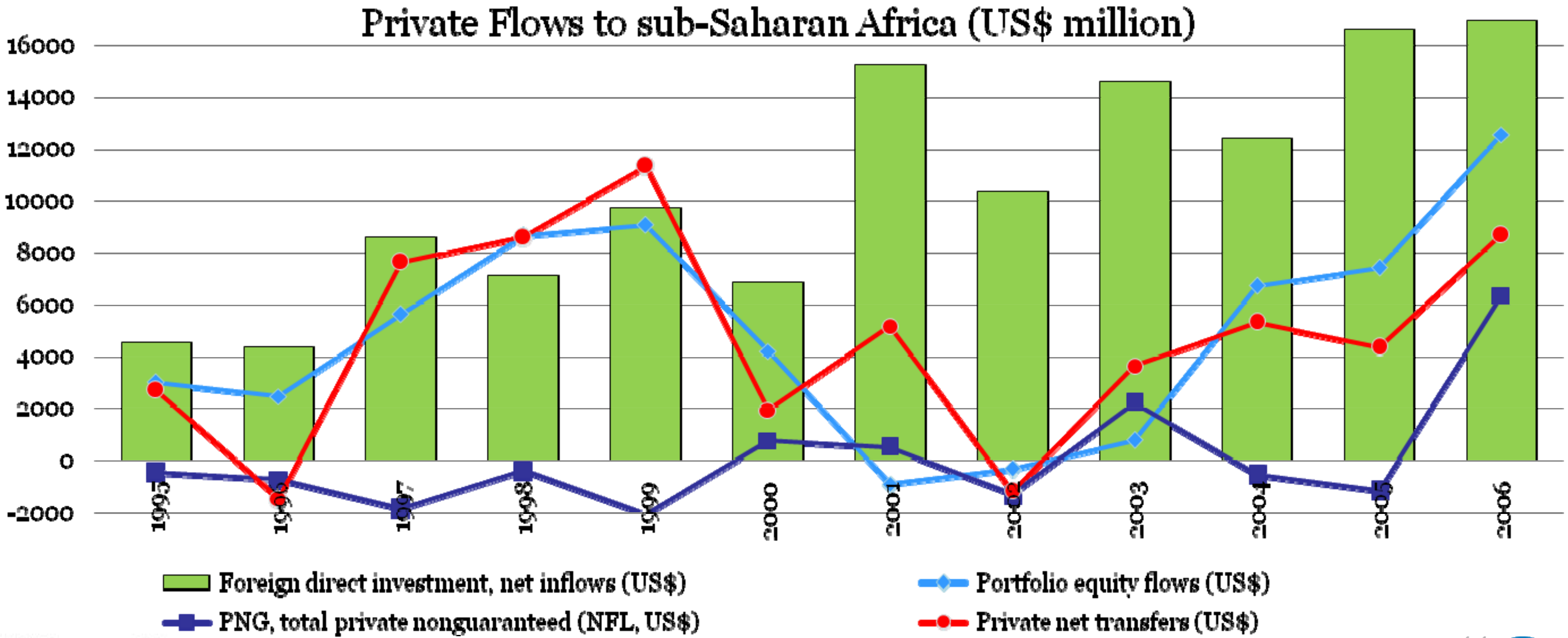
Africa & globalisation
Noteworthy developments…

New actors, new trends

- New foreign direct investors and trade partners :
  - the Asian Drivers (China & India), trade & direct investment;
  - investors from Africa into Africa (South Africa, North Africa, Nigeria)

- Yield-hungry portfolio investors: Africa, the new investment / credit frontier?



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Source: World bank, Global Development Finance

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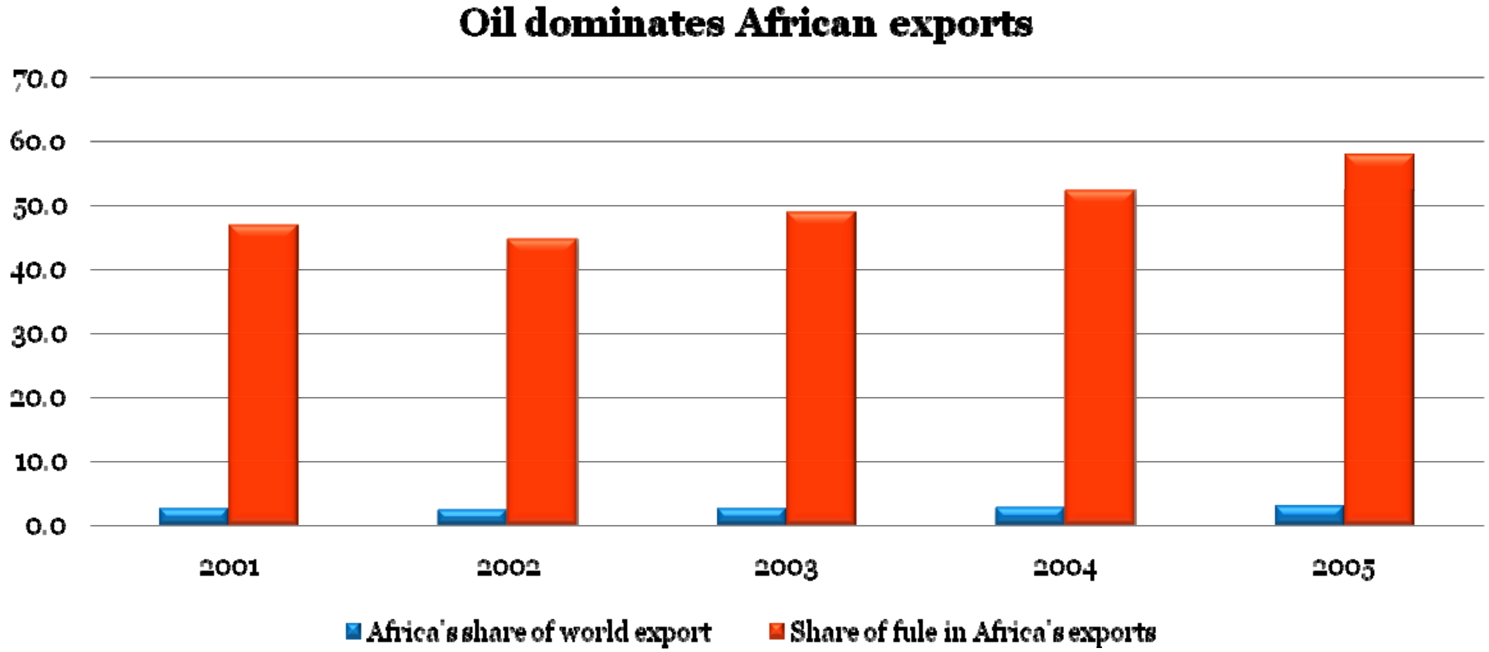
Africa and Globalisation:
... a vulnerable continent?

- Africa's share in world trade and investment remains minimal (1.5 % & 4% resp.) and concentrated in raw materials

- Partnering with the Asian drivers: opportunities / risk of further specialization and of raising the bar for competing in labor intensive industries



Source: UN COMTRADE

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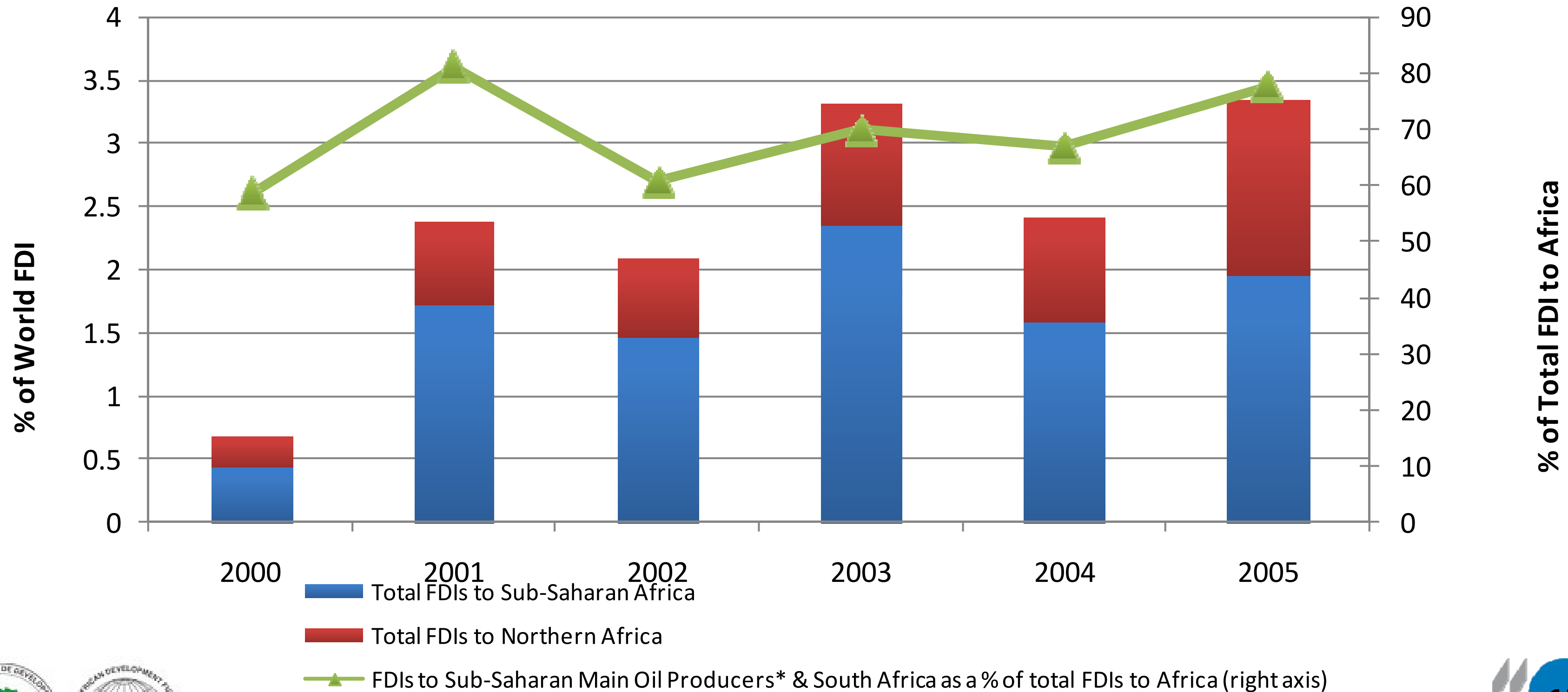
Africa and Globalization: … Investment in Oil and South Africa

- Foreign investment in Africa is concentrated in oil exporting countries and in South Africa



Source: UNCTAD, World Investment Report

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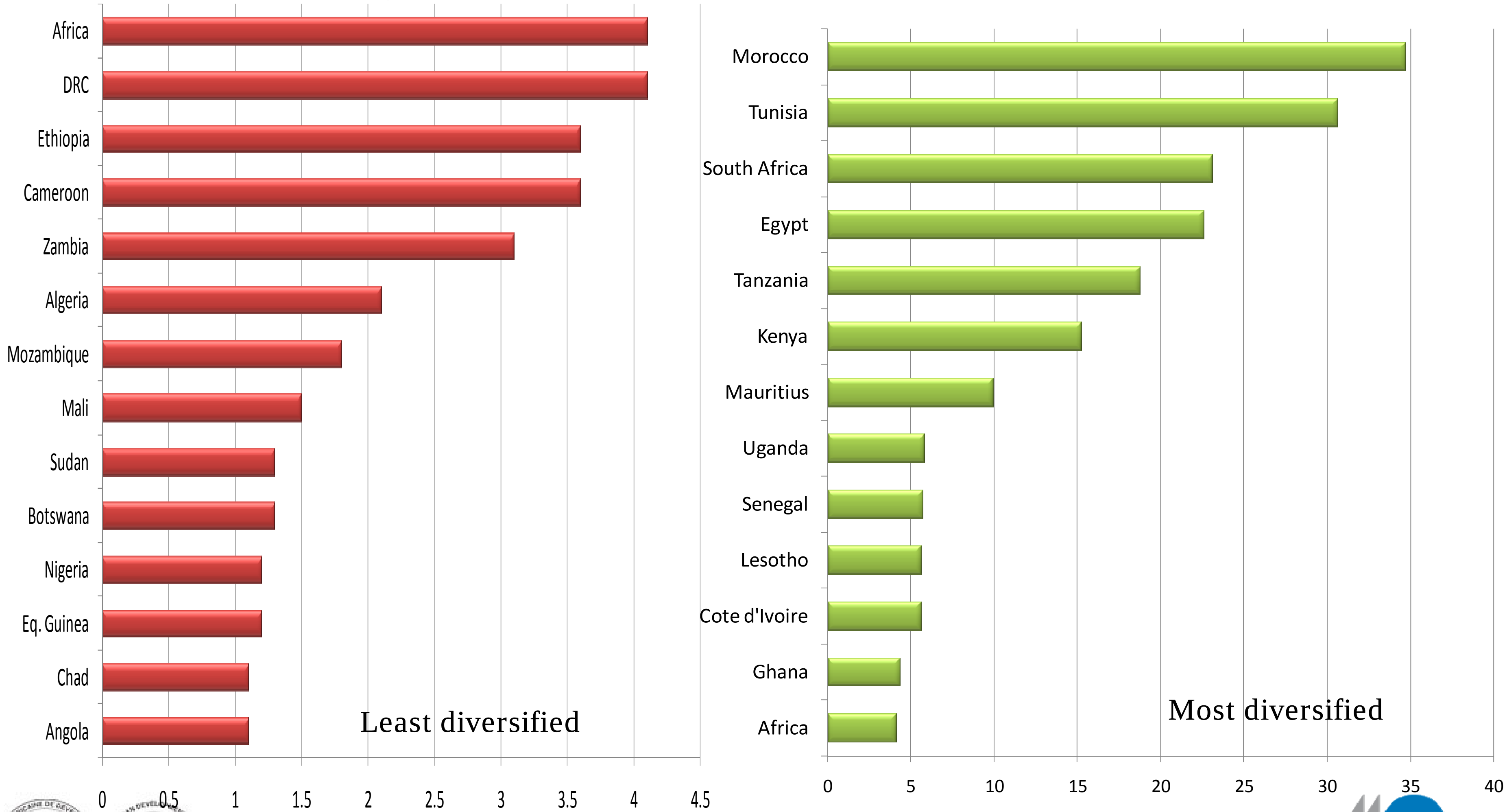
Africa and Globalization:
... Slow progress in diversification

The higher the index, the more diversified the economy



Source: African Diversification Index, African Economic Outlook 2007

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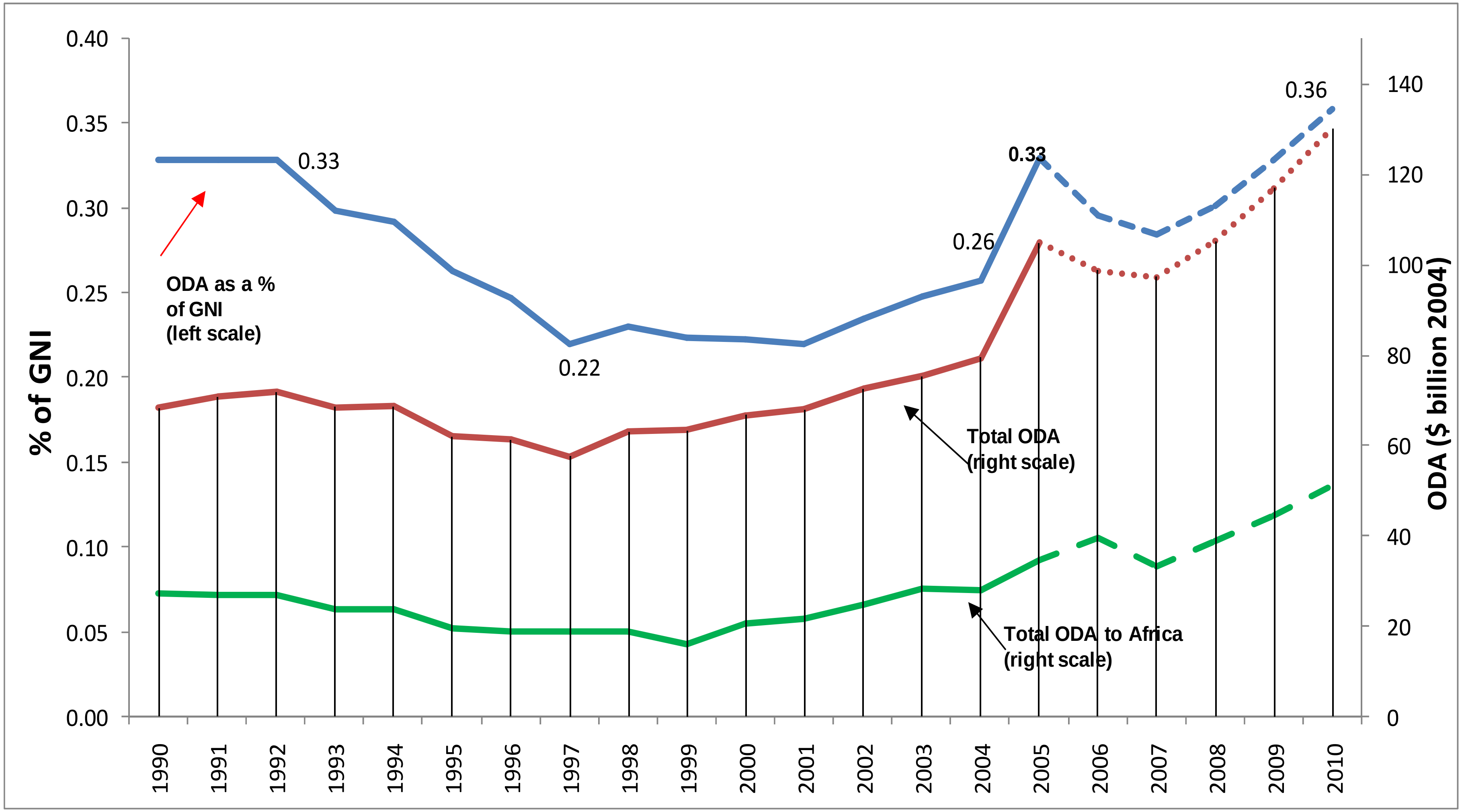
How can Africa become an *active* player in globalisation?

- ***Increase capacity for trade and investment:*** maintain macroeconomic stability, improving business environment, promote diversification

- ***Use external resources more effectively:***
  - Capitalize on oil and minerals windfall gains to invest in health, education and access to basic services
  - Use ODA as a catalyst: aid for trade is an instrument for enhancing Africa's integration in the global economy.

Aid must be used strategically



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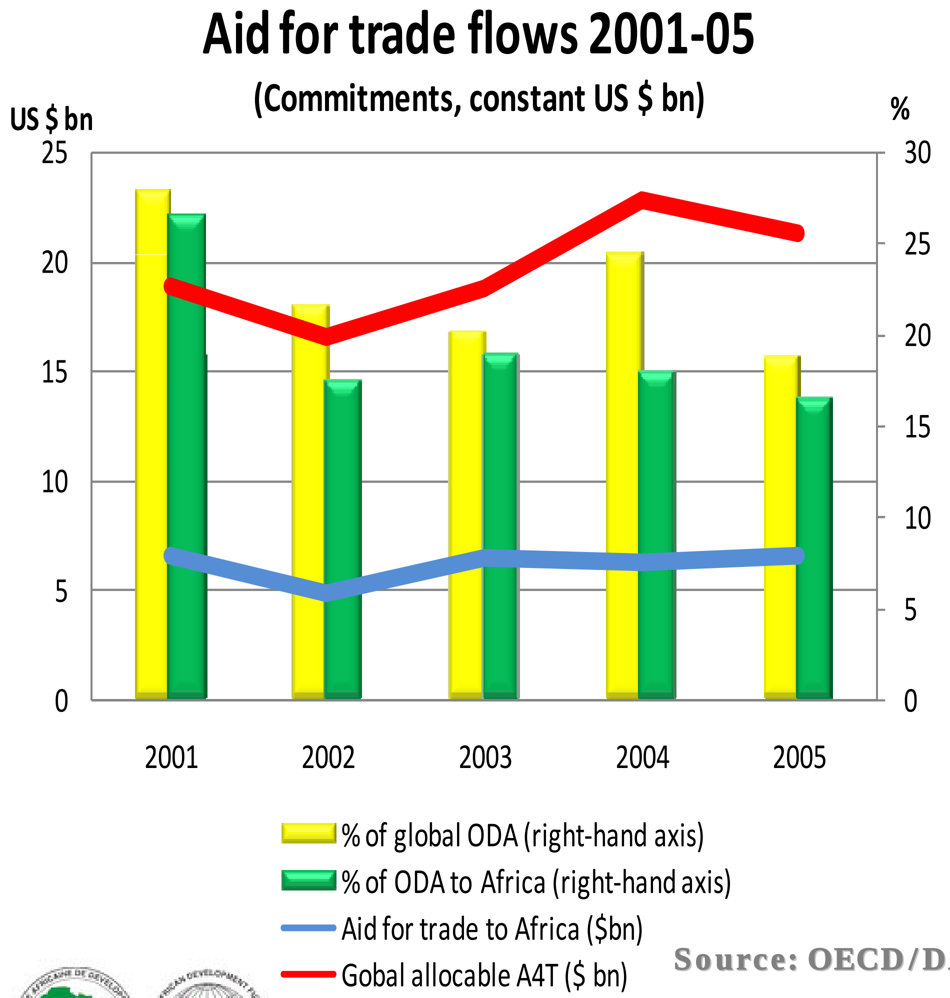
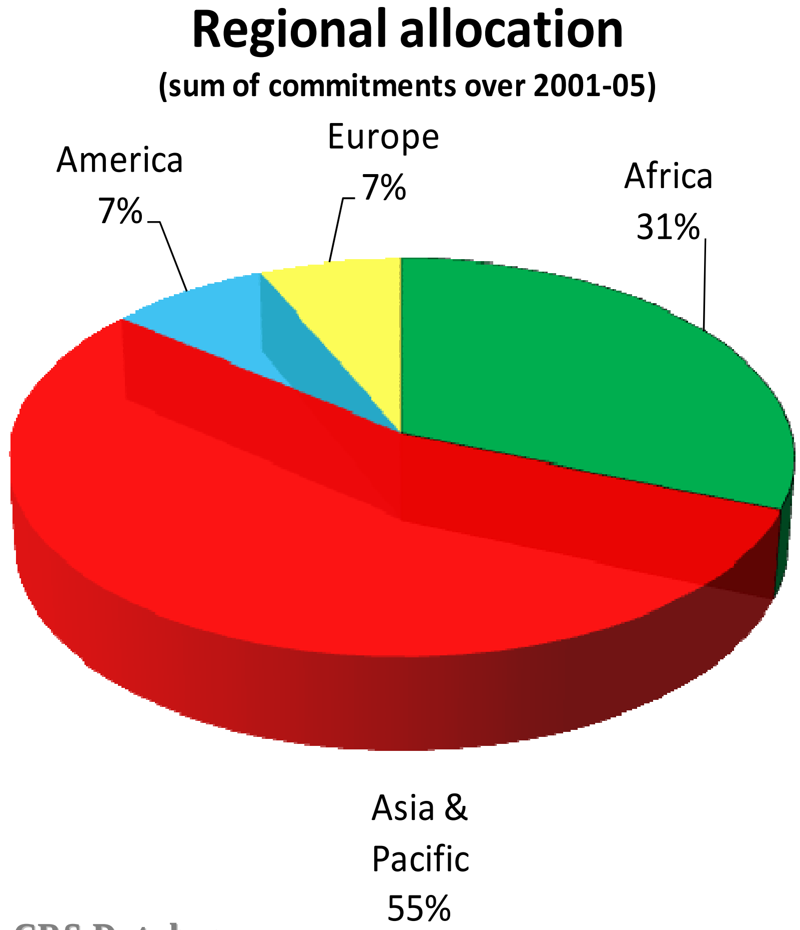
Aid for trade is on the rise …
and Africa is the 2nd largest recipient





Source: OECD/DAC, CRS Database.

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AEO Special Topic
Access to water and sanitation

- *Water is on the top of the agenda of the international community*
- *Africa is in a particularly difficult situation*
- *A delicate and highly technical topic*
- *AEO 2007 offers an assessment of major trends, challenges and also encouraging country experiences*

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Key messages

- *Most countries are off-track with respect to the water and sanitation MDGs*
- *Availability of resources vary across countries, but the biggest problem is management and financing of infrastructure*
- *Sanitation should receive more attention: health risks can jeopardise progress in access to water*
- *Moving to integrated resource management needed but complex*
- *Balancing equity and efficiency: sustainability requires cost recovery, but subsidies will remain necessary (make them work well)*
- *Financing requirement are high and rates of return low …the role of guarantees and aid donors.*

Access to water and sanitation: the facts

- *10 million people / year have* ***gained access*** *to drinking water over 1990-2004*
- *…but the* ***number of unserved*** *has increased by about 60 million*
- *The situation is* ***worse for sanitation****: 35 million more people annually need access to improved sanitation*

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Access: some outstanding experiences

- *Universal access to water in **Mauritius** and **South Africa**.*
- ***North Africa***
  - *91% have access to drinking water (highest level in developing world with Latin America).*
  - *Sanitation coverage up by 12% between 1990 and 2004 (at 75%), on track to reach the 83% target by 2015.*
- ***Uganda**: coverage for drinking water tripled between 1990 and 2006 (from 21% to 61%).*
- ***Tanzania**: 90% of population have access to some form of sanitation.*

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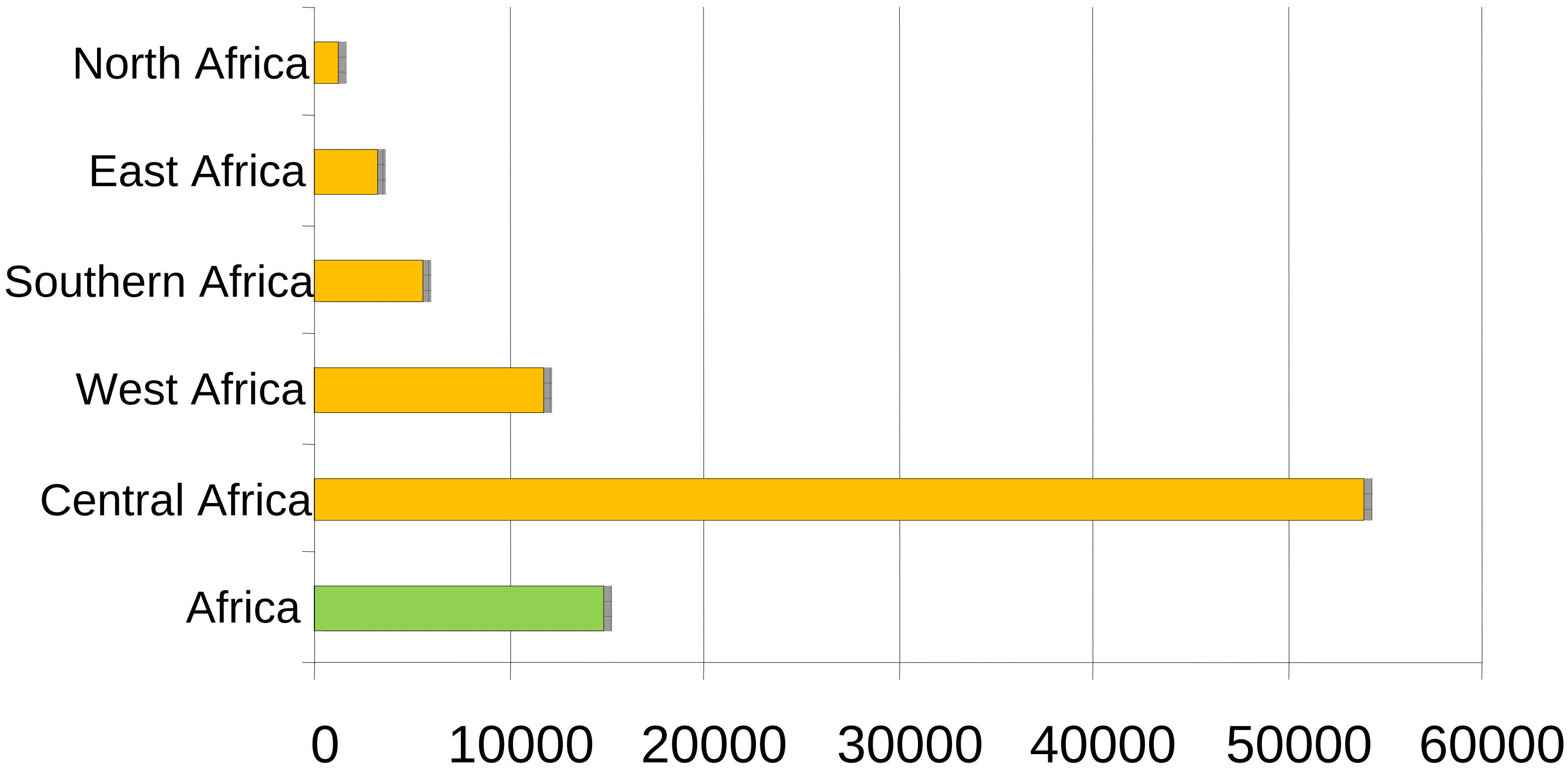
A resource issue? Partly …

Renewable water per capita (m3/inhab/yr)



Source: FAO, Aquastat.

..but mainly a management issue

- ***Weak extraction*** *capacities - except in North and South Africa.*
- ***Inefficient use****: agricultural (68%), domestic (24%), industrial (8%).*
- *Industrial* ***pollution****, poor sanitation and sewage practices. In Congo, only 68% of water samples comply with quality standard.*
- ***Wastage****: unaccounted for water reaches 50% in most cities: Botswana 46%, Mauritius 47%, Egypt 50% (good practice: 15-20%).*

The challenges

- *Implement integrated water resource management (IWRM)*
- *Strengthen local management*
- *Move sanitation and wastewater treatment to the top of the development agenda*

Status of National IWRM

	Level 1	Level 2	Level 3
North Africa		Egypt Morocco Tunisia Mauritania Sudan	Algeria Libya
Central Africa		Cameroon	Burundi Central African Rep. Chad Congo DRC Rwanda
Eastern Africa	**Uganda**	Eritrea Ethiopia Kenya Mauritius Tanzania	
Western Africa	**Burkina**	Benin Ghana Mali Nigeria Senegal	
Southern Africa	**Namibia** **South Africa** **Zimbabwe**	Botswana Malawi Mozambique Swaziland Zambia	

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Source: Global Water Partnership, 2006

Reducing the sanitation gap

- *Access can only be increased if water and sanitation are tackled* ***simultaneously****.*
- *Investments are small compared to the health and environmental* ***costs*** *of inaction and* ***returns*** *to action*
- *Overcome the* ***segmentation*** *of the sector: between administrations, among providers (e.g. Durban).*
- *Develop* ***technologies*** *adapted to communities' needs.*
- *Invest in* ***prevention campaigns*** *(e.g. community health clubs in Zimbabwe).*

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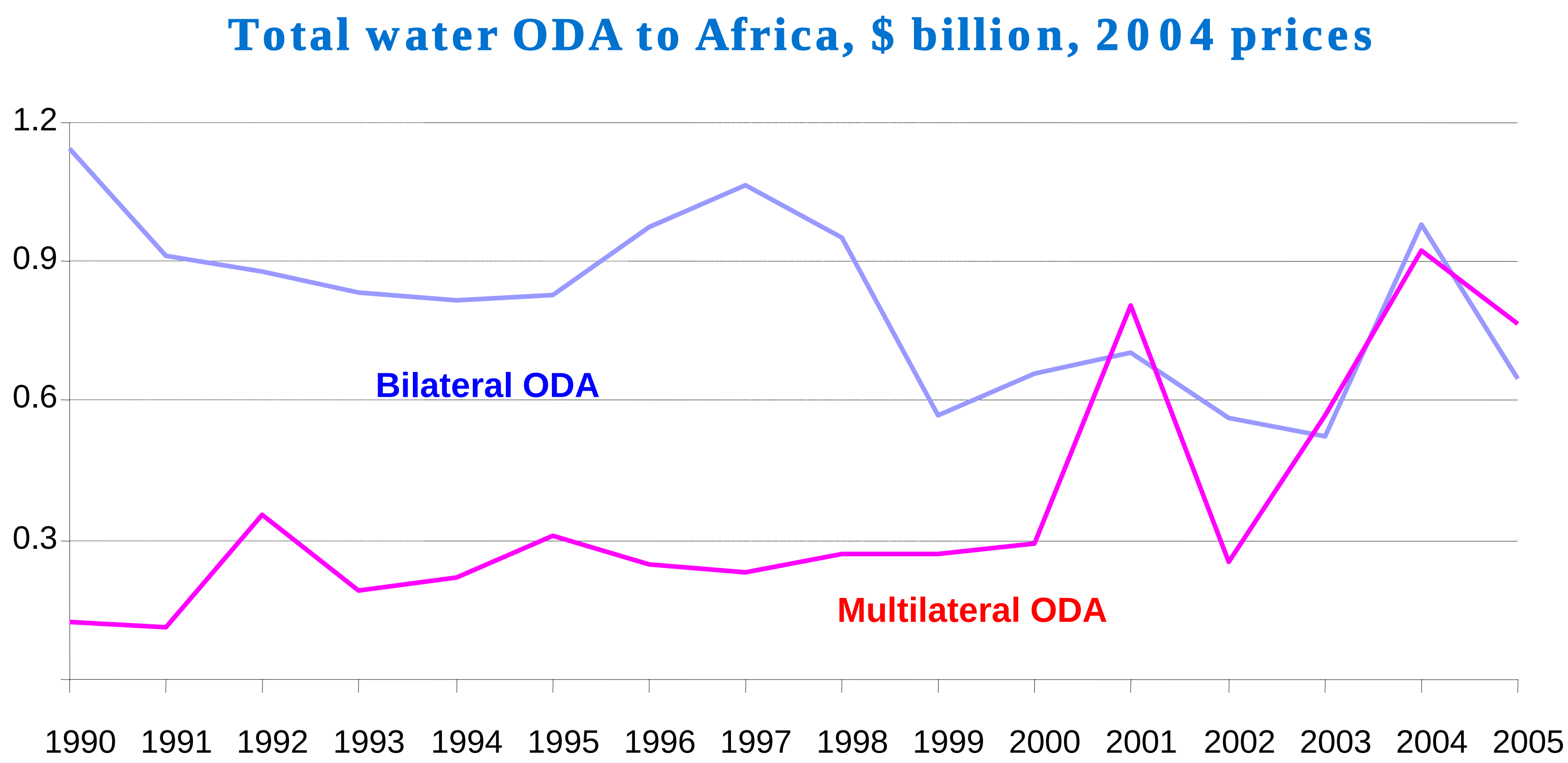
Financing – a key issue for all stakeholders

- ***Investment needs***: *$20b/yr until 2025, 1/3 for sanitation, ¼ for drinking water supply (Africa Water Vision 2025).*
- ***Public money*** *(national budgets and ODA) remains insufficient*
- ***National water providers*** *have failed to achieve financial viability.*
- *Least attractive sector to* ***private investors*** *– but active in some countries.*

Strengthening utilities

- ***Financial independence***
  - *cost-recovery: affordability and cross-subsidisation*
  - *sustainable & predictable public funding*
- ***Capacity building*** *through benchmarking and partnerships (ex: UNSGAB Water Operators Partnership).*
- ***Small-scale local providers***
  - *Flexible, better knowledge of remote areas*
  - *But they need better regulation and more conducive institutional framework (Uganda Association of Private Water Operators)*

What role for aid?



Source: OECD/DAC

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Thank you!

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For more information:

www.oecd.org/dev/aeo

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