

The African Economic Outlook 2008

Measuring the Pulse of Africa

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FASID



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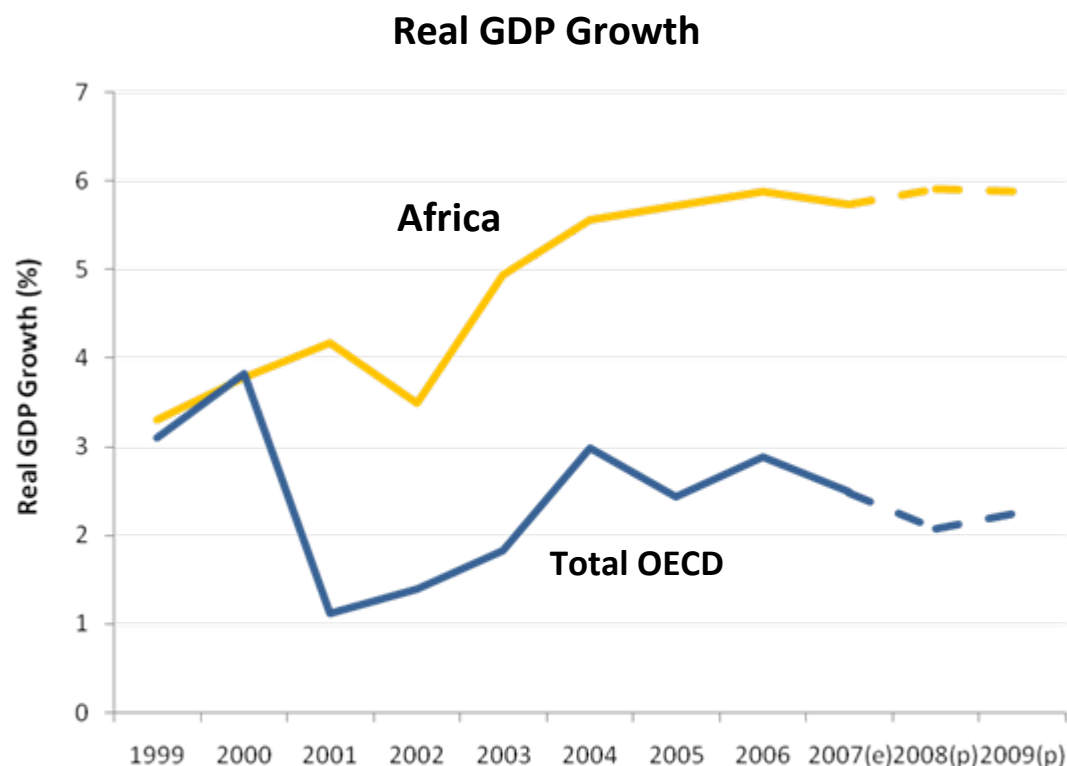


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Macroeconomic Outlook: Challenges and Opportunities

2

Skills Development: Investing in African Youth



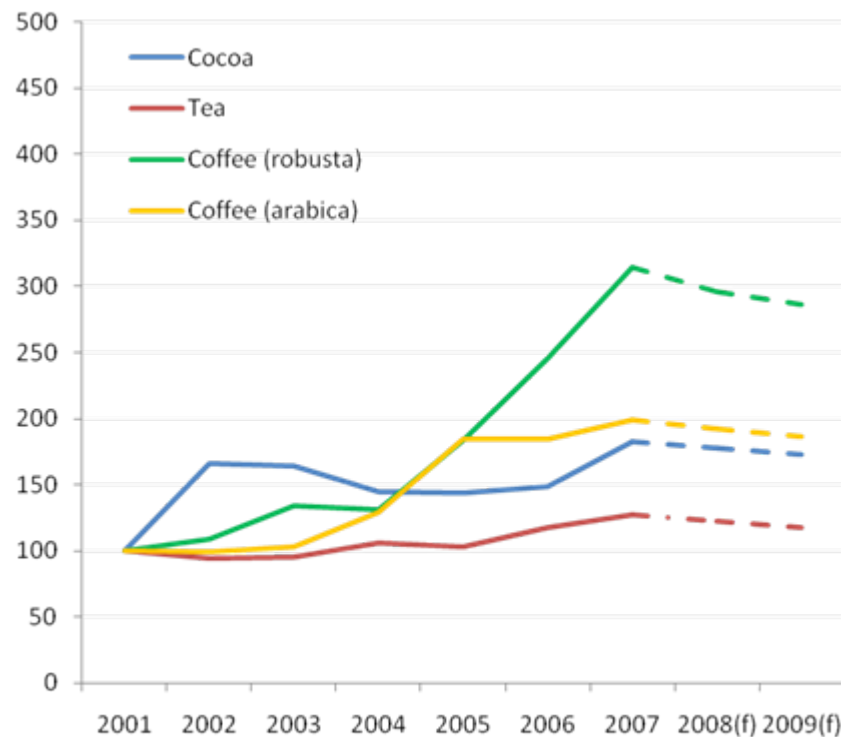
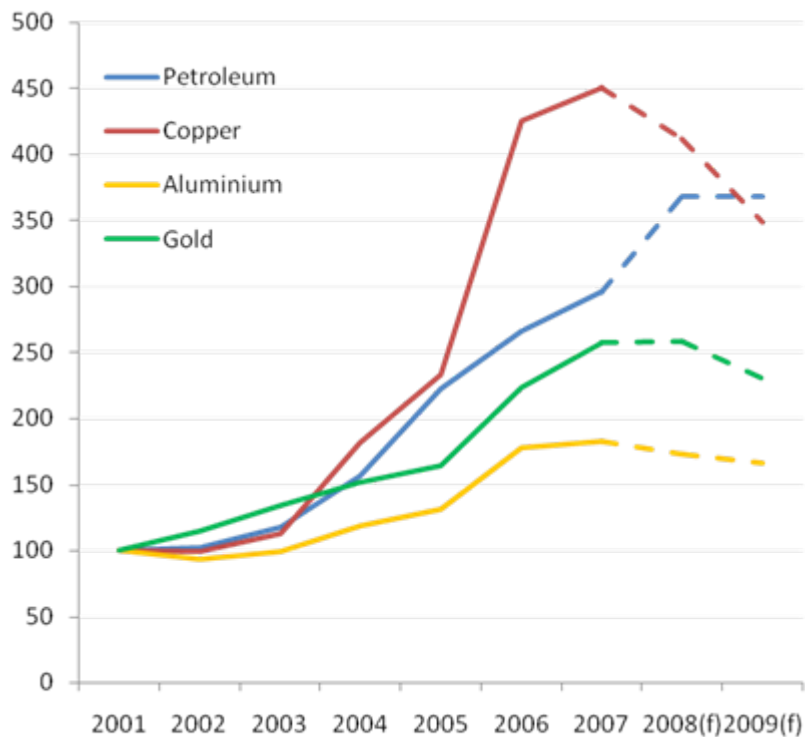
Real GDP growth expected to exceed 5% for the sixth consecutive year in 2008 , and reach 5.9%

- 2007: 25 countries over 5%
- 2008: 31 countries over 5%
- 2007: 13 countries between 3-5%
- 2008: 16 countries between 3-5%

Growth in 2009 will remain sustained at 5.9%

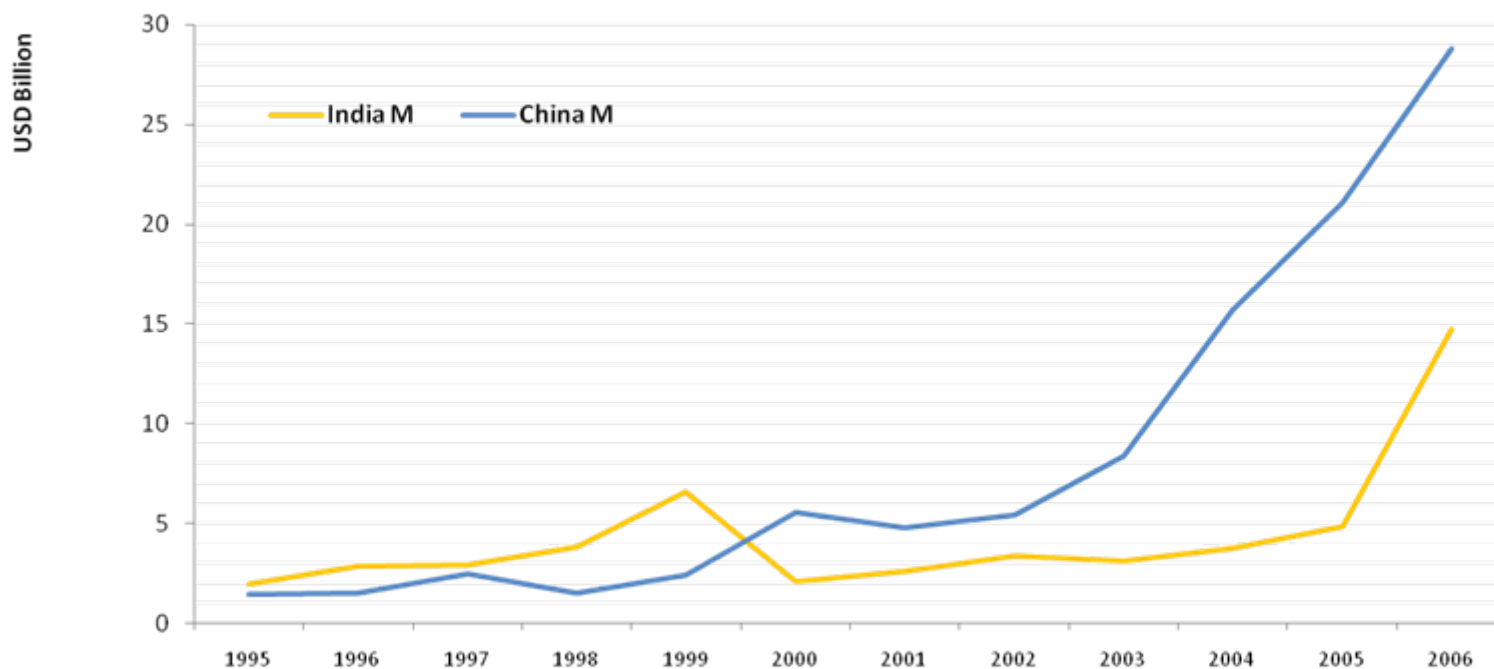
Source: OECD Development Centre / African Development Bank, 2008

Global commodity prices 2001-2009



Source: OECD Development Centre / World Bank, 2008

China / India Imports from Africa



Fiscal Balance % GDP

	Average 2000-04	Average 2005-09**
Central	1.6	8.6
East	-2.2	-3.2
North	-1.2	6
South	-2.5	1.6
West	-0.5	4.5
AFRICA	-1.5	3.4

Current account % GDP

	Average 2000-04	Average 2005-09**
Central	-3.2	3.2
East	-4.3	-7.5
North	5.6	13.2
South	-1.2	-1.7
West	-2.7	3.3
AFRICA	0.8	3.8

Inflation

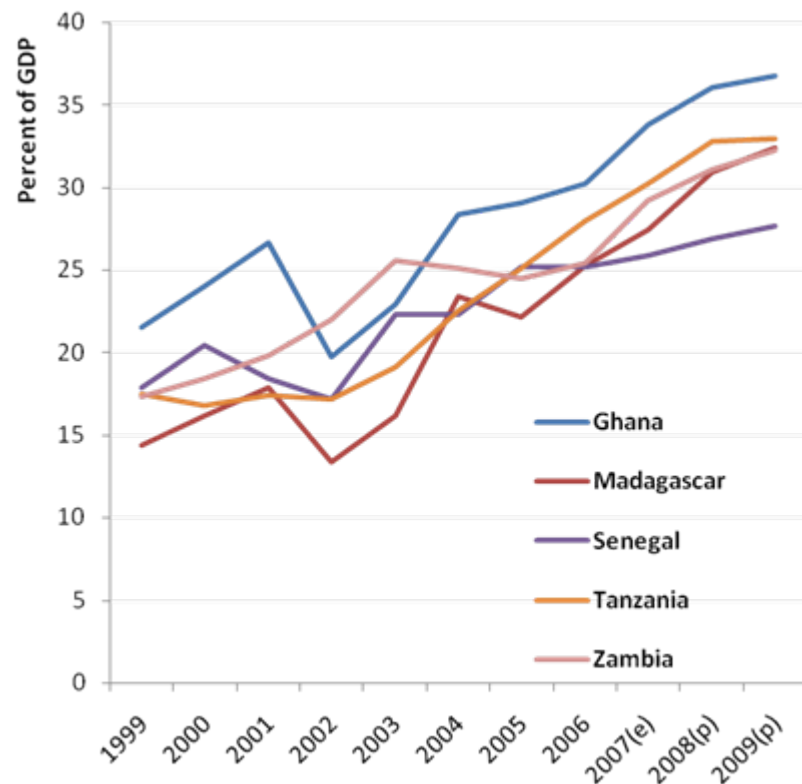
	Average 2000-04	Average 2005-09**
Central	14.6	4.6
East	6	8.7
North	2.6	5.2
South*	14.4	6.8
West	10.3	7.8
AFRICA*	8	6.4

Source: OECD Development Centre / African Development Bank, 2008

Drivers

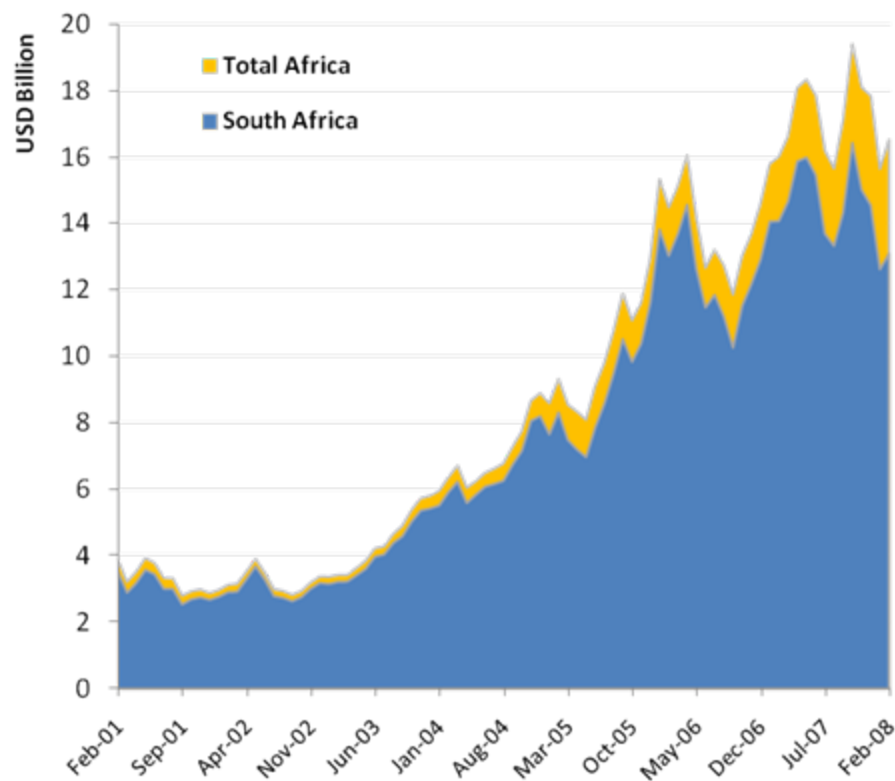
Record investment in 2007: a new driver?

Public and Private Investment
% of GDP



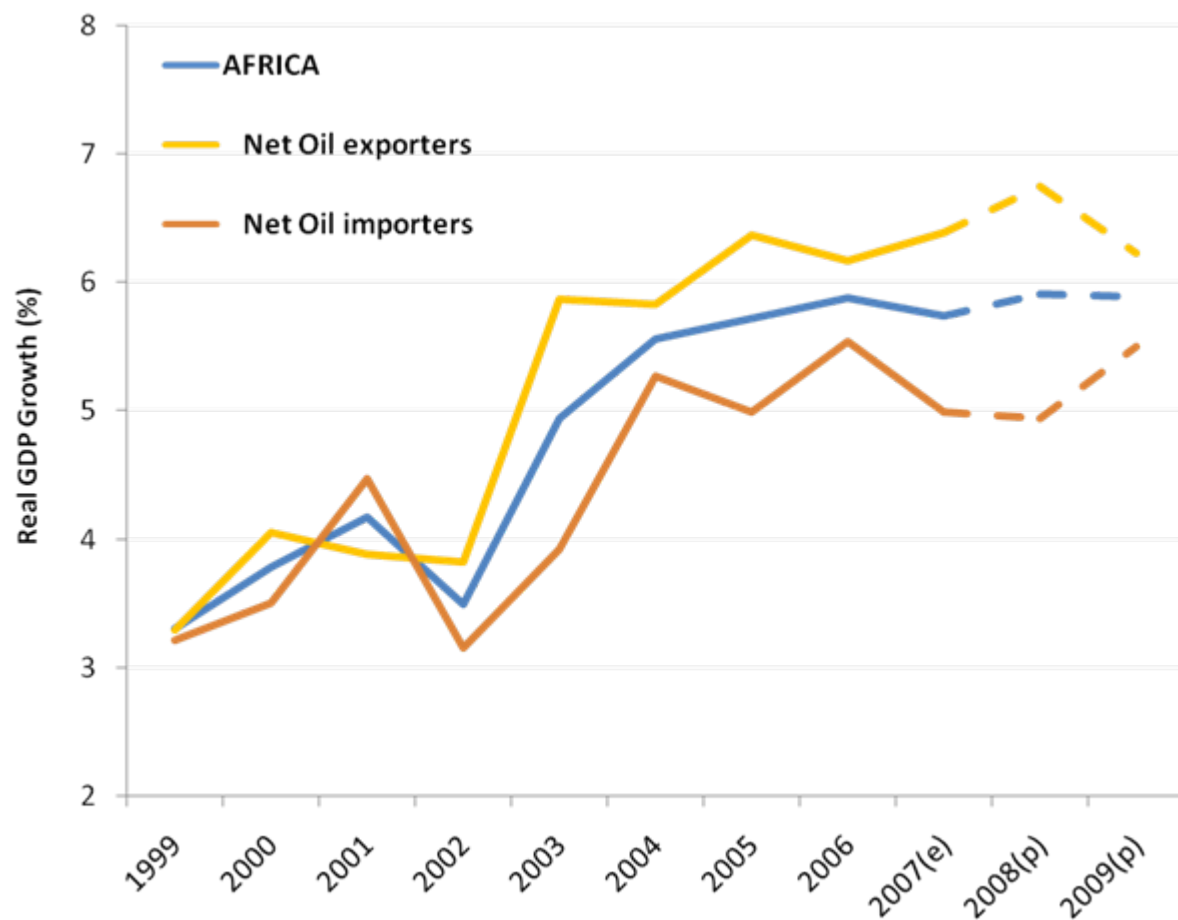
Source: OECD Development Centre / UNCTAD, 2008

Equity flows to Africa
Month-end aggregate holdings



Source: OECD Development Centre / EPFR, 2008

Real GDP Growth



- Growth rates for oil importer and oil exporter countries diverged significantly in 2007 and 2008

- However, this difference is set to narrow in 2009, due to:

- Slower growth of oil production in Angola
- Growth recovery in Kenya and South Africa

Source: OECD Development Centre / African Development Bank, 2008



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Net Oil exporters: Algeria, Angola, Cameroon, Chad, Congo, Côte d'Ivoire, Congo DRC, Egypt, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan



Outstanding achievers:

Angola: 11.8% average growth 2000-07

Algeria: 4% average growth 2000-07

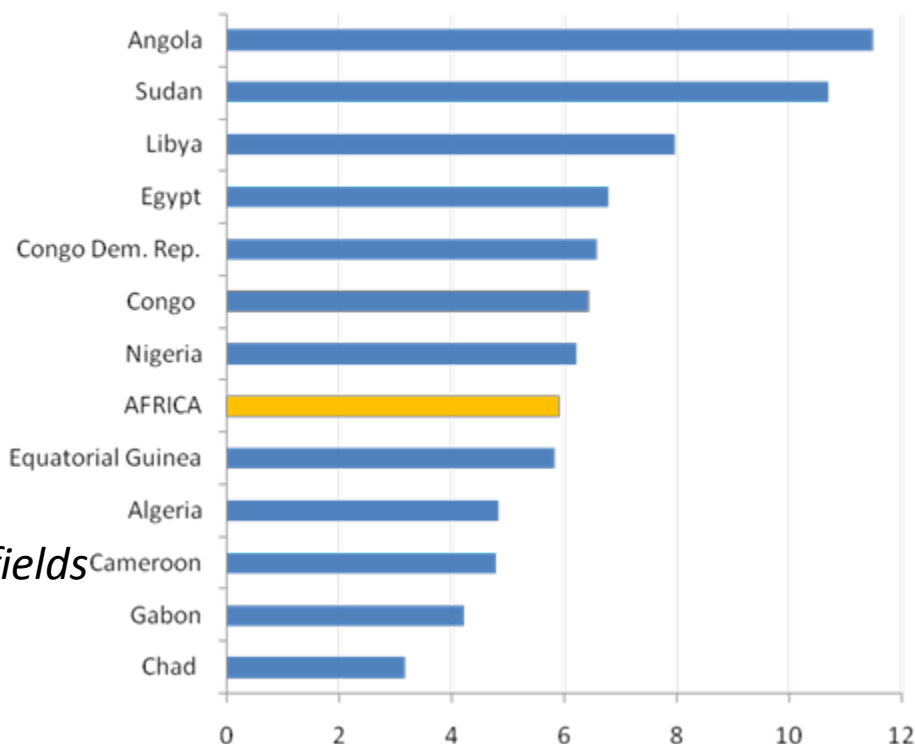
Assets:

- Sustained and prolonged growth
- Improving macro management
- Rising Investment in non-oil sectors

Liabilities:

- *Poor diversification*
- *Structural declining productivity of old oil fields*
- *Poor governance*

Oil exporting countries GDP growth (%) 2008*



Source: AfDB/OECD Development Centre, 2008

Best performers, average growth 2000-07 :

Tanzania: 6.7 %

Ghana: 5.2 %

Tunisia: 4.9 %

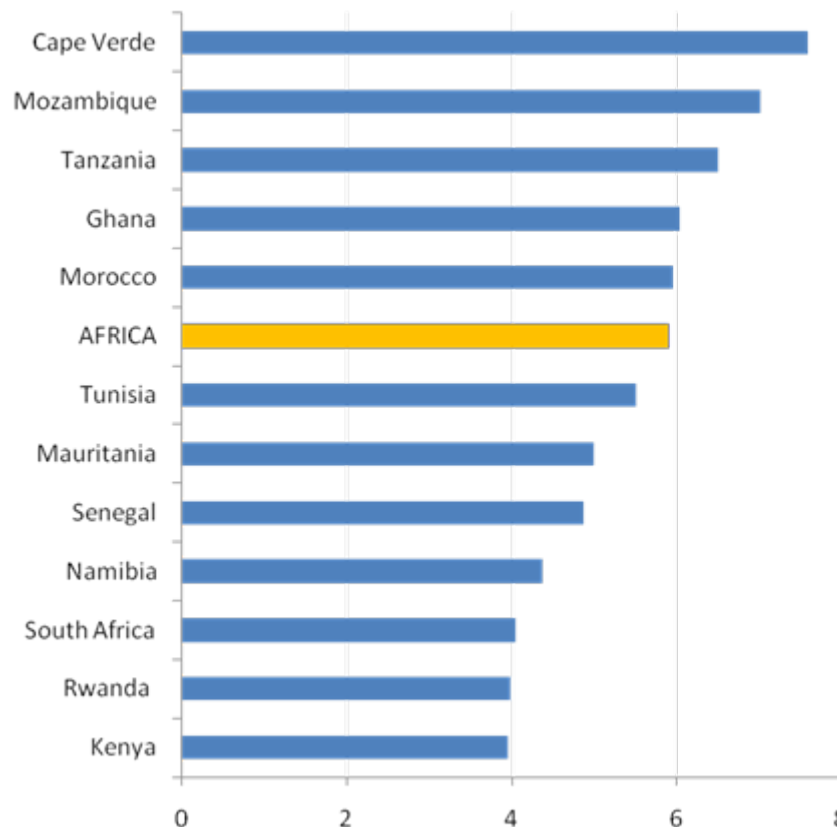
Assets:

- Sustained and prolonged growth
- Prudent macroeconomic policies
- Good Diversification
- Decreasing poverty

Poor quality growth:

- Poverty stagnating
- Vulnerability to climatic and price shocks

Oil importing countries GDP Growth 2008*



Source: AfDB/OECD Development Centre, 2008

- Rising grain prices : an international and local trend
- Sub- Saharan Africa is a net cereal importer
- But vulnerability varies among countries
- Need for long term concerted solutions

African Cereal Production (million tonnes)

	2006(e)	2007(e)	Change 2006-2007 (%)
Africa	144.1	135.6	-5.9
North Africa	36	28.9	-19.8
Western Africa	49.1	47.4	-3.5
Central Africa	3.6	3.5	-2.7
Eastern Africa	33.9	33.9	0
Southern Africa	21.5	21.9	2.1

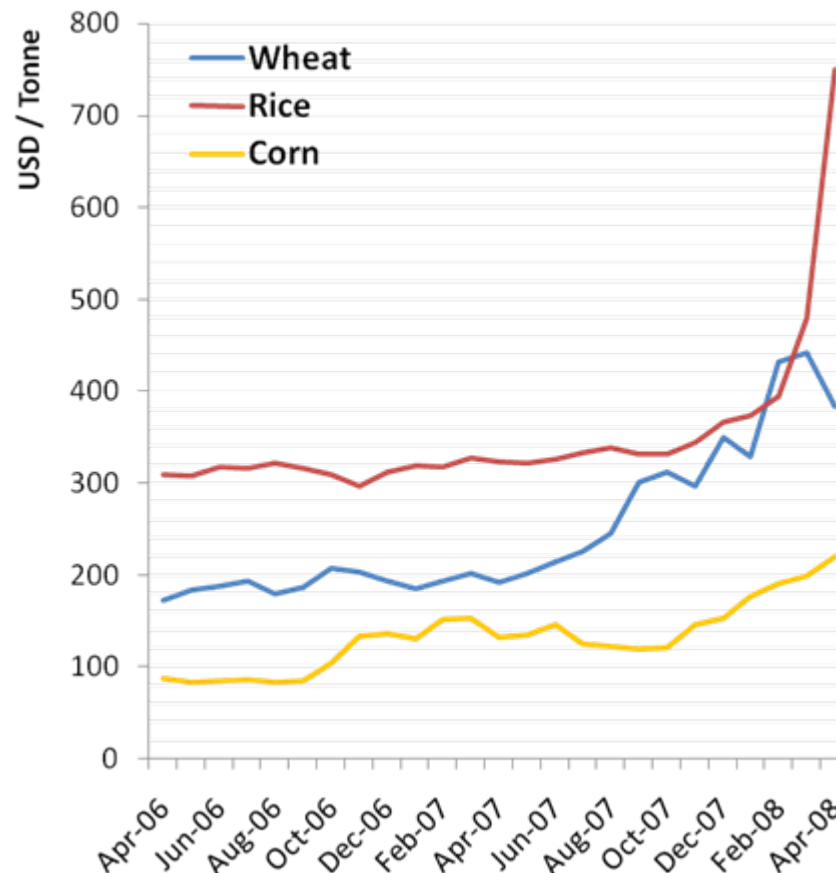
Source: OECD Development Centre / FAO, 2008



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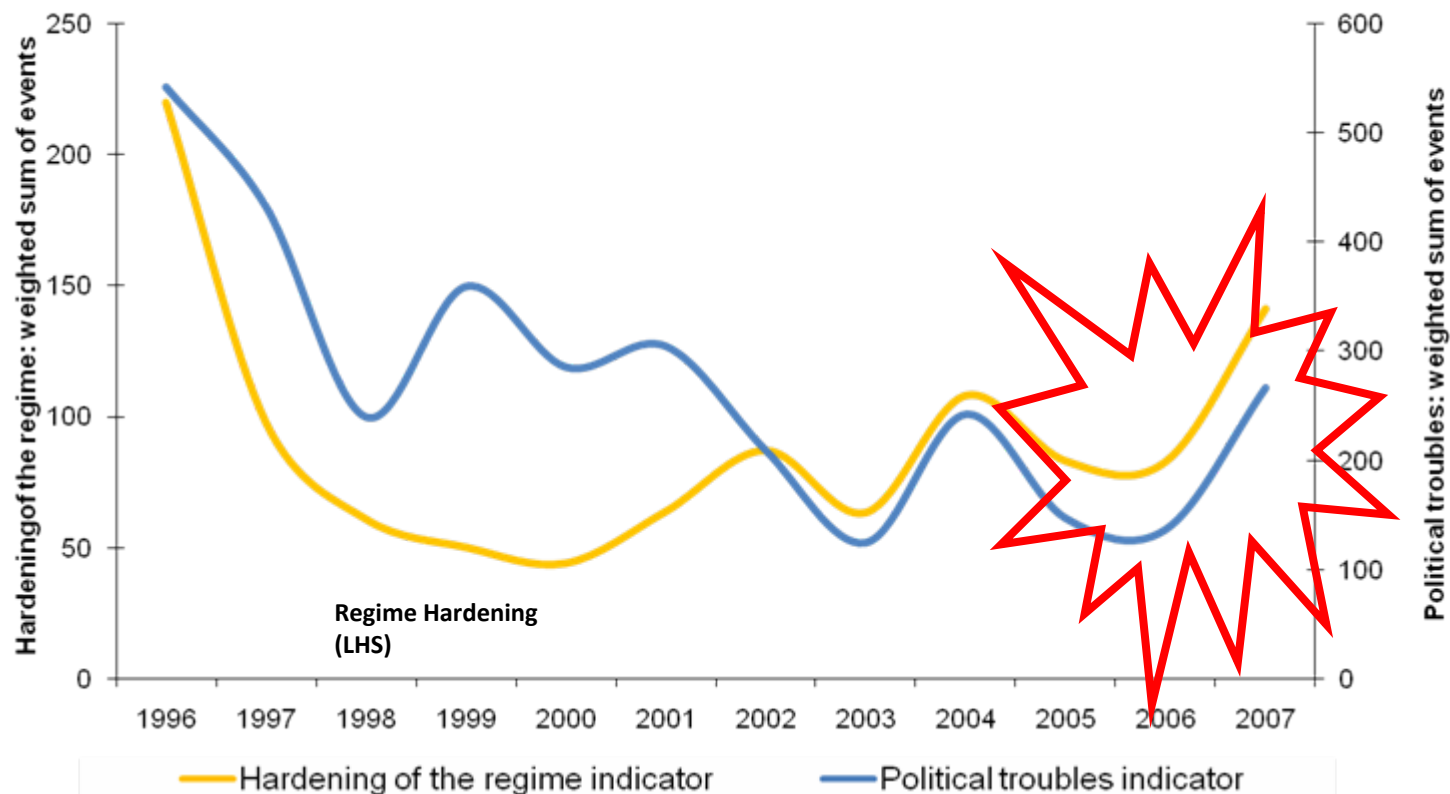
World Cereal Prices 2006 - 2007



Source: OECD Development Centre / Thomson Datastream, 2008

Is long term decline in political instability continuing ?

Political Troubles and Hardening of the Regime



Qualitative data obtained from *Marchés Tropicaux et Méditerranéens*. Data is used to construct two indicators referring to:

Political instability: occurrence of strikes, demonstrations, violence and coup d'état.

Hardening of the political regime : incarcerations of opponents, measures threatening democracy such as dissolution of political parties, violence perpetrated by the police and the banning of demonstrations or public debates.

Outlook

Oil exporter & importers: different challenges ahead?

Oil and Mineral exporters

Challenges:

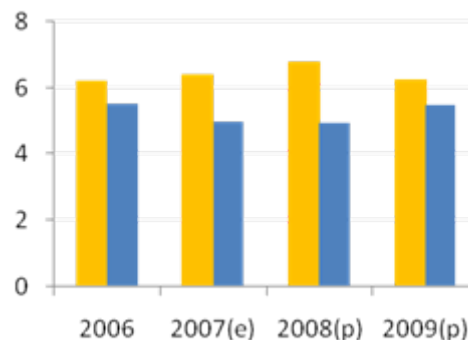
- Capitalise on windfall gains
- Maximise spillover to rest of the economy
- Avoid *Dutch Disease*

Oil importers

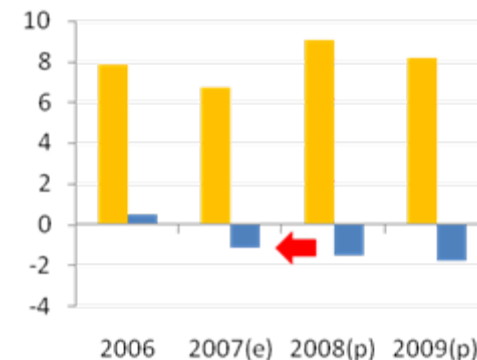
Challenges:

- Contain fiscal deficit
- Finance widening trade deficit
- Streamline spending to prioritise poverty reduction

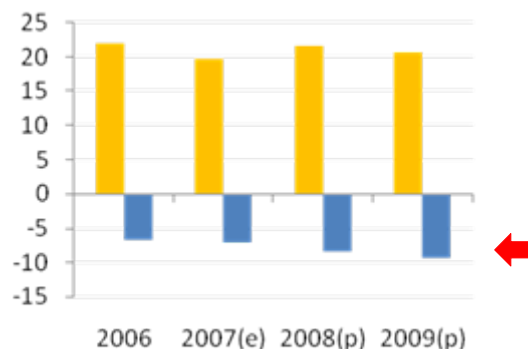
Growth



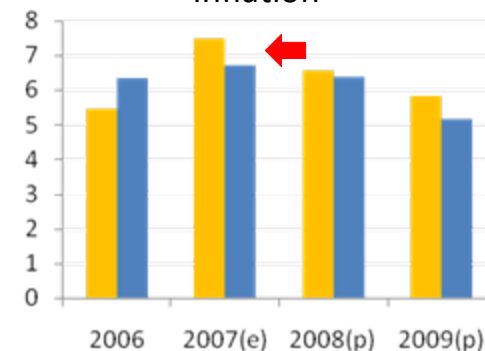
Fiscal Balance



Trade Balance



Inflation*



Source: OECD Development Centre, African Economic Outlook, 2008

Inflation is a challenge for the entire continent



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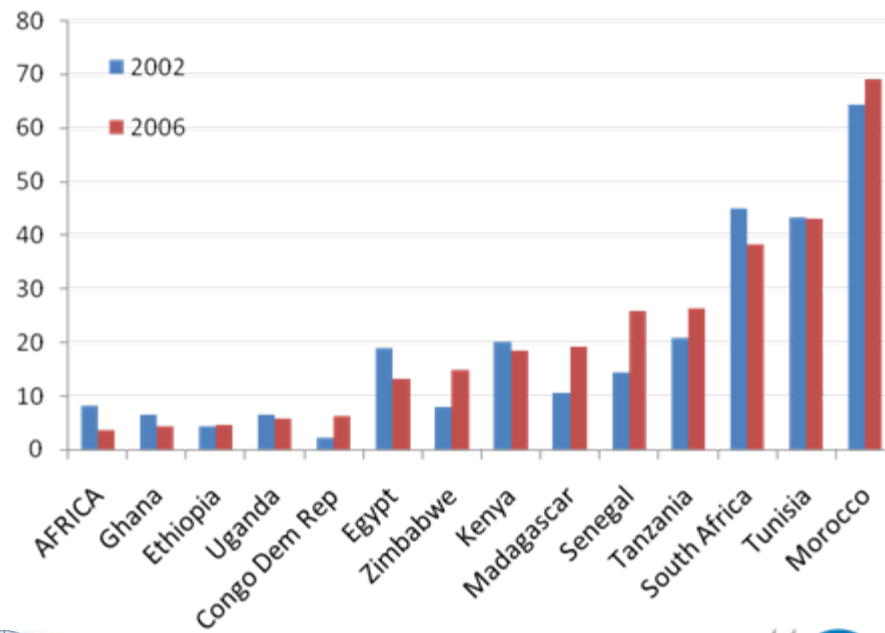
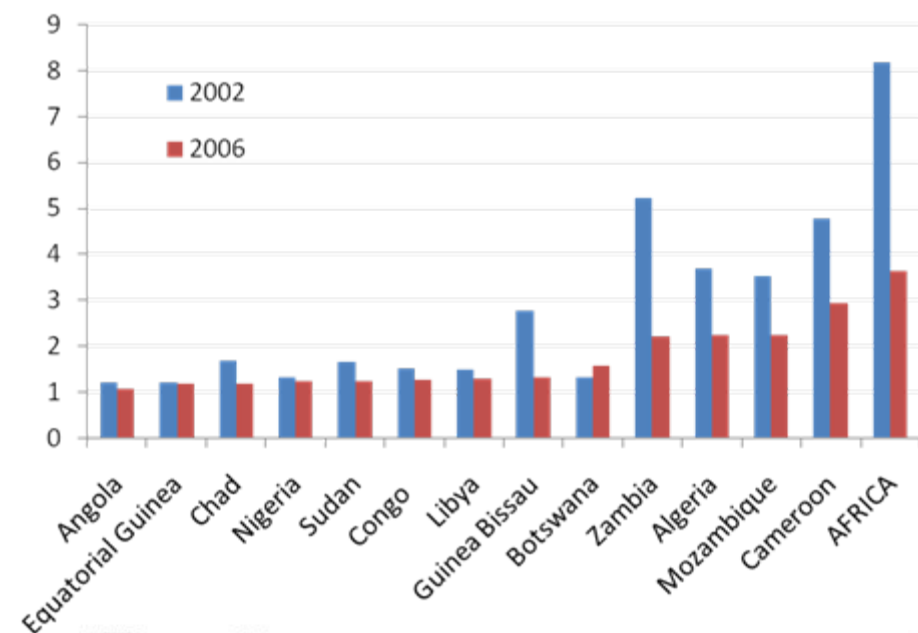


* Oil Importers exclude Zimbabwe

- Between 2002 and 2006 29 african countries have further specialised.
- The 10 less diversified countries are all oil exporters
- The 5 most diversified are Morocco, Tunisia, South Africa, Tanzania and Senegal

In 2007, only 12 out of 35 AEO countries increased export volume by 5 per cent or more

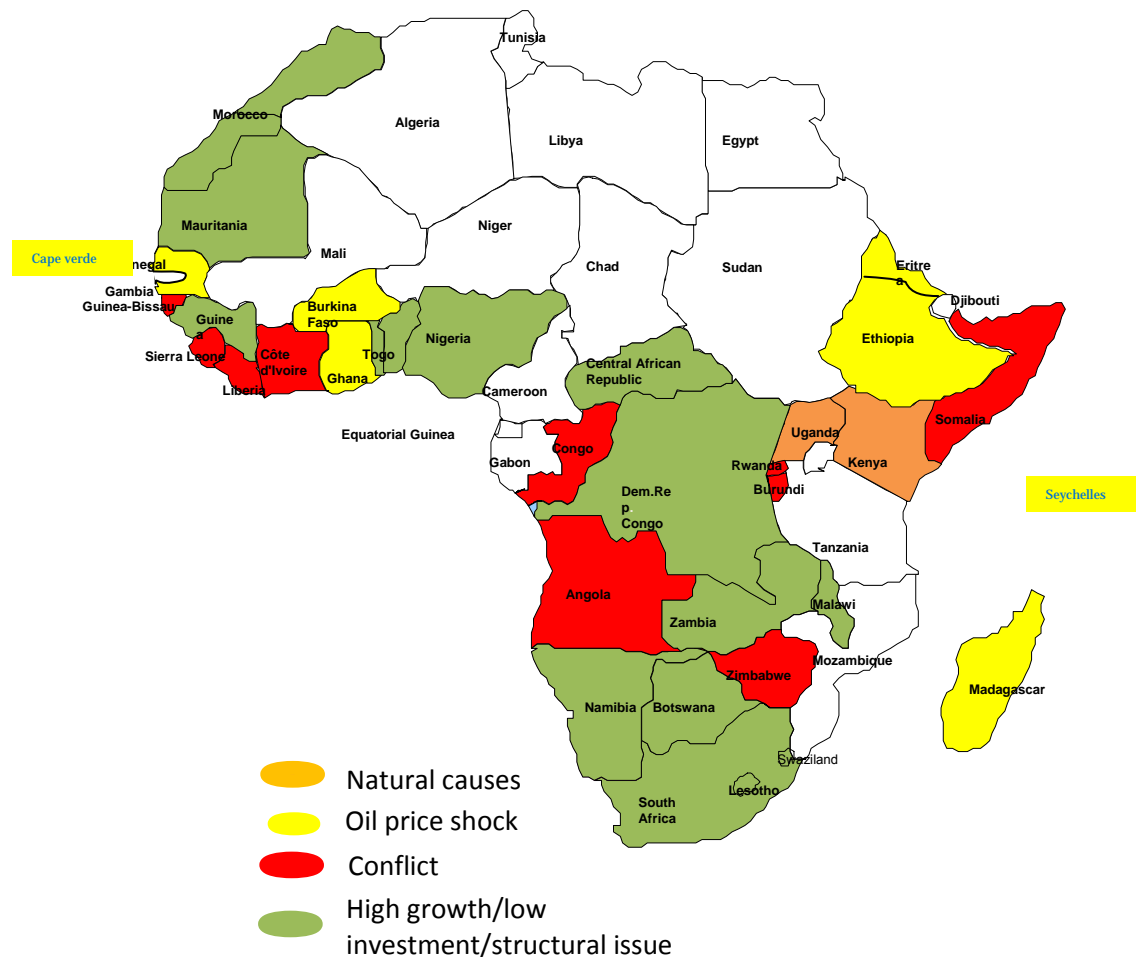
Diversification should be fostered to sustain growth and fight against rising import costs



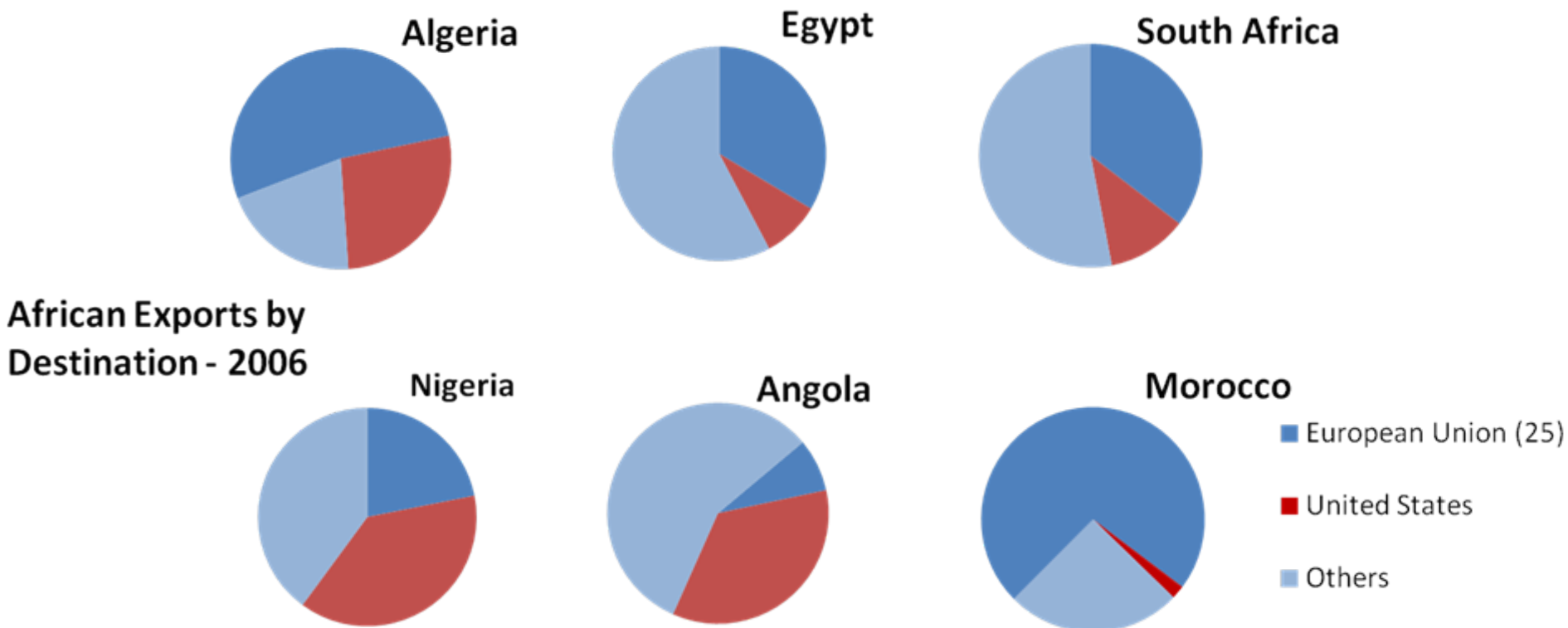
Common challenges: Energy crises harm prospects

- The installed capacity in SSA is largely insufficient to respond to high growth rates and increasing demand
- 25 countries are currently experiencing severe energy shortages.
- The crisis has been worsened by South Africa shortages, Kenya political crises, droughts and high oil prices.

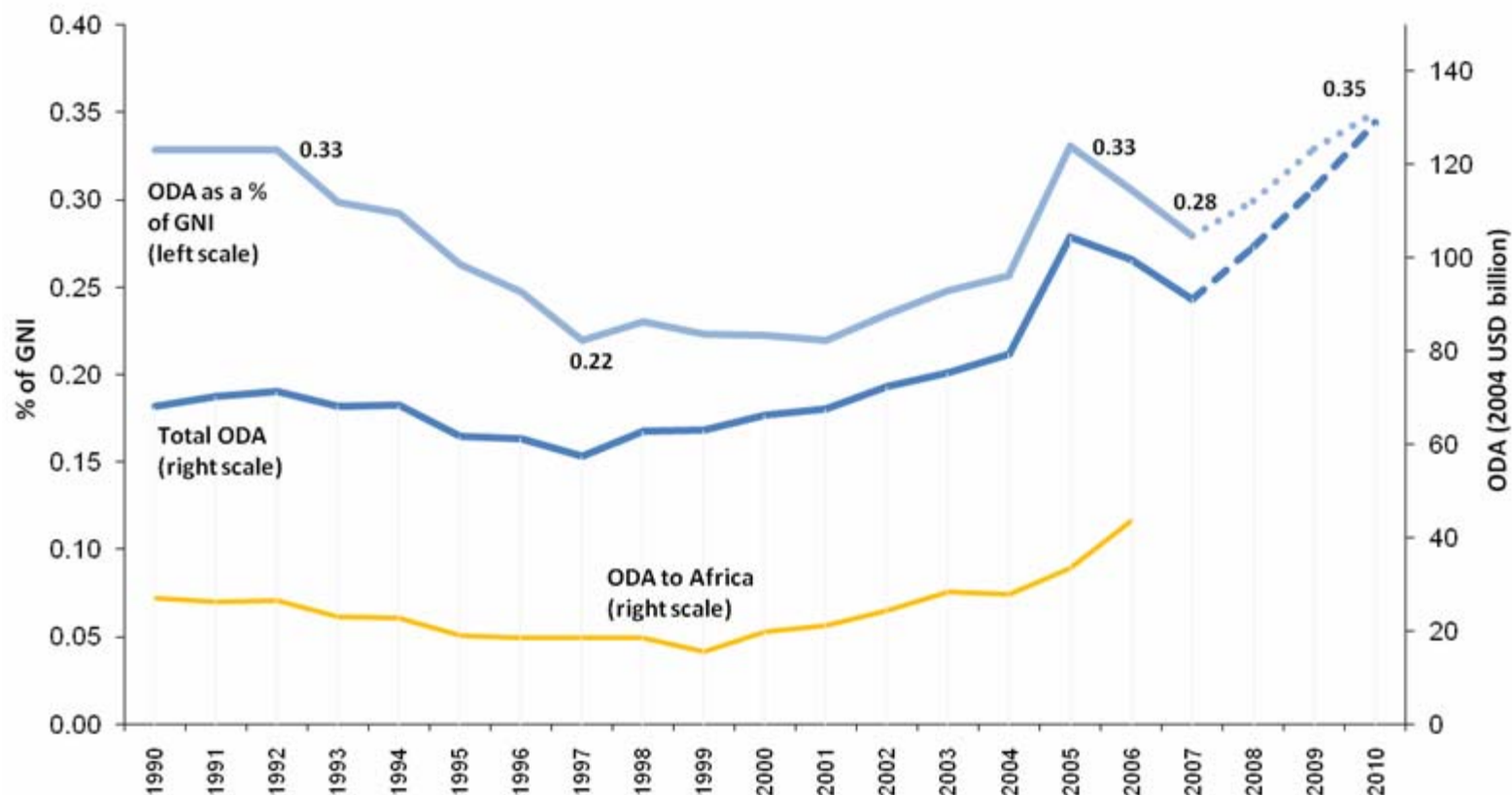
Countries Vulnerable to Energy Shortages



Due to a low share of external trade with the U.S,
Africa is less vulnerable to effects of U.S subprime woes

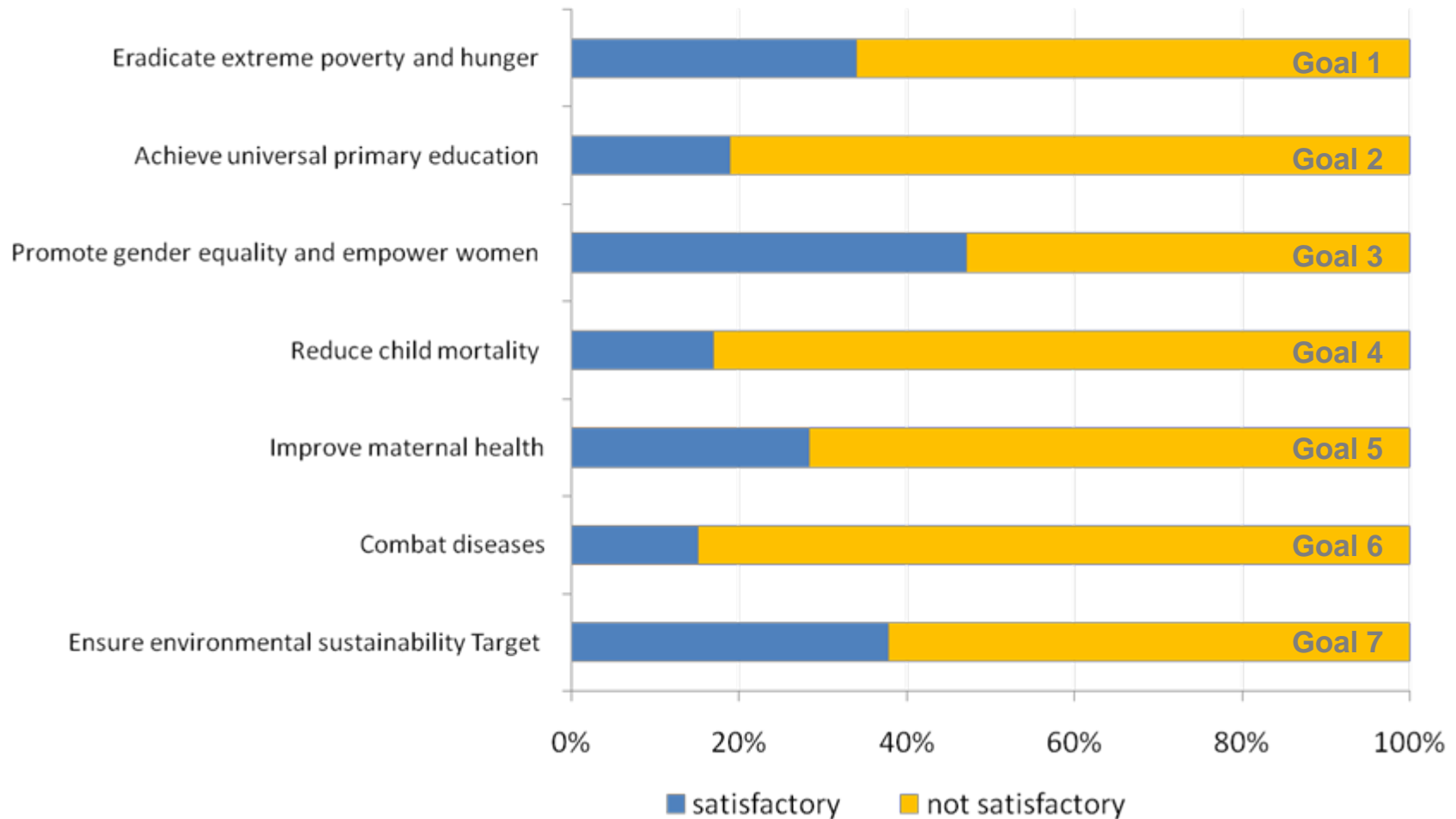


Source: OECD Development Centre / UN Comtrade, 2008.
(data on Nigeria corresponds to last available year, 2003)



Source: OECD Development Centre / African Development Banks, 2008

Progress on Millennium Development Goals 2007



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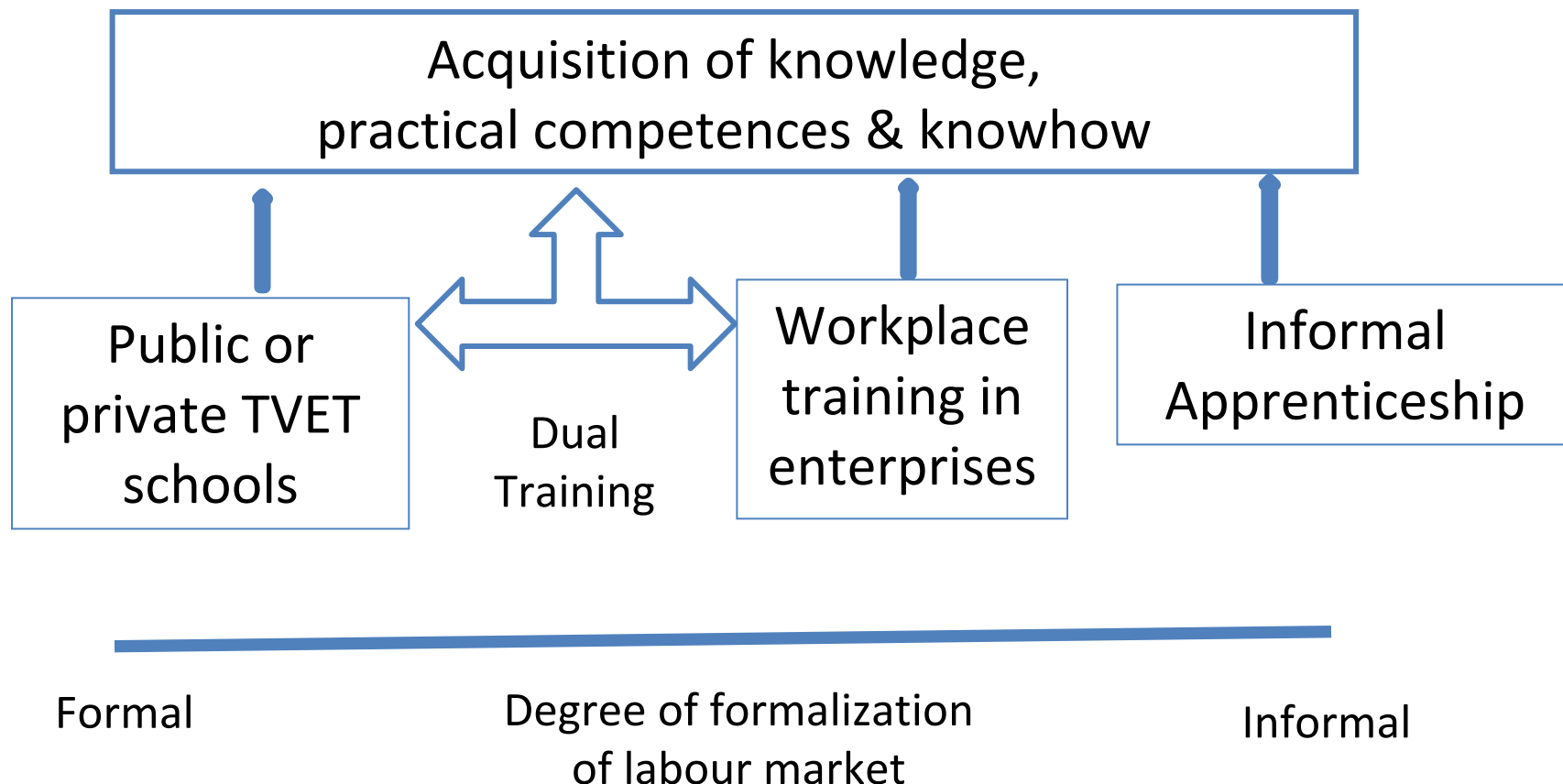
Skills Development: Investing in African Youth

Key questions

- Which role for TVSD in Africa today?
- What is the status of skills development? Which providers and what access?
- Are skills gaps being adequately addressed? What are the constraints
- and what are the lessons learnt from recent reforms ?

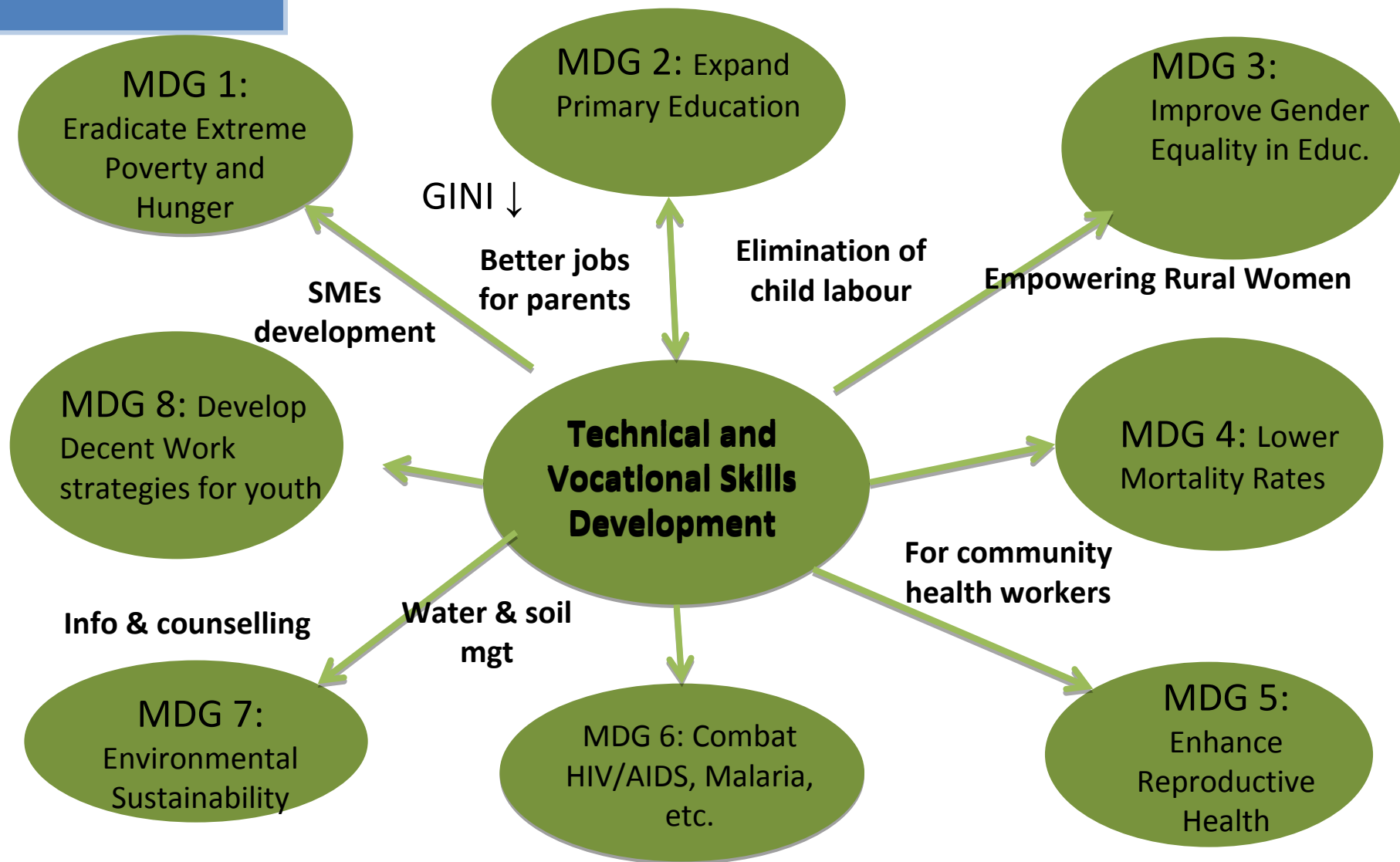
Definition

Technical and vocational skills development



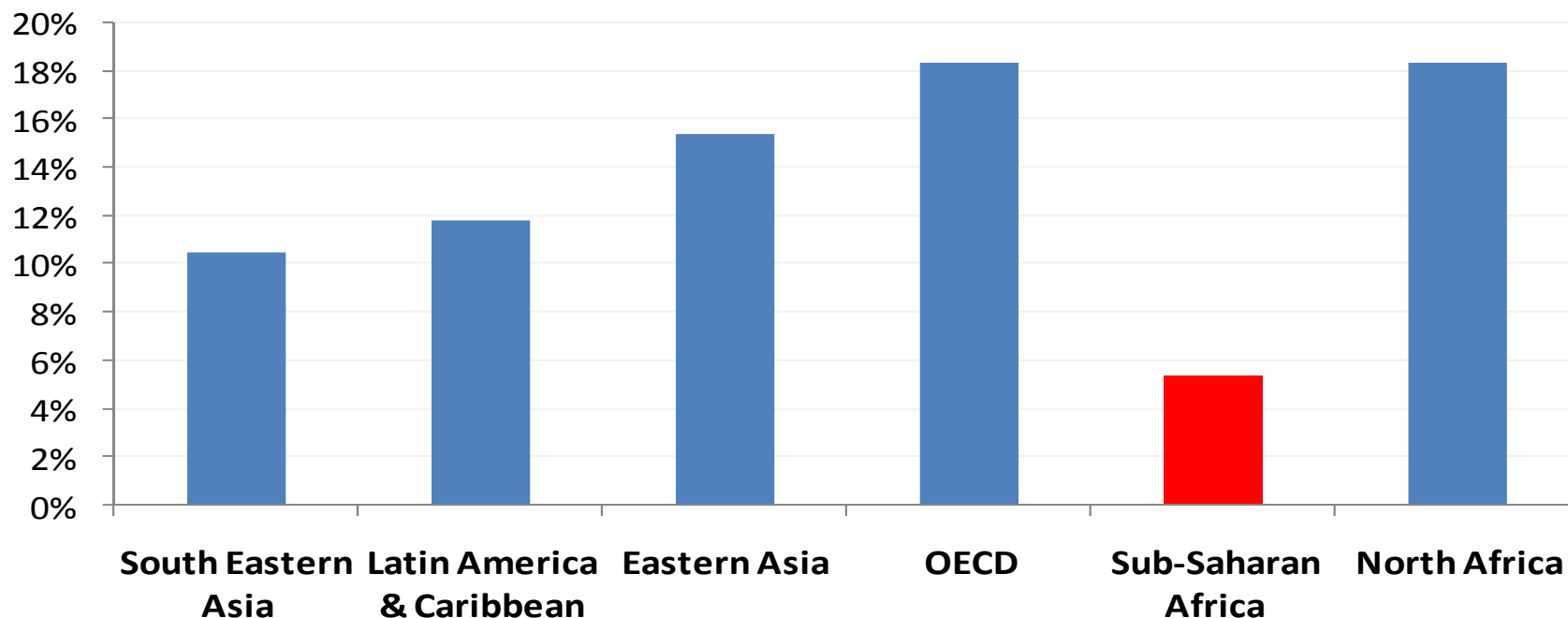
- Sustained economic growth ...but:
 - World's lowest productivity (25% of world average, 1/12th of the average of industrialized countries, slow progress) partly due to limited technical skills
 - Increasing youth unemployment (20% on average)
 - Large informal sector (on average, more than 80% of total employment)

- Notable improvement in primary education, ...but:
 - Big pressure on secondary schools and TVET systems
 - High drop out rates



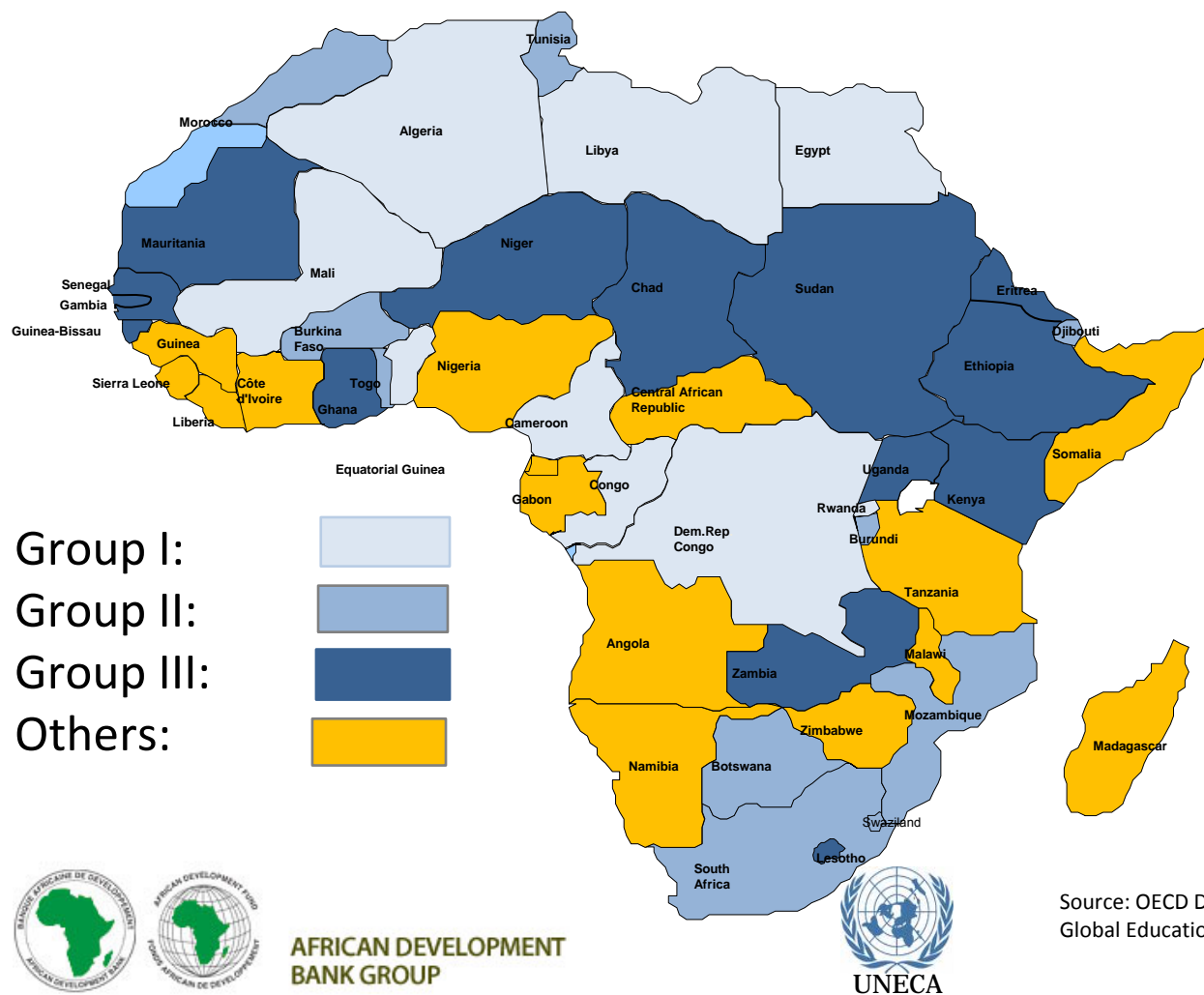
Enrolment in Secondary Technical and Vocational Training in formal systems – International Comparison

Percent, average 2002-2006



Source: OECD Development Centre / UNESCO-UIS (2006), 2008

The percentage of total secondary students enrolled in technical and vocational programmes in 2005



African countries can be grouped in three categories:

Group I: Proportion of TVET enrolment > 10%.

Group II: Proportion of TVET enrolment between 5 % and 9%.

Group III: Proportion of TVET enrolment <5%.

Others: Data not available

Challenges

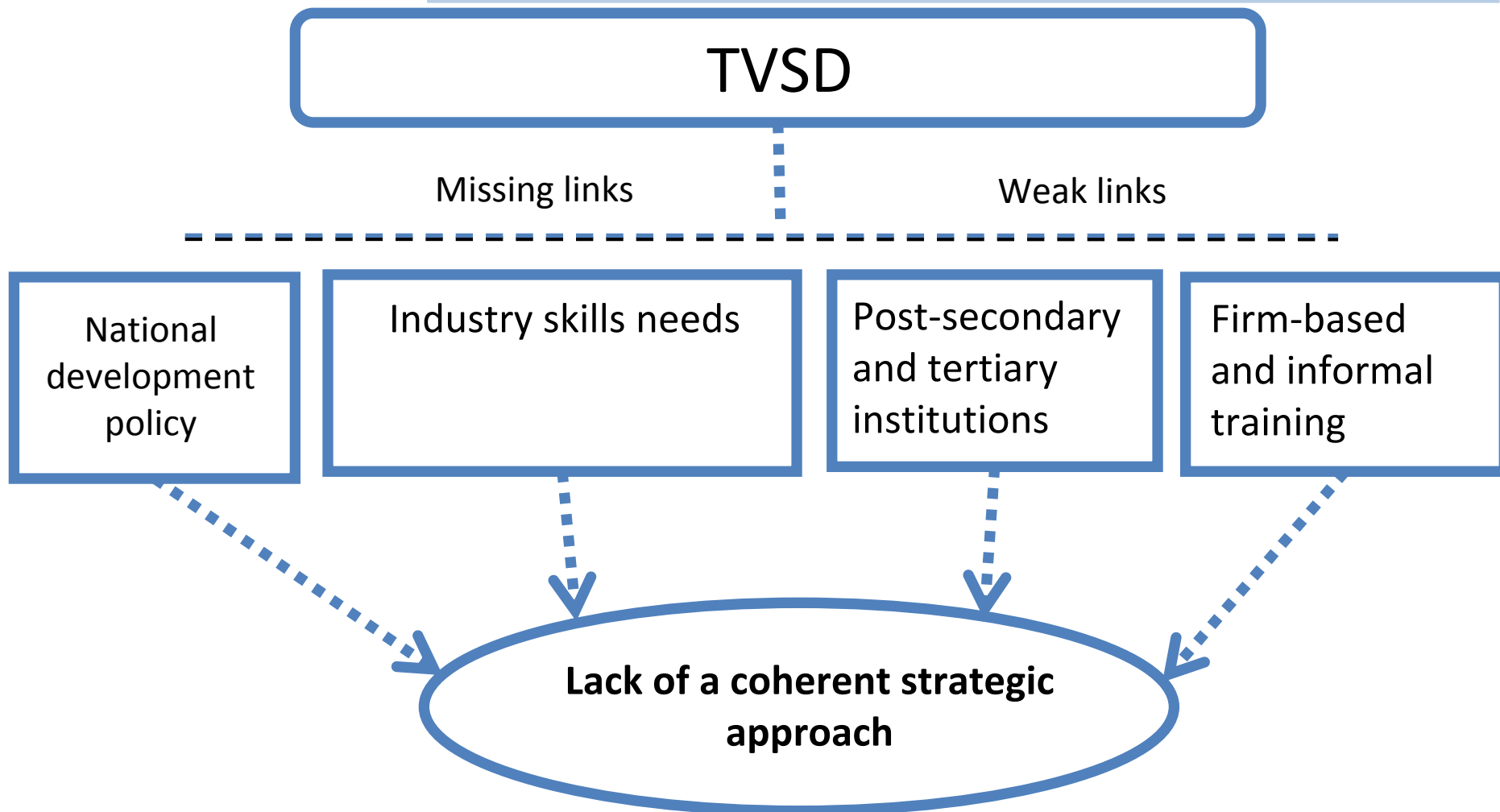
- The training system in Africa is largely **underfinanced** (only 2 to 6% of national edu. budget).
- **Donors' support** to training has been erratic & insufficient to upgrade the quality and access to training.
- Many enterprises **undertrain** their staff.
- Funding is fragmented: Countries must make **better use of existing funds**
- **Access** remains more problematic for the poor and vulnerable: the State has to design support mechanisms for them.

Needs

- **Greater diversification** of funding sources for TVSD,
- Development of **private training markets**,
- Increased **competition** between public and private TVSD providers,
- Encourage more and higher quality **enterprise training**.

Constraints

Constraints on TVSD's impact & expansion



- 1. Adopting an integrated vision and clear lines of authorities**
- 2. Improving Forecasting and Planning for Skills Needs**
- 3. Improving the quality of TVSD**
- 4. Addressing the informal sector's skill needs (and those of vulnerable groups)**
- 5. Setting up accompanying measures**
- 6. Foster Partnership with All stakeholders**
- 7. Involving Local Communities and Strengthening Local Management of TVSD**

To sum up...

1. Coherent vision and governance to TVSD
2. Make TVSD bankable: Strategies, action plan and identification of objectives & resources needed
3. Increase awareness about benefits of TVSD among firms and parents
4. Foster evaluation and monitoring mechanisms

To be fully effective, TVSD strategies must be integrated into comprehensive employment policies and focus on sectors experiencing employment growth and skill shortages



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Thank you!

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